International Journal of Management, IT & Engineering
Vol. 12 Issue 3, March 2022
ISSN: 2249-0558 Impact Factor: 7.119
Journal Homepage: http://www.ijmra.us, Email: editorijmie@gmail.com
Double-Blind Peer Reviewed Refereed Open Access International Journal - Included in the International Serial Directories Indexed & Listed at: Ulrich's Periodicals Directory ©, U.S.A., Open J-Gate as well as in Cabell's Directories of Publishing Opportunities, U.S.A

Farmer Producer Companies in India: Concept, Formation and Models

Jyoti E. Kolhe*

Dr. Sangita G. Patil**

Abstract

Farmer Producer Company is a combination of Co-operative and Corporate approach, which is emerged to cope up with issues of small and marginal farmers. The present study addresses the concept of Farmer Producer Company and its formation. Researcher used data provided by NABARD and SFAC for to explore data about the state wise incorporated FPCs. The study indicates need of Farmer Producer Companies for collectivization of strengths of small and marginal farmers. The study suggests the good practicesand modelsfor Farmer Producer Companies.

Keywords:

Farmer Produce Company;
FPCs;
Good practices;
Ecosystem;

Author correspondence:

Jyoti E. Kolhe,
Ph. D. (Scholar),
KavayitriBahinabai North Maharashtra University,Jalgaon
Email: jyotikolhe88@gmail.com

1. Introduction

Agriculture is crucial sector of Indian economy. According to 10th Agriculture census of India, small and marginal farmers are 86.2% of all farmers in India. Major portion of farming population is Small and Marginal farmers. These small producers depend on agriculture for livelihood. These small and marginal farmers are facing problems related to quality inputs, technology, storage problem, transportation, communication, market risk and lack of collective strength. An effective pathway which is addressing these challenges of small and marginal farmers is collectivization of producers. Co-operative model has been the dominant form of farmer output collection in India; however, the experience with cooperative model leads to

*Research Student, KavayitriBahinabaiChaudhari North Maharashtra University (KBCNMU)
**Associate Professor,KCE's M J College,Jalgaon

many limitations that prevent effective collective action. Most cooperative firm kept their political approach ahead of the economic benefits of their entities. As a result, the cooperative model point to many limitations that prevent effective collective action. Many challenges faced by small and marginal farmers are access to investments, technological advancements, and efficient inputs and market risks.

Farmer Producer Company is a combination of Co-operative and Corporate approach, which is emerged to cope up with issues of small and marginal farmers. FPC is a way of financial organization and inclusion of farmers for backward to forward linkages of agriculture sector. It is an organization of farmers to increase their bargaining power and collective strength. The parliament of India amended Companies Act on 6th February, 2002 regarding incorporation of producer companies in a new section IXA based on the recommendations of the Y.K. Alagh Committee.

Prof. Y. K. Alagh described that Producer Company format is a better way for organizing poor producers compared to the co-operative format, which is known for its inadequacies. It offers an opportunity for them to compete and collaborate with other business organizations such as large companies.

2. Research Method

The present paper is based on secondary data. Data collected for study from various sources like Journals, Articles, Books, websites, etc. Secondary data collected from National Bank for Agriculture and Rural Development (NABARD) and Small Farmers' Agribusiness Consortium (SFAC) websites.

3. Results and Analysis

3.1.Farmer Producer Company

Government of India has introduced FPC model in 2002 with amendment based on recommendations of Y.K. Alagh Committee in Companies Act, 1956 (Part IXA) (Reference Section 465(1) of the Companies Act, 2013) mainly for Small & Marginal farmers to overcome the challenges of agriculture sector. According to this amendment a legal form of company can be created. Only farmer- producers can be members of the Farmer Producer Company. Farmers are owners, promoters, directors and beneficiaries of Farmer Producer Company. Farmer Producer Company is a group of farmer- producers, which is gathered to increase their collective strength and bargaining power. FPCs emerged to enhance Backward to forward linkages appropriately for smallholder farmers. Farmer Producer Company is combination of values and practices of co-operation and corporate sector. It is none other than new co-operative approach which is developed for farmers to do business activities.

.

3.2.Formation of Producer Company and its Registration:

Producer is any person who engaged in any activity related to any primary produce.

A Producer Company is a body corporate registered under and engaged in activities and objects given in Companies Act, 2013, Section 581B.

