



## Empowerment of Farmers through Organization of Producer Companies for Their Yield

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**KEYWORDS** Amendment of Company Act 1956. Empowerment. Information Communication Technology. Mobilization of Farmers. NGO

**ABSTRACT** Producer Company is a new concept of organizing and uniting the farmers under one umbrella to help them compete in the market collectively, by increasing the yield and getting higher net returns for their produce. The farmers are mobilized into farmer groups and their capacity is enhanced to turn them into Producer Company. This paper examines the process involved in forming and nurturing the producer company and steps taken to achieve empowerment of farmers. Case study method was used to study two producer companies which have been involved in the production of vegetables. The results reveal that benefits to members of the producer company are significantly higher than non-members and they can earn a substantial profit of Rs. 2.1 lakhs by marketing their produce.

### INTRODUCTION

When compared to other countries the agro-food system transformation in India started late after the Indian government introduced the liberalization, privatization and globalization concept in 1991. After that many development processes started in the agro-food industry in India. The reduction of state subsidies on water, electricity, fertilizer and seeds created a competition among small land holding farmers (Motiram and Vakulabharanam 2007).

In India, the agro-based producer companies are at the initial stage and yet to attract the focus. The bottom-up approach of the producer company model, as a supporting tool has the potential for the participation of small landholders to access the emerging market (Trebbin and Hassler 2012). Farmers in India are facing difficulty in selling their produce to the consumers directly, even though they are highly experienced in producing fruits and vegetables and capable of getting a higher yield. They are unable to market their produce by competing with the intermediaries, traders and wholesalers. Hence a

major portion of their profits are siphoned away by the intermediaries and ultimately the farmers get less profit.

Pandian and Ganesan (2018) explain that farmers are not able to access the market to fetch fair price, unaware of usage of fertilizers with recommended proportionate in Coimbatore District, Tamil Nadu. After formation into producer company the farmers are able to fix the price for their produce and get fair price and reduce the usage of chemical fertilizers. Farmers Producer Organization is considered as an organization vehicle to achieve multiple objectives and diverse roles for sustainable development for the farmers. For instance, it serves as a potential alternative to enhance the social and economic condition of the coconut farmers in Coimbatore district, Tamil Nadu. The results revealed that the members of the Producer Organization got were more beneficial than the non-members (Jayalakshmi and Selvi 2018).

Previously farmer organizations were formed and registered under the cooperative societies. The farmer organizations formed under this model was neither sustainable nor viable as it had inherent disadvantages. The amendment to the Companies Act of 1956 in 2002, opened the way for the formation of producer company. The main objective of the producer company is to enable the farmers to increase the yield and get a higher profit margin for their produce through collective efforts and to link small farmers to markets by avoiding the intermediaries.

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Producer company is a kind of organization to protect small farmers from the damage caused by globalization or to help farmers contribute for the betterment in a competitive market (Trebbin and Hassler 2012). The producer companies mainly concentrate on marketing the produce and supply of inputs. It helps to minimize the input cost and output markets, fetch good market price and increase the farm income. It is an easy way for the dissemination of information and offers training and extension services to farmers (Verhofstadt and Maertens 2014).

#### The key services offered by producer companies

Marketing services	Supply of inputs, marketing, and access to market information
Production services	Facilitating crop production practices
Financial services	Access to financial institutions and availability of credit at the right time
Technological services	Information Communication Technology (ICT) and extension services
Education services	Health, business skills, general
Welfare services	Safety nets, well-being
Managing of local resources	Water, fodder, fisheries, forests

*Source:* Hellin et al. (2007), Farmer Organization Collective Action and Market Access in Meso-America, International Food Policy Research Institute

The lack of unity among farmers is an advantage to the intermediaries to procure the produce at an unfair price. The farmers want to dispose the produce immediately after the harvest, as the goods are perishable and hence could not get better prices due to low bargaining power. The farmers who function as a member of producer company coordinate with other farmers, act as businessmen, fix the prices for their produce based on market need and earn a higher income.

