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## The performances of farmer producer organizations in the Shivamogga district of Karnataka

**Dharmaraj BM, Basavaraj Beerannavar, Marutesh AM and AT Krishnamurthy**

### Abstract

The current study was conducted in Shivamogga District of Karnataka State. Shivamogga district is located in the central part of the state of Karnataka, India. It lies on the banks of the Tunga River and the city is popularly called "The Gateway of Malnad" or "Malenaada Hebbagilu" in Kannada. Expost-facto research design was employed. The present study was intended to explain the performance of Farmers Producer Organizations and extent of facilities availed by its member farmers. Thus, a total of six actively functioning FPOs were selected for the study. The results revealed that 50.00 per cent of the FPOs were having medium level of overall performance followed by high overall performance (33.33%). Hundred per cent of the FPOs are performing activities like custom hiring services, input supply, auditing of accounts, conduct of meetings (AGM, monthly meetings etc.), rules and regulations of the FPO, book keeping and documentation. Followed by 83.33 per cent of the FPOs possess internet facility and offering advisory/ technical services. Majority of the FPOs (66.64%) conducting training programmes. fifty per cent of the FPOs are engaged with procurement, packaging system and market linkage activities. depicted that cent per cent of the members availed the input supply services provided by the FPOs, followed by technical services (84.16%), procurement and packaging services (51.66%). The paper concludes that due to the establishment of FPOs the members are getting the services like inputs, advisory services, custom hiring services at the doorstep at reasonable prices on the other side the extension work becomes easier due to union of farmers into organization.

**Keywords:** Farmers producer company, institutional innovation, collective farming, performance

### Introduction

Post structural economic reform in the early nineties focused more on industry, tax reforms, foreign trade and investment, banking and capital markets without any specific focus on agriculture. Though there has been impressive growth in terms of gross domestic product, real development in terms of growth shared by all sections of population has not taken place. We still grapple with the problems of poverty, unemployment, inequalities in access to health, education and making agriculture a real growth sector. Though agriculture contributes only about one sixth of GDP, it employs more than half of the working population of the country signifying its paradoxical position in the economy. More so, because Indian agriculture is the home of small and marginal farmers about 85% of total land holdings (agriculture census 2010-11). Needless to mention, in a country like India role of small farmers (small holdings) in poverty reduction is well recognized. However, in the absence of robust public / private support system at the ground level farmers face challenges in accessing land, water, inputs, credit, technology and market. Then, there are emerging challenges like risk and vulnerabilities due to climate change and natural calamities.

In spite of the challenges discussed above, there are technological as well as institutional innovations taking place to enable small farmers for increasing productivity and income through collective initiatives. Different models of collectives have been tried in India such as Primary Agricultural Cooperative Society (PACS), Self Help Groups, Federations of SHGs, Common Interest Groups (CIGs), Joint Liability Groups (JLGs), Farmers Club, Producers Organisations etc. Some have succeeded where majority have not for varieties of reasons. To provide further impetus to the farmers collective, government mooted the idea of making the collectives think and behave like business entities by getting incorporated as Producers' Companies under the Companies Act of 1956 (amended in 2002).

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In fact, Government of India, as a matter of policy considers producers company as the most appropriate institutional form around which farmers must build their capacity to collectively leverage their production and marketing strength.

To accelerate the collective farming covering different enterprises and to cover larger operational area all over the country, Alagh committee was framed. To provide better income enhancement opportunities for the farmers with proper organizational setup on sustainable basis, Alagh committee on 6<sup>th</sup> February, 2003 recommended the concept of Farmer Producer Organization (FPO). A Farmer Producer Organization / Company is a group of farmers or producers to carryout business activities related to the primary produce, product or related inputs. It is a registered body that is registered under Section IX A of companies Act, 1956 and a legal entity. Producers are the shareholders in the organization. Each member in a FPO can have only one vote, but can contribute different amounts of share capital. (<https://www.nabard.org>)

Presently 7059 FPOs are functioning throughout India. Karnataka state has

578 FPOs. Shivamogga district has 9 FPOs which are promoted by NGO (Chaitanya Rural Development Society) and State department of horticulture (source: <https://pib.gov.in>)

