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Impact of formation of farmer producer organisation for enhancing income level of farmer in Bhiwani district Haryana

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Abstract

The Government of India has declared 2014 to be the "Year of Farmer Producer Organizations (FPO)". Collectives of producers are now widely acknowledged as one of the best strategies for lowering agricultural risk and enhancing small-scale and marginal producers' access to capital, technology, and markets. There are thousands of Farmer Producer Organizations (FPOs) around the nation that are registered under numerous legislations, including the cooperative laws, trusts, federations, and most recently the Company Act as producer companies. Farmers' Producer Organizations are groups of rural farmers who band together to form organizations in order to pursue specific common interests of their members. These organizations develop technical and economic activities that benefit their members and maintain relationships with other parties who operate in their economic and institutional environment. The current study was conducted in Bhiwani district of Haryana in the year 2021-2022. The respondents were chosen using a multi-stage random sampling technique. Out of 7 blocks of Bhiwani district, Bhiwani block was selected purposively based on number of respondents as a member of Farmer Producer Organization (FPO). Rajgarh village was selected randomly. A total of 100 farmers were questioned. The number of farmers in the chosen village was chosen at random. The data was gathered by a survey method according to a planned timetable. When a conclusion was reached, it was discovered that FPO member farmers' costs for growing mustard were lower than those of non-member farmers. Net return was more of member farmers. This distinction was brought about by FPO's provision of technical services, timely, high-quality input for member farms, as well as upgraded technology and modern infrastructure.

Keywords: FPO, farmer, organizations, producer, member

Introduction

In emerging nations like India, where agriculture contributed over 19.9% of the country's GDP in 2017, agriculture is crucial to economic development. Additionally, 54.6% of Indians, as reported by the 2011 census, engage in agriculture, either directly or indirectly. Together, the small and marginal land holding accounts for about 86.21 percent of all land in 2015–16. Farmers with up to 2 hectares of land under cultivation are considered to have small and marginal land holdings. Therefore, as a result of this problem with limited land holdings, farmers have very little negotiating leverage when selling their products and buying inputs for agricultural cultivation. On the advice of the Y.K. Alagh Committee, the Indian government amended the Companies Act of 1956 in 2001 and created the idea of Farmer Producer Organizations in an effort to address this problem and narrow the gap between farmers and consumers. Farmer producer organisations are a hybrid of two business models, namely private companies and cooperative societies. The fundamental idea of Farmer Producer Organizations is to buy agricultural inputs in bulk, such as seeds, pesticides, and fertilisers, and then distribute them to the participating farmers. Farmer Producer Organizations work to unite small and medium-sized farmers in order to lower the cost of their supply chain and improve farmer profitability. The Farmer Producer Organizations also employ the concept of economies of scale to strengthen their negotiating position. The Farmer Producer Organizations are managed by farmers and are owned by farmer members, who are shareholders based on their share capital contributions. In India, the Small Farmers Agribusiness Consortium (SFAC) and the National Bank for Agriculture and Rural Development (NABARD) provide financial support to Farmer Producer Organizations. The primary Nodal Agency, a connection between the several states, and a single point of contact for all technical support and investment-related needs of Farmer Producer Organizations in India is the Small Farmers Agri Business Consortium in New Delhi. To support Farmer Producer Organizations (FPOs) that, if any, fall beyond the purview of SFAC, NABARD has formed the Producer Organization Development Fund (PODF). In order to advance the Prime Minister's Doubling Farmers Income Scheme by 2022, the Indian government introduced a cent percent tax holiday for all FPOs with annual revenues under 100 crores in 2018. This tax holiday would last for five years. And the government has approved and initiated a federal programme for the formation and promotion of 10,000 FPOs till 2027–2028, as according current agricultural minister Narendra Singh Tomar. According to the plan, specialised commodity-based strategy and production cluster area method are the foundations for the establishment and promotion of FPOs. In order to develop product specialisation, FPOs will be formed using a cluster-based approach with a focus on "One District, One Product."