This paper is organized into two case studies, comparison of members and non-members, prices fixed by intermediaries and producer company and economies of scale to farmers. The formation process, structural functioning, skipping the intermediaries and benefits accrued to the farmers in marketing the vegetables directly to the wholesalers/consumers are discussed. This paper concludes with suggestions for making the producer company a sustainable model for empowerment of farmers. The need and im-

portance of the producer company model is discussed in this paper. Already farmers' group and cooperatives models have been existing, but due to the less number of farmers in the group, it is not a sustainable model. But in the producer company the number of farmers is enrolled are more when compared to farmers group and power is decentralized as which is not in the cooperatives. These motivate the farmers to take part in the producer organization actively and empower them.

#### Objectives of the Study

The objective of this study is to explain the process involved in forming and nurturing the producer company and steps taken to overcome the constraints faced by the farmers and make it a sustainable model.

#### Related Works

The constraints faced by traditional cooperatives are the withdrawal of government subsidies, competitive market from other players, access to capital (credit), access to Information Communication Technology and free riding by the farmers (Singh 2008). The challenges found in the producer company are insufficient funds, lack of inputs, illiteracy and poor education among farmers, weak leadership, lack of extension services, irregular attendance of group meetings, disunity and less trust among farmers, conflicts and disputes, misunderstanding and lack of technology (Ojiagu and Onugu 2015).

The problems faced by the farmers in production and marketing in Coimbatore district, Tamil Nadu are lack of transport facilities, farmers' desperate situation to dispose the produce to the money lenders/ traders at a cheaper price. The farmers should be able to access the market information to fetch a fair price. The government should take policy measures to reduce the intervention of middlemen and enhance the marketing facilities (Saravanan 2013).

The farmer organizations are homogeneous and the older groups were able to achieve more benefits than the new groups and this is the main factor for the success of the producer companies (Fischer and Qaim 2012).

The success rate of producer company is good in higher value crops in Africa, as there is continuous demand in the market but there are

also producer companies which are successful in marketing the grains (Coulter 2007). It has been noted that producer company works better for higher value crops such as horticulture crops than for lower value staple food crops, that is, legumes and grains (Bernard and Spielman 2009). In Kenya, when the farmers enrolled for membership in grain producer company they have been able to use high yielding varieties of seeds, fetch good prices for their produce and there have been significant increase in their yield (Shiferaw et al. 2009).

The banana farmers after their enrollment in a producer company in Kenya fetched higher prices and higher farm incomes than the non-member farmers (Fischer and Qaim 2012). Dairy farmers in India after organized into cooperatives have been more efficient besides witnessing sustainable profit (Vandeplas et al. 2013). The participation of the members in the producer company in Kenya depends on the distance between the house and distance to nearest road and transport facility. It has been found that farmers who are a member of the cooperatives are able to get better agricultural extension services (Fischer and Qaim 2012). Small land holding agriculture remains important for the development of the economy of the developing countries, but there is a need for institutional innovations to overcome the problems that farmers are facing in marketing their produce (Hazell et al. 2010)

The need for the formation of the producer companies is awareness creation, confidence building, capacity building for crop production by collective action, processing, training, exposure visits, buyer-seller/stakeholders' meets, value addition and marketing (Sankri and Ponnusamy 2015a).

Huang et al. (2015) has discussed the changes in economy and agricultural sector and explored the institutional responses in terms of producer organizations in Indian and China and examined its adequacy for agricultural development in both the countries. As a result, through producer organizations, agricultural producers and particularly surplus generating farmers have benefited. As the next of critical reforms it should address the question "reaching the unreached".

Tamil Nadu Agricultural University (TNAU), line departments and agro companies act as catalyst by providing technological skills, training on management, marketing skills, exposure visits, field demonstrations, grading, process-

ing, field experiments, identification of opportunities, orientation on risk and use of Information Communication Technology (ICT) tool for the improvement and success of the producer company (Sankri and Ponnusamy 2015b). The success of a producer company depends on the quality and honesty of leadership, acceptance of leadership among farmers and market environment. The producer company has to impart adequate knowledge and support to produce excess production to meet out the linkages with the targeted markets (Sawairam 2015).