1. Any of the following combination of producers can incorporate a producer company:

Under Section 581C of the Act:

- Any 10 or more producers (individuals) or
- Any Two or more producer institutions or

- Combination of 10 or more individuals and producer institutions

2. Requirements for registration as per Act have to be completed. Registrar shall register the memorandum of association, article of association and other documents of registration within 30 days after receiving application and documents of registration. Certificate of Incorporation will be issued after fulfillment of all requirements.

3.3.Farmer Producer Company as Service Provider

The Farmer Producer Companies are emerged to reduce cost of cultivation, harvesting and selling of produce. Individual small land holder is struggling on each stage of farming. FPCs are mainly established to provide services to farmers-producers- members to make farming profession profitable and to support necessary activities of agriculture. Farmer Producer Company should focus on backward linkages to forward linkages required for farming. Working for Backward to forward linkages covers all activities of cultivation and issues or risks related to marketing. FPC can develop linkages between farmers and traders, farmers and processors, farmers and processors, farmers and market..

The Farmer Producer Company concept is emerged to provide various services to its members. The FPC work on linkages between before sowing to after harvesting.

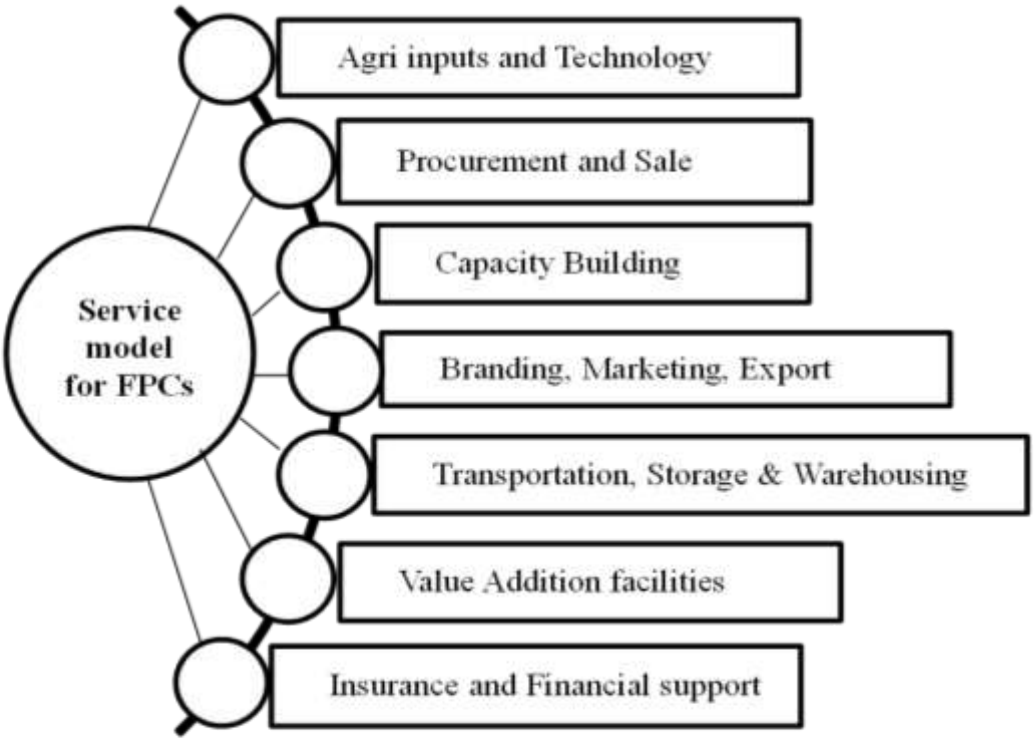

Figure 1: Service model for Farmer Producer Companies

3.5.Farmer Producer Company a Favorable Ecosystem for farmers

Farmers participate in FPOs to overcome challenges related to market risk; and to get extension and technical knowhow, improved inputs, credit, storage and processing facilities. Such participation leads to improvement in income, consumption expenditure, investment on productive assets and a reduction in indebtedness. The success of FPOs would crucially depend on the provision of an assured market, post-harvest credit and extension support. (Singh G. and Vatt K., 2019)

FPCs can create an ecosystem for farmers to support with technology and extension, infrastructure development, finance and to mitigate risk of market. FPCs should identify target customers, market demands and acceptability of products. This market analysis is important for developing business plan and strategy. FPCs ecosystem will help for shortening supply chain, reduction of cost cultivation and getting better market price.

