



Research Article

PERFORMANCE OF SELECT FPCs IN MADURAI DISTRICT

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Abstract: Farmer Producer Company is farmers enterprise, an effective pathway to address the challenges in farming and to support farmers in profitable farm business. There are 19 FPCs in Madurai district which are registered under the MCA, GoI. The study was taken up to know the performance of FPCs in Madurai district based on the parameters like activities, support etc., and interviewed. From which, performance of three FPCs are discussed in this paper. MM- FPC Limited (Coconut & other crops producing FPC in Madurai district) is having 1080 shareholders and it procurements of coconut and copra, arrange cattle loan to members and in the process of establishing the oil extraction unit and paddy seed processing unit under development schemes. K-FPC (Kadambavanam Farmer Producer Company) is established through the NGO known as Association for Rural Development. It is involved in linking farmers with the banks and supplying inputs. It also arranges the education loans for the children of the members. SV-FPC (Sirumalai Vegetables Farmer Producer Company) works for the people living in Sirumalai hills and focusing on transport of larger quantity of vegetable from the production centre to different markets. With the support of 1000 shareholders, SV-FPC is planning to establish input shop for the benefit of farmers and sale of premium grade honey.

Keywords: Collective Action, Farmer Producer Organization, NABARD, SFAC, SWOC Analysis

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Introduction

India is an agrarian country which is evidenced from the GDP (around 17 percent) contribution in overall India's GDP. Even though the aim of green revolution is attained, the better income to the small and marginal farmers is still questionable. The average annual income of a farm household was Rs. 77,112 [1]. The reasons of low income are high cost of inputs, climate change, low bargaining power, marketing etc., The agricultural products are more demanded throughout the year but the dominance of intermediaries is the main reason for low price for produces [2] and leaving the farmers more suppressed in production alone. Component examined is performance of FPC behind establishing of the farmer organizations, area of operation, future plans, number of members, organizational structure, resources and services. Most of the farmer organizations act as a multipurpose organization and offer a wide range of services to their members, independent of the specific type of organizations [3]. In order to address the problems facing by the farmers in production and marketing sector and to get the valuable price for the product, a best effective approach of FPC was initiated. Department of Agriculture and cooperation, Ministry of Agriculture, Government of India has identified FPC registered under the companies act, 1956. During 2011-12, FPC was implemented in partnership with the state government, through SFAC to strengthening the sustainable agriculture-based livelihoods [4]. Small Farmers Organizations such as cooperatives and FPCs are expected to enhance incomes, reduce costs of input purchases along with transaction cost, create opportunities for involvement in value-addition including processing, distribution and marketing, enhance bargaining power [5]. Producer companies attain a common interest through collectivization and try to achieve economies of scale by reducing transporting cost [6]. Farmer organizations are effective institutional mechanism in providing their members with better access to research, extension, inputs and marketing [7]. The Department of Agriculture and Cooperation (MoA) has setup 'Small Farmers Agribusiness Consortium' (SFAC), a society under DAC, as designated Agency to act as a single window for Technical support, Training

needs, Research and Knowledge management and to create linkages to investment, Technology and Markets. SFAC provides all round support to State Governments FPCs and other entities engaged in promotion and development of FPC, Centre for Advanced Research and Development. NABARD is promoting 2080 FPCs at country level, while 170 FPCs under the promotion of SFAC were as on January 2019 under the MCA, GoI. The details of FPCs in Madurai district is studied followed by the NABARD and SFAC promoting FPCs is given in [Fig-1] [8,9]. The part of the information was collected as primary data through direct contact survey [8,9]. Analysis on the performance of cooperative system in the country conclude that they have been infected by political interference, corruption, elite capture, poor efficiency, loss-making ways and declining government support [10]. Documentation of the performance of FPCs will indicate the effectiveness of the organization. In this context, the present study was undertaken to study the performance of selected FPCs in Madurai district.

Materials & Methods

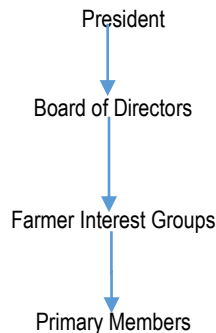
The study was conducted purposively in Madurai district due to the adequate number of FPCs availability. There are 19 registered FPCs in Madurai district under the MCA, GoI. Among them, three FPCs were selected based on the acceptance, activities, number of members and support. Madurai Mavatta Thennai Matrum Ithara Payirgal Farmer Producer Company Limited (MM-FPC) which is located in karumaathoor village in Chellampatti block, Kadambavanam Farmer Producer Company Limited (KD-FPC) which is located in Usilampatti block and Sirumalai vegetables Farmer Producers Company Limited (SV-FPC) which is located in Vadipatti block. Chief Executive Officer of the selected FPCs were interviewed using the well-structured interview schedule. Observation of company activities and group discussions were also conducted.

