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Evaluating the dynamics of farmer producer companies: A comprehensive SWOC and performance analysis

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Abstract

Indian agriculture comprises more than 85 percent of small and marginal farmers facing a wide range of constraints, including diseconomies of scale and limited access to markets and information, lack of storage and transportation facilities, high-cost of inputs, and price distortion. Various farmer aggregation models have been developed to tackle existing agricultural constraints; one such model has emerged as farmer-producer companies that aggregate farmers. Farmer Producer Organizations (FPO) are designed to encompass the entire value chain, including post-harvest management, financing, and marketing activities. This agricultural business model maximises farmers' welfare, enhances income, and promotes overall development. However, these FPOs rest on chemical input-intensive practices, which do not ensure sustainability. Recently, new forms of FPOs have emerged, which provide overall farmer welfare, synchronise with sustainability, and help achieve Sustainable development goals. One such initiative is the organic farmer producer organisation, which harnesses the potential organic practices without harming the environment. The current research delves into one such FPO established by organic farmers. Haryana's organic feed farmer producer company is a registered FPO that deals with organic products. The current research case study of an organic feed farmer producer company aims to analyse its organisational structure, value chain approach, business activities, and factors contributing to its success. For this purpose, we collected information on various aspects of organic FPO using the structured questionnaire. The insights gathered from the analysis will be helpful for academics, policymakers, and multiple stakeholders in addressing challenges effectively and ultimately contributing to inclusive and sustainable agricultural development in India.

Keywords: Organic farming, farmer producer organisation, sustainability, smallholder farmers

Introduction

With the vast interconnection of the agriculture sector with industries and the retail market, the sector plays a vital role in economic growth. At the same time, the agriculture sector faces severe consequences from a rapidly changing environment and population pressure. To confront the consequences and pressure on agriculture, "Zero Hunger" (Sustainable Development Goal 2) was introduced with eight built-in targets. (Viana *et al.*, 2021) ^[22]. Target 2.3 was explicitly formed to double small farmers' income and productivity, including indigenous and women farmers. Thus, SDG2 lays a critical agenda for the upliftment of small farmers. However, why is so much attention given to smallholder farmers? The simple justification is the skewed distribution of land and food they generate. Since 1960, the agricultural land size has decreased, and the number of farmers has increased. Lowder *et al.* (2019) ^[7] estimated that farm size of less than 2 hectares account for 84 percent of all farms but operate only on 12 percent of agricultural land, while 1 percent of farms (50 hectares and above) operate on more than 70 percent. The same report further estimated that small farms produce 36% of the global food. On top of that, if small farmers with their families were included, the numbers would be far greater than that. This makes it more critical for small farmers to operate on small farms and generate sufficient income. Apart from the skewed land distribution, small farmers suffer from hunger and poverty. UN DESA (2021) ^[20] and FAO (2015) ^[4] reported low farm productivity and high poverty (higher than the national poverty headcount) among smallholder farmers compared to the national poverty headcount, and these farmers are concentrated mainly in Sub-Saharan Africa and the Asian region.

Lowder *et al.* (2019)^[7] reported that 58% of smallholder farmers reside in India and China only, whereas Sub-Saharan Africa inculcates 12% of smallholder farmers.

The Indian agriculture progress since the Green Revolution has led to a substantial increase in food grain, milk production, oil seeds, and vegetables (Kumar *et al.*, 2022)^[6]. Smallholder farmers were among the significant contributors to agricultural progress. According to Agriculture Statistics at a Glance, 2022, Indian agriculture comprises 85 percent of small and marginal farmers holding land less than 2 hectares. With small land holdings, these farmers face several challenges, one derived from artificial and the other from rapid environmental degradation. As per the Situation Assessment Report (NSS 77th Round), the average monthly income per agriculture household is reported to be Rs. 10,218 in 2018-19, posing financial hardships for smallholder farmers, who are significantly impacted by climate change and market uncertainties (Ministry of Agriculture & Farmers Welfare, 2022)^[8]. With the small farm size, they encounter various constraints at their farm, such as diseconomies of scale, lack of timely information, unaffordability for new technology, lack of price realisation, and the list goes on (Dhillon & Moncur, 2023)^[3].

