Impact analysis of farmer producer company on its members

Project Report Submitted in Partial fulfilment of the requirement for the award of Degree of

MASTER OF BUSINESS ADMINISTRATION (MBA)

Submitted by

Sonali Kumari

Reg. No: IIHMR-U/03/2020-2022/0090

Under the guidance of

Dt

Dr. Ratna Verma

INDIAN INSTITUTE OF HEALTH MANAGEMENT RESEARCH INSTITUTE (IIHMR)

2020-2022

Abstract

Abstract of the project

The only sector which is contributed positively with 3.4 per cent growth in both the first quarter of the financial year 2020-21. Farmers face different challenges such as scarcity of land and water sources, impassable roads, unavailability of better financial services and new technologies. Government wants to double the farmers' income in 2022-23 by addressing the challenges of farm sector. The government affirmed that farmer producer organizations (FPO) are the most appropriate institutional form around which farmers can mobilize and build their capacity to collectively leverage their production and marketing strength. The members of FPOs are smallholder farmers who organize themselves with the objective of improving farm income through improved production, marketing, and local processing activities. New technologies and marketing practices have not been practiced by most of the FPOs in India.

The present study was conducted to analyse the processes of formation of Farmer Producer Companies (FPCs). Company facilitated by a Non Governmental Organisation, State Agricultural University and line department of Agricultural Marketing respectively were selected. Focused Group Discussions were conducted during March to May, 2015, involving a total number of 71 Directors and Members and the processes were identified. It was found that the major processes that led to the formation of FPCs were creating awareness, building confidence, convincing, capacity building for collective production, processing, value addition and marketing, conducting trainings, demonstrations, exposure visits, Buyer Seller Meets and Stakeholders' Meets. The catalyst agency has, therefore, to use an appropriate combination of such processes for facilitating the formation of FPCs.

DECLARATION BY THE STUDENT

I **Sonali kumari** bearing Reg. No. **IIHMR-U/03/2020-2022/0090** here by declare that this project report on **Impact analysis of farmer producer company on its members** entitled has been prepared by me towards the partial fulfilment of the requirement for the award of the **Master of Business Administration** (MBA) Degree under the guidance of **Ratna verma.**

I also declare that this project report is my original work and has not been previously submitted for the award of any Degree, Diploma, Fellowship, or other similar titles.

Signature
Sonali kumari
Reg. No. : IIHMR-U/03/2020-2022/0090

Place: Jharkhand
Date: 13/04/2022

.

Table of Contents

CHAPTER I – INTRODUCTION

1.1 Introduction

Agriculture remains the largest source of library in Indian economy about 45% India population depend on agricultural for employment in Indian role of small farms in poverty education is well however in the absence of robust public private support system at the ground level farmer space challenges in accessing land water input credit Technologies and Markets then there are emerging challenges like risk and natural calamities for bring industries and Agriculture closed together the Indian government has initiated new organization patterns in agriculture production and marketing to integrate large farm and encourage the group of small and marginal farmers who are the main manufactures of agriculture output and linked with the corporate buyers farmers produces organisations FPO are collective specially of producers low and marginal farmers into the producer organisations has come out as one of the most efficient pathway to address the many challenges of agriculture but more significantly improve approach to investment technology and inputs and marketing department of agriculture and cooperation Ministry of Agriculture Government of India has identified farmers produces organisation FPO under the particular provisions of the Companies Act 1956 as the most appropriate institutional from around which two mobilise farmers and established their capacity to jointly leverage their productions and selling effectiveness.

CHAPTER 2 – SCOPE AND RESEARCH OBJECTIVE

2.1 Scope of the study

The provisions of this Policy will apply equally to FPOs already registered either under the Companies Act and under various central and state cooperative society laws and those FPOs which will be registered subsequent to the issue of this Policy.

The main qualifying criterion for an FPO to attract benefits under various schemes and programmes of the Central and State Governments is that it must be a body registered and administered by farmers and the organisation must be focused on activities in the agriculture and allied sectors.

