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## A study of farmer producer companies (FPCs) in selected district of Telangana State

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### Abstract

A Farmer Production Organization (FPO) is a type of producer organization of which farmers are members. Producer organization is an organization of any production activities, such as non-agricultural products, agricultural products, handicrafts, etc. of the producer. The grouping of small, marginal, and landless farmers into FPOs has improved the farmers' accessing markets, realising the right price for their produce, procuring quality inputs at reasonable prices and accessing technology, which has increased their ability to increase their income. This study was conducted with the objectives to study the profile and farmer's perception about FPCs impact on the member farmers. For this study purpose primary data were collected from fifteen FPCs and seventy five farmer members of FPC from six districts of Telangana through semi-structured scheduled. From the study it was found that 735 Producer companies (PC) were registered till April 2022 in Telangana out of which thirty six per cent of the PCs were registered from April 2020 to April 2022. Majority of the FPCs are at their nascent stage and require not only technical support but also adequate capital and infrastructure facilities, including market linkages for sustaining their business operations. FPCs have a positive impact on farmers as they are playing a key role in the upliftment of farmers by reducing the input costs, better price for their produce, reducing transportation costs etc.

**Keywords:** FPCs, Agri input, support, access and upliftment

### Introduction

India is the nation of small landholders; of the 120 million farmers in the country, 86 percent are small and marginal landholders with less than 2 hectares of land. As small farmers struggle to gain access to inputs, markets, and credit, they require an even playing field in order to compete on equal terms with other market players. They are also unable to integrate with agricultural value chains and combat risks and vulnerabilities on their own due to factors beyond their control and absence of institutions to protect their interests. One way to overcome the challenges faced by small and marginal farmers will be to organise farmers into Producer Organizations (POs). This approach has the potential to be more successful in removing farmers' dependency on middlemen and allowing them to reach better markets (inputs and output).

A Farmer Producer Organization (FPO) is a legal entity formed by primary producers, such as small and marginal farmers, who are directly involved in agriculture and allied activities which include crop production, dairy, fisheries, animal husbandry, poultry, beekeeping and sericulture etc. FPOs emerged as a link between small farmers and the outside world, offering forward and backward linkages, as well as giving them the voice, market access, bargaining power, economies of scale and better pricing that they needed. FPO will support members in increasing their income by engaging in any one or more activities in the value chain of the product, from raw material procurement to delivery of the final product to the ultimate consumers' doorstep. As a result, the Indian government is actively encouraging Farmers Producer Organizations (FPOs). FPOs established under the State Cooperative Acts, Cooperative Societies Act, Companies Act, Multi-State Cooperative Society Act, Indian Trusts Act and Societies Registration Act. FPOs are most commonly formed under the Companies Act or the Cooperative Societies Act.

Development and Promotion of FPOs has been recognized as one of the key policies for achieving inclusive agricultural development in the Government of India's 12<sup>th</sup> Five Year Plan. The government, apex financial institutions like NABARD, financial institutions, private donor organisations and a number of other organisations have all taken measures to help FPOs grow and become effective business organisation.

## Scenario of FPOs

### India

The formation of FPOs is in full swing, with over 15,948 producer companies reportedly existing in the country as of March 2021. As of March 2021, about half the producer companies were in just three states: Maharashtra, Uttar Pradesh, and Tamil Nadu. If one looks at the SFAC and NABARD databases that use the FPO rather than the FPC category of the Ministry of Corporate Affairs, the results are slightly different. According to the NABARD database as of August 2019, there are 4235 FPOs in total. There are 822 FPOs in total in the SFAC database.

In the recent two financial years, the number of producer companies has increased dramatically. In FY20 and FY21, 2474 and 6043 firms were registered respectively, compared to 7431 producer companies in the previous 16 years, (as of March 31, 2019).

### Telangana

The total number of PCs in Telangana was about 612 as of March 2021. 26 FPOs promoted by SFAC were registered in Telangana state, mobilising 24548 farmers. In addition to the twenty six SFAC promoted FPOs, Telangana has thirty four non-SFAC-promoted FPOs. According to the NABARD database as of August 2019, there are 300 FPOs.

### Review of Literature

Venkattakumar and Sontakki (2012) <sup>[11]</sup> examined the variations among cooperatives and manufacturer agencies. They discovered that India's cooperative gadget is infected via way of means of loopholes, but the manufacturer enterprise version is developing swiftly and changing the lives of farmers. They additionally highlighted the demanding situations confronted via way of means of manufacturer agencies in India. One of them is that the manufacturer agencies require a massive quantity of running capital for procurement, price addition, and marketing, in addition to for extending credit, mortgage and advances. The agencies might not have belongings to leverage for borrowing from monetary establishments due to the fact they're only endowed via way of means of the fairness stocks of the number one producer. Banks refuse to lend those agencies because of loss of ensures from both important or state governments.