Several technological and institutional innovations in India have been established to empower small and marginal farmers, increase productivity, and enhance their income through collective endeavours. Different collective models include Self-Help Groups, Primary Agriculture Credit Societies, Joint Liability Groups, Farmers Clubs, Common Interest Groups, Cooperatives, Producer organisations, etc. The three-tier structure, with Primary Agriculture Cooperatives Societies (PACS) at the local level, facilitates input and credit provisions for the farmers (Prasad, 2019)^[12]. However, these cooperatives' efficacy has faded because they primarily focused on input and credit distribution. This leads to misused authority and self-serving interests, fostering discouragement among farmer members. Overall, agricultural cooperatives in India have faced several hindrances, demonstrating a lack of effectiveness in efficiently addressing agrarian hardships. The concept of collectives has evolved, introducing a hybrid concept of cooperatives and corporate companies known as the producer organisation model. Farmer Producer Organisation is an umbrella term used to represent the farmer organisations registered under the 'Indian Companies Act 2013, followed by producer companies, cooperatives and other forms of farmer collectives (NAARM, 2022)^[9]. The government has taken several policies and initiatives to encourage FPOs since 2011, and there are over 24,183 FPOs, including cooperatives and producer companies, registered in India till FY 2023 (NAFPO, 2023)^[10]. The principal objective of the farmer-producer company is to ensure better income for the producers and provide several facilities, such as transportation, storage, market access, contract establishment, educational and extension services through their organisation (Kumar *et al.*, 2022)^[6]. An individual small producer cannot have the volume in both input and produce and cannot benefit from economies of scale (Pathania *et al.*, 2020)^[11]. Furthermore, there are many agricultural marketing intermediaries, and in most cases, their role is not transparent. The producer cannot get more than a small part of the total amount the ultimate consumer paid (Trivedi *et al.*, 2023)^[19]. Therefore, aggregation through FPOs

helps primary producers benefit from economies of scale. Additionally, they will have better bargaining power than before using their union vis-a-vis the supplier of inputs and bulk buyers of the produce.

Even after the success of FPOs in uplifting smallholder farmers, does it promote sustainable agriculture? Sustainable agriculture is defined as a food production system that harmonises human and environmental relations. One may grow without degrading the planetary boundaries. Conventional practices (the use of chemical fertilisers and pesticides) that originated from the introduction of the Green Revolution are said to be unsustainable in the long run (Schoonbeek *et al.*, 2013)^[13]. As cited by scholars and academicians, organic farming is an alternative approach to sustainable agriculture. The organic farming principles rest on the ecology concept of giving back what land produces (Sharma, 2023)^[14]. Organic farming produces healthy food without unbalancing the environment. Moreover, organic products give farmers premium prices. Several studies advocated organic farming as a catalyst for the upliftment of smallholder farmers (Jouzi *et al.*, 2017)^[5]. Organic farming ensures sustainable development and aligns with the SDGs. However, organic farming is still in the early stages of development and faces many challenges, such as low yield, certification, and transition period (Avinash & Batra, 2023)^[11]. Low yield is a significant factor that hinders farmers' adoption of organic practices. However, the fusion of organic farming and FPOs can tackle the challenges in an effective way. FPOs formulated by organic farmers can only produce healthy food and earn higher income for the smallholder farmers within the planetary boundaries. Thus, the current study focused on the operations and critical aspects of the organic FPO.

Research Methodology

The study investigates the critical aspects, including the operations of organic FPO in the Rewari district of Haryana, focusing on the 'Kosli Farmer Producer Company'. To enhance the comprehensiveness of the study, the processor unit, namely 'V Organic Products LLP' located in Jaipur, Rajasthan, has also been incorporated. The research employs a qualitative case study approach combined with strengths, weaknesses, opportunities and challenges (SWOC) to identify the internal and external factors influencing the performance, operations, functioning and business activities of both these entities. Additionally, structured questionnaire and interviews with the office bearers of the FPO and processor unit have been conducted to collect quantitative as well as qualitative data. The mixed-method approach enables to develop a comprehensive understanding and insights into several aspects, including the organisational structure, decision-making processes, marketing strategies and financial performance of FPO and the associated processor unit.

