

Farmer Producer Company: A Case Study of Coimbatore Coconut Producer Company Limited, Coimbatore, Tamil Nadu

K. Kalidas¹, S. Nandhitha², K. Sandhya³, T. Selvanivethini⁴, V. Vanathi⁵

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Abstract

Agriculture, as the primary sector of the Indian economy, employs about two-thirds of the Indian people and contributes approximately 20.19% of the nation's GDP; thus, agriculture is proudly referred to as India's backbone. The number of farms has more than doubled since the first agriculture census 45 years ago, from 70 million in 1970 to 145 million in 2015 and counting. This means a larger population in an ever-shrinking landholding, resulting in growing population pressure and widespread underemployment. Farmers are frequently harmed by inefficiencies in the transportation system. This makes them reliant on middlemen, reducing any profit (Business World, 2022). In India, Farmer Producer Organisations (FPOs) have arisen as a new type of aggregation model. The Central Sector Scheme for "Formation and Promotion of 10,000 Farmer Producer Organisations (FPOs)" has been approved and launched by the Government of India. Initially, one FPO is assigned to each block. So far, 7059 new FPOs produce clusters have been assigned and formed. This study analyses the status of farmer producer companies promoted by various agencies in India and in particular, a case study about the FPC promoted in Coimbatore district of Tamil Nadu.

Keywords: Aggregation; Land Fragmentation; Farmer Producer Companies.

INTRODUCTION

Indian agriculture over the last decade is facing a lot of problems and it has been declining and it is a matter of serious concern for all those stakeholders associated with agriculture. 40% of the farmers, wish to leave agriculture (Ayoob, 2020)

Author's Affiliation: ¹Associate Professor & Head, ²⁻⁵UG Scholar, Department of Agricultural, Economics, Vanavarayar Institute of Agriculture, Manakkadavu, Pollachi 642103, India.

Coresponding Author: K. Kalidas, Associate Professor & Head, Department of Agricultural, Economics Vanavarayar Institute of Agriculture, Manakkadavu, Pollachi 642103, India.

E-mail: kalidas.via@gmail.com

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which was reported by National Sample Survey Organization (NSSO). Lack of better price to the primary producers has been one among the prime reasons. There has also been no surplus produce for value addition due to low productivity influenced by poor knowledge base towards production technology, access to credit, input, market and obviously the below par adoption behaviour. The price spread among the intermediaries in the structure of agricultural market limits the farm gate price realized by the primary producers to the lowest possible in the supply chain.

A much discussed topic in Indian agriculture is how to integrate the farmers, especially the small farmers; with the value chain so that the net return at the farmers end is remunerative enough for the farmers to remain interested in agriculture. India has over 92 million small holdings or nearly 21% of the world's small holdings of 450 million,



the second largest after China. The challenge is therefore enormous for India to ensure that small holdings are truly productive and are the main source of livelihoods for millions of her people dependent on it (Padmaja, 2021).

Several institutional models are being tried in India to integrate farmers with the value chain. Cooperatives concept is one of the options available for the farmers to get organized themselves to move-up in the value chain and having business ownership. Producer cooperatives are the aggregations of producers to share the scale of economies and provide service in terms of knowledge, agro-advisory, supply of input, credit, procurement, processing, marketing and distribution etc. Such organizations amplify the political voice of shareholders, reduce the input, transaction and transport costs, provide platform for sharing information, coordination of common activities and involve in collective decision making. They are registered under the State Cooperatives Societies Act. They are expected to provide access to risk-bearing capital, manage risk through product diversification, set market standards, provide marketing conditions and economic democracy at gross root level. Analysis on the performance of cooperative system in the country conclude that they have been infected by political interference, corruption, elite capture, poor efficiency, loss making ways and declining Govt. support (capital constraint) (Singh, 2008). This article explains about the case study of Coimbatore Coconut Producer Company Limited, promoted by Vanavarayar Institute of Agriculture, Manakkdavu, Pollachi funded by National Bank for Agriculture and Rural Development, Chennai in 2015.

Farmer Producer Companies

One of the best instruments under the “inclusive growth” in promoting rural vibrancy is agriculture production by farmer collectives which will sustain the economic strength. This can be achieved by farmer induced quality production, value addition, storage and marketing. The farmer collectives can be “Farmer Owned Companies” and is more relevant under the economic liberalization and market economy. Farmers should have the first economic benefit rather than investors, middlemen, non agriculture enterprises and urban elites. The finance, technology, infrastructure, marketing and management have to be bridged together and work for the rural revitalization which will contribute towards a marching economy reflecting the removal of rural poverty.

