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## A case study on Jivamrit organic farmer producer company limited

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### Abstract

Agriculture in India is predominantly production oriented and plays a pivotal role in the Indian economy. Further, it is spread over a large number of small and fragmented holdings. Small and marginal farmers in India have been vulnerable to risks associated with the sector. There are several organisational prototypes which have emerged to integrate small and marginal farmers into the value chain with the main objective of enhancing their income and reducing the transaction costs. One such alternative is the Farmer Producer Organization (FPO). The potential of FPOs as a collective institution has been explored through the case study of Jivamrit Organic Farmer Producer Company Limited. The study suggests that FPOs have the potential to provide several benefits to farmers and enhancing their income.

**Keywords:** farmers, agriculture, producer organisations, farmer producer companies

### Introduction

India's economic security depends upon agriculture and allied sectors. More than half of India's rural households (58%) are dependent on agriculture as the principle means of livelihood. Major proportion of India's farmers are small and marginal farmers and together they account for a whopping 85.0 percent of the total farm holdings in India (Government of India, Agricultural Census, 2011). About 1.5 to 2.0 million marginal and small farms are being added every year due to continued land fragmentation (NAC Draft Document 2012-13 by the Working Group). Small and marginal farmers in India are highly vulnerable to risks and face multifold problems like lack of market information, high transaction costs, Lack of access to credit, limited access to critical inputs such as quality seeds, fertilizers, irrigation water and power. While the prices of agricultural inputs has witnessed an increase, profit margin of the farmers has not increased proportionately, leading to a crisis situation where small farmers struggle to survive. A variety of approaches have emerged in response to the problems faced by them.

Collectivization of small and marginal farmers into Producer Organizations is one of the most effective pathways to address the challenges faced by them. Producer Organisations improve access to investments, technology, inputs and markets. The intervention and role of Farmer Producer Organizations (FPOs) has been acknowledged as crucial for upliftment of the agrarian community. Farmers' Organisations contribute significantly towards higher income, and welfare of small- scale farmers (Bachke, 2009) [2]. Small and marginal farmers who organise themselves as a FPO are able to plan for the season, repay the revolving loan to a common account and purchase inputs collectively. It has been observed that, through the FPO, farmers were able to demand fair trade practices, correct measurements and logistical support (Nandeesa *et al.*, 2013) [4]. The farmers' organization provided a wide range of services to their members related to marketing, finance, technology, production and welfare (Sawairam, 2014) [7]. Production, income and employment of members of the Farmer Producer Organisations was also found to be significantly higher in comparison to the non-members. The members were benefitted by saving their transportation costs, *hammali* charges, commission of *arhatiyas* (middlemen) (Sahu, 2014) [5]. Farmers Producers Organisations even provided the members with access to credit/ loan (Asante *et al.*, 2011) [1]. It has been seen that FPOs have helped to organize small and marginal farmers to improve their standard of living by providing assured income, employment, better technologies of production and post harvest management activities (Darshan *et al.*, 2017) [3]. A Farmer Producer Organisation- Jivamrit Organic Farmer Producer Company Limited was studied in detail to understand functioning, role and challenges faced by FPOs.

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### **Case Study: Jivamrit organic farmer Producer Company limited**

Jivamrit Organic Farmer Producer Company Limited (JOFPC Ltd.) was incorporated on 31<sup>st</sup> March, 2017 under the Companies Act, 2013 and the company is limited by shares. The FPC covers 22 villages in Haridwar district. The office and the main processing unit of the FPO are located in village Sherpur Khelmau in Narsan block of Haridwar district. The value per share is Rs. 10 and the share amount contributed by each member is Rs. 2000/-. The total share capital of the company is Rs. 10 lakhs and the annual turnover in 2019-20 was Rs.3.5 crores.