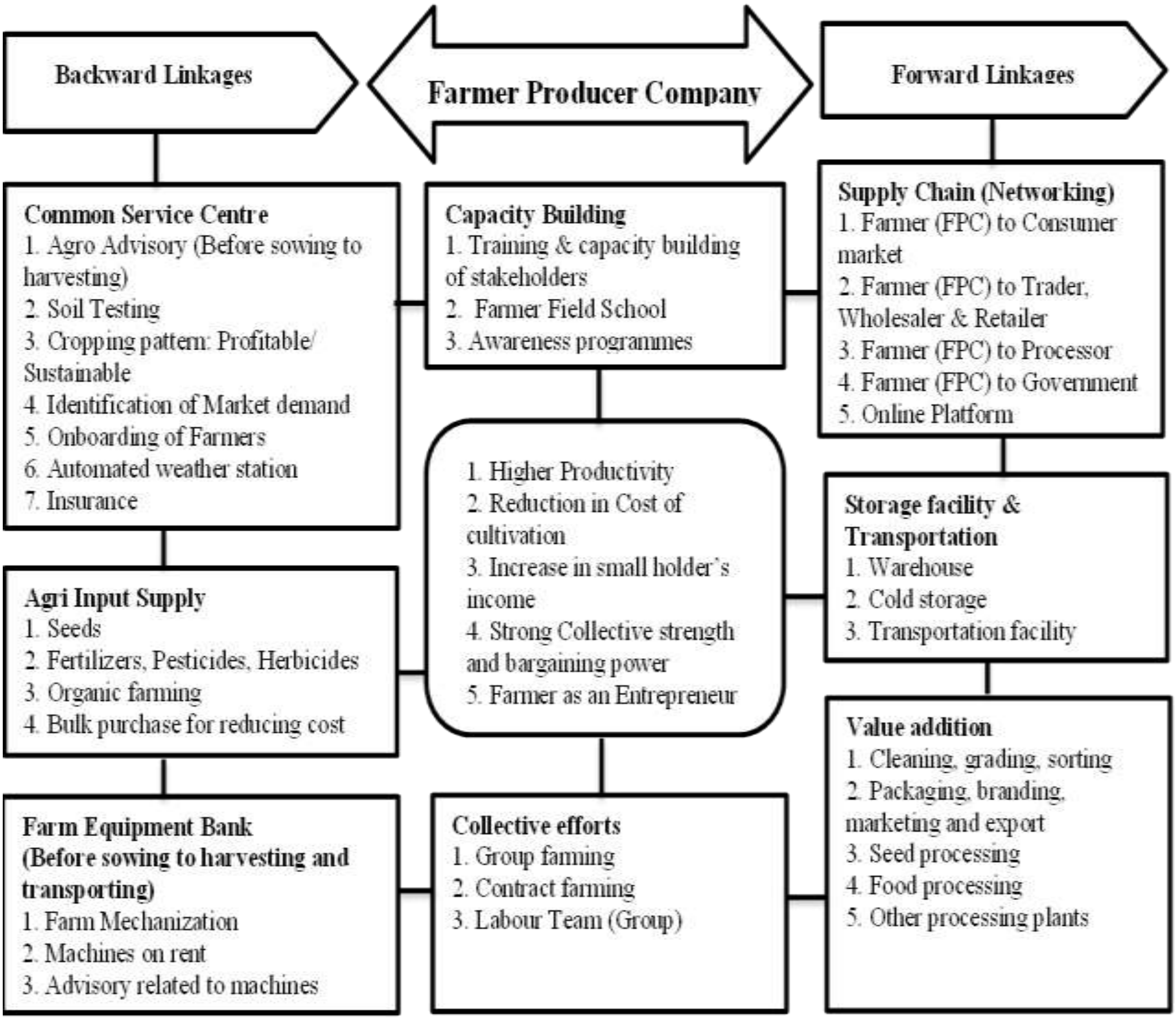

Figure 2: Ecosystem for Farmer Producer Companies (Author's own creation)

3.3.Promoting Agencies of Farmer Producer Organizations in India

Farmer Producer Companies promoted and supported by NABARD, SFAC, State Government Departments, NGO and corporates. NABARD and SFAC are key promoting agencies of Farmer Producer Companies in India. These promoting agencies are playing prominent role in development of farmer producer companies. Financial support, promotion of new farmer producer company, Capacity building programmes, exposure visits, training programmes, market linkages, input services, business development support, guidance for business plan development etc. activities involved in promoting agencies role.