Results and Discussion

Kosli Farmer Producer Company has 314 members spread over 18 villages, including 26 organic farmers. It incorporates a seven-member board of directors and annually holds thirteen to seventeen board meetings. The FPO sells and purchases seeds and fertilisers and operates two outlets in Tungha and Bairampur village, Rewari (Haryana). FPO provide various services to its shareholders and produces various foodgrain crops, namely wheat, mustard, millet and vegetables.

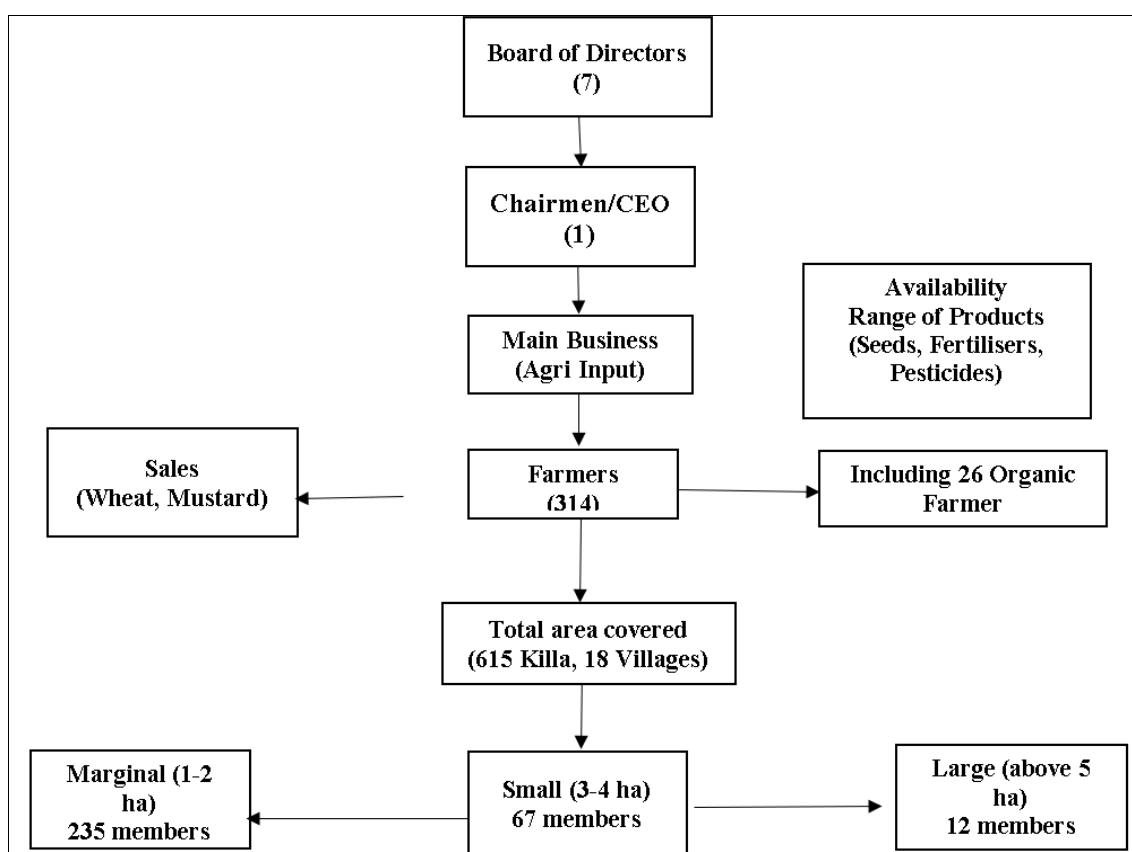
Table 1: Basic Profile of FPO (Kosli FPO)

Registered Under	Cooperatives Act
CIN No.	20211080200025788
Total no. of Shareholders	314
No. of Board of Directors	07
No. of Board of Directors meetings annually	13-17
Total Area covered under FPO	615 killa
Marginal (1-2 ha)	235 members
Small (3-4 ha)	67 members
Large (above 5 ha)	12 members
No. of Villages covered	18