Results and Discussion

The selected three farmer producer organizations had the similarity in the organizational structure, membership, General body meeting, audit *etc.*

Organizational Structure of the Farmer Producer Companies

Organizational structure is designed for division of tasks, grouping of activities and coordinating and controlling the tasks of the organization [11].



Primary Members

Farmers are primary/core stakeholders in producer companies as they have a direct stake on the business. The contribution of members to the business determines their share of the patronage [12]. The entry point of the promotion starts with the mobilization of small and marginal scale farmers through the targeted self-help groups (SHGs) and Non-Governmental Organization (NGOs). FPC member farmers must believe in the ethical values of honesty, openness, social responsibility and caring for others. An amount of Rs. 1,000 should be payable as a membership fee. FPC is a farmer's enterprise. According to the law any farmer producers who have 1-4 acres of land or more than that can become member of an FPC. Membership is given to farmers keeping their needs in mind and not necessarily based on the crop that they produce to ensure that there is round the year business for the FPC. It must have minimum 50 shareholding members at the time of registration and can be increased over a period of 3 years to a sustainable level [13]. The number of members will vary from one company to another.

Farmer Interest Group (FIG)

One farmer interest group for every 100 farmers or one village. There is minimum one Board of Directors for every FIG. FIG meeting is conducted at second week of every month and the gap difference between the two FIG meeting should not exceed one month.

Board of Directors

The general body is the final authority of the producer company. There is a maximum of 10 board of directors in each FPC with subject to a period of three years term. Each director will have a 3-year term. Board meeting will be held once in every month. On urgent meeting, the quorum of meeting is subject to half of the total strength.

Monitoring and Evaluation in the Producer Company

The general body meeting consists of all member farmers and board of management. FPCs conduct an annual general meeting at least once a year or not more than 18 months between the two successive annual general meetings. The board of management comprises president, board of directors and CEO. Board of management meeting held once in every quarter of the year. All the matters related to this company like audit, company progress are to be discussed. FPCs handle the accounts transparency and the everyday accounts are to be updated. The accounts are to be audited every year by a private chartered accountant. To build their confidence in business among members, union budget 2018-19 allows a 100 percent tax relaxation for the post-harvest activities upto the turnover of Rs.100 crores.

MM-FPC LIMITED (Coconut and Other Crops Producing Farmer Producer Company in Madurai District)

The crops cultivating in the area are coconut, paddy and vegetables. However, this FPC is focusing on coconut. The demand for tender coconut is high during summer season and another major product is copra which has high demand throughout the year but the fluctuation in price is a constraint among the coconut farmers. The efforts of this farmer producer organization started in 2016 with a focus on marketing of coconut in better price. The mission of this producer company is to accelerate the crop productivity through technology transfer and by providing the quality inputs, making the forward and backward linkages with the other stakeholders and establishing a shop to sell the natural products for the benefit of both producers and consumers. The major focus of the organization was to increase the standard of living in both social and economic aspects of the farmer members. The objectives of the company are to increase the consumers rupee through intermediaries eliminating, quality inputs and technical guidance. Increasing the returns from products by identifying the proper marketing channel and terminal and increase the self-life the produces and value addition by adopting the processing facilities. The strategical business plan was framed in profit seeking and under the guidance of coconut development board the company is providing various technical guidance in production and arranging the good marketing platform for copra. In spite of selling the produce individually the producer company assemble the produce of the members and sell directly to the coconut mandi in Theni district without any intermediaries. Due to the absence of intermediaries and bulk selling, the producers will get the better price as compared to before joining the FPC. Due to the price fluctuation and perishable nature of copra, the producer organization planned to extract natural coconut oil from the copra by installing the coconut oil expelling machine. Sun dryer is also installed at 50 percent subsidy by agricultural engineering department for making the copra into eligible form for oil expelling. By this way, the producer organization and the farmers obtain the benefit of better price. This company planned to sell the products of member farmers and also to other FPC members. This resulted in fast selling of the good without bargaining and chance to get better price and it maintains the reliability among the other companies. Despite from the agriculture farming, this company also engaged in animal husbandry by providing the cattle loan to nearly half of the total registered members. By this way, the members have the capability to get more income and to increase the standard of living. The company provides services on procurement, marketing, finance, technology, value addition, and obtaining grants. The company procures the coconut from member farmers to increase the bulk selling, thereby the transport cost of farmers was ultimately reduced. The procured coconuts are sold in private mandis in Theni district with a margin of Rs. 1.20 per coconut. Thereby, the farmers getting the benefit of Rs.2 per coconut which includes a reduction in transport cost of Rs.0.80 per coconut. The company arranging the crop loan to the members through nationalized banks. The company is arranging the meetings/trainings with the agricultural university staff/scientists for improving the knowledge on recent technologies. The company installed solar dryer and oil expelling unit to increase the value of coconut. Recently, the company obtained a grant of Rs.50 lakh through the central government scheme for seed processing unit and storage godown. The amount of financial capital which includes authorized capital and paid up capital are increased recently to Rs.30,00,000 and Rs.10,00,000 from Rs.10,00,000 and Rs.1,00,000 respectively and number of shareholders of this FPC is 1020 from 15 members at the beginning.