In India more than 7300 FPOs which includes FPCs are in existence. 3200 FPOs are registered as Producer Companies and the remaining as Cooperatives/ Societies, etc. (MANAGE, 2021) These FPCs promoted, supported and formed by various Government initiatives, State Governments, NABARD and other agencies/organizations. Total 7374 Producer Companies registered between 1st January 2003 to 31st March 2019. (Neti, Govil 2019).

State wise distribution of FPOs promoted by NABARD and SFAC

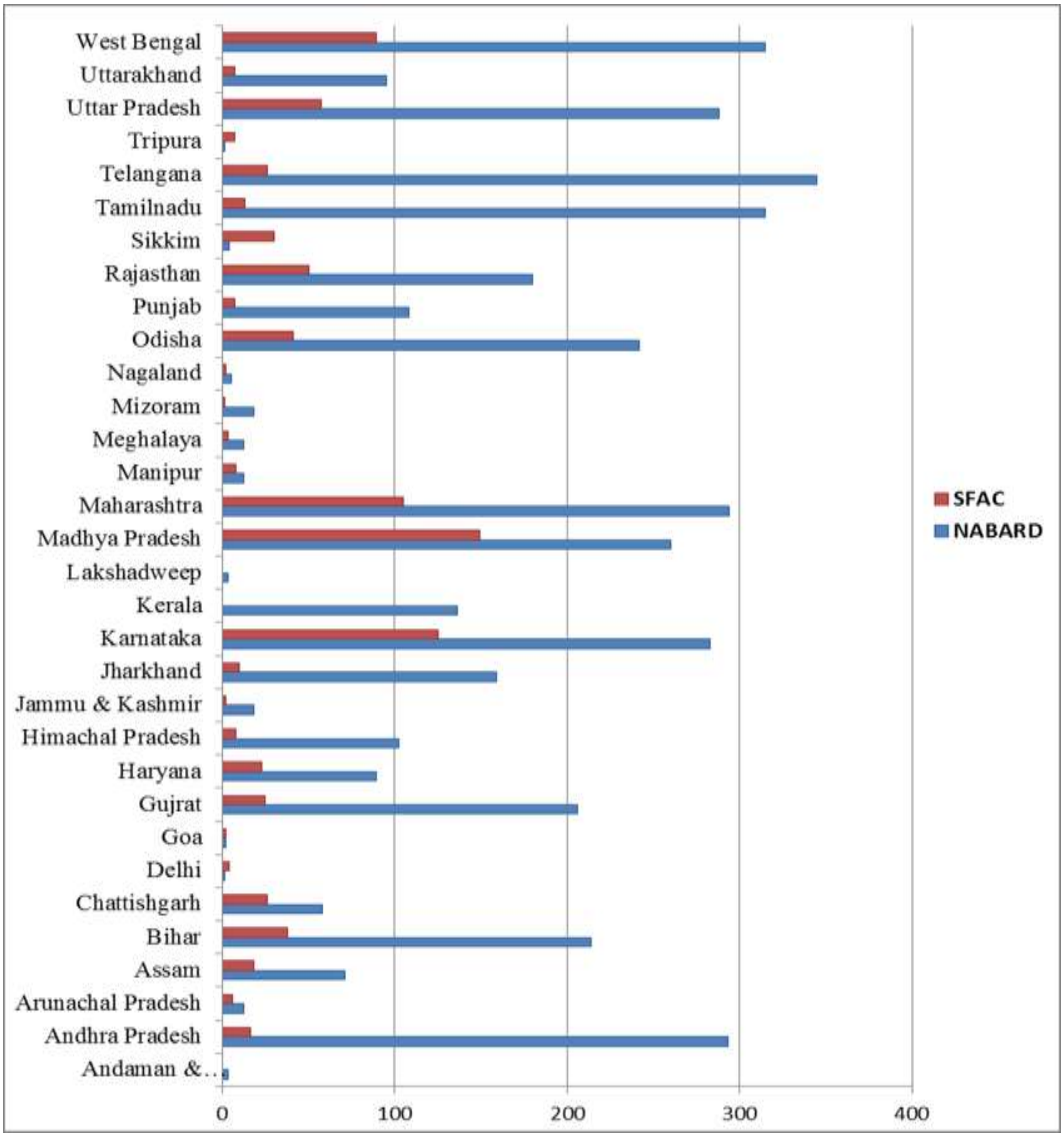

Figure 3: Statewise FPCs promoted by NABARD & SFAC Source: NABARD and SFAC.