Source: Field Survey

The above table highlights the basic information about the farmer-producer company registered under the Cooperative Societies Act. The Kosli FPO has a total number of 314 shareholders, supporting a strong membership base. The governing body comprises seven board of directors, indicating an appropriate size for the cooperative society. The board of directors meeting was held between 13 and 17 times annually to represent the active and regular governance structure. As depicted in the organisational structure flow chart, the board of directors committee consists of seven members and one CEO to

manage the overall business operations efficiently. The main business of the FPO focuses on providing agricultural inputs, including seeds, pesticides and fertilisers. Furthermore, the FPO serves a total of 314 farmers, categorised into several groups of farmers based on farm size, and supports 26 organic farmers. The FPO ensures comprehensive coverage, covering a total area of 615 killa across the 18 villages. Wheat and mustard sales indicate the primary cash crops for the FPO, enhancing the agriculture output and economic viability.



Source: Authors' own

Fig 1: Organisational structure of FPO

Organic Farmers' support by the Kosli FPO

The FPO supports organic farmers via input services such as seed availability, vermicompost, knowledge and practices support for farmers and bio-products. FPO continuously

supports organic farmers in maximising yields in organic practices and connects them to market players on organic products.

Table 1: Business performance

Parameters	
Main Business	Agri Input
Range of products	Seeds, Fertilizer and Pesticides
Year (2022-23)	
Annual Turnover (Rs. Lakh)	90
Profit (Loss) in Rs.	50000
Expenses in Rs.	573214
Total Assets in Rs.	1325071
Total Liabilities in Rs.	1200000
Equity Fund (Rs, Lakh)	12

Source: Field Survey

FPO directly links consumers to organic farmers to buy organic products. FPO regularly organises seminars to promote organic practices among smallholder farmers.

The business performance metrics of Kosli FPO represent valuable insights into the financial performance and operational mechanism for the fiscal year 2022-23. With an annual turnover of Rs.90 lakh and its core primary Agri-input product range, including seeds, pesticides, and fertilisers, the FPO generated a narrow profit margin of fifty thousand rupees. The organisation faces numerous challenges in having substantial productivity and profitability, bearing a total operational cost of Rs. 5,73,214. Besides the challenges, FPO maintains total assets amounting to Rs. 13,25,071 with exceeded liabilities of twelve lakh rupees, indicating a stable financial position. The Rs. 12 lakh equity fund underscores the members' commitment and the trust of

stakeholders, laying a solid foundation for potential growth and investment.

V Organic Products LLP, situated in Jaipur, has vast business activities in sorting, packaging, retailing, and exporting organic products. They deal with various FPOs located all over the country. The V organic transport jaggery is from Roorkee, and wheat is from Madhya Pradesh FPO. All the FPOs in contact are certified, and V Organic has been certified by the Rajasthan State Organic Certification Agency (RSOCA). They run business activities from both channels: Business 2 Business and Business 2 Consumer. Moreover, they have more than eighty-plus ranges of organic products, including wheat, black wheat, rice, dry fruits, etc.

Table 3: Basic Profile of the Company

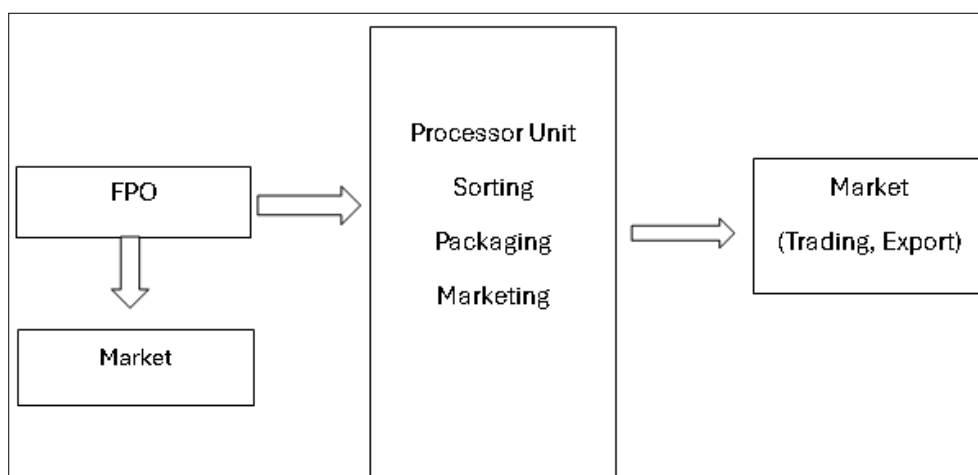
Parameters	
Legal Form	LLP (Limited Liability Partnership)
LLP No.	AAT4003
Year of Establishment	2018
Certification of Organic farming	RSOCA (NPOP)
No. of Employees	09
Main Business Activity	Trading and processing of Organic Products
Range of products	Oil, Pulse, Wheat, Rice, Dry fruits All kinds of organic daily-use products