The following benefits are available to Farmer Producer Organization members

1. Bringing farmers together will increase their bargaining power when purchasing inputs and marketing produce.
2. Regular training programmes will develop farmers' capacity.
3. Assisting farmers with post-harvest losses reduction through storage and value addition
4. Helping farmers take advantage of various government programmes for agriculture and horticulture
5. Quickly disseminating Good Agricultural Practices (GAP) among farmer members and providing access to extension services.
6. Distress sales can be avoided by using contract farming, if possible, in some areas and for cash crops.

Materials and Methods

The current survey was carried in Bhiwani district of Haryana. Based on the number of operational FPOs, the Bhiwani district was purposefully chosen. Seven blocks make up the Bhiwani District; Bhiwani block was selected purposively based on number of respondents as a member of Farmer Producer Organization (FPO). Rajgarh Village was randomly chosen from one chosen block. 100 farmers from the village were taken into consideration as study participants. The selections were made using a simple random sampling procedure. Personal visits and scheduled interviews were used to gather the material.

Result and Discussion

To compare the expenses and profits of FPO member and non-member farmers

Cost of growing mustard for both FPO members and non-members.

The operating and fixed costs per hectare for cultivating mustard by FPO member farmers are shown in Table 1. It has been discovered that Rs. 44420 served as the average total cost of production per hectare. From this, operational expenses totalled Rs. 29340, or 66.05 percent of the overall expense. A fixed cost of Rs. 15080, or 33.94% of the overall cost, was incurred. The largest part of the entire cost, accounting for up to 29.26% of the total, was the rental value of owned land, which was followed by labour, which accounted for the remaining 21.34%. Working capital interest, fixed capital interest, and seed interest all contributed very little to the overall cost (1.41 percent, 1.65 percent, and 2.5 percent, respectively).

Table 1: Comparing the cost of growing mustard among Farmer Producer Organization members and non-members (Rs/ha)

S. No.	Item wise breakup of cost of cultivation		Member farmer (Rs.)	Non- member farmer (Rs.)
i.	Human Labour	Family	3200 (7.20)	3090 (6.7)
		Hired	6280 (14.13)	6325 (13.8)
		Total	9480 (21.34)	9415 (20.5)
ii.	Animal Labour	Hired	0 (0)	0 (0)
		Owned	2050 (4.6)	2095 (4.5)
		Total	2050 (4.6)	2095 (4.5)
iii.	Machine Labour	Hired	4800 (10.8)	5285 (11.5)
		Owned	0 (0)	0 (0)
		Total	4800	5285 (11.5%)
iv.	Fertiliser & Manure		5700 (12.8)	6300 (13.57)
v.	Seed		1120 (2.5)	1250 (2.73)
vi.	Plant protection		1960 (4.4)	2120 (4.63)
vii.	Fees for irrigation		3600 (8.1)	3440 (7.52)
viii.	Interest on Working Capital		630 (1.41)	725(1.58)
1.	Total Operational Cost		29340 (66.05)	30,630 (66.98)
i.	Value of Owned Land Rented		13000 (29.26)	13000 (28.42)
ii.	Rent Paid for Land Leased		0 (0)	0 (0)
iii.	Depreciation on Farm Buildings and Implements		1345 (3.02)	1245 (2.72)
iv.	Interest on Fixed capital		735 (1.65)	855 (1.86)
2.	Total Fixed Costs		15,080 (33.94)	15,100 (33.01)
	Cost of cultivation [1+2]		44,420 (100)	45,730 (100)

Table 1 shows the operating and fixed costs per hectare experienced by non-member farmers of FPO in growing mustard. It has been discovered that Rs. 45730 served as the average overall cost of agriculture per hectare. Out of this, operational expenses totalled Rs. 30630, or 66.98% of the overall expense. Non-member farmer's fixed cost was Rs. 15100, or 33.01 percent of the total cost. The cost of renting out owned land made up the greatest portion of the total, accounting up to 28.42 percent of the cost, followed by labour at 20.5 percent. Working capital interest, fixed capital interest, and seed interest all contributed very little to the overall cost (1.58 percent, 1.86 percent, and 2.73 percent, respectively).

As can be observed from the observation above, FPO member farmers have lower cultivation costs than non-member farmers. This distinction was brought about by FPO's provision of technical services, timely, high-quality input for member farms, as well as upgraded technology and modern infrastructure.