Kadambavanam Farmers Producer Company Limited

This farmer producer company is started under the charitable organization named Association for Rural Development (ARD). The area targeted by this organization was rurally poor which mainly covers the small and marginal farmers. The farmers are facing constraints in obtaining the inputs, advisory facilities, technology adoption which result in increased production cost and declined productivity. Because of poor marketing strategy, farmers are forced to hand over or sell their products to middlemen and finally they failed to realize the better price for the produces.

Table-1 SWOC analysis for the select FPCs in Madurai District

FPC	MMFPC	KFPC	SVFPC
Strength	<ul style="list-style-type: none"> Large number of stakeholders Good governance and management structure Effective monitoring and accounting standards Support from the strategic stakeholders Sharing information and transparency 	<ul style="list-style-type: none"> Good leadership Good governance and management structure Effective monitoring and accounting standards Sharing information and transparency Staffing Educational loan to children of stakeholders 	<ul style="list-style-type: none"> Large number of stakeholders Good leadership Effective monitoring and accounting standards Good governance and management structure
Weakness	<ul style="list-style-type: none"> Insufficient experience in value addition Mistrust between members and leaders/resource institutions Members performance is weak Risk aversion 	<ul style="list-style-type: none"> Less paid up capital and credit available in comparison to the demand No supportive stakeholders Assets base in insufficient 	<ul style="list-style-type: none"> Assets base is insufficient Mistrust between members and leaders/resource institutions Members performance is weak
Opportunity	<ul style="list-style-type: none"> Financial credibility from banks/promoted institutions Large number of farmer member/shareholders High potential among members for cooperation Large number of forward linkages for valuing the farmers produce Enhanced participatory decision making 	<ul style="list-style-type: none"> Financial credibility from banks/promoted institutions Large number of forward linkages for valuing the farmers produce Enhanced participatory decision making 	<ul style="list-style-type: none"> Financial credibility from banks/promoted institutions Financial services like crop insurance Enhanced participatory decision making
Challenges	<ul style="list-style-type: none"> Lack of storage facilities Inefficient group formation and mistrust among members and the leaders Price fluctuation of the produces 	<ul style="list-style-type: none"> Inefficient group formation and mistrust among the members and the leaders 	<ul style="list-style-type: none"> Inefficient group formation and mistrust among the members an leaders Price fluctuation of the produces

To help the farmers and enhance the productivity and to increase the producers gain, Kadambavanam Farmer Producer Company Limited established in the year 2016 under the companies act, 1956. It is social-enterprise company focused on strengthening the livelihoods of the farming community especially small farmers, marginal farmers, agricultural laborers from the Chellampatti block in Madurai district of Tamil Nadu. The mission of this producer company is to reduce the crop and milk production cost, improving the quality of milk and livelihoods of the farming community and establishing input shop at the Chellampatti block in view to supply the inputs at minimum price. The objectives of the company are to increase the crops and milk productivity through adoption of new technologies which are trained through the personnels of agricultural universities, KVK, NABARD etc., and arranging the forward and backward linkages with the market and crop loans through nationalized banks. The services offered by this company are input supply, education and finance. Input supply service is the selling of cattle feed to the member farmers at Rs. 1,100 through owned Cattle Feed Selling Centre. The farmers obtaining a benefit of good quality feed and the company getting a profit of Rs.50 per bag. The company providing the educational loan to the members children upto Rs. 30,000 per member farmer through ARD. Financial service is the linking of member farmers with the nationalized banks for easy availing of crop loan. Procurement of produces from member farmers and the arrangement of marketing facility for obtaining better price are the activities which are under plan to execute in the future. The amount of financial capital which includes authorized capital and paid up capital are Rs.10,00,000 and Rs.1,00,000 respectively and shareholders strength of this FPC is 680.