Farmer Producer Companies has been promoted by NABARD in 34 out of 36 States and Union Territories in India. NABARD promoted total 4144 FPCs. SFAC promoted FPCs in 32 States and UnionTerritories. SFAC supported total 898 FPCs.NABARD and SFAC promoted largest number FPCs in 10 States of India (Namely-Madhya Pradesh, Karnataka, West Bengal, Maharashtra, Telangana, Uttar Pradesh, Tamilnadu, Andhra Pradesh, Odisha and Bihar), which is 70% of total FPCs promoted.(Figure 3).

4. Conclusion

Collectivization of farmers is must for betterment of agriculture sector. Farmer Producer Company is pathway to gather strengths of unorganised farmers. FPC has potential to shorten supply chain and reduce cost by following a favourable ecosystem. Farmers can reduce their post-harvest losses by connecting with FPCs. FPC need an ecosystem to sustain. (NABARD, 2019-20).

FPC is a platform for upliftment of small and marginal farmers having potential of becoming a successful business. Farming profession gives an opportunity to each farmer to become an entrepreneur with the help of FPC.

References

[1] Alagh, Y.K. (2000). Report of the High-Powered Committee for Formation and Conversion of Cooperative Business into Companies, Government of India, Ministry of Law, Justice & Company Affairs, Department of Company Affairs, New Delhi.

[2] Balasubramanian A. V. & Vijayalakshmi K. (2016). Good Practices for Producer Companies. Centre for Indian Knowledge Systems, Chennai.

[3] Gummagolmath, K. C. &Paty B.K. (2018). Farmer Producer Companies- Issues and Challenges, June 2018, Published by the National Institute of Agricultural Extension Management (MANAGE) (An Organization of the Ministry of Agriculture and Farmers Welfare, Govt. of India).Extension Digest, *Vol.1,* No.3.

[4] Gummagolmath, K. C, Ramya Lakshmi, S.B. & Kulkarni K. (2021). Impact Assessment of Farmer Producer Companies (FPCs) in Maharashtra – A Case Study. Hyderabad: National Institute of Agricultural Extension Management (MANAGE).

[5] National Bank for Agriculture and Rural Development- NABARD (2015). Farmer Producer Organizations - Frequently Asked Questions (FAQs) Written and Published by: Farm Sector Policy Department & Farm Sector Development Department, NABARD Head Office, Mumbai.

[6] National Bank for Agriculture and Rural Development- NABARD (2019). Farmer Producers' Organizations (FPOs): Status, Issues & suggested policy reforms, National Paper- PLP 2019-20.

[7] Nadiia P. (2011). Producer Company as an Institutional option for small farmers in India, Lund University (LUMES).

[8] Neti Annapurna, Govil Richa & Rao Madhushree R. (2019). Farmer Producer Companies in India: Demystifying the Numbers, *Review of Agrarian Studiesvol. 9,* no. 2, July–December, 2019.

[9] Nikam V., Singh P., Ashok A. & Kumar S. (2019). Farmer Producer Organizations: Innovative institutions for upliftment of small farmers, *Indian Journal of Agricultural Sciences89 (9): 1383-92*, September 2019/ Review Article.

[10] Policy & Process Guidelines for Farmer Producer Organization, issued by Agriculture and Cooperation, Ministry of Agriculture, Govt. of India, 2013.

[11] Padmaja S. S., Ojha J. K., Arathy A. & Nikam V. R. ( )Farmer Producer Companies in India: Trends, Pattern, Performance and way forward.

[12] Reference Section 465(1) of the Companies Act, 2013 PART IXA of Companies Act 1956: Producer Companies, https://www.mca.gov.in

[13] Trebbin A.,&Hassler M. (2012). Farmers' producer companies in India: a new concept for collective action? *Article in Environment and Planning A 2012*, *volume 44*, pages 411 ^ 427 DOI:10.1068/a44143

[14] Tagat A. & Tagat V. (2016). The Potential Of Farmer Producer Organization In India.*SSRN Electronic Journal* · January 2016. doi: 10.2139/ssrn.2972488

[15] https://nabfpo.in/

[16] http://sfacindia.com/List-of-FPO-Statewise.aspx