The Research objectives of the FPO are listed below:

- To build a sustainable agriculture sector by promoting and supporting Farmer Producer Organisations, that enables farmers to improve production and productivity in the state.
- To provide support for the promotion of Farmer Producer Organisations through the qualified Resource Institutions (RIs).
- To promote economically viable and self-governing Farmer Producer Organisations.
- To provide the required assistance and resources such as technical knowledge, inputs, financial resources, and infrastructure to strengthen the FPOs.
- To enable farmers in accessing the markets through their FPOs, both as buyers and sellers.
- To create a policy environment for investments in FPOs to leverage their production and marketing strength.

CHAPTER 3 – LITERATURE REVIEW

3.1 Introduction

FPO stands for Farmers Producers Organisation. It is an organisation of farmer-producers that provide support to small farmers with end-to-end services covering almost all aspects of cultivation from inputs, technical services to processing and marketing *It is one type of PO where the members are farmers. Small Farmers' Agribusiness Consortium (SFAC) is providing support for promotion of FPOs.*

Research is a continuous process and its review of literature is one of the important aspects to keep researcher work going in right Direction this chapter deals with the review of relevance literature and Research studies done in India only few researches where available earlier or impact of farmers producer company on their members so according to the objective of the study and attempt was made to review the literature which had meaningful relationship.

- Study the profile of members of farmers producer company.
- Impact of farmer producer on its member.
- Study the relationship between the profile of members of farmer producer company with its impact.
- Study the concentrated space by the member of farmers producer company and to invite their suggestions for overcoming the concentrates

CHAPTER 4 – RESEARCH METHODOLOGY

4.1 Research approach

Selection of Study Area

The study was conducted in Jharkhand state as it is one of the leading states in setting up FPCs and number of successful FPCs. The main objective of the study is to analyse the impact of the producer company on socio-economic conditions of small holders and their participation in emerging markets.

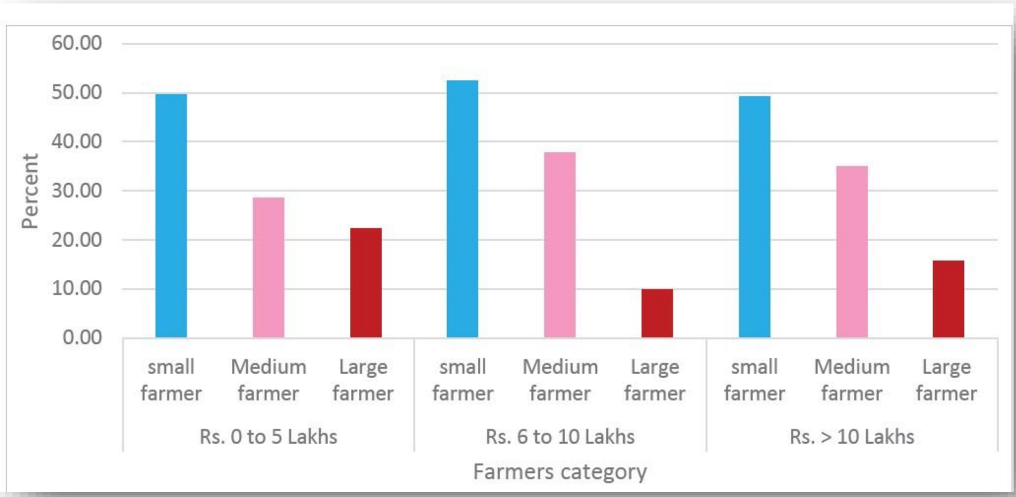
4.2. Sampling Procedure and Sample Size

For the purpose of the study, stratified random sampling technique was adopted to draw the sample size w.r.t. different categories. A detailed list of FPCs registered in the State of Jharkhand was prepared and from this list, twenty (20) companies were selected randomly for the final study. The selected FPCs were post classified based on the amount of authorized share capital. From each of these selected companies, twenty farmer members representing small, marginal and large categories, two directors and one employee working with the company were selected for the study. The detailed sample size selected is presented in Table - 4.