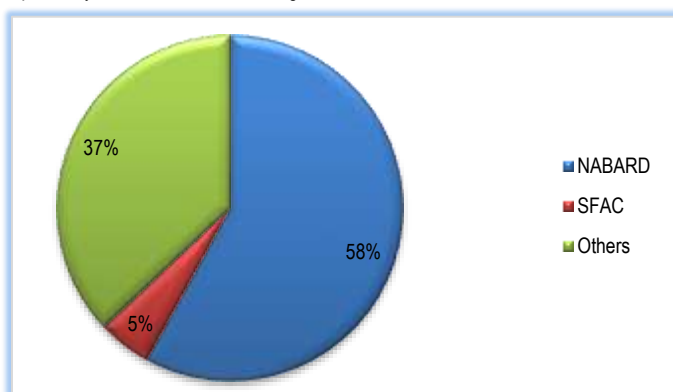


Fig-1 Financial Support to FPCs in Madurai District under NABARD, SFAC

Sirumalai Vegetables Farmer Producer Company Limited

Sirumalai is popular hill station which is located in the boundary of two districts

namely Dindugal and Madurai. The popular Sirumalai banana and other vegetable crops are widely cultivated among the 2000 farm holdings in this region. Being in tribal area, people lack awareness and exposure to new technology and marketing. The farmers in this region facing the multiple problems in buying of inputs, advisory services for pest and diseases attack, marketing of produces, transportation etc., To diminish the persisting constraints of farmers, an NGO planned an effective approach of Sirumalai Vegetables Farmer Producer Company which was established in 2017. SV-FPC was incorporated under the Companies act, 1956 on March 30, 2017. It is a social-enterprise company which aims to empower the livelihoods of the farming community. The company markets natural pure honey in plains around Sirumalai. The company overcame the transportation problems of famers. And also the company planned to start an input shop in the hill region itself in order to reduce the stress among the farmers in buying inputs. The mission of this FPC is to reducing the squeeze of farmers in all parts of farming was the highlighting focus of the company. The mission was in thought of organization board of management is to bridge the gap between the farmers and the technology availability through training by resource persons, increasing the livelihood of members in both socially and economically and reducing the production and marketing cost through input shops, processing facilities, transportation etc., The objectives of this company is to making the transport facilities for easy reach of members produce to the market, arranging of forward and backward linkages with market for the benefit of both producers and consumers and adoption of recent technologies to overcome the pest and disease attack. The service provided by this FPC are procurement and transporting services). Procurement and transporting of vegetables from Sirumalai farmers field to market is a present ongoing activity. The SV-FPC procuring the vegetables like chow chow and beans from the individual member farmers field gate to make the bulk selling of the produces. The procured vegetables are transported to the markets in Dindugal and Theni district, thereby the member farmers get a benefit of transport cost reduction of upto Rs.6 per bag. Starting up the fertilizer and pesticide input shop at the Sirumalai hills is a planned activity. The amount of financial capital which includes authorized capital and paid up capital are Rs.10,00,000 and Rs.2,75,000 respectively and shareholders strength of this FPC is 1000. Among the three FPCs, MM-FPC have high financial capital and has an immovable property worth of Rs.50,00,000, remaining two FPCs has no immovable property. The farmer members strength is also high in MM-FPC compared to remaining FPCs. The detailed compared report of the three select FPCs is shown [8,9].

SWOC Analysis of the selected FPCs

Strength refers to the positive factors which are internal to this company whereas, weakness refers the negative factor.

Good governance and management structure is the common strength prevailing among the three FPCs. Major weaknesses among the FPCs is mistrust between member farmers and leaders of resource institutions. Opportunity and challenges are the positive and negative factors which are external to the FPCs. Financial credibility of resource institutions, inefficient group formation and mistrust among members and the leaders are the major challenges to this three FPCs. A detailed SWOC analysis of the selected three FPCs [Table-1].

Conclusion

Farmer Producer Company acts like a catalyst in the development process and the farmers can find the solutions for issues in agricultural and allied activities in an efficient manner by increasing the strength of farmers. The member farmers in the MM-FPC acquired the major benefits by getting the loan from banks through FPC initiatives, solving the problem of transporting cost to the farmers by bulk procurement and transport. Through this efficient business performance, the MM-FPC realized a profit of Rs. 82,760 (2017-18). Farmer members of KFPC will easily avail the cattle loan from NGO and the cattle feed from this KFPC input shop at a lesser cost than the cost in other local shops. Through the selling of inputs, KFPC will also getting the profit. SVFPC is a younger farmer producer company, meanwhile, it is actively involved in transporting of vegetables from the farmers field gate to market. This is resulting in decreasing the farmers transport cost by Rs.6 per bag of vegetables. During this short period, SVFPC achieved a member's strength of 1000 shows the active involvement in business. Invariably, the FPCs expressed their concern that the government bodies and the schemes should continue to support them for their growth which will be translated as benefit to the member farmers.

Application of research: Study of performance of FPCs in Madurai District

Research Category: Agriculture Economics

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Study area / Sample Collection: Madurai District, Tamil Nadu

Cultivar / Variety / Breed name: Nil

Conflict of Interest: None declared

Ethical approval: This article does not contain any studies with human participants or animals performed by any of the authors.

Ethical Committee Approval Number: Nil

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