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Profile analysis and impact of FPOs on farmers in Andhra Pradesh and Odisha

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Abstract

In the context of Indian agriculture, small and marginal farmers constitute 87% of the total household. Most farmers lack access to critical inputs and consumer market, forcing them to sell their produce to the numerous intermediaries operating in the market. This reduces their profit margin, making the farming business, in most cases a non-viable one. FPOs can play an important role by mobilizing and organizing them for better market access, higher bargaining power, and higher price to their produce, better information dissemination. More than 15000 FPOs have already been formed across the nation.

Keywords: Farmer producer organization, impact, FPOs

Introduction

A Producer Organization (PO) is a legal entity formed by primary producers, viz. farmers, milk producers, fishermen, weavers, rural artisans, craftsmen. Farmers Producer Organization (FPO) is one form of PO with farmers as members. An FPO can be a Producer Company registered under the Companies Act, 2013, a cooperative Society registered under the cooperative Societies act or any other legal entity that allows members to share profits/benefits. The farmer producer organizations has emerged as the most effective institutional form for organizing farmers and strengthening their capacity to pool their production and marketing resources. Farmers have converted from production-oriented agriculture to market-oriented agriculture, with direct sales to customers without the need of intermediaries, with FPOs receiving credit. FPOs bridge the gap between producers' expertise and marketing of the product. Production costs can be minimized by procuring all necessary inputs in bulk at wholesale prices. Aggregation of produce and bulk transportation lowers marketing costs, increasing the producer's net profitability and allows for economies of scale to be realized.

FPO facilitates access to current technology, capacity building, extension and training on production technologies, and farm product traceability. Reduced post-harvest losses can be achieved through value addition and effective value chain management. They help with drying, cleaning, and grading in the early stages of processing. FPO members can use their collective strength and bargaining power to gain access to financial and non-financial inputs and services, as well as appropriate technologies, lower transaction costs, tap high-value markets, and form more equitable partnerships with private entities. FPOs can assist in meeting the goal of doubling farmers' income. In the coming years, FPOs will play a critical role in transforming Indian agriculture. FPOs must also be supported by state governments by providing basic infrastructure, such as common service centres and storage, so that they can develop their commercial activities and earn enough cash for their member farmers. Sustainable FPO development necessitates an environment that can promote, meet financial needs, eliminate constraints, and raise farmer knowledge.

FPCs Landscape

The total number of producer companies registered in the country as of March 31, 2021 is 15,948 about 1/3rd of which were registered in the last year alone. In fact, more producer companies have been formed in the last two years than in the previous 16 years nationwide and in certain states, like Maharashtra, Uttar Pradesh, Haryana, Bihar, West Bengal, and others. This is impressive given that the majority of registrations occurred during the Covid-19 pandemic period (March 2020 - March 2021).

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Table 1: Total PCs till April 2022

State	Number of PCs
Andhra Pradesh	844
Odisha	1081

(Source: Govil and Neti, 2022 and MCA portal) ^[6]

Review of Literature

Agarwal (2010) ^[1] stated that collectives of farmers are expected to enhance incomes, reduce costs of input purchases along with transaction costs, create opportunities for involvement in value-addition including processing, distribution and marketing and enhance bargaining power. Cherukuri and Reddy (2014) ^[3] examined the role of producer organizations in improving service delivery to producers/farmers. The study was conducted with two institutional arrangements in Uttarakhand and Kerala. In Uttarakhand out of 90 farmers surveyed, 25 were non-farmer members. In Kerala out of 90 farmers surveyed, 30 were non-farmer members. The farmers to be interviewed were selected through purposive sampling technique and the data were collected during 2010-11. It was observed that access to technology and advisory services for producers within FPCs is more effective than being a non-member of an FPC. It was found that there was increase in net income for partner member as compared to non-partners but the contribution of FPC in yield improvement was not significant. The reason for major benefits was due to increase in market access, marketable surplus and increase in bargaining power of farmer members.