Table - 4: Details of the Sample size Selected for the Study

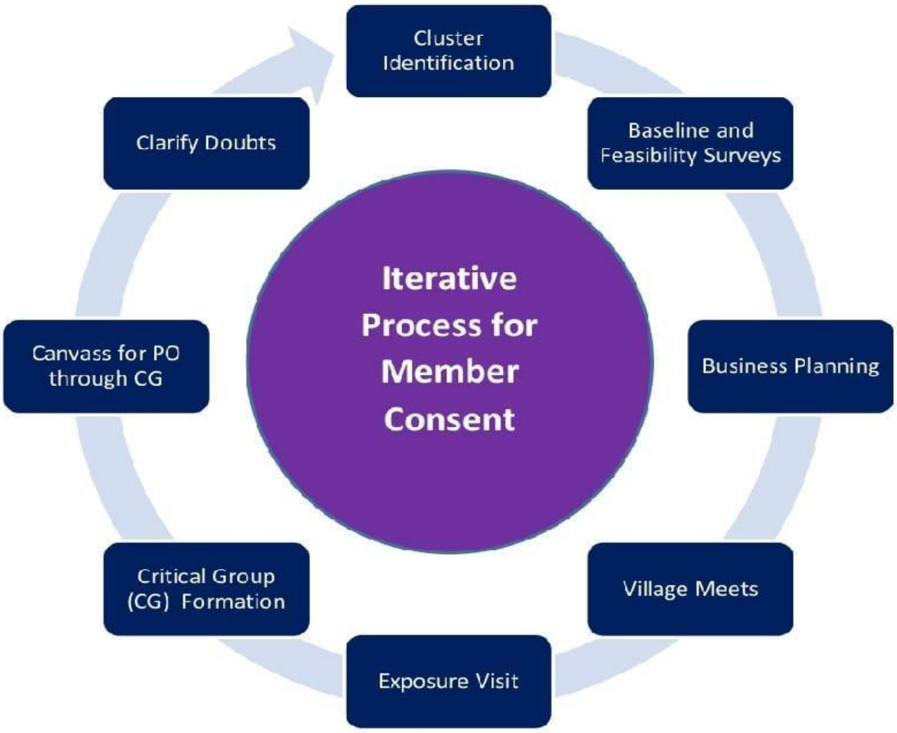
Sl. No.	Authorised Share Capital (Rs. in Lakh)	No. of FPCS Selected	No. of Directors (one from each PC)	No. of Employees (one from each PC)	No. of Farmer Members (20 from each PC)
1.	0 to 5	03	03	03	60
2.	6 to 10	11	11	11	220
3.	> 10	06	06	06	120
Total Sample Size = 440					

4.2 Research Philosophy



From the above analysis it is clearly evident that in all the selected FPCs, around 50 per cent of the farmer members are small farmers followed by medium and large farmers. This indicates that more member farmers are inclined to join the FPCs mainly to leverage the merits of aggregation. They are well informed about the operational mechanism of producer companies.This is a welcome development for Indian agriculture as many policy makers envisage farmer producer companies as an effective tool to address the problems of small farmers. The role of small farms is well recognized in the contribution towards total food grain production and poverty reduction. Contribution of marginal and small farmers to the total output is higher when compared to their share in the total land holdings (Gururaj et al., 2017). In spite of the their role played in Indian agriculture, they face several challenges in access to inputs, marketing of their produce, integration of value chains, market volatility, adaptation of climate change etc. (Mahendra dev,2012).Keeping these challenges in view, one of the institutional innovations which can enable marginal and small farmers to raise agricultural productivity and increase incomes through diversification and high value agriculture is Farmer Producer Company. It is through these companies the farmers can overcome many problems faced by them.

4.3 Research design



The commodity value chain has various enablers ad supporters, all these share profit margins and finally reduces the overall profits of the producer itself. These intermediaries are inseparable part of value chain, who work very often in a non-transparent way to receive their own benefits. All this is possible due to absence of systems and institutions. These institutions are registered under company's act and are governed by a set of bye-laws and rules. The structure of these FPCs starts with mobilizing farmers into groups of between 15-20 members at the village level (called Farmer Interest Groups or FIGs) and building up their associations as Farmer Producer Organizations (FPOs), where members can go up to 1,000 in some cases. FPOs are groups of rural producers coming together on the principle of membership, to pursue specific common interests to harness technical and economic benefit.

