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Farmer producer organisations in Telangana: A performance evaluation

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Abstract

Farmer Producer Organisations (FPOs) are emerging as vital institutional mechanisms for improving smallholder farmers' access to inputs, credit, technology, and markets, thereby strengthening their socio-economic status and collective bargaining power. By organizing farmers into formal producer groups, FPOs contribute to inclusive agricultural development and rural transformation. In this context, the present study, titled "*Farmer Producer Organisations in Telangana: A Performance Evaluation*," was undertaken to assess the performance of FPOs with a specific focus on their governance and management practices, as well as their economic and financial viability.

The study was conducted in Nagar Kurnool and Wanaparthy districts of Telangana State using a descriptive research design. Four actively functioning FPOs, operating for more than three years, were purposively selected — two from each promoting institution. A total sample of 40 respondents (10 from each FPO), comprising members directly involved in organisational operations, was selected. Primary data were collected through a structured interview schedule and focus group discussions. The performance of the selected FPOs was measured using the NABARD Performance Measurement Tool.

The study provides a comprehensive understanding of how FPOs are functioning in terms of institutional governance, managerial effectiveness, financial sustainability, and operational efficiency. The findings offer valuable insights for policymakers, promoting institutions, and development agencies to strengthen the performance and long-term sustainability of FPOs in Telangana and similar agricultural contexts.

Keywords: Farmer producer organisations, performance, governance, economic performance

1. Introduction

Smallholder farmers form the backbone of agricultural production in developing countries, and India is no exception. In the Indian context, small and marginal farmers constitute nearly 85 per cent of the total operated holdings, with about 66 per cent of them cultivating less than one hectare of land (Singh, S. 2012) ^[4]. Despite their significant contribution to national agricultural output, these farmers remain highly vulnerable to production, market, and climatic risks. Over the past two decades, rapid economic, political, and environmental changes have intensified their challenges, leading to high levels of indebtedness, unemployment, and migration from rural areas.

Improving the socio-economic conditions of small and marginal farmers, including rural women and youth, has therefore become a key priority for sustainable agricultural and rural development. Strengthening farmers' access to inputs, credit, technology, and markets requires the creation of an enabling ecosystem supported by robust and innovative institutional mechanisms. Experiences from India and other developing regions demonstrate that financially sound, membership-based farmer institutions that adopt a business-oriented approach and integrate effectively with technology, research, markets, and financial institutions can generate substantial economic benefits for their members. Such collective action goes beyond mere aggregation and enables farmers to achieve economies of scale, improve market access, and enhance their bargaining power.

In this regard, Farmer Producer Organisations (FPOs) have emerged as a strategic model for empowering smallholder farmers. FPOs are designed to aggregate farmers, strengthen their collective identity, and facilitate access to production, processing, and marketing services.

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Supported by agencies such as the Small Farmers' Agribusiness Consortium (SFAC) and the National Bank for Agriculture and Rural Development (NABARD), FPOs play a crucial role in providing institutional, financial, and technical support to small and marginal farmers (Bachke, 2010) [2]. NABARD, in particular, has been promoting producer companies as a means to foster equitable and sustainable rural prosperity, while SFAC encourages the formation of region- and commodity-specific producer groups to improve both input and output market linkages.

These farmer-led institutions are expected to increase farm incomes, reduce input and transaction costs, promote value addition and marketing, and improve farmers' access to formal credit and extension services (Agarwal, B. 2010) [1]. However, the effectiveness and sustainability of FPOs largely depend on their governance structures, managerial efficiency, and financial performance. Chauhan (2015) [3] conducted a study on effectiveness of Producer Companies in Madhya Pradesh. Number of shareholders, annual turnover and net profit were considered as measures for analysis of efficiency of producer companies. The study concluded that producer companies with more shareholders performed better by offering benefits to more members. Subhangi (2016) [5] studied the effective linkage of small producers with market and concluded that Farmer Producer Organisations are important means to bring the small and marginal farmers together in local communities to build their own enterprise, managed by professionals. FPO offers a proven pathway to successfully deal with a range of challenges that confront farmers today, especially small producers. FPO is the best way of linking producers to market for getting fair prices for their produce as it helps in giving market information on different market prices in different markets.

In this context, the present study focuses on evaluating the performance of FPOs functioning in Telangana State. By examining their governance, management, and economic and financial aspects, the study aims to generate insights that can guide future strengthening and expansion of FPO initiatives for the benefit of smallholder farmers.