Jose *et al.* (2019) <sup>[4]</sup> conducted a study on the genesis of dairy based farmer producer companies in five companies of Kerala. Twenty four members were selected at random from each company. The company's establishment reasons were statistically analysed. As per the study, 96.66 percent of respondents viewed better price realisation through direct sale of farm produce by removing middlemen as the most important reason for company establishment, followed by the availability of farm inputs at reasonable rates (90.83 percent) and assistances from various government schemes (90.83 percent) through producer company.

Amitha *et al.* (2021) <sup>[1]</sup> conducted a study on the factors contributing to the performance of FPOs in Medak district of Telangana State, India. Suraksha Farmers Producer Company Ltd, promoted by independent research organisation Centre for Sustainable Agriculture, Marpalli Kisan Kranthi Producer

Company Ltd, promoted by Vrutti NGO, and Siddipet Kisan Agro Farmers Producer Company Ltd, promoted by International Crops Research Institute for the Semi-arid Tropics were selected at random from different three promoting institutes. Overall, the performance of FPOs in the Medak district was found to be average to poor. This was due to farmers' lack of understanding about the FPO business model and their inability to generate funds to carry out operations and provide services to their members.

Devi *et al.* (2020) <sup>[2]</sup> studied a twenty FPOs promoted through SFAC for analysing the fame of FPOs functioning in Telangana and framing a concept for destiny expansion. Out of the twenty FPOs most effective five have been observed to be effectively in energetic situation even as the relaxation aren't appearing nicely because of diverse motives. The foremost motives for the achievement of FPOs consist of organization approach, bolstered linkages and increased earnings tiers a few of the organization members. The foremost purpose for the failure of FPOs is loss of monetary support, lack of knowledge on technical expertise and community-primarily based totally conflicts.

Manaswi *et al.* (2020) <sup>[6]</sup> studied the effect of farmer producer organisation on organic chilli manufacturing in Telangana, India and mentioned that the participants of FPOs have found out a better charge for the produce. FPOs ensured the provision of desirable first-rate of inputs at an honest charge and at proper time to the participants. While, within side the case of non-participants, FPO now no longer placed within side the village, land requirement for club, excessive club costs have emerged as major constraining elements inhibiting their participation in FPO programme. The NGOs have mentioned that loss of enough funds, lack of expertise and shortage of volunteerism a few of the farmers are the restricting elements in their overall performance in formation and advertising of FPOs within side the region. It become observed that producer's percentage in consumer's rupee become maximum in case of FPO channel because the transaction value in advertising and quantity of intermediaries had been reduced.

### Objectives

1. To study the profile of FPCs in Telangana
2. To study the farmer's perception about FPCs impact on the member farmers

### Research Methodology

In this study descriptive research design was used, total fifteen FPCs and seventy five farmers (five farmers from each FPC) have been selected from six districts of Telangana. Primary data were collected with the help of semi-structured schedule using convenience sampling technique. Secondary data were collected from different journals, research papers, government and private publications and related websites. Tabular analysis, percentage analysis and weighted average analysis were used for analysing the data.

### Result and Discussion

#### Status of Producer companies as per MCA data

**Table 1:** Status of Producer companies according to MCA data

| State     | PCs registered from April 2020 to April 2022 | Total PCs registered till April 2022 |
|-----------|--|--------------------------------------|
| Telangana | 264  | 735                                  |

Source: [www.mca.gov.in](http://www.mca.gov.in)

According to MCA data, 735 PCs were registered till April 2022 in Telangana out of which 36% of the PCs were

registered from April 2020 to April 2022.