### Concept of Farmer Producer Company

A Farmer Producer Organization / Company is a group of farmers or producers to carryout business activities related to the primary produce, product or related inputs. (<https://www.nabard.org>)

### Functions of FPOs

- a) **Financial Services:** Arrange loans for raising crops, purchase / hiring of tractors, farm equipment, pump sets, water resources, laying of pipelines, milch animals, working capital etc.
- b) **Input Supply Services:** Provide low cost and quality inputs to members - fertilizers, pesticides, seeds, sprayers, pumpsets, accessories, feed etc.
- c) **Procurement and Packaging Services:** Procure produce from its member farmers; can facilitate storage, value addition and packaging.
- d) **Processing & Marketing Services:** Direct marketing / value addition to enable members to save in terms of time, transaction costs, weighment losses, distress sales, price fluctuations transportation, quality maintenance etc.
- e) **Insurance Services:** Crop Insurance, Electric Motors Insurance, animal and Life Insurance.
- f) **Technical Services:** Promote best practices of farming, maintain marketing information system, diversifying and raising levels of knowledge and skills in agricultural production and value addition to products.

### Research Methodology

In the present study, Expost-facto research design was employed, because the phenomenon had already occurred and the researcher does not have any control over independent variables. The study was conducted in Shivamogga District of Karnataka State. Shivamogga district is located in the central part of the state of Karnataka, India. It lies on the banks of the Tunga River and the city is popularly called "The Gateway of Malnad" or "Malenaada Hebbagilu" in Kannada. The two major rivers that flow through this district are Tunga and

Bhadra. As the district lies in the tropical region, rainy season occurs from June to October. The average annual temperature of Shivamogga District is around 26 °C. The districts provide an ideal region to undertake the study in view of the diverse culture, climate encompassing the maidan region consisting of Shikaripura, Soraba, Shimoga and Bhadravathi blocks and Malnad region consisting of Thirthahalli, Sagara and Hosanagara blocks endowed with majestic Sahyadrihill range and thick forest cover. Out of 30 districts in Karnataka, Shivamogga district was purposively selected as it is one of the front running districts in the FPO program in Karnataka. The major NGOs namely Shri Kshetra Dharmsthala Rural Development Project (SKDRDP), Chaitanya rural development society and the Department of Horticulture are actively involved in promotion of FPOs.

### Selection of the respondents

Among seven taluks of Shivamogga district, four taluks were purposively selected based on availability of highest number of members of FPO. From these four taluks, six actively functioning FPOs were selected. Two villages under each FPO were purposively selected. The FPOs which have completed minimum three years of function were selected for the study. From each of FPO, 20 respondents were selected on the basis of their availability at the time of interview. Thus, the total sample size of the study was 120.

### Results and Discussion

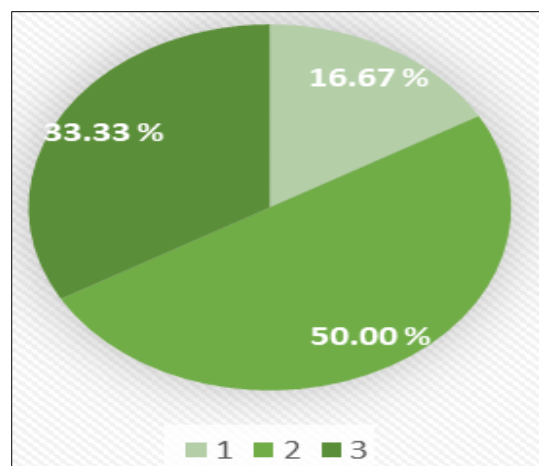
#### Performance of Farmer Producer Organizations

Overall performance of FPO

The data presented in the Table 1 revealed that, fifty per cent of the respondents were having medium level of overall performance followed by high (33.33%) and low (16.67%) level of overall performance respectively.