Source: Field Survey

Farmer Support by Organic Processor Unit

The V organic processor unit is an exporter and retailer of organic products in a wide range of consumable products. The V Organics regularly promote the adoption of organic practices among small farmers by visiting farms. They help disseminate

information regarding organic practices such as health, environmental, and land benefits. They also managed to convert six to seven farmers toward adopting organic practices and continuously working in that direction.



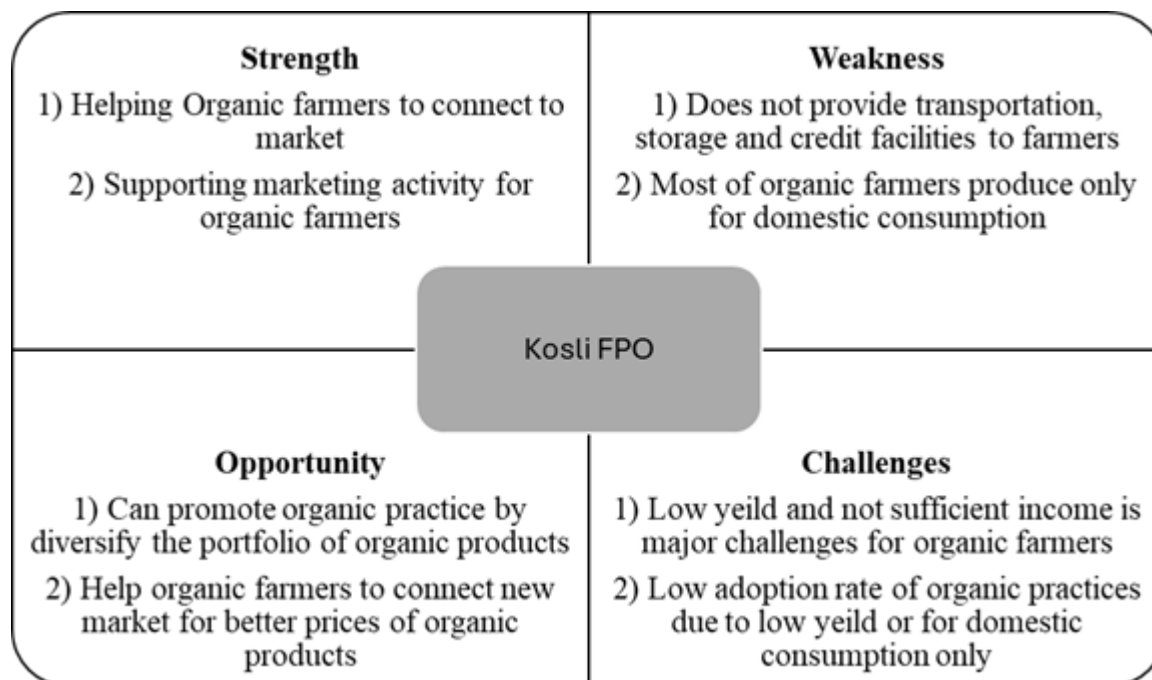
Source: Authors' Own

Fig 2: FPO and processor unit functioning with market linkage

SWOC Analysis of Farmer Producer Company

SWOC analysis is a strategic planning tool that provides a comprehensive framework for identifying and evaluating internal and external factors influencing the position of an organisation. It focuses on analysing strengths, weaknesses, opportunities and challenges so that stakeholders develop strategies to enhance the effectiveness and sustainability of an organisation by ensuring its long-term survival in the

competitive market. Furthermore, it underscores the significant contribution of providing market access, supporting infrastructure and technological intervention in adopting organic farming among farmers. In the context of agriculture, the analysis explores valuable insights into the impact of services provided by farmer-producer companies on the profitability and productivity of organic farming to practitioners and policymakers.