### Profile of Farmer Producer Company

**Table 2:** Profile of Farmer Producer Organisations (n=15)

| Sr. No | FPO   | District    | Year of Incorporation | Operational Villages | No. of shareholders | Promoting Institution | Board of directors | Educational Qualification of CEO |
|--------|---|-------------|-----------------------|----------------------|---------------------|-----------------------|--------------------|----------------------------------|
| 1.     | F3 Farmers Producer Company Limited           | Nalgonda    | 2019                  | 21                   | 500                 | NABARD                | 10                 | No CEO                           |
| 2.     | Gurrampode Farmers Producer Company Limited   | Nalgonda    | 2018                  | 15                   | 480                 | NABARD                | 10                 | Graduation                       |
| 3.     | Ramannapeta Farmers Producer Company Limited  | Nalgonda    | 2018                  | 14                   | 863                 | NABARD                | 10                 | Graduation                       |
| 4.     | Vyapana Farmers Producer Company Limited      | Nalgonda    | 2020                  | 5                    | 120                 | Self-Promoted         | 6                  | Graduation                       |
| 5.     | Thipparthy Farmers Producer Company Limited   | Nalgonda    | 2018                  | 19                   | 506                 | NABARD                | 8                  | Graduation                       |
| 6.     | Navapeta Farmers Producer Company Limited     | Mahbubnagar | 2019                  | 10                   | 519                 | NABARD                | 10                 | Graduation                       |
| 7.     | Madapur Farmers Producer Company Limited      | Mahbubnagar | 2019                  | 10                   | 500                 | NABARD                | 10                 | Post-Graduation                  |
| 8.     | Maldakal Farmers Producer Company Limited     | Mahbubnagar | 2019                  | 5                    | 540                 | NABARD                | 5                  | Post-Graduation                  |
| 9.     | Kamsanipally Farmers Producer Company Limited | Mahbubnagar | 2019                  | 9                    | 500                 | NABARD                | 11                 | Graduation                       |
| 10.    | Karthikeya Farmers Producer Company Limited   | Hyderabad   | 2020                  | 29                   | 600                 | Self-Promoted         | 5                  | Graduation                       |
| 11.    | Raithu Sampada Producer Company Limited       | Hyderabad   | 2021                  | 7                    | 520                 | Self-Promoted         | 10                 | Graduation                       |
| 12.    | Doosegaon Farmers Producer Company Limited    | Nizamabad   | 2019                  | 8                    | 433                 | NABARD                | 10                 | Graduation                       |
| 13.    | Dichpally Farmers Producer Company Limited    | Nizamabad   | 2018                  | 5                    | 407                 | NABARD                | 10                 | Higher Secondary                 |
| 14.    | Kodakandla Farmers Producer Company Limited   | Warangal    | 2019                  | 4                    | 250                 | NABARD                | 10                 | Post-Graduation                  |
| 15.    | Krishi Pradhan Times Producer Company Limited | Adilabad    | 2020                  | 20                   | 500                 | Self-Promoted         | 10                 | Post-Graduation                  |

**Table 3:** Profile of Farmer Producer Organisations (n=15)

| FPO | Authorized Share Capital (₹) | Paid-up share capital (₹) | Matching Equity Grant | Financial Support     | Services Provided                               | Mode of Input Purchase by FPOs | Mode of selling Inputs to farmers | Mode of Output Purchase by FPOs | Mode of Selling Output to Buyers |
|-----|------------------------------|---------------------------|-----------------------|-----------------------|---|--------------------------------|-----------------------------------|---------------------------------|----------------------------------|
| F1  | 500000                       | 550000                    | Yes                   | Financial Institution | Input, Output                                   | Cash                           | Cash                              | Cash                            | Cash                             |
| F2  | 500000                       | 480000                    | No                    | Financial Institution | Input, Output                                   | Cash                           | Cash                              | Cash                            | Cash                             |
| F3  | 1000000                      | 863000                    | No                    | Financial Institution | Input, Output                                   | Cash                           | Cash and Credit                   | Credit                          | Cash                             |
| F4  | 500000                       | 140000                    | No                    | Financial Institution | Input, Output, Soil testing, Finance to farmers | Cash                           | Cash                              | Cash                            | Cash                             |
| F5  | 500000                       | 500000                    | Yes                   | Financial Institution | Input   | Cash                           | Cash and Credit                   | Credit                          | Cash                             |
| F6  | 500000                       | 500000                    | Yes                   | Financial Institution | Input   | Cash                           | Cash                              | Cash                            | Cash                             |
| F7  | 500000                       | 500000                    | Yes                   | Financial Institution | Input, Output                                   | Cash and Credit                | Cash and Credit                   | Cash                            | Cash                             |
| F8  | 1000000                      | 540000                    | Yes                   | Financial Institution | Input, Output                                   | Cash                           | Cash and Credit                   | Credit                          | Cash                             |
| F9  | 1000000                      | 550000                    | Yes                   | Financial Institution | Input, Output                                   | Cash                           | Cash                              | Cash                            | Cash and Credit                  |
| F10 | 1500000                      | 1300000                   | Applied               | Financial Institution | Input, Output                                   | Cash                           | Cash                              | Cash                            | Cash                             |
| F11 | 1000000                      | 520000                    | No                    | Financial Institution | Input, Output, Beekeeping                       | Cash and Credit                | Cash                              | Cash and Credit                 | Cash                             |
| F12 | 500000                       | 500000                    | No                    | Financial Institution | Input   | Cash and Credit                | Cash and Credit                   | Credit                          | Cash                             |
| F13 | 500000                       | 407000                    | No                    | Financial Institution | Input   | Cash                           | Cash                              | Cash                            | Cash                             |
| F14 | 500000                       | 250000                    | No                    | Financial Institution | Input   | Cash                           | Cash                              | Cash and Credit                 | Cash                             |
| F15 | 500000                       | 500000                    | No                    | Financial Institution | Input, Output                                   | Cash and Credit                | Cash                              | Cash                            | Cash and Credit                  |