The farmer owned companies can come up in the rural areas and at least one in every panchayats and potential agriculture production areas. Farmers are to be motivated, empowered, educated and capacitated to set up “Farmer Owned Companies” under the legal provisions and law of the land. Civil society organizations, NGOs, corporate, government bodies, financial institutions, and development agencies working for the cause of small and marginal farmers can help in setting up the farmer companies. Farmers require support due to the fact that they are primarily producers and not professionals in the field of organizational set up and company matters. Under the provisions of the Companies Act 1956, companies can be formed under the following set up: 1. Private Limited Company (PLC), 2. Limited Company (LC), 3. Farmer Producer Company (FPC).

Farmer Producer Companies can be seen as hybrids between private companies and cooperative societies. The producer company concept is aimed to combine the efficiency of a company with the ‘spirit’ of traditional cooperatives. Producer companies aim to integrate smallholders into modern supply networks minimizing transaction and coordination costs, while benefiting from economies of scale (Lanting, 2005). They are run and owned by farmers, financially facilitated by the government or donor agencies, and managed by professionals. The concept of producer companies is still in its infancy in the agricultural sector and has captured almost no attention in the literature particularly outside India. Our general intention in this paper, therefore, is to analyze the potential of the producer company model as a bottom-up approach for smallholder participation in emerging markets.

Status of FPCs in India

From the above chart, it is evident that a total number of 7059 FPOs are currently in India according to the PIB report of 2022. Karnataka has the highest number of FPOs i. e., 578 FPOs and Puducherry with least number of FPOs i. e., 2 FPOs. There are a total number of 898 FPOs registered under Small Farmer's Agribusiness Consortium, the FPOs registered under the NABARD are 3904 nos and the FPOs registered by IAs under CSS for formation and promotion of 10,000 FPOs are 2257 nos. The highest number of FPOs registered under SFAC is 149 from Madhya Pradesh, the highest number of FPOs registered under the NABARD is 305 from West Bengal, the highest number of FPOs registered under the 10,000 FPOs Scheme is 210 from Uttar Pradesh.

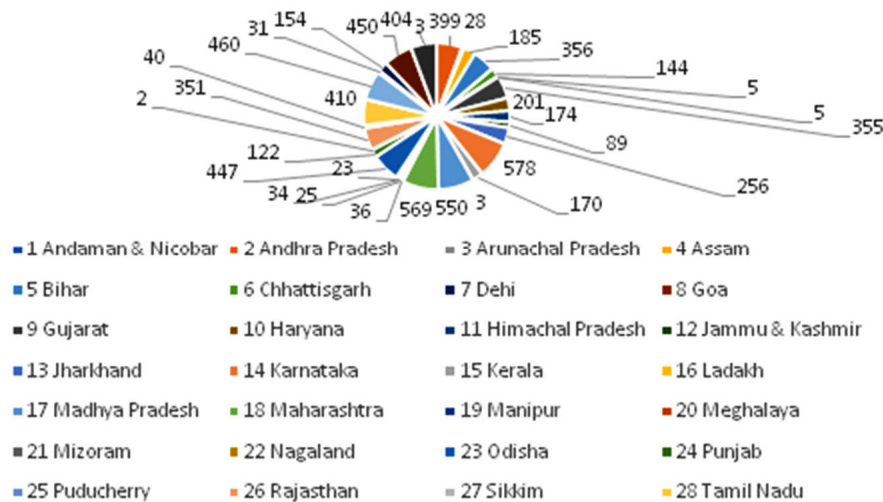


Fig. 1: No. of FPOs registered by respective agencies Total

Source: PIB-2023

Process of formation and functioning of Coimbatore Coconut Producer Company Ltd, Pollachi, Coimbatore District

1. Vanavarayar Institute of Agriculture through Promotion and Nurturing of Farmer Producer Companies scheme of NABARD promoting Farmer Producer Companies since 2015. They emphasized a change in the mindset of the farmers for collective production of agricultural produces with focus on reducing cost of cultivation, increasing yield, assuring quality of produces, collective marketing, minimizing the exploitation of traders, brokers and middlemen, getting better price and income by the farmers and enabling consumers to get quality agricultural produces at fair price.
2. With this background, VIA started creating awareness among the farmers on the need to get mobilized into groups and later into Farmer Producer Company.
3. On 21.10.2015, meeting was arranged with 125 local farmers along with the officials from NABARD and Coconut Board. This meeting served as a reinforcement among the farmers for the formation of a Farmer Producer Company.
4. Meanwhile, as a result of continuous meetings and discussions in various villages around Pollachi Taluk, they have formed