Source: Authors' Own

Fig 3: SWOC Analysis of Farmer Producer Company

Strength

It consists of internal characteristics and resources influencing the effective functioning of the organisation and plays a crucial role in making it successful.

Helping organic farmers enhance market access.

Farmer-producer organisations efficiently bridge the gap between farmers and the market, as organic farmers face several challenges in bringing the goods to market. FPOs help increase the supply of organic products by assisting farmers to focus on farming activities rather than distribution.

Supporting marketing activity for organic farmers

Farmers often struggle to pay attention to marketing activities by facilitating connections with the broader market. FPOs play a crucial role in providing marketing support and streamlining distribution channels, enabling more accessible ways to increase the income level of farmers.

Value addition and Branding

Beyond marketing support and connecting farmer communities, FPOs also facilitate value addition, sorting, and packaging of organic products to differentiate the market and create a collective brand, i.e., V Organics. The branding process assures the authenticity and quality of organic products to build customer trust.

Provide Financial and Technical Support

FPO provides financial assistance to purchase necessary

machinery and equipment and invest in infrastructure facilities to improve farming practices and add value. Furthermore, it provides capacity-building programs and technical training sessions for more than 3,000 farmers to enhance their skills.

Weakness

The internal attributes of FPO hinder the ability to function effectively.

Lack of transportation, storage and credit facilities

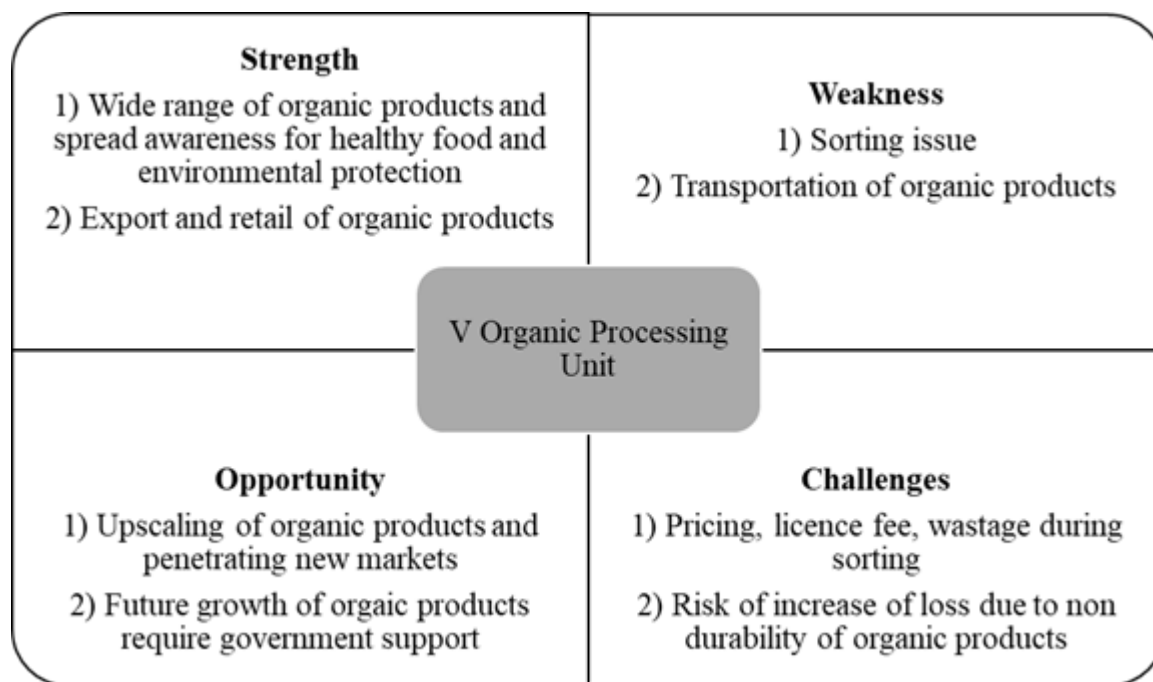
In rural and remote areas, the lack of adequate transportation, credit and storage facilities presents substantial challenges for small and marginal farmers. Organic producers often face hurdles in arranging transportation facilities for their perishable nature products. Additionally, insufficient storage facilities impose another constraint for small-scale farmers who struggle to manage warehouses and cold storage to preserve the quality of the organic products, especially during market fluctuations. Access to credit remains a sustained barrier for farmers, which hampers their ability to invest in farming inputs and upgrade farming equipment. On the other hand, high interest rates and terms for repayment also restrict financial flexibility for farmers to mitigate risks associated with farming practices like market fluctuations and variability in weather.