Producer company facilitates its member in grading, standardization, value addition, packaging, implementing of crop production practices, appropriate usage of input access to market information and post-harvest technology (Salokhe 2016).

Tanga and Maliehe (2011) explained that the participation of community leads to reduction of poverty level among the members in Lesotho. The project is implemented by the facilitator of the implementing agency, but the community participation is necessary for the reduction of poverty level among the community.

There is a need to carry out more studies/research involving the operations, access to market and access to finance by producer company. The rating of the producer company has to be introduced similar to Self Help Group (SHG) to enhance their credit worthiness (Khanna and Narayan 2014).

Pervez et al. (2018) has explained and emphasized that the government should offer their services for the women to encourage them in the participation of Income Generation Activities. The government should also facilitate on access to credit facilities, redistribute available land and provide continuous training to the women members.

In India, the formation of producer company is in the infant stage and only a limited literature review and research studies are available. The present study analyses the benefits gained by the farmers being members of producer company - in getting input at a reduced cost, access to market information, usage of Information Communication Technology tool, linking with financial institutions and increase in profit. It indicates that the farmers have access to direct marketing, bypass the existing intermediaries, and fix prices based on the demand in the market and able to get the higher margin for their pro-

duce. The review gives the overall benefits that the farmers are able to avail from the government and the increase of income through the Producer Organization. Most of the countries have started to practice these concepts - and empower and enhance the technologies provided to the farmers to help them avail fair price for their produce. These methods have started to emerge in India and more attention given to double the farmers' income in order to achieve the dream of the nation in the year 2022.

### Distribution of Land Holdings

Factors such as industrialization and urbanization triggered the conversion of the agricultural land to non-agricultural land. As given in Table 1 the total number of land holdings in Tamil Nadu over a period of five years has reduced from 82 lakh ha in 2005-06 to 81.18 lakh ha in 2010-11 (0.9%). During the same period, the total area operated has declined from 68.2 lakhs ha in 2005-06 to 65 lakhs ha in 2010-11 (4.9%).

**Table 1: Average size of landholding in Tamil Nadu in hectare**

Year	Average size of land holding in Tamil Nadu (hectare)
1970-71	1.45
1976-77	1.25
1980-81	1.07
1985-86	1.01
1990-91	0.93
1995-96	0.91
2000-01	0.89
2005-06	0.83
2010-11	0.80

Source: <https://www.tn.gov.in/dear/Agriculture.pdf>, Agriculture

This indicates that the number of land holdings in Tamil Nadu has reduced due to industrialization and urbanization.

**Table 2: Distribution of land holdings in Tamil Nadu**

Category	Distribution of number of holdings and area operated in Tamil Nadu as per agriculture census					
	Number of holdings (lakhs)		Area operated (lakh. ha.)		Average size of holdings (ha)	
	2005-06	2010-11	2005-06	2010-11	2005-06	2010-11
Marginal (< 1 hectare)	62.28	62.66	22.86	22.92	0.37	0.37
Small (1 to 2 hectare)	12.34	11.82	17.21	16.44	1.39	1.39
Medium (2 to 10 hectare)	7.12	6.53	24.26	22.03	3.41	3.37
Big (> 10 hectare)	0.19	0.17	3.91	3.5	20.25	20.59
Total	81.93	81.18	68.24	64.88	0.83	0.80

Source: Department of Economics and Statistics, Chennai

and urbanization. As per the Agricultural Census 2010-11, average size of land holding in Tamil Nadu has reduced from 0.83 ha in 2005-06 to 0.80 ha in 2010-11.

The average size at all India level is higher that is, 1.15 ha in 2010-11 than Tamil Nadu. Table 1 indicates that the average size of land holding of the state keeps on decreasing from 1.45 ha in 1970-71 to 0.80 ha in 2010-11. The decline in the area of landholding reflects in the agriculture yield and the scope for expansion of land is limited. Table 2 shows the reduction of usage of land area operated from 68.24 lakh ha in 2005-06 to 64.88 lakh ha in 2010-11. The land fragmentation creates a problem for both demand and supply side in the market. On the supply side, the size of land holding, lack of technology, low yield, lack of proper market information creates problem to farmers and as a result they are unable to supply required produce as per prevailing market demand. The demand side expects the supply of quality produce at the required quantity at regular time intervals, which is difficult to organize and coordinate for the supply side due to the increased number of marginal and small farmers.