Ajmal and Mathur (2018) ^[4] stated that FPOs will assist its members in increasing their earnings. The FPO may buy in bulk, saving money compared to individual purchases, by aggregating the demand for inputs. Furthermore, delivering in bulk lowers transportation costs. As a result, the entire cost of production is reduced. Similarly, the FPO may pool all members' output and sell it in bulk, resulting in a higher price per unit of produce.

Babu *et al.* (2019) ^[2] studied on the profile of FPO members in the Rayalaseema district of Andhra Pradesh's Anantapur and Chittoor district. According to the findings, the majority of FPO members were small farmers (54.58 percent), had a medium level of farming experience (52.08 percent), a high level of annual income (55.83 percent), a high level of innovativeness (51.25 percent), a medium level of training (46.25 percent), a high level of economic orientation (42.50 percent), and a medium level of social participation.

Singh and Vatta (2019) ^[8] studied factors influencing farmers' participation in FPO and the economic impact of such participation in Gujarat. A total of 300 FPO member & non-member were surveyed. Study revealed that major factors influencing farmer's participation in FPO are to avoid market risk, to get extension and technical knowhow, improved inputs, credit, storage and processing facilities, which leads to improvement in income, consumption expenditure, investment on productive assets and a reduction in indebtedness.

Objectives

1. To study the profile of FPOs in Andhra Pradesh and Odisha
2. To study the impact of FPOs on farmers

Materials and Methods

Descriptive research design is used for the study. Convenience sampling was used for selection of 30 FPOs (15

FPOs from Andhra Pradesh and 15 FPOs from Odisha) and 150 farmers. Primary as well as secondary data were taken into consideration to meet the stipulated objectives of the study. 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. The data regarding the number of FPOs registered in the country were collected from MCA, SFAC and NABARD websites. For Analysis Weighted mean average, Frequency and percentage were used.

Results and Discussion

To study the profile of FPOs in Andhra Pradesh and Odisha Out of thirty FPOs 25 are registered as producer companies registered under company act and five POs are registered as cooperative societies under cooperative societies act.

Table 2: Year of establishment

Year of establishment	No. Of FPOs
2016	1
2017	2
2018	3
2019	10
2020	5
2021	9

From the above Table 2: Year of establishment shows that out of thirty FPOs 24 FPOs are registered in last three years indicating that most of the FPOs are nascent.

Table 3: Promoting Institution (n=30)

Promoting Institution	Andhra Pradesh	Odisha	Total	Percentage (%)
Nabard	7	12	19	63
SFAC	4	1	5	17
Self-promoted	4	2	6	20
Total	15	15	30	100

Table. No. 3: shows that twelve FPOs in Odisha, seven FPOs in Andhra Pradesh were promoted by NABARD indicating that majority (63.3%) of FPOs promoted by NABARD, six FPOs are self-promoted, and five FPOs are promoted by SFAC.

Table 4: Presence of women Board of Directors (n=30)

Presence of at least one women BODs	Entirely women BODs	Absence of women BODs
20	2	8

Table. No.4 shows that women BODs were present in twenty FPOs, 2 are exclusively women operated FPOs and the recently issued operational guidelines on promotion of 10,000 FPOs mention that representation of women in BOD is preferable as there is a provision for higher equity grant to exclusive women FPOs.

Table 5: Number of operational villages (n=30)

Village	Andhra Pradesh	Odisha
<10	2	4
10-15	5	7
15-20	2	1
20-25	1	1
>25	5	2

Table. No. 5 shows that six FPOs had less than ten operating villages, thirteen FPOs had ten to fifteen operational villages, three FPOs had fifteen to twenty operational villages, two

FPOs had twenty to twenty-five operational villages, and seven FPOs were operating in more than twenty-five villages.

Table 6: Major crops grown by the member farmers (n=30)

Major crops	Andhra Pradesh	Odisha	Total
Paddy	10	13	23
Vegetables	12	10	22
Fruits	7	5	12
Millets	3	5	8
Pulses	3	4	7
Oil seeds	3	2	5
Hill broom	4	0	4

The major crops grown by member farmers of surveyed FPOs include paddy, vegetables, fruits followed by millets, pulses,

oilseeds, hill brooms and other crops include maize, cashew, and casuarina.