From the above table 2, it can be represented that all FPCs are incorporated in 2018 and onwards, the majority of the FPCs (10 FPCs) have more than 500 shareholders. The number of villages in which FPCs operates was examined in this study and was found that 8 FPCs were operating in 10 and beyond villages. The majority of the FPCs were promoted by NABARD. The majority of the surveyed FPCs have an authorized share capital of 5 lakhs and more, whereas paid-up share capital is less than 5 lakhs and above. All the FPCs had taken loan from financial institute in the range of 5 to 12 lakhs to meet their needs. Six FPCs have received matching equity grant. Nearly all the FPCs had a full time CEO and most of them were graduates. FPCs have board of directors with a minimum of five members and a maximum of fifteen. Most of the FPCs purchased inputs in cash from input dealers and sold inputs in cash to farmers. Most of the FPCs purchased output in cash from farmers and sold output in cash to buyers. All the FPCs were involved in input business i.e., procurement of input, purchase of output and some of them are also involved other agri allied activities.

**Compliances and Infrastructure (n=15)**

**Table 4:** Infrastructure and compliances possessed by the FPCs

| Sr. No | Infrastructure or Machinery                      | No. of FPCs | Licenses                   | No. of FPCs |
|--------|--|-------------|----------------------------|-------------|
| 1.     | Input shop                                       | 11          | Agri-input license         | 14          |
| 2.     | Output procurement centre or Warehouse           | 2           | Trading license (APMC)     | 1           |
| 3.     | Soil testing facility                            | 1           | FSSAI license              | 2           |
| 4.     | No Infrastructure or machinery other than office | 3           | Seed certification license | 1           |

GST and PAN are available to all FPCs. From the above Table 4, it reflects that agri-input licences are held by majority of the FPCs and majority of the FPCs have an input shop. Only two FPCs have warehouse or output procurement centre and very less number of FPCs have other facilities.

**Farmer’s perception about FPCs impact**

**Table 5:** Farmer’s perception about FPCs impact on them (n=75)

| Sr. No | Particulars  | Agree | Neutral | Disagree | WAM |
|--------|--|-------|---------|----------|-----|
| 1      | Better price realization                                       | 92%   | 8%      | 0%       | 2.9 |
| 2      | Reduction in input costs                                       | 91%   | 9%      | 0%       | 2.9 |
| 3      | Relief from Exploitation by middleman                          | 76%   | 20%     | 4%       | 2.7 |
| 4      | Access to inputs at right time                                 | 74%   | 22%     | 4%       | 2.7 |
| 5      | Access to quality inputs (seeds, pesticides, fertilizers etc.) | 60%   | 40%     | 0%       | 2.6 |
| 6      | Reduced Transportation cost                                    | 63%   | 31%     | 6%       | 2.6 |
| 7      | Reduced dependence on moneylenders                             | 54%   | 36%     | 10%      | 2.4 |
| 8      | Regularity of payment  | 55%   | 30%     | 15%      | 2.4 |

Table 5 demonstrate that 92% farmers agreed that through FPOs they have realized better price for their produce and 91% agreed that there was a reduction in input costs. 74% agreed that they have access to inputs at the right time, whereas 76% agreed with relief from exploitation from middleman. It indicates that farmers perception and its impact is positive, which show good sign for the upliftment of farmers.

**Conclusion**

Farmers Producers Organization provides farmers comprehensive assistance and services that include technical assistance, processing, marketing and other elements of agricultural inputs. Most of the FPCs which are surveyed all are in their introductory stages. They all year on year expanding their business and introducing different activities for the welfare of the farmers. Farmer’s perception about the Farmer producer companies and its impact among the farmers observed very positive, it shows FPCs benefits to farmers in the different activities from agri inpu to end products sales. Government is taking great efforts for the establishment and development of Farmer producer organisation so it will improve farmers income and livelihood.

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