13 Coconut Producer Federation with 58 Coconut Producer Societies.

5. One lead farmer for each federation was also identified to serve as a director and a link farmer between the Resource Institute was created and Coconut Producer Company was formed.
6. Thousand Eighty-Seven farmers came forward to enroll themselves as members with an authorized capital of Rs. 15 lakhs. Thirteen Directors were identified and the FPC was incorporated in the name of "Coimbatore Coconut Producer Company Ltd (CCPCL)" on 14.11.2015. The first annual general body meeting was held on 10th December 2015.
7. Usually, the brokers and sub brokers have been purchasing the coconuts from the farmers on number basis. When a farmer harvested coconut, a broker would visit the farm and quote a very less price of the coconuts based on eye judgment. When the farmer approached another broker, again that broker also would quote the same price or lesser price or slightly higher price because of the already existing communication network among the brokers and sub brokers which farmers might not be aware of. Hence, the farmer would be forced to sell to one or the other broker for a very less

price. The FPC members also could find out that the brokers and sub brokers wantedly showed less number of coconuts through false counting which farmers were unable to know. Similarly, in the case of small size, three coconuts would be counted as two and always for every 100 nuts two nuts would be taken as profit-nuts by the brokers.

8. The Directors, Cluster leaders and lead farmers made a thorough analysis of the conventional method of selling of the coconuts by the Members. Farmers identified that selling of coconut on weight basis was more profitable rather than selling based on numbers.
9. Another great loop-hole identified by the farmers was that the traders took coconut along with husk without paying money for husk as it was equal to the dehusking charges. In order to overcome this constraint, the Company had engaged 30 labourers for dehusking the coconuts which were harvested in the farms of the Members of the Company @ Rs. 0.50 per coconut. At this juncture, a few farmer Members on behalf of the Company, approached coir factories in Pollachi and fixed the rate of Rs. 1.35 per husk. On an average, a farmer could get Rs. 0.75 to Rs. 0.85 per nut as additional income from husk which was an untapped resource before.
10. At this point of time, the labourers raised the harvesting charges of coconut from Rs. 0.75 per coconut to Rs. 1.50 per coconut. To overcome this challenge, the Company had brought the labourers from other districts like Krishnagiri and Dharmapuri to harvest the nuts for Rs. 0.70 per nut for its Members. On seeing this, local labourers agreed to harvest the nuts for Rs. 0.80 per nut if they were given with job throughout the year. At present, there were five teams of labours each comprising 10 numbers to harvest the coconuts.
11. The harvested coconuts were sent directly to MARICO without any intermediaries and they are fetching higher price than the market.
12. After tasting the first success of getting higher income, other farmer Members from other clusters also were enthusiastic and developed rapport with other coconut drying units and a few Oil Mills.

13. The farmers realized that collective marketing of one load of coconuts weighing about 9000 kg direct to the buyers enabled them to get an additional income of Rs. 13,500 (@Rs. 1.50 per coconut). By marketing just one load, a member was able to get back his share amount. This process has been now helping the members to get higher income.
14. The above successful process, however, became a setback for the brokers and sub brokers who resorted to stopping the vehicles sent by the Farmer Producer Company.
15. As of now, the spot payment was made by the trader on farm gate and also the harvesting and loading charges were borne by the trader for harvesting. This process also enabled the farmers to continuously get higher income.
16. Trainings were conducted regularly for the Members based on their need by inviting Experts from various institutes like TNAU, CFTRI, Coconut Development Board, CPCRI etc.

CONCLUSION

In India, the era of FPCs have started, as of now 7059 FPCs were formed and in that Karnataka has the highest number of FPOs i. e., 578 FPOs and Puducherry with least number of FPOs i. e., 2 FPOs. There are a total number of 898 FPOs registered under Small Farmer's Agribusiness Consortium, the FPOs registered under the NABARD are 3904 nos and the FPOs registered by IAs under CSS for formation and promotion of 10,000 FPOs are 2257nos. As of Coimbatore Coconut Producer Company Limited, the changing the mindset of farmers for collective production, processing, value addition and marketing by conducting meetings and trainings involving NABARD, Coconut Board. Forming village level clusters and Farmers Groups, taking Farmers Groups on exposure visits to other FPCs act as a main reason for forming FPCs in this region.

Convincing and putting an effective mechanism in place for harvesting and collective marketing of coconuts on 'weight' basis as against the conventional 'number' basis direct to the Oil Mills, negotiating with brokers and buyers, having a group of labour force and engaging the same round the year, exposure visits to learn successful

practice of other FPCs, use of ICT tools for sharing information on technologies and market trends among the Members and establishing a strong linkage with TNAU, CFTRI, Coconut Development Board and CPCRI and utilizing their expertise and technologies were the key processes for the effective functioning of the Farmer Producer Company.

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