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Problems faced by the stakeholders of Farmer Producer Companies (FPCs) in Dharwad District

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Abstract

Agriculture, including allied sectors, plays a pivotal role in India's economy, contributing 18.2% to the GDP and providing livelihood for over half of the population. Smallholder farmers, who constitute 86.1% of the farming population, face challenges such as low bargaining power and monopolistic exploitation. To address these issues, the Government of India introduced FPCs. This study, conducted in the Dharwad district of Karnataka, evaluated the issues faced by FPC's stakeholders using Garrett's ranking technique. The findings indicated that improving procurement processes, and investing in infrastructure are key to enhancing FPC efficiency. Additionally, addressing employee workload, compensation, and training, as well as improving communication within the BoDs, were critical. Initiatives such as increasing CEO salaries to attract qualified professionals and developing branding strategies for FPC products were recommended.

Keywords: Agriculture, GDP contribution, smallholder farmers, Garrett's ranking technique

Introduction

Agriculture including allied sectors in India contributes 18.2 per cent of the country's GDP while also providing a living for more than half of the population (Economic Survey 2023-24). A majority of farmers (86.1%) fall into the small and marginal categories, with an average land holding size of 2 hectares. The small farmers with weak bargaining powers suffer from greater dependency in the cultivation and monopolistic exploitation under formal contracts (Bachke, 2009) ^[2]. To bridge the gap between farmers and consumers, the Government of India introduced innovative institutional frameworks aimed at empowering farmers to compete in the evolving agro-food systems. Following the recommendations of the Y.K. Alagh Committee in 2001, amendments to the Companies Act, 1956, led to the creation of the 'Producer Companies' (PC) concept. These PCs offer smallholder farmers a platform to enhance their skills, increase revenue, and strengthen their bargaining power in both production and marketing. Producer Companies serve as conduits for technical knowledge, improve production efficiency, reduce transaction costs, and assist in marketing produce, all while building social capital within farming communities. In the context of globalization and climate change, producer organizations have emerged as crucial institutional safeguards, protected farmers' interests and facilitating their access to profitable agro-food networks (Trebbin and Hassler, 2012) ^[6].

The success of Farmer Producer Companies (FPCs) hinges

on the active participation and collaboration of diverse stakeholders, including smallholder farmers, financial institutions, government agencies, and private sector players. However, despite their potential to empower farmers and improve rural livelihoods, FPCs often face a range of challenges that hinder their full impact. Key issues include limited access to capital, fragmented supply chains, inadequate technical support, and the complexities of navigating regulatory frameworks. These problems can weaken trust, disrupt coordination among stakeholders, and limit the effectiveness of FPCs in delivering tangible benefits to their members. Understanding and addressing these stakeholder-specific challenges is crucial unlocking the full potential of FPCs and ensuring their sustainable growth in India's evolving agricultural landscape.

Methodology

The present paper concentrates on problems faced by the FPCs in Dharwad. This district had good number of functional FPCs sponsored by different agencies and there were no similar studies conducted previously in this district. To assess the problems faced by the stakeholders of the FPCs, care has been taken to select those FPCs which have been established and completed three years of their existence. Accordingly, three FPCs each in Dharwad and Kalghatgi taluk and one each in Navalagund, Hubballi and Kundgol taluk were fulfilling the criteria. Hence, two each FPCs from Dharwad, and FPCs from Kalghatgi, one each

from Hubballi and Navalagund taluks were selected for the study. Thus, total six FPCs were selected for the study, which formed 66.67 per cent of FPCs that have completed three years of their existence. From each select FPCs two employees, three Board of Directors and 20 members were randomly selected. Thus, making a sample size of 12 employees, 18 Board of Directors and 120 FPCs members as respondents. The primary data were collected from the members of FPC, employees and board of directors of FPC. The Garrett's ranking technique was employed to assess problems faced by the stakeholders. In this approach, respondents were asked to rank all the problems and the resulting rankings were transformed into score values using the following formula.

$$\text{Per cent position} = \frac{100 (R_{ij} - 0.5)}{N_j}$$

where,

R_{ij} = Rank given to i^{th} item by j^{th} respondent

N_j = Number of items ranked by the j^{th} individual.

To determine the significance of each problem, the scores of each individual were summed and the mean values were identified as the most important. The highest score was assigned the first rank, followed by descending ranks for subsequent scores in order.

Results and Discussion

Before delving into the challenges faced by FPCs, it was felt necessary to introduce the general features of FPCs as it gives an insight into the area coverage, crop covered capital structure, etc.