Table 7: Percentage of marginal & small farmers (n=30)

Marginal & small farmers	Andhra Pradesh	Odisha	Frequency	Percentage
50 - 60%	1		1	3
60 - 70%	3	1	4	13
70 - 80%	4	3	7	23
80 - 90%	3	3	6	20
90 - 100%	4	8	12	40
Total	15	15	30	100

Table 7 shows that the percentage of marginal and small farmers is between 90 - 100 percent for twelve FPOs. Six FPOs, on the other hand, fall into the 80-90% range. Seven FPOs fall between 70- 80 percent and 4 FPOs fall between 60 - 70 percent, 1 FPOs fall into the 50-60 percent range

time CEO, whereas 3percent do not have a full-time CEO because the former CEO had quit the job.

Table 9: Educational Qualification of the CEO (n=30)

Educational Qualification of the CEO	No. of Respondents
Below graduation	2
Graduation	18
Above graduation	10

Table 8: Full time CEO (n=30)

Presence of Full time CEO	Number of FPOs
Yes	29
No	1

As per the above table, 63% CEOs are graduated, 30% CEOs have done Post graduation only 7% CEOs are not graduated and they have diploma in agriculture

According to the above table, 97 percent of FPOs have a full-

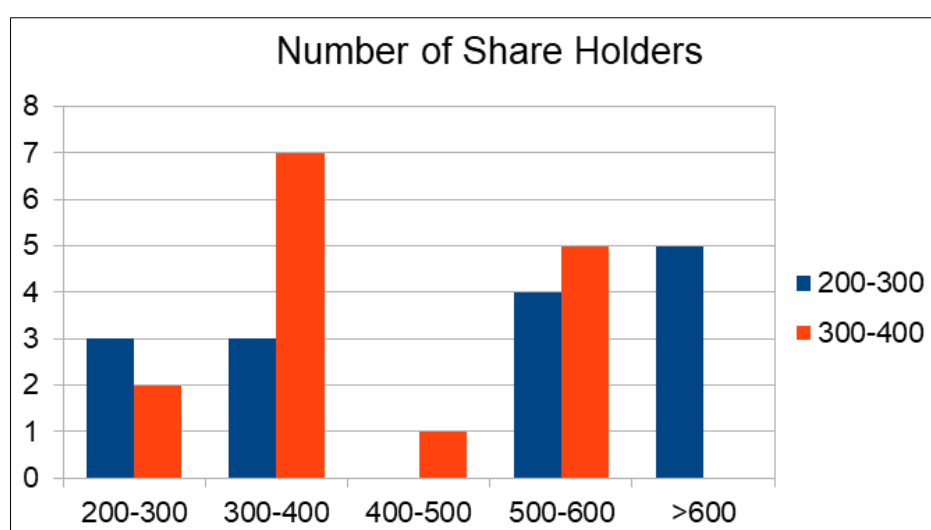


Fig 1: Number of shareholders (n=30)

Out of 30 FPOs, five FPOs from Andhra Pradesh have shareholders more than 600 whereas four FPOs from Andhra Pradesh, five from Odisha have shareholders within the range of 500 - 600. One FPO from Odisha has shareholders within

the range of 400 - 500. Three FPOs from Andhra Pradesh, seven from Odisha have shareholders within the range of 300 - 400 and three FPOs from Andhra Pradesh, two from Odisha have shareholders within the range of 200 - 300

Table 10: Services offered by FPO (n=30)

Service	Number of FPOs
Input, output and Processing	1
Input and output	20
Input	5
Output	4
Custom hiring services	12

Table.No.10 shows that majority of FPOs provide both input and output services five FPOs only provide input services, four FPOs provide only output services, and one FPO provides Input, Output and processing services