**Table 1:** Overall performance of the FPOs (n=6)

Sl. No.	Category	Frequency	Percentage
1	Low	1	16.67
2	Medium	3	50.00
3	High	2	33.33
Mean= 49.11SD= 5.96			



**Graph 1:** Overall performance of FPO (n=6)

The Table 1 showed that 50.00 per cent of the FPOs were having medium level of overall performance followed by high overall performance (33.33%). This might be due to the reason that as these FPOs were promoted by various POPIs. Non-Government Organization namely Chaitanya Rural

Development Society (CRDS) and state department of horticulture are involved in establishment and promotion of FPOs. These POPIs have conducted training programmes regarding concept, formation and managements of FPOs to its members. The POPIs have contact with members of FPOs even before the formation of FPOs as these two POPIs are involved in other activities like watershed development programmes and horticulture development programme to these farmers. The same farmers were motivated and organized into FPOs since the farmers are already know about the POPIs *i.e.*, state department of horticulture and Chaitanya rural development society.

The majority of the FPOs, they follow the activities like adherence to rules and regulations of FPO, formation and timely rotation of executive body, regular conduct of FPO meetings, account maintenance, input supply, market linkage, custom hiring services and the members share in responsibility of FPO among themselves due to this majority of the FPOs has medium overall performance followed by high overall performance. Only one FPO (16.67%) falls under the category of low-level overall performance, this is due to reason that as this FPO is not involved in activities like storage facility, credit services, procurement and market linkage and insurance services and also this FPO is having a smaller number of members and their participation is also low

in the activities of FPO hence this FPO falls under the low level of overall performance.

The other reason for this result could also be due to the fact that Shivamogga district being malnad area, one of the agriculturally important districts of the Karnataka state. Almost all members of FPOs are practicing agriculture and allied activities for their livelihood. In order to get benefit out of the FPOs they are actively involved in the functioning of FPOs. Middle aged members and medium education level of the respondents is added to reason for the above results

#### Activity wise performance of FPO

The data presented in the Table 2 revealed that, cent per cent of the FPOs are performing activities like custom hiring services, input supply, auditing of accounts, conduct of meetings (AGM, monthly meetings etc.), rules and regulations of the FPO, book keeping and documentation. Followed by 83.33 per cent of the FPOs possess internet facility and offering advisory/ technical services. Majority of the FPOs (66.64%) conducting training programmes. fifty per cent of the FPOs are engaged with procurement, packaging system and market linkage activities. Only 16.66 per cent of the FPOs engaged with credit services, storage and primary processing facility to its members. None of the FPOs are engaged in offering insurance services to its members.

**Table 2:** Activity wise performance of the FPOs (n=6)

Sl. No.	Activity	Performing		Non-performing	
		f	%	f	%
1	Financial / Credit services	1	16.66	5	83.33
2	Insurance services	-	-	6	100
3	Procurement and packaging system	3	50	3	50
4	Custom hiring services	6	100	-	-
5	Input supply	6	100	-	-
6	Market linkage	3	50	3	50
7	Technical / advisory services	5	83.33	1	16.67
8	Aggregation and storage facility	1	16.67	5	83.33
9	Internet services	5	83.33	1	16.67
10	Primary Processing	1	16.66	5	83.34
11	Auditing of accounts	6	100	-	-
12	Conduct of training programmes	4	66.64	2	33.36
13	Conduct of meetings (AGM, monthly meetings etc.,)	6	100	-	-
14	Rotation of executive body	2	33.36	4	66.64
15	Rules and regulations of the FPO	6	100	-	-
16	Book keeping and documentation	6	100	-	-

#### Activity wise performance of FPO

The data presented in the Table 3 revealed that, cent percent of the FPOs are performing activities like input supply as the inputs are the essential requirements for growing up of crops. Since FPOs are stationed at rural areas now the inputs are available at doorsteps. Earlier farmers used to visit nearby towns for purchasing inputs which requires almost one day time and cost of transportation of inputs also burden on them. Due to the formation of FPOs the members are getting essential external inputs like seed, chemical fertilizers and plant protection chemicals locally at reasonable prices. Therefore, all the FPOs are performing the activity related to the supply of inputs.

Custom hiring services are provided by the all the FPOs to its members due to migration of rural youths to the nearby towns. There exists scarcity of agriculture labor due to the reduced size of landholding, the respondents are not in a position to purchase heavy equipment's on their own. It is also difficult for owning of heavy equipments due to its heavy

cost. In Custom hiring services, the equipments and farm machineries are available on hire basis whenever the members need it. That's why all the FPOs are performing the activity of custom hiring services in addition to this the subsidy provided by the government motivated the organization to own their equipments.