**Genesis of the company:** The Managing Director of the company, Mr. Vijay Pal retired from Indian Air Force in 2005 and laid the foundation for the farmers' group and Farmer Producer Company. Mr. Vijay Pal's family had agricultural background, and he was engaged in agriculture since childhood. So, post retirement he decided to practice farming on 20 acres of land owned by him. He started attending training programs and meetings organized by the Uttarakhand Organic Board. During one such meetings in 2006, he met Mr. R.S. Taulia, Chief Secretary, Government of Uttarakhand and Ms. Vineeta Shah from the Uttarakhand Organic Board, who motivated him to switch to organic cultivation and form an association of organic farmers. Mr. Vijay Pal started organic cultivation along with three other large farmers in the area. Later, in 2008, during a meeting of Organic Board in Dehradun, Mr. Reddy, Managing Director of Sresta Natural Bioproducts Pvt Ltd. met Mr. Vijay Pal and they discussed issues related to organic production in state and problems faced by organic farmers. Following this, Mr. Reddy promised to purchase the organic produce from Mr. Vijay Pal and his associates. Realizing that there was an assured market for their produce, 12-13 farmers started organic production and all of them formed a farmers' group. Sresta Natural Bioproducts Pvt Ltd. purchased eight tonnes of organic jaggery initially from the group. The average production of the crop decreases in the initial years. So, most of the farmers in the area were reluctant to switch to organic cultivation and Mr. Vijay Pal found it difficult to motivate farmers. However, farmers who were willing to try out organic farming were provided inputs free of cost and their produce was purchased at higher price. After 4-5 years of concerted efforts by Mr. Vijay Pal, the membership increased significantly and the group started supplying 1500 tonnes of organic jaggery to Sresta Natural Bioproducts Pvt Ltd.

A group of M.BA students from Andhra Pradesh visited Krishi Vigyan Kendra, Dhanauli, for research work on Farmer Producer groups and were sent by the KVK to study the working of Jivamrit. In their report, the students suggested that the farmers' group can work very effectively if provided proper guidance. After reviewing the report, KVK, Dhanauli was assigned the task of getting the group registered by NABARD. KVK Dhanauli got the farmers' group registered as the Farmer Producer Company under the Company Act, 2013 in 2017.

**Organisational structure of the company:** Mr. Vijay Pal, is the Managing Director of Jivamrit Organic FPC and final decision making is done by him. The company has five Board of Directors who play an important role in decision making. The Chief Executive Officer, Mr. Munesh Kumar looks after all the day- to- day activities and proper

functioning of the company. Other staff include farm manager, accountant, field assistant and quality manager. The Farm Manager, Mr. Mohit Mundlana is in direct contact with the member farmers. He inspects the farms regularly and troubleshoots the problems faced by them on day-to- day basis. He also regularly inspects the two processing plants of the company. Field Assistant, Mr. Sanjay, gathers information pertaining to the demand of inputs, etc. from the farmers and supplies them. The Accountant, Mr. Akshay maintains the accounts of the company and Quality Managers, Mr. Udhm Singh and Mr. Sumit Kumar regularly inspect the farms and maintain a check on the quality of the raw as well as processed material. Also, there is a full time Quality Inspector sent by Sresta Natural Bioproducts Pvt Ltd. Who maintains a check on the quality of the produce. At time of registration, the group comprised of 318 farmers. Over the years, their number has increased steadily and has reached the maximum limit i.e. 500. Jivamrit FPC does not hold elections for choosing the Board of Directors (BODs). The BODs are selected by the Managing Director of the company and he along with BODs select the staff and managing committee.

**Seed capital and financial assistance for the company:** At time of registration, NABARD paid the registration charges of Rs. 35000. It also provided initial support in form of three years' salary of the CEO and organizing training programmes and visits for the members. Rest of the seed capital for starting the company was contributed by Mr. Vijay Pal, Mr. Vivek, Mr. Shekhar and the Board of Directors.

Sresta Natural Bioproducts Pvt Ltd. also helped the FPC by giving financial aid of Rs 10 lakhs at the initial stage. The amount was returned by the FPC later on. At present, the FPC is self sufficient and able to manage with its own financial resources.