Table 11: Mode of transaction by FPO

Mode of transaction	Input purchase		Sale of Input to farmers		Output purchase from farmers		Output sale	
	F	%	F	%	F	%	F	%
Cash	8	31%	17	65%	6	24%	21	84%
Credit	0		0	0%	2	8%	1	4%
Both cash and credit	18	69%	9	35%	17	68%	3	12%
Total	26	100%	26	100%	25	100%	25	100%

*F represents frequency

Table. No. 11 shows that 69% FPOs purchase input from dealers on both cash and credit basis, 31% FPOs purchase on cash basis whereas 65% of FPOs sell inputs on cash basis Out of 25 FPOs, 16 FPOs purchase output from farmers on both cash and credit basis FPOs pay some portion of money immediately and the rest when they sell in the market whereas 21 FPOs (84%) sell their output at local mandis on cash basis whereas 3 FPOs sell their output to other FPO network on both cash and credit basis and one FPO is selling to institutional buyers on credit basis.

Table 12: Number of members availing different services from the FPO (n=30)

Number of members	Number of FPOs
<100	7
100-200	6
200-300	10
300-400	6
>400	1

Table No.12 shows that in ten FPOs the number of members availing different services were <100, for six FPOs the number of members ranged from 100 - 200, ten FPOs the number of members ranged from 200 - 300, six FPOs the number of members ranged from 300 - 400, one FPO the number of members was > 400

Table 13: Number of non-members availing different services from the FPO (n=30)

Number of members	Number of FPOs
<50	8
50-100	15
100-150	4
150-200	2
>200	1

Table. No.13 shows that in eight FPOs the number of non-members availing different services were < 50, fifteen FPOs

the number of non-members ranged from 50- 100, four FPOs the number of non-members ranged from 100 - 150, two FPOs the number of non-members ranged from 150 - 200, one FPO the number of members were greater than 200

Table 14: Licenses and compliances Possessed by the organization (n=30)

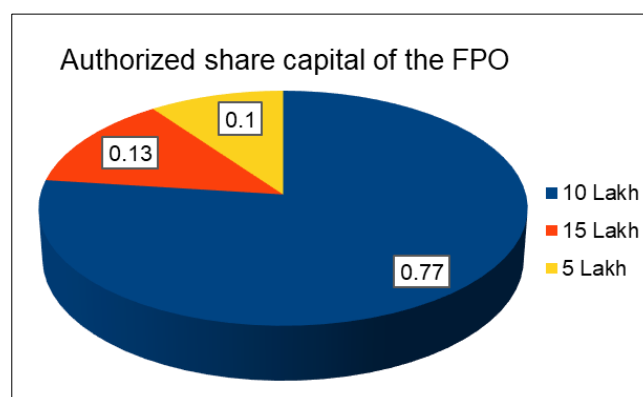
Type of license	Number of FPOs
PAN	30
GST	30
Fertilizer license	22
Pesticide license	22
Seed license	22
Seed certification	1
APMC	6
Organic certification	1
FSSAI	2
MSME	1

Table.14 shows that all the FPOs have PAN and GST, twenty two FPOs have fertilizer, pesticide and seed license, six FPOs have APMC (trading license), two FPOs who were into value addition possess FSSAI license whereas seed certification, which is needed for seed production, organic certification and MSME license was possessed by only one FPO

Table 15: Infrastructure facilities/Machinery available in the organization (n=30)

Infrastructure facilities /Machinery	Number of FPOs
Input shop	25
primary procurement centre	26
custom hiring centre	12
Processing unit	2
poly house	1
cold storage	2

Table. No. 15 shows that most of the FPOs have facilities like Input shop and primary procurement centre, 12 FPOs are providing custom hiring services, 2 FPOs have processing unit, 1 FPO have polyhouse and two FPOs have cold storage structures

**Fig 2:** Authorized share capital of the FPO (n=30)

From the above chart 77% FPOs have authorized capital of 10 lakhs, 13% have authorized capital of 15 lakhs Rupees Average paid up capital is Rs 4, 37,900.