Book keeping and documentation, auditing of accounts and following rules and regulations were performed by all the FPOs. The documents and books are like mirror to see the transaction made in FPOs. This will also bring transparency on the financial activities of the FPOs. Auditing of accounts helps to know to what extent the records are maintained correctly. Since there is involvement of NABARD money during the initial stages of FPOs, they also insist to maintain certain records compulsorily. Therefore, all the six FPOs adhere to the rules and regulations of the FPOs and audited their accounts periodically.

The activity of conducting meeting regularly was profound by all the FPOs. If there is meetings at regular interval the

members can discuss their issues and which helps to reduce the conflicts among the company members.

Technical / advisory services and internet services are performed by 83.33 per cent of FPOs. the main objective of extension services is to provide a technical guidance to the farming community so that they can make use of their knowledge in the day to day farming activities. Due to availability of a greater number of farmers in FPOs helps for easy dissemination of information by FPOs. The extension work of extension personnel of various development department becomes easier. Therefore, the technical / advisory services are performed by five out of six FPOs. Since the FPO is also engaged in market and input supply services therefore they have internet facilities for communication purpose.

Training programmes were conducted by more than half of the FPOs (66.66%). Training programmes were conducted during initial stages of FPO formation to acquaint the members regarding the concept and functioning of FPOs. Later stages the various other training programmes like improved cultivation practices, pest management, nutrient management, value addition and marketing related programmes were conducted by FPOs to its members.

As procurement and packing, market linkage are the post-harvest activities performed by 50 per cent of FPOs.

Procurement of commodities and packing them neatly helps to fetch higher market prices as compared with selling in a traditional way.

The activity of rotation of executive members is performed by 33.36 per cent of FPOs this helps to develop leadership qualities among the members and reduces the dominance of few selected members. Primary processing and storage facility were performed by only one FPO out of six. This is due to availability of processing and storage facility in that FPO.

None of the FPOs are performing insurance services as this activity is already carried by other development departments and bankers while lending the loan. Increased rate of premium and delay in process of settling the claims are the reason for non-performance of this activity.

### Facilities availed by the members of FPO

The data presented in the Table 4 depicted that cent per cent of the members availed the input supply services provided by the FPOs, followed by technical services (84.16%), procurement and packaging services (51.66%), market linkage (40.83%), storage facilities (16.66%), processing and marketing services (15.00%) and financial/ credit services (10.83%).

**Table 3:** Facilities availed by members of FPO (n=120)

Sl. No.	Activity / services	Availed		Unavailed	
		f	%	f	%
1	Financial / credit Services	13	10.83	107	89.17
2	Input Supply Services	120	100.00	--	--
3	Procurement and Packaging Services	62	51.66	58	48.34
4	Processing & Marketing Services	18	15.00	102	85.00
5	Insurance Services	--	--	120	--
6	Technical Services	101	84.16	19	15.84
7	Market linkage	49	40.83	71	59.17
8	Storage facilities	20	16.66	100	83.34

### Facilities availed by the members of FPO

The Table 4 shows that cent per cent of the members availed the input supply services as the all the members requires essential inputs during crop season. Technical services are availed by 84.16 per cent of the respondents as these FPOs are promoted by horticulture department and NGO. The extension staff of these organization provides technical services to its FPO members. Procurement and packaging services are availed by 51.66 per cent of the respondents due to availability of these services in three out of six FPOs. Storage facilities were availed by 16.66per cent of the respondents due to non-availability of storage facilities like warehouses and godowns in rural areas. The high cost of construction of warehouses is the added reason for not having the storage facilities by majority (83.34%) of the respondents.

### Conclusion

In the light of findings of the study and personal experiences of researcher at the time of personally interviewing respondents, the paper is concluded that due to the establishment of FPOs the members are getting the services like inputs, advisory services, custom hiring services at the doorstep at reasonable prices on the other side the extension work becomes easier due to union of farmers into organization. The study revealed that majority of the

respondents possess favorable attitude towards FPOs. Strengthening the functioning of producer company through institutional support needs to be taken up. Input agencies, investors, buyers, financial institutions and NGOs need to be linked with FPOs. Thus, the Producer Organization Promoting Institute should concentrate on forward linkages and establishment of processing units and providing storage facilities to its member.

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