### Difference between Cooperative Societies and Producer Companies

The farmer organizations registered under the Cooperative Societies Act faced limitations and could not function independently and sustain. The new concept of a producer company is derived on the recommendations of the committee headed by the famous economist Alagh (2010). The farmer producer companies are the upcoming new model of formal organization for farmers in the agriculture sector and it is a mixture of cooperatives and a private company.

A comparison of the cooperative societies and producer company is shown in Table 3. The cooperatives are state promoted and government controlled with welfare focused than doing as a business. The producer company is an autonomous organization owned by the producers themselves (NABARD 2015).

Any amendment to the by-law of cooperatives needs the approval of the government, where as the producer company is an individual autonomous body and empowered to take its own decision. The cooperative society is permitted to work in a restricted boundary and the producer company is permitted to work across India. The producer company has more freedom to mobilize the required funds. In producer company, all members have voting rights where as in cooperative societies the government has the veto power to cancel the decision taken by the members.

**Organogram of Producer Company**

The organogram of the producer company is the organizational chart which presents the pictorial representation of stake holders of the organization. It shows the hierarchy and relationships between each position in the organization.

Producer Organization is an organization of the producers, specifically the primary producers. All primary producers residing in the relevant geography, and producing the same or similar produce, for which the PO has been formed,

can become a member of the PO, membership is voluntary.

Figure 1 represents the organizational structure of the producer company. The members are the farmer families producing vegetables and involved in allied agricultural activities located in a village/nearby villages. All the members are invariably shareholders of the producer company. Twelve (12) to twenty (20) farmer members from a village or adjacent villages come together and form into a farmer group.

On an average 10 farmer organizations from a group of villages in a block are federated as a cluster level organization. These cluster level organizations in turn are federated as a farmer producer company.

The board of directors ranging from 5 to 15 are elected by the general body (all the shareholders) in its first meeting and hold the office for a maximum of 5 years. The board of directors is responsible to approve and decide all the activities of the producer company. The chief executive officer is a professional manger appointed by the board of directors to look after the administrative daily routines and for proper execution of the activities of the company.

**MATERIAL AND METHODS**

This paper is based on in-depth interviews conducted with 45 representatives of the producer companies comprising of the board of directors, chief executive officer, farmers, buyers and government agencies. The information on

**Table 3: Major differences between cooperative societies and producer companies**

<i>Parameters</i>	<i>Cooperative society</i>	<i>Producer company</i>
Registration	Cooperative Societies Act	Indian Companies Act
Objective	One objective	Multiple objectives
Area of operation	Restricted	Across India
Share	Non-tradable	Non-tradable but shares transferred among members on par value
Profit sharing	Limited dividend	Depends on the volume of business
Voting rights	One vote for one member. But government and Cooperatives Registrar have veto power	One vote for one member. Members not having transactions with the company could not vote
Government control	Under overall control of government	Autonomous. Government interference minimum limited to statutory requirements
Reserves	Created if profit arises	Mandatory to have reserves every year
Borrowing power	Restricted	More freedom

*Source:* Policy and Process Guidelines for Farmer Producer Organizations, Department of Agriculture and Cooperation, Ministry of Agriculture, Govt. of India, 2013