4.4 Data collection

4.4.1 Types of Data

In accordance with the objectives of the study both primary and secondary data were collected.

4.4.2 Methods of Data Collection

Primary Data:

The primary data was collected with the help of a well-structured interview schedules from farmer members, directors, Chief Executive Officers (CEO) and employees of each producer company selected for the study.

The primary data was collected from the selected respondents on the following aspects

- Overall profile, business activities, financial aspects of each producer company.
- Areas of operation of the FPC, services provided, major benefits attained by the member farmers, business assessment of the company, challenges faced, role of directors, capacity building programs etc.
- Socio-Economic conditions of the farmer members, their cropping pattern, business linkage with FPC, marketing activities, problems encountered, benefits w.r.t. various aspects after being a part of FPCs etc.
- Opinion of members, directors and employees working in FPC, their job passion and self evaluation etc.

Secondary Data:

Secondary data was collected from various sources with regard to

- No. of registered FPOs in Jharkhand.s
- Geographical features, socio-economic conditions and demographic features etc.,

4.5 Problems faced by FPO in

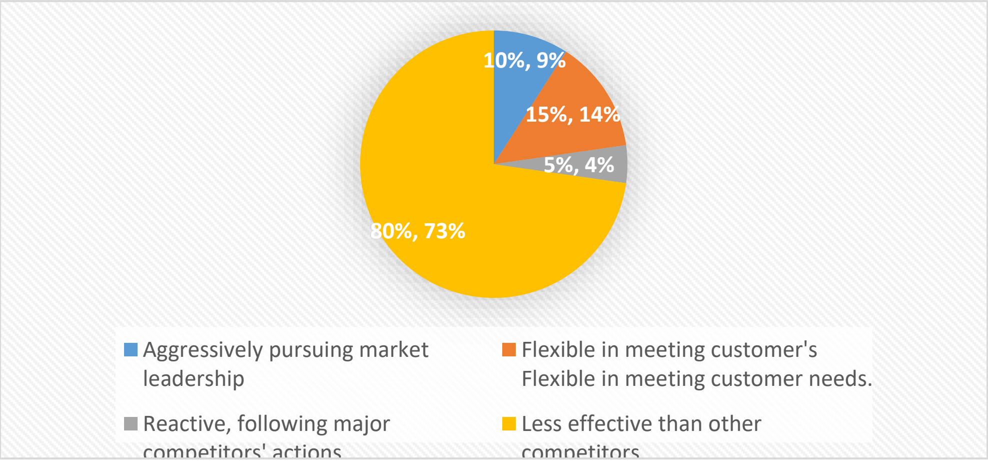
Major challenges faced by the Farmer Producer Companies in India

In spite of success of the producer companies, still they face certain challenges like

- Many FPOs lack the capacity to manage the supply-chain operations .
- store the unsold produce, besides faltering in procurement, logistics and price negotiations.
- E-retailing and e-marketing are viable possibilities for FPOs.
- Finding the right markets bypassing the present maze of intermediaries is critical for the success of the FPOs.
- Implicitly, ICT tools and block-chain technology for agriculture are the need of the hour. Blockchain tech, using hyper ledger in the agri space, enables tracking inefficiencies and improving transparency in the value chain operations. This would also help identifying better markets for the produce, improve banker's comfort to finance such agri-supply chains managed by farmers.
- Currently, only a few FPOs have developed mobile phone based extension guidance to help reduce cost of cultivation and access information about market prices of commodities. This needs to be followed by all the FPOs**.**

❖ CHAPTER V – DATA ANALYSIS & INTERPRETATION

Overall impact the total impact of former producer company on its member after participation was in term of changing annual income 80% change in annual expenditure 50% change in annual saving 50% change in social participation 150% and change in subsidiary occupation 30% and change Employment generation company 32% over before participation hence total mean impact of farmers producer company on its member after participation over before participation was 62%.