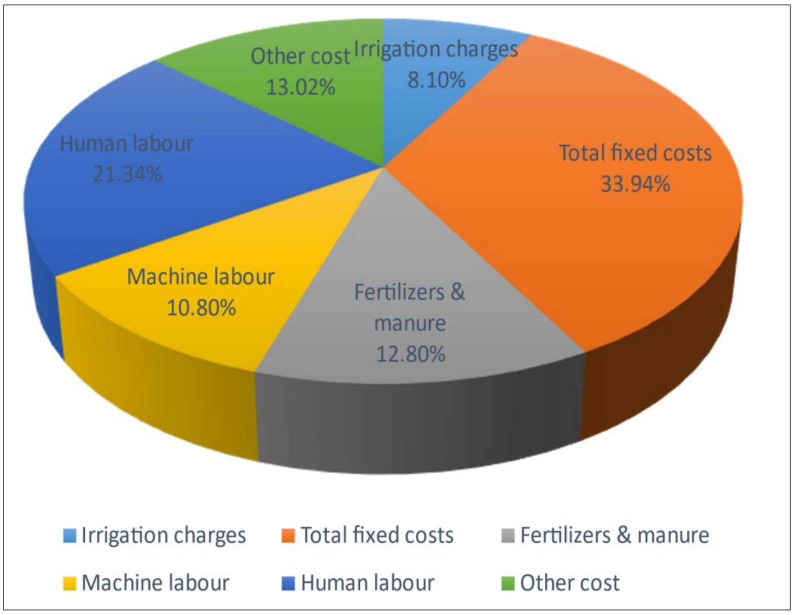

Fig 1: Share of various costs affecting mustard production for FPO member farmers

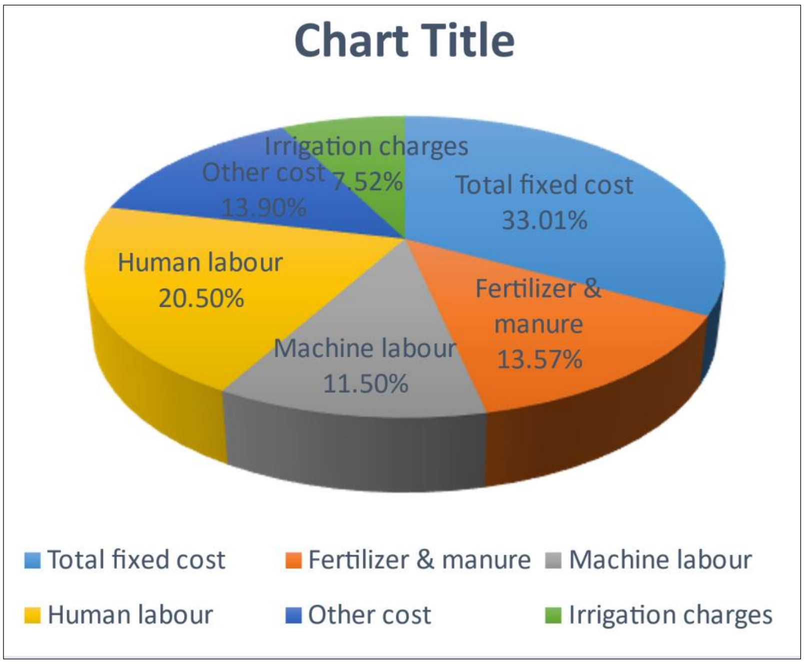

Fig 2: Share of various costs affecting mustard production for non-member farmers

Per-hectare returns from growing mustard for FPO members and non-member farmers:

Table 2 lists the per-hectare returns of FPO member farmers. The major product return of member farmers was Rs. 48597, which made up 84.69 percent of the overall returns. By product, the yield was Rs. 8780 per hectare, which contributed to a total return of 15.30 percent. Farmers in the village made Rs. 12957 per hectare in net profit from the production of mustard.