2. Materials and Methods

A descriptive research design was adopted for the study. Out of the 33 districts of Telangana state, two districts namely Nagar Kurnool and Wanaparthy were selected through simple random sampling using the chit method. With regard to the selection of Producer Organisation Promoting Institutions (POPIs), Child Care Organization (CCO) NGO from Nagar Kurnool district and Society for Integration and Rural Development (SIRD) NGO from Wanaparthy district were purposively selected, as they have been actively promoting FPOs for the past five years.

A list of FPOs promoted by the two NGOs was prepared, and four FPOs, two from each promoting institution, which had been actively functioning for more than three years, were purposively selected for the study. From each of the selected FPOs, ten officials who are involved in FPO operations were purposively selected. Thus, the sample constituted a total of 40 FPO officials for the present investigation.

The present study aimed to examine the performance of the selected FPOs. Performance Grading Tool for Farmer Producer Organisations developed by NABARD was used for measuring the performance of each FPO. The parameters included in the tool were Age profile of FPO, Governance, Management, Infrastructure, Membership of FPO, Percentage of total members contributing to share capital, Total share capital collected, Training of board members, Business plan, Financial aspects, Annual turnover, Market linkage, Percentage of members availing services, Convergence with government

schemes, Compliance/ record keeping. Depending upon the total scores obtained by each FPO on the basis of these parameters were categorized into four grades. These were Grade-A (>75), Grade-B (60-75), Grade-C (50-60) and Grade-D (<50). Data were collected from the respondents using a structured interview schedule and focus group discussions. The collected data were analyzed using statistical tools such as arithmetic mean.

3. Results and Discussion

3.1 Governance and Management Aspects

Age profile of FPO: The data in the Table 1, indicates that Kollapur Farmer Producer company Ltd. was actively functioning from the last five years followed by Panugal Farmer Producer Company Limited, Wanaparthy Girijana Fruit Producer Company Limited and Timmaipally Farmer Producer Company Limited which were actively functioning from the last three years.

Governance: It is evident from Table 1, that all the four FPOs were having five board members. Out of five board members four were male and one was female in Kollapur Farmer Producer Company Limited (KFPCL), three were male and two were female in Panugal Farmer Producer Company Limited (PFPCL), four were male and one was female in Wanaparthy Girijana Fruit Producer Company Limited (WGFPCCL) and all of them were male in Timmaipally Thanda Farmer Producer Company Limited (TTFPCL). Representation of women was observed in KFPCL, PFPCL, WGFPCCL. It was observed that there is no representation of women in TTFPCL. Board meetings were conducted once in every month in KFPCL, PFPCL. In WGFPCCL and TTFPCL board meetings were conducted once in every 45 days. It was observed that board members were following the instructions of POPI regarding board meetings and it was seen that POPI was also involved in discussions and decision making of the FPOs.

Management: The data in the Table 1, shows that all the four FPOs were having one full-time Chief Executive Officer (CEO). It was observed that CEOs of FPOs promoted by Child Care Organisation were having Diploma in agriculture and CEOs of FPOs promoted by Society for Integration and Rural Development (SIRD) were having Bachelor degree. CEOs of all the FPOs received training from NABARD regarding processing, procurement, management and marketing activities.

Infrastructure: The perusal of data in Table 1, reflects that Kollapur Farmer Producer Company Limited has separate rented office with infrastructure like computer, tables, chairs etc. were present to facilitate the work. It also has storage structure of 1000 quintal capacity and mango ripening chamber. Panugal Farmer Producer Company has separate rented office but infrastructure like computer were not present. Wanaparthy Girijana Fruit Producer Company Ltd. has no separate office, it carried out all its activities from input supply shop located in Rajapeta Thanda. Separate rented office which was furnished with computer, table, chairs were observed and vermicompost unit was under construction under Timmaipally Thanda Farmer Producer Company Limited.

Membership of FPO: It is evident from Table 1, that total members in Kollapur Farmer Producer Company Limited, Panugal Farmer Producer Company Limited were 609 and 412 and a total of 368, 524 members were registered in Wanaparthy Girijana Fruit Producer Company Limited and Timmaipally Thanda Farmer Producer Company Limited respectively.