As per the information obtained from the directors listed below are the socio-economic benefits attained by the farmer members for being part of the producer companies. The above findings revealed that on the activities like capacity building, leadership, business ideas and financial issues etc., the board of management has to conceive an idea which can translate ideas into company's business and push it towards sustainability. The very composition of this tool by the policy makers is to find a one stop solution to the problems faced by the farmers in the country. Furthermore, the very culture of a FPC should necessarily be farmer-friendly for its success.

CHAPTER VI – FINDINGS, CONCLUSIONS & RECOMMENDATIONS

6.1 Findings

Impact of farmers producer company on its member the impact of farmer producer company was exist on different parameters as received by the respond via change in annual income chain is in annual expenditure change in annual saving change in social participation change in subsidiary occupations and change in Employment generation.

6.2 Conclusion

Considering the input analysis of farmer producer company on its members impact analysis of farmer producer company on its member was conducted with following specific objective

- To study the profile of member of farmer producer company
- To access the impact of former producer company on its member
- To study the relationship between the profile of member of former producer company with its impact
- To study the member of producer company and to invite their suggestion for overcoming.

The present study carried out in **Jharkhand Deoghar** district in Jharkhand state from sample of FPO members drawn with the help of farmers from three random sampling method data where collected by personally interview and respondent farmers with the help of presented structure schedule .

6.3 Recommendations

For policy implications :-

The existing positive impact of former towards farmers produces company needs to harness by increasing their participations in fpc through increasing the membership of existing fpc and establishing new FTC Agencies involved implications of SPC initiate should promote a drive membership expension drive for adding new shareholders farmers partners in existing fpc there is a need to make concerted efforts to promote and nature fbc state government extend all the benefits of farmers Cooperative to them awareness has to be created among about structure and function of bank so that they may provide loan to farmers.

For Information implications:-

The state Agriculture Department should conduct an awareness campaign on the concept of fpc and give the white publicity to result of successful replicable fbc through print and electronic media state department of agriculture should provide complete information about the concept in easily understandable term to the farmer

For Research implications:-

It is necessary to study the impact of farmers towards fpc from other areas within the states and outside of Jharkhand for further generalization the extinct and nature of participations of farmers in fpc should be studies as new area of research impact assessment research determination and improvement in income and social economics status of farmers participation should be conducted.

CHAPTER VII – LIMITATIONS AND SCOPE OF FUTURE RESEARCH

7.1 Limitation

Consultants on time and availability of resources have made the researcher to select Limited area for the study the study is mainly based on the primary data collected from the sample SPC farmers of Jharkhand district which is totally based on real recall memory so their maybe a scope for boys in obtaining recruit sides information from presidents the data where collected with Limited samples of responding from Jharkhand district hence the generalization have to be restricted to the area where similar Agro climatic condition exits.

7.2 Scope of Future Research

The result of the study will be useful to farmers of Jharkhand district in particulars the study helps to understand the socio economic conditions of the farmers and their farm level performance marketing of their produce performance of fpc factor influencing the performance of SPC determinants of choice of farmers to join as member of FPC and also concentrates faced by FPO this guys The Other FPCS of Jharkhand district future development plans.

Appendix –

Appendix-I

Break up of expenditure for Promotion of Producer Organizations (POs)