**Activities of Jivamrit FPC:** The FPC carries out several activities for the benefit of its members. The main activity is sale of organic sugarcane products. The FPC initially started with the sale of organic jaggery powder, mustard oil, vegetables, dal, rice and wheat flour, but jaggery powder fetched maximum returns compared to other products. Hence, the FPC decided to focus only on selling organic jaggery powder and jaggery to various companies. It has recently added raw honey, khand and vinegar to its product list. Business plan of the company is made annually and is further divided into various monthly activities. The decision making is done by the Managing Director in consultation with the BODs. The company has a well equipped set up for packaging, branding and labeling the products and the products are sold in the name of Jivamrit Organic Farmer Producer Company.

The company owns two processing mills and third one is under construction. The FPC receives six lakh quintals of sugarcane from the farmers every season and 2500 tonnes of jaggery powder is sold during the same period. The company has two polyhouse for drying the jaggery powder, and godowns for storage of extra produce.

Free inputs (*Beauveria bassiana* biopesticide, Trichoderma spp., Pseudomonas, Neem oil and Sanjivani micronutrient) are provided to all members. The company purchases these inputs from International Panaacea Limited and Modipuram Lab in bulk and distributes them to farmers. The FPC provides trainings for updating the knowledge and skills of the members. The company also provides credit to its

members at zero interest rate. The FPC also owns machinery and implements which are used by its members as and when needed at zero cost. The FPC has extended crop insurance cover to all its members. This reduces risk to the farmers substantially.

The FPC is licensed by the Food Safety and Standards Authority of India (FSSAI) for processing, packaging, labeling and selling the organic products. The FPC has also been certificated by Importer- Exporter Code (IEC) from Ministry of Commerce and Industry and Uttarakhand State Organic Certification Agency (USOCA).

**Marketing linkages:** The FPC focused on marketing of the produce since its inception in 2008-09. Gradually, the market for organic produce grown by its members increased and at present it supplies to all parts of the country. The FPOs products also meet the export standards and are purchased by other companies engaged in trading organic products outside the country. These export companies place their orders at the start of the season. Major clients of Jivamrit FPC are:

- Sresta Natural Bioproducts Pvt Ltd.: It was established in 2004 and is a pioneer in organic food products. The company had been a client since 2009 and initially procured eight tonnes of organic jaggery and jaggery powder from the FPC. The quantity purchased by Sresta has increased exponentially since then and it now sells the products under the brand name of 24 Mantra Organic over offline and online platforms.
- Safe Harvest is another major client of the FPC. It aggregates organic produce from individual farmers and processes it for sale over online platforms. It purchases 800 tonnes of jaggery powder from the company.
- Gavyadhar Organic Private Limited is a well-known supplier of organic food and food products in Gujarat. It purchases 400 tonnes of jaggery powder from Jivamrit FPC annually.
- Sai Tatva Company also buys produce from Jivamrit FPC. It procures 300 tonnes of the jaggery powder annually from Jivamrit FPC and mainly sells organic produce locally.
- Aryafarm is a platform that provides high quality organic food to its customers. It is located in Gujarat and purchases 300 tonnes of jaggery powder from Jivamrit FPC every year.
- ML King Foods is a certified organic brand located in Meerut. Jivamrit FPC supplies organic jaggery powder, jaggery, organic cane vinegar organic raw sugar and organic boora with the company's label.
- Elworld Organic Food Pvt. Limited is a well-known brand of organic food manufacturer. It procures 250-300 tonnes of organic jaggery and jaggery powder from the FPC.
- Organic India is engaged in supply of organic and natural food and food products. It purchases 150 tonnes of jaggery powder from Jivamrit FPC for sale over various online platforms.
- Sunlight Organic is located in Roorkee and purchases 150 tonnes of jaggery powder from Jivamrit FPC annually.
- Shree Banke Bihari Agro Products sells organic jaggery powder, brown jaggery and jaggery blocks and procures most of its products from Jivamrit FPC. It buys around 100 tonnes of Jaggery powder and jaggery from the company every year.

