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A Case study on Shivtej Farmer Producer Company, Naraynagaon in Maharashtra State

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ABSTRACT

Agriculture is the primary sector of the economy as well as primary source of livelihood for about 58 per cent of India's population. There are several legal entities which aim to help farmers reap benefits of economies of scale via aggregation like farmer cooperatives, farmers clubs, farmer interest groups, etc. Farmer Producer Organizations (FPOs) are one such farmers aggregate FPOs are registered under the Indian Companies Act, 1956. A Farmer Producer Company is a hybrid between cooperative societies and private limited companiesThe following research outlook was studied with objective to study criteria and indicators of assessing FPO formation process and to study the Financial Management, Supply chain Managementand Marketing Management of selected FPO. The conclusions of the study say thatFarmer Producer Organizations are collective platform to marginal and small farmers. Shivtej Farmer Producer Companycan go for the MOA (Memorandum of Agreement) to maintain the loyalty of farmers.

Key Words-Farmer Producer Organizations (FPOs), Financial Management, Supply chain Management,Marketing Management

1. Introduction

India has over 92 million small holdings or nearly 21% of the world's small holdings of 450 million, the second largest after China. Collectivization of producers, especially small and marginal farmers, into producer organizations is emerging as one of the most effective pathways to address the many challenges of agriculture and most importantly, improved access to investments, technology and inputs and markets.Agriculture is the primary sector of the economy and primary source of livelihood for about 58 per cent of India's population. At the time of Indian independence this sector had biggest share in the Gross Domestic Product of India.There are several legal entities which aim to help farmers reap benefits of economies of scale via aggregation like farmer cooperatives, farmers clubs, farmer interest groups, etc. Farmer Producer Organizations (FPOs) are one such farmers aggregate. FPOs are registered under the Indian Companies Act, 1956. Producer Organizations therefore are supposed to be non-political entities aimed at providing business services to smallholder farmer members, founded on the principal of self-reliance.

A Farmer Producer Company is a hybrid between cooperative societies and private limited companies.The objective of the concept of FPC is to organize farmers into a collective to improve their bargaining strength in the market.
The Department of Agriculture, Cooperation& Farmers' Welfare (DAC&FW), Ministry of Agriculture, Government of India launched a pilot programme for promoting Farmer Producer Organisations (FPOs). This was in partnership with state governments and was implemented through the Small Farmers’ Agribusiness Consortium (SFAC).
The pilot programme involved the mobilisation of approximately 2.50 lakh farmers into 250 FPOs (each with an average membership of 1000 farmers) across the country, under two sub-schemes of the Rastriya Krishi Vikas Yojana (RKVY), namely the National Vegetable Initiative for Urban Clusters and the Programme for Pulses Development for 60,000 rain-fed villages. The purpose of the pilot programme was to collectivise farmers, especially small and marginal producers, across several states, so as to foster technology adoption, improve productivity, facilitate adoption of good agricultural practices, enable improved access to inputs and credit, develop direct marketing capacity and thereby enhance farmer incomes, concomitantly augmenting their sustainable agriculture-based livelihoods.
The pilot programme has already shown encouraging results and more than 3 lakh farmers have been mobilised into village-level Farmer Interest Groups (FIGs), which have been federated into registered FPOs. To mainstream and institutionalise the process of development of Farmer Producer Organisations, DAC&FW subsequently issued a Policy & Process Guidelines for Farmer Producer Organisations in the year 2013 to encourage states to directly support FPO promotion as a regular activity under the RKVY during the XII Plan. The primary objective of mobilising farmers into member-owned producer organisations, or FPOs, is to enhance the production, productivity and profitability of farmers, especially small and marginal farmers. The Government of India has declared its intention to promote 10,000 FPOs in the next 5 years so as to ensure economies of scale for farmers in the country. Accordingly, the SFAC has prepared a strategy to scale up the number of FPOs virtually catalysing an FPO movement in the country, through which over a period of time every small and marginal farmer will eventually be a part of this movement.
FPC scenario in Maharashtra as of now, Maharashtra has more than 1690 FPCs operating in the regions across various crops

1.2 Concept of FPO

The underlying rationale for the development of FPOs is the typical fragmented and small size of land holdings of farmers in India. With typical holdings of less than 1 hectare, farmers cannot individually enjoy economies of scale and afford to invest in farm mechanisation/technology for enhancing farm productivity, nor optimally procure inputs nor directly access buyers. Aggregation through FPOs is the only feasible option left for farmers to enhance their bargaining power and farm-related value accruals, as has also been established through various programmes.