Table 1: Governance and Management Performance of FPOs

S. No.	Parameter	Farmer Producer Organisations			
		Kollapur Farmer Producer Company Ltd.	Panugal Farmer Producer Company Ltd.	Wanaparthi Girijana Fruit Producer Company Ltd.	Timmaipally Thanda Farmer Producer Company Ltd.
1.	Age profile of FPO	5 years	3 years	3 years	3 years
2.	Governance	5 Board members	5 Board members	5 Board members	5 Board members
3.	Management	1 CEO	1 CEO	1 CEO	1 CEO
4.	Infrastructure	Separate rented office, computer, storage structure of 1000 quintals capacity, mango ripening chamber	Separate rented office	No separate office	Separate rented office, computer, other infrastructure like tables, chairs were seen.
5.	Membership of FPO	609	412	368	524
6.	Percentage of total members contributing to share capital	All the members contributed to share capital i.e. 100%	All the members contributed to share capital i.e. 100%	All the members contributed to share capital i.e. 100%	All the members contributed to share capital i.e. 100%
7.	Total share capital collected	6,09,000	4,12,000	4,41,600	6,28,800
8.	Training of Board members	>70% of board members were trained	>70% of board members were trained	>50% of board members were trained.	>80% of board members were trained.
9.	Total Score Obtained	45	39	36	41

Percentage of total members contributing to share capital: It is visible from data in Table 1, that all the members were contributing to the share capital of FPO.

Total share capital collected: The data presented in Table 1, shows that the share capital of Kollapur Farmer Producer Company Limited, Panugal Farmer Producer Company Limited was 6,09,000 and 4,12,000 as the POPI (CCO) fixed an amount of Rs.1000 per membership. Wanaparthi Girijana Fruit Producer Company Limited and Timmaipally Thanda Farmer Producer Company Limited has a share capital of 4,41,600 and 6,28,800 respectively as POPI (SIRD) fixed an amount of Rs.1200 per membership.

Training of Board members: Regarding training of the board members the data in Table 1, indicates that more than 70 per cent of board members of Kollapur Farmer Producer Organisation, Panugal Farmer Producer Organisation and only 50% of board members were trained in Wanaparthi Girijana Fruit Producer Organisation about management, procurement and marketing activities from NABARD and more than 80 per cent of the board members of Timmaipally Thanda Farmer Producer Organisation have received training on FPO governance organized by Centre for Sustainable Agriculture in collaboration with NABARD.

3.2 Economic and Financial aspects

Business plan: The data in Table 2, shows that all the four selected FPOs had prepared business plan for three years. Kollapur Farmer Producer Company Limited has prepared business plan for procurement of red gram, processing of mango and production of neem oil and vermicompost. It was observed that Panugal Farmer Producer Company Limited has prepared business plan for procurement of black gram, custom hiring center and storage facility. Wanaparthi Girijana Fruit Producer Company Limited and Timmaipally Thanda Farmer Producer Company Limited has prepared business plan for preparation of neem oil, provision of sprayers, farm implements, procurement of red gram and ground nut, Organic vegetable market.

Financial Aspects: It is evident from Table 2, that all the four selected FPOs has availed financial assistance from NABARD-Producer Organisation Development Fund for Institutional Development (PODF-ID). It was observed that both Wanaparthi Girijana Fruit Producer Company Limited and Timmaipally Thanda Farmer Producer Company Ltd. has received a total grant of Rs.10,74,000 from NABARD, PODF-ID fund as formation and nurturing support for three years. Kollapur Farmer Producer Company Limited and Panugal Farmer Producer Company Limited has received nurturing support of Rs.10,74,000 from NABARD, PODF-ID Fund and in addition to it KFPCL has received Rs.5,00,000 as Business Development Assistance (BDA) from NABARD, PODF-ID fund.

Annual Turn Over: It can be inferred from Table 2, that annual turn over of Kollapur Farmer Producer Company Limited was above 50 lakhs and Panugal Farmer Producer Company Limited was between 25 to 50 lakhs. Wanaparthi Girijana Fruit Producer Company Limited and Timmaipally Thanda Farmer Producer Company Limited have their annual turn over between 10 to 25 lakhs.

Market Linkages: The data in Table 2, shows that Kollapur Farmer Producer Company Limited has market linkages with National Commodity and Derivatives Exchange and Panugal Farmer Producer Company has market linkages with corporate buyers. Wanaparthi Girijana Fruit Producer Company Limited and Timmaipally Thanda Farmer Producer Company Limited were dependent on local markets for selling their produce.