**Evaluation:** Evaluation of the FPC is done both internally and externally. External evaluation is done by Uttarakhand State Organic Certification Agency (USOCA) and it monitors the farms and crops periodically. Internal evaluation is carried out by the field staff. They supervise seed preparation, sowing and processing of sugarcane. For quality control, rigorous monitoring and checking is done by the Quality Manager of the FPC.

**Landmark achievements:** The FPO has received laurels from various organization for its achievements. NABARD on its 37<sup>th</sup> Foundation Day in 2018 awarded Jivamrit Organic FPC with Award of Excellency for its good performance and the FPC was recognized as the Best Farmer Producer Organisation award in the same year by the Governor of Uttarakhand. Govind Ballabh Pant University of Agriculture and Technology awarded the Managing Director of FPC with Progressive Farmer Award during the 103<sup>th</sup> Kisan Mela in 2018. It was also recognized as the best organized FPC in 2017-18 and was awarded Rs 20000 under the programme Support to State Extension Programme for Reforms (ATMA) by Chief Agricultural Officer, Haridwar. It received the Best FPO award by the Chief Minister of Uttarakhand in 2017 and also Agricultural Minister of Uttarakhand awarded Jivamrit Organic FPC with Best FPO award in the same year. Managing Director of the FPC, Mr. Vijay Pal was awarded "Krishi Pandit Saman" in 2016 by the Department of Agriculture, Government of Uttarakhand for his contribution to the agriculture sector on the occasion of State Foundation Day in Dehradun.

**Benefits to members:** The members of the FPC were benefitted in various ways after formation of the FPO. They have assured market for sugarcane and various other produce. It was found that, after formation of the FPO, the members received 5-10% more money and the payment was received timely whereas non-members had to wait for more than span of six months to get the payment. Secondly, the member farmers received inputs free of cost and they had access to implements which they could use as and when needed. This reduced the cost of production and enhanced the income of the member farmers. Also, the members were able to avail credit at zero interest rate from the FPC. Their skills and knowledge was regularly updated through training programmes being organized by the FPC.

**Challenges:** There are several challenges faced by FPOs as noticed while studying Jivamrit FPO. While some of them are specific to the FPO and arise due to the main activity of the FPO (organic product), others are more generic in nature. They have to be recognized and tackled for the long term success of the FPOs. The productivity comes down during the initial years when the farmers switch to organic cultivation. As a result, they had to bear the loss. In order to attract the farmers and encourage the existing members to continue, inputs were given free of cost and e training programmes were organized for them. Establishing market linkages is a challenge. In this case, market was explored prior to formation of group and it was not an easy task. Mr. Vijay Pal had to attend several meetings to find out assured market for the produce.

#### **Road Ahead**

In recent years, the FPO has diversified to other crops- rice,

wheat and vegetables. However, the FPC is facing problem in finding an assured market for sale of these crops. As the FPO was unsuccessful in selling these in raw or unprocessed form, it has decided to employ an expert in Food Technology persons to help them set up the processing facility for organic cereals and organic vegetables. They propose to make soups, bakery products and dehydrated vegetables for sale. The FPO is also planning complete mechanization of the existing processing units.

### Conclusion

Small and marginal farmers faces many challenges in agricultural production and agricultural marketing. One of the effective and efficient ways of addressing these challenges is bringing them together in one group and forming Farmer Producer Company (FPC). The objective behind formation of Farmers Producers Company is to reduce the cost of production by providing various services and inputs, forming market linkages and enhancing income via collective bargaining. The FPOs, however, face several challenges and these need to be overcome for them to be effective. Identifying market, forming effective groups and recognizing members needs can go a long way in the formation of successful FPOs.

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