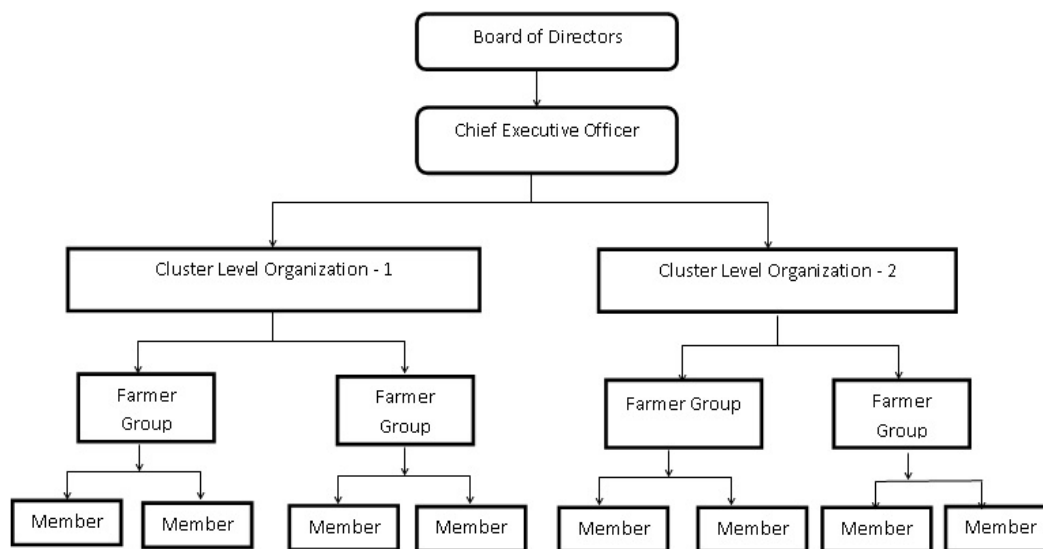


Fig. 1. Organogram of producer company

marketing strategies, pricing, profit margin, access to information, farming pattern were collected during twenty days field visit to the respective two producer companies in Coimbatore district, Tamil Nadu during February and March 2017. To get conceptual clarity and understand the working framework of producer company, discussion was held with the farmers.

Centre for Water Resources of Anna University, is a technical university which concentrates mainly on research and development. It also deals with “Water Technology and Water Resource Management” studies and research work. The Centre was sanctioned with a Research and Development project titled “Improving Agricultural Productivity and Profitability through Horticultural Crop Diversification in the Feeder Zones of Metro Cities” by National Agriculture Development Program (NADP) through Department of Horticulture, Government of Tamil Nadu in October 2012. The project was implemented in Coimbatore, Kancheepuram and Thiruvallur districts of Tamil Nadu. In this paper, producer companies in Coimbatore District, the western part of Tamil Nadu has been taken for the case study. The farmers in this district are comparatively well educated at the rate of literacy 83.98 percent (Census 2011) and they practice agriculture with passion. The district population is 34.58 lakhs, the number of land holding

is 1,31,341 ha, cultivable agricultural land is 2,37,305.22 ha and the average land holding size is 1.814 ha. The constraints identified by Anna University during the implementation of the above project are lack of awareness among farmers on market information, excess usage of fertilizers and pesticides, shortage of labor, high cost in inputs, the threat from pest and diseases, lack of formal organization for the community and difficulty in marketing their produce.

## OBSERVATIONS AND DISCUSSION

### Case Study 1: Siruvani Farmers Producer Company Ltd (SFPCL)

The farming community taken up for the study are involved in the cultivation of vegetables and scattered over Thondamuthur block in Coimbatore district. Initially, the farmers joined into a group and functioned as an informal farmers club almost for an year or more. Chinmaya - a non-governmental organization in the district, provided capacity building and training to the club members and facilitated them to form a producer company and trained them on maintenance and operations of the company.

The farmers in Thondamuthur block are traditional vegetable growers over generations. The soil and the climate of this geographical area are

suitable for vegetable cultivation and the farmers continue to get a higher yield than their counterparts elsewhere in the district. Whereas, the farmers could not get a fair price to their produce, as the market price was fixed by the intermediaries such as commission agents, traders, wholesalers and small aggregators. As a result, the farming community felt the urgent need for establishing their own organized structure - to raise their voices heard, market the produce directly to the consumers by replacing the intermediaries and finally get a reasonable price for their produce.