Percentage of members availing services: It can be inferred from Table 2, that over 75% of members were availing input services, extension services and procurement services from Kollapur Farmer Producer Company Limited and Timmaipally Thanda Farmer Producer Company Limited. 50% of members from Wanaparthi Girijana Fruit Producer Company Limited and Panugal Farmer Producer Company Limited were availing input and procurement services only.

Table 2: Economic and Financial Performance of FPOs

S. No.	Parameters	Farmer Producer Organisations			
		Kollapur Farmer Producer Company Ltd.	Panugal Farmer Producer Company Ltd.	Wanaparthi Girijana Fruit Producer Company Ltd.	Timmaipally Thanda Farmer Producer Company Ltd.
1.	Business plan	Business plan was prepared for 3 years	Business plan was prepared for 3 years	Business plan was prepared for 3 years	Business plan was prepared for 3 years
2.	Financial Aspects	It has availed financial assistance from NABARD, PODF-ID	It has availed financial assistance from NABARD, PODF-ID	It has availed assistance from NABARD, PODF-ID	It has availed assistance from NABARD, PODF-ID
3.	Annual Turn over (Rs.in lakhs)	Above 50 lakhs	Between 25- 50 lakhs	Between 10-25 lakhs	Between 10-25 lakhs
4.	Market Linkage	Market Linkage was established with NCDEX	It has established market linkage with corporate buyers	It was dependent on local market for selling the produce	It was dependent on local market for selling the produce
5.	Percentage of members availing services (input supply/ extension and other services to members)	Over 75% of members are availing input services	Over 50% of members are availing input services	Over 50% of members are availing input services	Over 75% of members are availing input services
6.	Convergence with Government schemes/ corporates etc.	It had convergence with government schemes like TRICOR- Tribal Welfare Department of Telangana	It has no convergence with any other government schemes	It has no convergence with any other government schemes	It has no convergence with any other government schemes
7.	MIS/ Compliance/ record keeping	Regular submission of records was observed	Regular submission of records was observed	Only audited balance sheet is regular and other compliances are irregular	Only audited balance sheet is regular and other compliances are irregular
8.	Total Score Obtained	34	31	21	26

Convergence with Government Schemes: It is evident from Table 2, that only Kollapur Farmer Producer Company Limited has convergence with government scheme that is Entrepreneurship and innovation scheme of TRICOR- Tribal Welfare Department of Telangana. Others did not have convergence with any Government schemes.

MIS/Compliance/Record keeping: The data in Table 2, shows

that Kollapur Farmer Producer Company Limited and Panugal Farmer Producer Company Limited have regularly submitted audited balance sheet and other compliances and maintained all the registers. Wanaparthi Girijana Fruit Producer Company Limited and Timmaipally Thanda Farmer Producer Company Limited only submitted audited balance sheet regularly but other compliances were irregular and maintained registers for minutes of meetings of board members and CEO.

Table 3: Distribution of FPOs on the basis of their performance (n=40)

S. No.	Parameters	Maximum Score	Obtained mean score			
			KFPCL	PFPCL	WGFPCL	TTFPCL
A) Governance and Management Aspects						
1.	Age profile of FPO	5	4	3	3	3
2.	Governance	10	6	7	6	6
3.	Management	10	7	7	5	6
4.	Infrastructure	5	4	2	0	2
5.	Membership of FPO	10	8	6	8	8
6.	Percentage of total members contributing to share capital	5	5	5	5	5
7.	Total share capital collected	5	5	3	5	3
8.	Training of Board members	10	6	6	4	8
B) Economic and Financial Aspects						
1.	Business Plan	4	4	4	4	4
2.	Financial Aspects	2	2	2	2	2
3.	Annual Turn over	10	10	8	3	4
4.	Market Linkage	4	4	4	2	2
5.	Percentage of members availing services	10	8	10	8	10
6.	Convergence with Government schemes	5	3	0	0	0
7.	MIS/ Compliance/ Record keeping	5	3	3	2	4
	Total score	100	79	70	57	67
Category			A	B	C	B