Organic farming for domestic consumption

Organic farmers primarily focus on the local consumption of crops and livestock rather than export due to several factors. Mainly, a limited market restricts the growth potential of the

farming sector, especially organic farming due to reliance on domestic consumption. Opportunity to access the international market, broader customer base and inability to export prevent farmers from increasing their income level, resulting in a

vulnerable situation. Local market emphasis leads to market saturation when the supply exceeds the local demand and leads to price reduction and financial instability.



Source: Authors' Own

Fig 4: SWOC Analysis of V Organic Processing Unit

Opportunity

These external factors create a favourable environment by reducing barriers, gaining a competitive advantage over others and enabling the organisation to perform effectively.

New market connectivity and promoting organic farming

FPOs play a crucial role in promoting organic practices by diversifying the portfolio of organic products to cater to varied consumer demands and to reach niche markets to enhance the value of organic farming. The diversification not only promotes sustainable agriculture but also restricts dependency on a single product. Furthermore, FPOs can negotiate better prices by leveraging collective bargaining power and facilitating market connectivity for organic farmers. A broader market will open up opportunities for international trade and help solve the local market saturation problem.

Challenges

Due to various factors, organic farming results in lower yields than conventional farming practices. The use of synthetic pesticides and fertilisers is restricted in organic farming, which limits the ability to control pests and plant diseases effectively and leads to potential crop losses. The lower yield directly impacts the farmers' income and underscores a significant constraint for organic farmers. On the other hand, operational and technical, Market competition and conflicts at the macro level, technical, labour and economics, and marketing of produce at the farm level were identified as significant barriers faced by members of FPO and control group farmers (Verma *et al.*, 2021) [21]. The low adoption rate of organic practices due to low yield or domestic consumption is another significant challenge faced by farmers. Current research revealed that managerial, socio-psychological, economic, lack of trust, financial difficulties, business management skills, unequal work

distribution, ineffective group leadership and delayed payments were the major challenges encountered when implementing FPOs (Singh *et al.*, 2023) [15].

Conclusion

The study reveals the crucial role of organic FPOs in sustainable agriculture and in enhancing farmers' welfare. However, these entities face significant challenges pertaining to production and marketing. The major obstacles include low yields and limited access to resources such as technology, finance and inputs. Furthermore, the lack of access to markets, especially for organic products, the fragmented market structure, and the lack of formal training for organic farming practices hinder the widespread adoption of organic practices and the growth of farmer-producer organisations. The findings of the case study contribute to the limited scholarly literature on the FPO's functioning and experiences in India. Similar to the previous literature (Bikkina *et al.*, 2018; Thamban *et al.*, 2020; Trebbin, 2014; Trebbin & Hassler, 2012) [2, 16, 17-18], our study underscores the potential of FPOs in integrating small and marginal farmers into modern supply chains. Moreover, producer agencies should collaborate with a supportive policy framework to achieve mutual benefits, reduce operational costs, and facilitate improved market interactions to enhance the efficiency and viability of the farmer-producer organisations. However, government support is required to tackle the situation. Subsidies, financial assistance, a simple certification process and infrastructural development can make a huge difference. The research highlights the need to evaluate government actions empirically on the ground level, beyond single-case studies to a more significant number of studies, that will be helpful for academicians, policymakers and stakeholders in addressing challenges effectively and ultimately contributing to inclusive and sustainable agricultural development in India.

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