General features of FPCs selected for the study

Table 1: General features of FPCs selected for the study

Sl. No.	Parameters	Selected FPCs					
		DFPC	SGMFPC	KFPC	SGFPC	SSFPC	JFPC
1.	Name of the FPC	DFPC	SGMFPC	KFPC	SGFPC	SSFPC	JFPC
2.	RI/CBBO	ICCOA	ICCOA	SCOPE	ICCOA	ICCOA	ICCOA
3.	Year of establishment	2016	2020	2020	2021	2021	2021
4.	Total no. of members	720	650	576	700	560	531
6.	Share capital (₹ in lakh)	7.20	6.50	5.76	7.00	5.60	5.31
7.	Major crops	Mango	Chilli & Soybean	Maize	Maize & Soybean	Sugarcane & Cotton	Chilli & Maize
8.	Area of operation (No. of Villages)	9	4	8	8	5	7
9.	No. of linkage agency	6	4	5	7	8	2

Note: DFPC-Dummawad Horticulture Farmer producer company Ltd. SGMFPC- Shri Guru Madiwaleshwara Farmers producer company Ltd, KFPC-Krishijyothi Farmers producer company Ltd, SGFPC - Shri Gramadevi Farmers producer company Ltd, SSFPC- Shri Siddayajja Farmers producer company Ltd, JFPC-Javoor Horticulture Farmers producer company Ltd, ICCOA -International Competence Centre for Organic Agriculture SCOPE- Society for Community Participation and Empowerment. CBBO -Cluster- Based Business Organizations. RI-

Resource Institute

The Table 1 provides a detailed comparative overview of FPCs located in Dharwad district. All FPCs were supported by the RI/CBBO ICCOA, while KFPC was supported by SCOPE. The FPCs were established between 2016 and 2021, with DFPC being the oldest, founded in 2016, and the others established in 2020 and 2021. The total number of members among FPCs varied significantly, with DFPC having the highest membership at 720 and JFPC the lowest at 531. Correspondingly, the share capital ranged from Rs. 7.20 lakh for DFPC to Rs. 5.31 lakh for JFPC.

The DFPC, established in 2016, had more time to grow its membership base and accumulate share capital. As the was the DFPC oldest FPC among the six, it had developed more robust networks and garnered greater trust among farmers. Major crops grown by the members of these FPCs included Mango (DFPC), Chilli and Soybean (SGMFPC), Maize (KFPC), Maize and Soybean (SGFPC), Sugarcane and Cotton (SSFPC), and Chilli and Maize (JFPC). The area of

operation was measured by the number of villages each FPC covered, which ranged from 4 villages for SGMFPC to 9 villages for DFPC.

The number of linkage agencies, which provided crucial support and resources, varied widely, with SSFPC having the most (8) and JFPC the least (2). SSFPC had the highest number of linkage agencies at 8, which indicated a well-established network for support and resources. This extensive network enhanced the FPC's capacity for technical assistance, market access, and financial support. In contrast, JFPC had only 2 linkage agencies, suggesting that it was still in the process of building its network. The limited linkages affected the availability of external support and resources, potentially hindering its growth and development.

Problems faced by the stake holders of FPC

Different stakeholders of FPCs includes the form members, BoDs, and employees the problem faced by them are discussed separately as below

Table 2: Problem faced by the members of FPC

FPC NAME	DFPC		SGMFPC		KFPC		SGFPC		SSFPC		KFPC		Total	
	GS	Rank	GS	Rank	GS	Rank	GS	Rank	GS	Rank	GS	Rank	GS	Rank
Low procurement of the produce from FPC	1244	II	1009	III	938	III	1080	III	1244	I	1213	I	6728	I
Lack of financial assistance from FPC	1253	I	1009	III	929	IV	864	IV	1057	III	1204	II	6470	II
Lack of custom hiring service centre Facility	977	IV	1183	II	1204	II	1112	II	977	IV	929	IV	6382	III
Lack of adequate storage facilities, cold chains, processing units, and transport infrastructure	1027	III	1212	I	1213	I	1150	I	930	V	938	III	6316	IV
Fewer no of visits by the FPC managers to the field and lack of market information	806	V	781	V	858	V	781	VI	1130	II	857	V	5214	V
Shortage of inputs supplied for production process	781	VI	806	IV	857	VI	806	V	781	VI	858	IV	4890	VI