It can be inferred from Table 3, that out of four FPOs selected for the present study, one FPO viz. Kollapur Farmer Producer Company Limited (KFPCL) falls under Grade-A, two FPOs viz. Panugal Farmer Producer Company Limited (PFPCL) and Timmaipally Thanda Farmer Producer Company Limited (TTFPCL) were in Grade-B and one FPO viz. Wanaparthi Fruit Producer Company Limited (WGFPCL) was in Grade-C. So, it is evident that KFPCL was ready for credit linkage which

indicates that lending institutions can provide them credits for enhancing their business performance. PFPCL and TTFPCL requires a little capacity building, as lending to small and marginal farmers without empowering them to repay was poor planning, so farmers need capital assets to progressively improve their income over the initial 3-4 years. WGFPCL need further capacity building as it has inadequate infrastructure facilities and inefficient board members and CEO who has no

market awareness and knowledge about market linkages.

It can be concluded through observations that all the selected FPOs were performing almost similar with respect to governance and management aspects but the major differences lie with in economic and financial aspects. In governance and management aspects the major differences observed were infrastructure facilities of FPOs, governing capabilities of CEO, availability of paid staff, training of board members and decision-making capability of board members. FPOs which were providing only input services but not doing procurement of produce were not performing up to the mark and the FPOs which were procuring the produce performed well. The FPOs which have market awareness and market linkages with corporate buyers / processors or any other agencies were fetching better returns. It is evident that FPOs having POPI handheld support and convergence with government schemes were performing better. It could be seen that FPOs which were promoted by CCO were better performing than FPOs promoted by SIRD as CCO was providing information related to market awareness to its FPOs and provided market linkages with NCDEX and corporate buyers or processors.

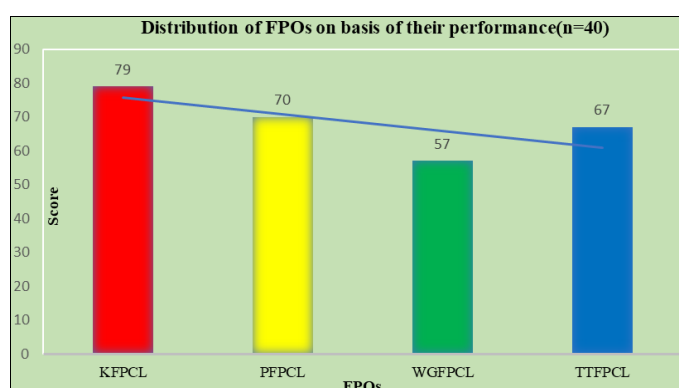


Fig 1: Distribution of FPOs on the basis of Performance

4. Conclusion

The study evaluated the performance of four Farmer Producer Organisations (FPOs) in Telangana, focusing on their governance, management, and economic and financial aspects using the NABARD Performance Measurement Tool. The results revealed that while the selected FPOs exhibited relatively similar structures and functioning in terms of governance and management, significant variations were observed in their economic and financial performance. Among the four FPOs studied, Kollapur Farmer Producer Company Limited (KFPCL) demonstrated the highest level of performance and was categorized under Grade-A, indicating its readiness for credit linkage and advanced business operations. Panugal Farmer Producer Company Limited (PFPCL) and Timmaipally Thanda Farmer Producer Company Limited (TTFPCL) were placed in Grade-B, suggesting moderate performance and the need for additional capacity building and institutional strengthening. Wanaparthi Girijana Fruit Producer Company Limited (WGFPC) fell under Grade-C, highlighting the necessity for further support, particularly in infrastructure development, managerial efficiency, and market linkages.

The findings indicate that FPOs that actively engage in both input supply and procurement services, maintain strong market awareness, and establish linkages with corporate buyers or commodity exchanges achieve better financial outcomes. Additionally, the role of the Producer Organisation Promoting Institutions (POPIs) was found to be crucial in shaping the

performance of FPOs. The FPOs promoted by Child Care Organisation (CCO) performed better than those promoted by SIRD, largely due to stronger handholding support, better infrastructure facilities, and more effective market linkages. Overall, the study underscores that strengthening the economic and financial dimensions of FPOs is essential for their sustainability and scalability. Targeted interventions in leadership capacity building, infrastructure enhancement, market integration, and convergence with government schemes can significantly improve the effectiveness and long-term viability of Farmer Producer Organisations in Telangana.

Disclaimer

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Competing Interests

Authors have declared that no competing interests exist.

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