Fig 3: Paid up capital (n=30)

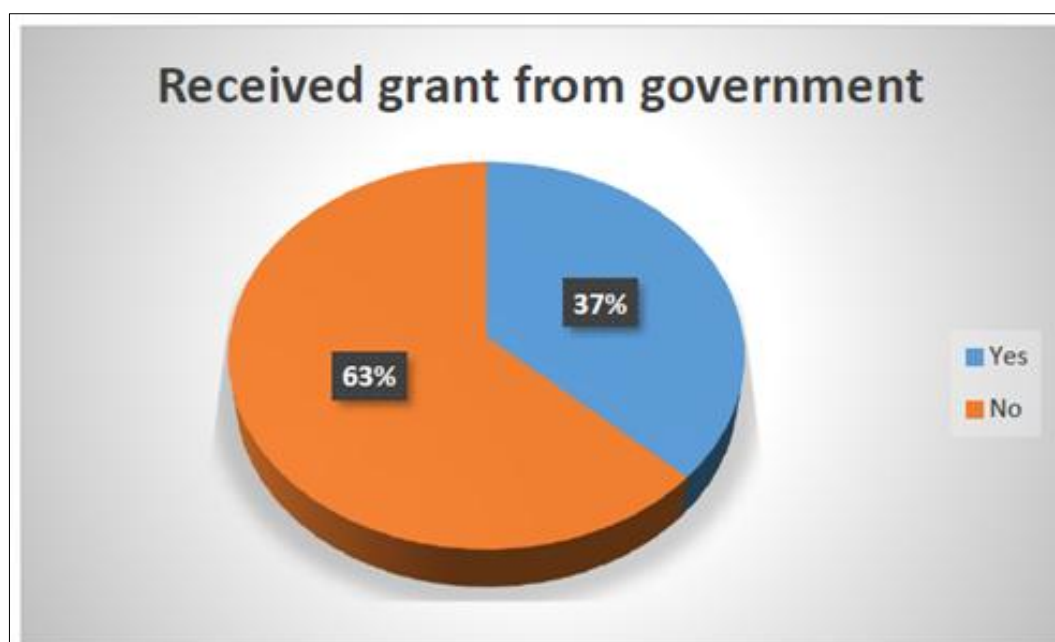


Fig 4: Received grant from government (n=30)

From the above chart, it was evident that only 37% FPOs have availed grant from government while 63% of FPOs have not availed any grant, some FPOs have applied for grant

recently and the reasons stated by FPO for not availing grant is that they have not met the eligibility criteria and lack of awareness

Table 16: Total turnover of FPO (In Rs.)

	Andhra Pradesh	Odisha
<10 lakhs	2	3
10-30 lakhs	7	9
30-60 lakhs	1	2
60-90 lakhs	1	1
>90 lakhs	2	

Table. No. 16 shows that two FPOs from Andhra Pradesh have total turnover greater than 90 lakhs, 2 FPOs have turnover from 60 to 90 lakhs, 3 FPOs have turnover within the range of 30 to 60 lakhs, 16 FPOs have turnover 10 to 30 lakhs and five FPOs less than 10 lakhs

2. To study the impact of FPOs on farmers

Table 17: Socio-economic profile of farmers (n=150)

Sr. No.	Particulars of variables	Respondents	
		Frequency	Percentage (%)
1	Age		
i	Upto 30	25	17
ii	30 to 50	91	61
iii	Above 50	34	23
2	Gender		
i	Male	123	82
ii	Female	27	18
3	Educational Qualification		
i	Illiterate	21	14
ii	Below SSC	72	48
iii	SSC to Intermediate	41	27
iv	Graduation and above	16	11
4	Landholding size		
i	Marginal(<1ha)	62	41
ii	Small farmers(1 to 2 ha)	76	51
iii	Medium farmers(2 to 10 ha)	12	8
iv	Large (>10 ha)	0	0
5	Occupation		
i	Agriculture only	92	61
ii	Agriculture and other occupation	58	39
6	Type of service availed from FPO		
i	Input	61	41
ii	Output	75	50
iii	Both	4	2
iv	None	10	7
Type of Input(n=65)		Type of Output(n=79)	No. of farmers
Tarpauline sheets		Paddy	7
Mulching sheets		Vegetables	14
Yellow sticky traps		Turmeric	5
Seed		Pulses	15
Feed		Milletts	7
Fertilizers		Fruits	12
Agro chemicals		Hill broom	10