1.3 Purpose of FPO

The purpose of the project is to collectivize farmers, especially small producers, at various levels across several states, to foster technology penetration, improve productivity, enable improved access to inputs and services and increase farmer incomes, thereby strengthening their sustainable agriculture

1.4 Objectives of Study

1) To study the criteria and indicators of assessing FPO formation process and its functioning
2) To study the Financial Management of Shivtej Farmer Producer Company.
3) To study Marketing Management of Shivtej Farmer Producer Company.
4) To study Supply Chain Management of Shivtej Farmer Producer Company.

2.Methodology

The scope of the study is limited to Financial Management,Supply Chain Management and Marketing Management of Shivtej Farmer Producer Company. The present study was conducted on Shivtej Farmer Producer Company based on primary data. The primary data were collected through a well-designed questionaryby taking actual interview of 40members (Junnar Tahsil of Pune District).

3. Result and Discussion

3.1 The Criteria and Indicators of assessing FPO formation process and functioning

The framework is comprised of a set of Criteria and Institutional Maturity Indicators, considered important for quality checks to ensure that the formation process and functioning of PC is such that it contributes towards strengthening of the governing system of the PC. A suggestive set of criteria and IMIs are given below:

Table No. 3.1 Criteria and Indicators for assessing PC Formation Process

Sr. No.	Criteria	Indicators
1	Characteristics	• Size: good enough to be viable and socially cohesive • Social homogeneity: kinship or other social ties, absence of dependency on relations. • Not dominated by politically/economically powerful members • Poor and women are included (if mandated)
2	Identity & structure	• Members know the purpose of forming PC • Members represent their households • There is continuity in household representatives • All members can give an account of all the Producer Company's activities • All members can give an account (General) of the Producer Company's finance
3	Leadership	• Leadership roles change, fixed tenure • Leaders have been elected/selected by the members Selection/election of leader based on desired characteristic
4	Functioning	• Producer Company has a set of rules (by-laws) which have been discussed and agreed upon as well as sanctions for rule

		breakers • Regular BOD meeting and AGM take place with significant attendance • The majority of members (90%) contribute to BOD/AGM discussion and decision making • Up to date maintenance of records and statutory compliances
5	Independence (in proportional to the age of the PC)	• Approximately 3-5 number of meetings (in month) of BOD/AGM regularly take place in the absence of promoting institution or with diminishing support • Records are maintained without or with little support from the Promoting Agency (PA) • Approximately 70-75 % decisions are taken independent of the promoting agency.
6	Resource Mobilisation	• Producer Company raises funds to carry out business • Overhead's expenditure met with the own resources • Producer Companymobilizes specialist skills or services from the government and private sources • Producer Company obtains govt. scheme to meet identified needs (convergence with other schemes
7	Resource Management	• Producer Company develops business plan and implementation is as per the plan • Producer Company has shown ability to negotiate with the various stakeholders • Producer Company effectively oversees/manages the work of executives working as salaried persons • Budget control • Transparency
8	Skill Acquisition &Use	• Approximately 80% of BOD members have attended training programmes (including specialized training) • BOD has used planning skills to identify and solve operational problems
9	Distribution of Benefits	• Equitable distribution of benefits (dividends and services) • Mechanism of benefits-sharing developed

3.2 Aspect of FinancialManagement

3.2.1 Share Capital

Share capital or equity means the total of the payments made to the company/society by all the shareholders Members (farmer producers/ institutions of farmer producers) on their shares.

It represents a form of member commitment to the group and it defines each member's stake in the group. In a Producer Company it shall consist of only equity shares.