In September 2014, a total of 255 families spread over in Thondamuthur block were organized and registered as Siruvani Farmers Producer Company Ltd (SFPCL) by the local NGO "Chinamaya". The members of the company elected 12 Board of Directors. The appointment of a board of directors, within the participating member communities representing the farmers, ensures the acceptance of leadership and ownership as a vital point for the success of producer company. A joint savings bank account has been opened in the name of the Siruvani Farmers Producer Company Ltd and it is operated by the nominated board of directors. The shares are distributed by SFPCL distributed shares to the member farmers and the fund mobilized is used as the seed capital. There is no restriction on the number of shares per member. The member farmers can purchase shares value of Rs.1,000/-. While, those members who are a board of directors can purchase a share of Rs.10,000/- per member. Administrative capacities are considered as an important factor for producer company. The board of directors appoints a Chief Executive Officer (CEO) to look after the entire administrative processes of the Company (Policy and Process Guidelines for Farmer Producer Organization 2013).

The SFPCL collect the harvested vegetables from the farmers at the village level, grade, transport and pool at a single point at the vegetable shop owned and operated by the SFPCL in a centralized place in Thennamanallur, Thondamuthur block. The vegetable shop established by the producer company has replaced the intermediaries in the process of marketing. The consumers visit the shop and buy farm fresh vegetables at a reasonable price less than the prevailing retail market price. In the process, both the producer and the consumer are mutually

benefited (Oguoma et al. 2010). The profits which would have been earned by the wholesaler and intermediaries are captured by the member farmers as they are shareholders of the company. Hence the farmers are getting a fair price from the company, there is an assured market for their produce, which gives confidence to the farmers for cultivation and future planning. The company and the farmers get updated on market information by Short Message Service (SMS) daily on prices fixed in the wholesale market in Coimbatore, the district headquarters. This enables the company to fix the prices in accordance with the trend in the market and ensure transparency in the transactions (Magesa 2015).

The producer company provides financial services to the needy farmers to increase their livelihoods. It also provides financial assistance to the members up to Rs.10,000/- per member from the share capital to procure inputs such as high yielding hybrid seeds, fertilizers, pesticides, etc., The farmers repay the loan in 10 monthly equal installments and no interest is charged for the loan amount. The company has facilitated in availing direct bank loan to the needy farmers up to Rs.1,00,000/- per member for 100 members from Nationalized banks (Khaki and Sangmi 2012). The producer company gives a guarantee to the respective banks for the loan released to the farmers. The repayment of the loan is hundred percent by the farmer which encourage the bankers to sanction the loan and consider the producer company farmers as viable business partners.

The SFPCL has been allotted a shop in the "Uzhavar Sandhai" (farmers market run by the state government) in R.S.Puram, a centralized and busy commercial place in Coimbatore city, the district headquarters for marketing fresh vegetables to consumers. The producer company procures vegetables from members and sell the vegetables directly to the consumers in the "Uzhavar Sandhai". The price of vegetables in "Uzhavar Sandhai" is being fixed daily by an Agriculture Officer of State Government, based upon the quality and size. The price is fixed in between the wholesale and retail rate that prevails in the market. The consumers get farm-fresh vegetables at a reasonable price and the producer get the assured fair price for the vegetables without any commission to the intermediaries (Rehman and Selvaraj 2012).

The financial transactions between the producer company and the member farmers are made by cheque/draft/online transfer and transparency is maintained. All the daily transactions carried out both physically and financially are recorded and accounted. The monthly transactions are discussed and approved in the SFPCL monthly board of directors meetings and the ledgers are kept for verification (Kumar et al. 2018). The audited financial statement signed by the Chartered Accountant is placed in the Annual General Body meeting once in a year and approved by the shareholders. The business plan for growth and sustainability of the company for the next financial is prepared, presented and approved in the Annual General Body meeting. All the shareholders visit the vegetable shop run by the SFPCL at least twice in a month and sign in the register maintained and acquaint on the status of activities carried out. The visitor's attendance register is reviewed, in the monthly meeting and fine is collected from the farmers who have not visited the vegetable shop. This practice ensures transparency in transactions and also creates a sense of ownership among the member farmers.