S No	Eligible Activity for Support	Maximum amount of assistance per PO (Rs. lakh)			
		Yr 1	Yr 2	Yr 3	Total
I	**Support to Producer Organizations(POs)**				
1	Salary expenses of CEO @	1.20	0.84	0.72	2.76
2	PO office expense towards small furniture, postage, electricity, etc.	0.50	0.50	0.50	1.50
3	Revolving fund assistance- primary processing / value addition/ aggregation to improve marketability	0.50	-	-	0.50
4	Establishment / Registration (New FPOs only)	0.30	-	-	0.30
	Sub-total for PO (I)	**2.50**	**1.34**	**1.22**	**5.06**
II	**Support to PO Promoting Institutions (POPIs) on behalf of one PO**				
1	Mobilizing of Farmers (New FPOs only)	0.10	0.10	0.10	0.30
2	Training & Exposure visits for farmers- Cost of two trainings & exposure visits for farmers	0.25	0.25	0.25	0.75
3	Training to PO Directors- one programme per year	0.25	0.25	0.25	0.75
4	Training to CEO of PO- one programme in first two years	0.10	0.10	-	0.20
5	Salary of POPI Resource person	0.50	0.50	0.50	1.50
6	Other expenses - MIS, audit, DPR, etc. (LS)	0.50	-	-	0.50
7	**Sub-total for POPI for promoting one PO (II)**	**1.70**	**1.20**	**1.10**	**4.00**
8	**Total (I+II)**	**4.20**	**2.54**	**2.32**	**9.06**

Appendix-II

Pattern of fund release & Deliverables

Instalment	Timelines	Deliverables	Release Amount
I	Approval of concept note & signing of MOU with POPI		25% of Ist year's cost
II	3 months from signing MOU	Cluster identified, baseline done, farmers data base computerized & awareness meeting and exposure visit conducted	25% of Ist year's cost & satisfactory utilization of earlier release
III	6 months from signing MOU	Constitution of BOD, training of BOD, completions of statutory processes & application for registration.	25% of Ist year's cost & satisfactory utilization of earlier release
IV	12 months from signing MOU	CEO appointed, training of CEO, Business plan & MIS prepared	Balance of Ist year's cost & satisfactory utilization of earlier release
V	18 months from signing MOU	Applied for licenses for input, access to credit as per plan, buyer-seller meet, list of shareholders prepared with crop details, annual report finalized.	50% of 2nd year's cost & satisfactory utilization of earlier release
VI	24 months from signing MOU	Aggregation of produce, creation of basic infrastructure, market linkage, training of CEO/BOD & farmers	Balance of 2nd year's cost & satisfactory utilization of earlier release
VII	30 months from signing MOU	Equity mobilization, statutory compliances, implementation of business plan, institutionalizing market linkage & credit access.	50% of 3rd year's cost & satisfactory utilization of earlier release
VIII	36 months from signing MOU	Approvals of FPO activities, business expansion, Audit & preparation of B/S, P/L a/c, PC Report	Balance of 3rd year's cost & satisfactory utilization of earlier release

QUESTIONNARE

Sl. No.	Question	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Whether the company directors have the strategic plan or a set of clear long term goals and priorities	-	-			
2	Whether the board's meeting agenda clearly reflects the company's strategic plan or priorities	-	-			
3	Whether the board ensured that company has one year operational business plan	-	-			
4	Whether the board gives directions to staff on how to achieve the set goals	-	-			
5	Whether the board communicates the company's accomplishments and challenges to the member stakeholders	-	-			
6	Whether all the board members participate in the board meeting	-	-			
7	I'm aware of what is expected of me as a board of director	-	-			

8	Directors are familiar with what is in the organisation’s by laws and governing policies	-	-			
9	Directors have a good record of meeting attendance	-	-			
10	Directors promote the work of our company in the community whenever I had a chance to do so	-	-			
11	Do you feel like the management team here is transparent?	-	-			
12	Do you feel the senior management is responsible enough to detect, monitor and control the risks in effective functioning of the FPC	-	-			

REFERENCES

https://timesofindia.indiatimes.com/blogs/agyeya/farmer-producer-companies-benefits-are-still-away/

https://www.nabard.org/demo/auth/writereaddata/File/FARMER%20PRODUCER%20ORGANISATIONS.pdf

https://www.indiafilings.com/learn/scheme-for-promotion-of-fpo/

http://sfacindia.com/PDFs/Tenders/SFAC%20FPO%20ProcessGuidelines%20Final.pdf

https://coefpo.org/publications/1overview-of-fpo-eng.pdf

https://www.drishtiias.com/daily-updates/daily-news-editorials/farmers-producer-organisation

https://krishikosh.egranth.ac.in/handle/1/5810129928