Special aspects of equity share capital in case of Producer Company s

a. While finalizing the cost of share and the number of shares per member, the paying capacity of the economically deprived shareholders should also be considered.

b. There is no bar on the number of shares per member in the company Act.

c. It is suggested to have equal number of shares among the members to maintain a balance in the power structure of the PC.

d. The norms for distribution of share should be mentioned in the Articles of Association.

e. The eligible community members may apply through a membership application form (specified in the Act.) to the BoD. The General Body (GB) is the final authority to approve or reject the membership application.

f. The shareholders finalize the authorized capital of the company and the cost of each share.

g. Transfer of Share capital is limited to members on par value in a PC.

h. The amount collected through shareholders could be used for registration fees and other processing related expenditures like fees for Company secretary, stationary, travel etc. In the books of accounts, it can be shown as loan taken from the share capital. Once the company mobilises resources through business it can be repaid.

i. Minimum number of producers required to form a PC is 10, while there is no limit for maximum number of members and it can be increased as per feasibility and need.

j. There cannot be any government or private equity stake in the producer companies, which implies that PC cannot become a public or deemed public limited company.

3.2.2 Authorised Capital

Capital that a company/organisation has been authorized to raise by way of equity shares through the Articles of Association/Memorandum of Association. The minimum authorized capital at the time of incorporation of Producer Company should be Rs.5 lakh.

3.2.3 Issued Capital

The share capital that has been issued to the members in their names is called issued capital.

3.3 Financial Management of the Shivtej Farmer Producer Company.

- The starting capital was raised up by the directors.
- Each director has raised up Rs.100,000, which leads to the starting capital of Rs 10,00,000
- From 2018-19 the Shivtej has took a boost and grows in such a dynamic way, and then the capital starts generating through various sources.
- The turnover of Shivtej has crossed 1.5 cr.
- The sell of agricultural inputs is carried only on cash basis, so the daily fund (Around 25 thousand) gets generated on selling of inputs.
- The daily collection through sale of fertilizers is around Rs. 5-6 thousand.
- The daily collection through sale of Pesticides is around Rs. 8-10 Thousand.
- The fund is generated through the selected percent of margin from exporters or through the other marketed produce as well as through the margin received on the sale of agricultural inputs to the members and farmers.

Overall income by the export of grapes

- Thompson Seedless (Around 30 tons) Rate/Kg- Rs. 60
  - ✓ Rs. 1800000
- Sharad Seedless (Around 50 tons) Rate/Kg- Rs. 95
  - ✓ Rs. 4750000

Overall income through Tomato

- Quantity- 30 Tons, Rate/kg Rs. 40
  - ✓ Rs. 1200000

3.4 Marketing Management of the Shivtej Farmer Producer Company.

The marketing of the produce of crops grown by members of Shivtej has been done by following ways.

Grapes-

- Major lot of the grapes has been exported to Europe and other country.
- The company had understandings among the various exporters regarding the provision of the quality grapes.
- One of the directors of the company has the experience of 5+ years in the field of Grapes export

Tomato-

- Company collects the tomatoes among the group of farmers, and if the quantity is more then the tomatoes are moved towards the big markets of tomatoes such as Narayangaon, Sawargaonpat, Girnare.
- And if the amount is less then the tomatoes are marketed in the nearby APMC's.

Onion

- The Onion are marketed in the nearby APMC's.

3.4.1 Supply Chain Management of the Shivtej Farmer Producer Company

Supply chain management is as follows,

Backward Linkage-

Farmer → FPO

Forward Linkage

FPO → Exporter → Export to Urope

FPO → Wholesaler → Retailer → Consumer

4. Conclusions.

- Farmer Producer Organizations are collective platform to marginal and small farmers.
- The backward linkage for timely availability and access for quality inputs at reasonable cost, and forward linkage to effective marketing and the sources of credit facilities, positive contribution of aggregation to enhancing income, the issues faced by farmers are key factors that impacting performance of FPOs.
- To reduce this FPO must follow key indicators assign formation process according to criteria.

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