The producer company in association with the non-governmental organization "Chinmaya" organizes capacity building, awareness building and exposure visit to the members including Board of Directors at regular intervals to function efficiently and to expose to new ideas and experiments. The topics covered in the program are leadership, group concepts, roles and responsibility of farmer members, crop production practices, book keeping and accounts maintenance, business planning etc., Managing a company is not an easy task, besides handling the finance with the mid-level education is a challenge for the farmers. The training imparted to the farmers equip them to update their knowledge and skill to run the SFPCL profitably and to sustain in the competitive market (Chikaire 2015).

### **Case Study 2: Kovai Farmers Producer Company Ltd (KFPCL)**

Navakarai and Madhukarai cluster villages in Coimbatore district, Tamil Nadu is known for the cultivation of quality creeping vegetables (ribbed gourd, bitter gourd, snake gourd, bottle gourd, ridge gourd, etc.) located adjacent to

Kerala State. As the farmers were dependent on the intermediaries for marketing their produce. The intermediaries procured the vegetables at a lower price from the farmers and marketed - to the nearby Kerala State at a higher price. In the early part of 2006, some of the farmers had voiced their concern over the exploitation and decided to free from the clutches of the intermediaries. As a follow up they convened a meeting of the creeping vegetable cultivators in Madhukarai block. However, as the response from the farming community was poor, the progressive farmers made frequent visits to the villages and emphasized the need for a united forum to secure a fair price for their produce. In the same year, around 300 farmers joined together and formed the "Creeping Vegetable Farmers Association" (Bikkina et al. 2017; Kamala and Jyothi 2018). It took six months for the farmers association to collect all the information regarding the details on type of creeping vegetables, extend of cultivation, the quantum of yield, etc., and the existing buyers and traders. Based on the data collected they convened a "Buyer Seller Meet" so as to fix a fair price for their produce. Initially, the response from the traders was not encouraging and only very few traders participated in the meeting. The farmers association arranged for second Buyer Sellers meet; this time number of traders responded and attended the meeting and arrived at a mutual understanding to fix a uniform price for each vegetable. The traders were also interested to see whether - the farmers in the group are able to organize as an association and stay united under one umbrella as it would ensure regular supply of vegetables at a centralized place and enable them to purchase in large quantity which reduces the time and transport cost involved.

The creeper vegetable farmers association facilitated some key assistance to the farmer members. They organized regular farmer's awareness program to the member farmers with the sponsorship support from leading fertilizer and pesticide companies in Coimbatore district. This provided a good platform for interaction between the producer and input suppliers. The fertilizers and pesticides companies used this opportunity to demonstrate and sell their products to the farmers at wholesale price. The farmers clarified their doubts on issues relating to the use of fertilizers, pesticides, hybrid seeds and crop production technology etc. The farmer association had arranged press meet at intervals and gave a press release on the activities carried out by the



association. This created a positive impact among the farmers, consumers, traders, and government line departments about the services rendered by the association. Many farmers started enrolling in the association voluntarily and the traders made inquiries and placed orders for procurement of vegetables with the association (Sankri and Ponnusamy 2015a).

In August 2013 the Creeping Vegetable Farmers Association was formally registered as Kovai Farmers Producers Company Ltd (KFPCL) with 860 farmers. 160 farmers purchased share value at Rs.10,000 per farmer and 700 farmers at a share value of Rs.1,000 per farmer. The seed capital of Farmers Producer Company was Rs.25 lakhs. Twelve (12) board of directors were elected from the participating member farmers (NABARD 2015). One full time chief executive officer was appointed by the board of directors for the producer company and his major responsibilities are general and financial administration, bank operation, coordinating all the programs and governance of the organization. The chief executive officer advises the board of directors on important policy and financial matters. The chief executive officer prepares an annual plan, business plan and gets approved in the board, coordinates all meetings within the company and with other stakeholders and line departments of the government and documents the official papers (Trebbin and Hassler 2012).

The creeping vegetable farmers association fixed prices for each variety of vegetables for a period of one month at a stretch in consultation with the traders. The price was fixed by comparing the prevailing rates in the nearby wholesale vegetable markets. The price would be reviewed every month and re-fixed on mutual consent of the farmer association and the traders. For example, if the price was fixed at Rs.10/kg per variety of vegetable, irrespective of the size of the vegetable the same rate would be adhered to for the entire month even though there were fluctuations in the market price.