Note: GS- Garrett score

Problems faced by the members of FPC

The Table -2 explains the evaluation of challenges faced by FPC members, as indicated by Garrett Scores and ranks, revealed several critical issues affecting their operations. The most pressing problem was the low procurement of farmer produce from FPCs, which ranked first. This issue reflects inefficiencies in the procurement process, where members struggle to sell their produce efficiently. Closely following this, the lack of financial assistance from FPCs, with a Garrett Score of 6470, ranked second. This highlights the need for better access to financial support, which is essential for sustaining and growing agricultural activities. The third-ranked issue, with a Garrett Score of 6382, was the absence of custom hiring service centre (CHSC) facilities. These centres are crucial for providing affordable access to equipment and machinery, which many small and marginal farmers cannot afford to purchase outright. As all these selected FPCs the small and marginal farmers had the chunk share thus the facility of CHSC were definitely cater the needs of larger section of members. The fourth major challenge was inadequate infrastructure, including storage facilities, cold chains, processing units, and transportation networks. These deficiencies severely limit farmers' ability to store and transport their products effectively, impacting market access and reducing potential profits. A fifth issue was the lack of frequent visits by FPC managers to the fields and the lacking in providing of market information, with a Garrett Score of 5214. This points to a gap in managerial support and the dissemination of crucial market intelligence that could help farmers to make informed decisions. Finally, the shortage of inputs for the production process, scoring 4890, ranked sixth. This reflects a systemic issue in the timely and adequate provision of essential inputs like seeds, fertilizers, and pesticides, which are crucial for successful farming. These findings, in line with the studies conducted by Venkattakumar and Sontakki (2012) ^[7] and Laxman (2019) ^[5], emphasize that procurement, financial assistance, and infrastructure are the most pressing issues faced by FPC members. Both studies highlighted similar concerns, particularly low procurement levels and insufficient infrastructure, indicating that addressing these areas could significantly enhance FPC efficiency and member satisfaction.

Problem faced by the employees of FPC

Table 3: Problem faced by the employees of FPC

Problems	Garrett Score	Garrett Mean	Rank
Over burden of work	715	59.58	I
Improper salary allowances	675	56.25	II
Grievances with BODs in decision making	605	50.41	III
Job Security	535	44.58	IV
Improper training	470	39.16	V

The analysis of problems faced by employees of FPC, as explained in Table 3, revealed five key concerns. The top issue, with the highest Garrett Score of 715, was the overburden of work, indicating that employees were overwhelmed by excessive workloads, leading to burnout and decreased productivity. The second issue, inadequate

salary allowances, had a Garrett Score of 675, reflecting dissatisfaction with compensation and benefits. Grievances with the Board of Directors (BODs) regarding decision-making processes ranked third, with a score of 605, highlighting communication gaps and a lack of employee inclusion in important decisions. Job security concerns, with a score of 535, ranked fourth, pointing to employee anxiety about job stability and future prospects. Lastly, insufficient training, with the lowest score of 470, ranked fifth, showing a lack of opportunities for professional development and skill enhancement. These findings emphasized the need for better workload management, fair compensation, improved communication in decision-making, job security, and comprehensive training programs. A similar study by Dhakal (2013) ^[3] reported comparable issues, including inadequate training programs and employee grievances with BOD decision-making processes.

Problems faced by the Board of Directors (BoDs)

Table 4: Problems faced by the Board of directors of FPC

Problems	Garrett Score	Garrett Mean	Rank
Lack of financial support	1085	60.28	I
Lack of own office building	905	50.28	II
Limitation of membership	890	49.44	III
Poor staffing	875	48.61	IV
Lack of proper infrastructure at the FPC	745	41.38	V

Table 4 revealed several critical issues faced by the Board of Directors (BoDs) of FPCs, highlighting the challenges that impede their effective functioning and growth. The most significant problem was the lack of financial support, which ranked first with the highest Garrett Score of 1085. This points to the urgent need for better funding and financial resources to sustain the operations and initiatives of FPCs. The second major issue was the absence of an office building, with a Garrett Score of 905, indicating the necessity for a dedicated physical space to enhance organizational stability, professional management, and day-to-day operations.

The limitation of membership ranked third, with a score of 890. This suggests that restrictive membership policies may have hindered the FPC's growth and inclusivity, preventing it from expanding its member base and enhancing its impact. Poor staffing was the fourth-ranked issue, scoring 875. This reflects the need for better human resource management and adequate staffing levels to ensure that FPC operations are well-supported and efficiently run. Lastly, the lack of proper infrastructure, with a score of 745 ranked fifth. This underscores the need for improved facilities, such as storage units, processing equipment, and transport infrastructure, to support the overall functioning and sustainability of FPCs. These findings are consistent with those reported by Evengy and Thomas (2016) ^[4], whose study also highlighted that a majority of FPC BoDs faced challenges related to financial support. Addressing these key issues financial support, infrastructure, staffing, and membership policies would be essential for enhancing the effectiveness of FPCs and ensuring their long-term growth and sustainability.

Conclusion

The evaluation of challenges faced by FPCs reveals key areas that require attention for their sustainable growth. The most critical issues include low procurement of produce, lack of financial support, inadequate infrastructure, and overburdened employees. Addressing these challenges through improved financial assistance, infrastructure development, and better staffing policies will strengthen FPC operations. Initiatives such as increasing CEO salary slabs to attract skilled professionals and developing branding strategies for FPC products are crucial steps forward. With proper guidance from CBBOs, FPCs can enhance their economic position and better serve their members.

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