Table 18: Mode of transaction by farmers

	Cash	Credit
Input	42(65%)	23(35%)
Output	30(38%)	49(62%)

Attitude of farmers towards Farmer Producer Organisation

Table 19: Attitude of farmers who availed Input services from FPO (n=69)

Particulars	Agree	Neutral	Disagree	WAM	Interpretation
Access to quality inputs	58(89%)	7(11%)	Nil	2.9	Agree
Reduction in input costs	61(94%)	4(6%)	Nil	2.9	Agree
Access to inputs at right time	56(86%)	7(11%)	2(3%)	2.8	Agree
Reduced dependence on money lenders	33(51%)	21(32%)	11(17%)	2.3	Neutral

Out of 65 farmers who are, availing input services 89% agreed that through FPOs they have access to quality inputs farmers are able to get better quality tarpaulin and mulching sheets, Seeds and other inputs.

Ninety-four percent agreed that there is reduction in input costs. The majority of farmers stated that FPO offers ₹ 30

lower price on Fertilizers and pesticides, ₹ 50 lower price on feed, ₹ 5 less on one yellow sticky trap ₹ 200 on one Tarpaulin sheet.

Eighty-six percent agreed that they have access to inputs at right time and 51% stated that there is reduced dependence on moneylenders.

Table 20: Attitude of farmers who availed Output services from FPO (n=79)

Particulars	Agree	Neutral	Disagree	WAM	Interpretation
Better price realization	75(95%)	4(5%)		2.95	Agree
Regularity of payment	44(56%)	21(27%)	14(18%)	2.38	Agree
Relief from Exploitation by middle man	59(75%)	12(15%)	8(10%)	2.65	Agree
Reduced Transportation cost	62(78%)	10(13%)	7(9%)	2.70	Agree

The above table shows that 95% farmers agreed that they have better price realization. Farmers stated that FPOs are offering ₹ 3 higher price on one kg of watermelon and onion, ₹ 10 on one kg of litchi, ₹ 5 higher price on one liter of milk, ₹ 200 higher price on paddy per quintal, ₹2000 higher price on chilli per ton and ₹ 1000 per ton of turmeric

Fifty six percent agreed about regularity of payment, 75% agreed about relief from exploitation and 78% agreed to the statement that there is reduction in transportation costs as the FPO are providing vehicles for transportation

Conclusion

According to the survey, majority of FPOs are registered as producer companies and are promoted by NABARD. The number of members ranged from 250 - 570 in Odisha, 230-2186 in Andhra Pradesh and most of them are small & marginal farmers. Though authorized capital ranged from Rs. 5-15 lakh across FPOs, the average paid up capital remained four lakh thirty seven thousand nine hundred rupees.

Twenty-four FPOs are registered in the last three years indicating that most of the FPOs are nascent and Most of nascent FPOs struggle to get finance from other institutions due to Low capital basis and lack of credit history.

Most of the FPOs have full time CEO and twenty two FPOs have presence of women BODs. All the FPOs have PAN and GST, twenty-two FPOs have fertilizer, pesticide and seed license.

Paddy, vegetables, and fruits are among the major crops grown by surveyed FPO members. Most FPOs have facilities such as an input shop and a primary procurement centre, and the majority of FPOs provide both input and output services.

The number of members availing different services were ranged from 50 to 450 while non- members availing different services ranged from 30 to 300. In one FPO the number of non-members (300) outnumbered the number of members (265) who used FPO services. Through FPOs majority of farmers are able to get timely and quality inputs at lower price and are able to realize better price for their produce. FPOs also helped in increasing the farmers income by reducing input and transportation cost.

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