Table 2: Per-hectare returns from growing mustard for FPO members and non-member farmers

S. No.	Items	Member farmer (Rs.)	Non-Member Farmers (Rs.)
1.	Gross return from:		
i.	Main product	48597(84.69)	46680(85.08)
ii.	By product	8780(15.30)	8180(14.91)
2.	Total return	57377(100)	54860(100)
3.	Cost of cultivation	44420	45730
	Net Return	12957	8950

Table 2 lists the per-hectare returns of non-member farmers of FPO. The major product return of non-member farmers was Rs. 46680, or 85.08 percent of the total returns. By product yielded Rs. 8180 per hectare, which contributed to a total return of 14.91%. Farmers in the village received a net return of Rs. 8950 per hectare from the cultivation of mustard. The yield from both the main product and the by-product of FPO member farmers is higher than that of non-member farmers, as shown in Table 2, and as a result, member farmers' net returns are higher than those of non-member farmers. Because member farmers' mustard cultivation costs are lower than those of non-member farmers, their operations are more profitable than those of non-member farmers of the FPO.

Farmer Producer Organization (FPO) restrictions and recommendations.

In order to learn about the difficulties, they encountered while running FPOs, the directors and members of FPOs were questioned.

Table 3: Issue encountered by the FPO

S. No.	Constraints	Frequency	Percentage	Rank
1.	Large pricing variations on the market	19	19	I
2.	Awareness among the people	7	7	VII
3.	Divergent views of member in village meetings	8	8	VI
4.	Lack of capital to provide sufficient services	10	10	V
5.	Political affiliation of some members	6	6	VIII
6.	Lack of transportation infrastructure	18	18	II
7.	Farmers relocating from FPOs when there is a loss	5	5	IX
8.	Insufficient storage space	13	13	IV
9.	High labour costs	14	14	III

The data in the table 3 reveals that large price fluctuations (19 Percent, Ranked I) were the main obstacles, followed by a lack of transport infrastructure (18 Percent, Ranked II), high labour costs (14 Percent, Ranked III) and inadequate storage facilities (13 Percent, Ranked IV) and a lack of funding to provide adequate services (10 Percent, Ranked V), varying viewpoints of farmers (8 Percent, Ranked VI), public awareness (7Percent, Ranked VII), and Political affiliation of some members (5 percent, Ranked VIII), farmers relocating from FPOs when there is a loss (5 percent, Ranked IX). Large price swings are a result of the seasonality issue; during the off season, the market price drops significantly and member farmers leave the FPOs as a result of these price swings. The group was unable to offer transportation services to every member. Farms are experiencing a labour scarcity as a result of the recent decline in agricultural employment and the migration of workers to other industries, and their wages are rising daily as a result of the high demand. FPO was unable to offer services like storage facilities, input facilities, etc. due to a lack of funding. There is practically little public awareness of the services offered by FPOs. As they are still in the early stages of development, the infrastructure facilities in the chosen FPOs are quite inadequate.

Measures to Overcome the Constraints

The farmers offer the following solutions to deal with the issues preventing FPOs from operating properly.

Table 4: Ideas for enhancing FPO performance

S. No.	Suggestions	Frequency	Percentage	Rank
1	With the aid of extension personnel, awareness among the population should be raised.	15	15	III
2	The effectiveness of FPOs requires financial backing from the government.	22	22	I
3	Through expanding farmer access to loans and inputs.	12	12	V
4	By offering the storage spaces	11	11	VI
5	Commission-based business	18	18	II
6	By lowering the cost of transportation	13	13	IV
7	By connecting KYKs with FPOs	9	9	VII

The various recommendations made for enhancing the operation of FPOs include raising public awareness with the aid of scientists, providing financial support from the government, providing credit and input to farmers, providing storage facilities, conducting business on a commission basis, and lowering transportation costs. The government must provide financial support for the effectiveness of FPO (22 percent, Ranked I), followed by commission-based business (18 percent, Ranked II), spreading awareness among the public through extension workers (15 percent, Ranked III), lowering transportation costs (13 percent, Ranked IV), and enhancing the availability of credit and inputs to farmers (12 percent, Raked V), giving storage space (11 Percent, Ranked VI) and connecting FPOs with KVKs (9 percent, Ranked VII). To expand physical infrastructure and offer member farmers greater services, POs require financial assistance from the government. Most FPOs prefer to run their operations on a commission basis, collecting fees from middlemen while marketing the produce. Farmers need training from agricultural experts and extension personnel because the public is unaware of the advantages of FPO. Produce shipping requires significant financial outlays, which is why FPOs offer these services. It was also suggested that in order to encourage farmers to join FPOs, additional credit, input, and storage should be made available to them.

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