Quality of the product is the major factor in deciding the price of any produce. Earlier there was no grading system and it fetched only an outright fixed price irrespective of the quality of the vegetables. Hence instead of selling the produce as a bulk the farmers introduced grading system and assorted the vegetables into two categories as first and second quality and accordingly fixed higher price for first quality as there was a good demand for premium quality in the market. For example, before the introduction

of grading system, the Bitter Gourd price was fixed @ Rs.10/kg without segregation of vegetables. After the introduction of grading system the bitter gourd is segregated and the price for the first quality was fixed @ Rs15/kg, the price for the second quality would be fixed as the half of the price of the first quality plus Rs.1.50/-extra, that is, Rs.7.50 + Rs.1.50 = Rs.9/kg. On an average, the farmers fetched a price of Rs.12/kg (Rs.15/kg for first quality + Rs.9/kg for second quality and average prices Rs.24/2 = Rs.12/kg) and a better price of twenty percent increase per kg. This grading system and fixing of prices based on quality mutually benefited the producers as well as traders.

The prices fixed as mentioned here keeps on varying in comparison to the average market price each month. During peak harvest seasons, there is a large volume of vegetable arrival in the market and it affects the price mechanism and leads to fixation of low prices for the produce and ends in lesser income for the farmers. However, selling large volumes to trading partners at pre-agreed fixed prices on a monthly basis has major advantages for the producer and buyers. This helped the producer company to have security on economic planning and lesser dependency on market price with daily fluctuations.

From the Table 4, one can visualize the economies worked for bitter gourd crop. The area, yield and expenditure incurred by the member farmers in producer company and non-member

**Table 4: Comparison of benefits between member and non-member in farmers producer company for bitter gourd in KFPCL, Coimbatore**

<i>Description</i>	<i>Member farmer in producer company</i>	<i>Non-member farmer in producer company</i>
Area	1 acre	1 acre
Yield for Bitter Gourd (approx.)	15,000 kg	15,000 kg
Price /kg	Rs.15 (Price fixed by producer company)	Rs.8 Fluctuating-price fixed by traders)
Gross Income	Rs.2,25,000	Rs.1,20,000
Expenditure	Rs.50,000	Rs. 50,000
Net Income	Rs. 1,75,000	Rs. 70,000
Profit (Yearly Two crops)	1,75,000 x Rs. 2 crops Rs.3,50,000	Rs.70,000 x 2 crops Rs.1,40,000

*Source:* Interview with the Board of Directors of Kovai Farmers Producer Company, Coimbatore

farmers are same. But the gross and net income varies due to the differential pricing mechanism practiced by the producer company and by the traders in the market. A member cultivating double crop in a year gets Rs.3.5 lakhs as profit and a non-member fetches Rs.1.4 lakhs as profit for the same area and yield for bitter gourd.

The producer company has 50 farmer groups close to 900 farmers' families which are spread over in eight blocks in Coimbatore district. These farmers groups have been federated as 10 farmer clusters for effective dissemination of information between the company and members. Cluster level farmers meeting are being organized every month and the farmers attend the meeting. The decision arrived at the Board of Directors monthly meeting are circulated, discussed and recorded in the monthly cluster level meeting. The key issues raised in the cluster level meeting are also recorded and forwarded to the Board of Directors for further clarification (Kamala and Jyothi 2018).

At present the producer company is operating in eight blocks of Coimbatore district viz., Thondamuthur, Kinathukadavu, Madhukarai, Pollachi North, Pollachi South, Annamalai, Sultanpet and Karamadai blocks with 860 farmers enrolled covering a command area of more than 2000 acres and engaged in the cultivation of creeping vegetables. After the farmers association has been registered as producer company, considering the frequent fluctuation in the market prices in order to avail fair and reasonable price to the farmers, the company resolved to fix

the prices once in 15 days instead of once in 30 days followed earlier.

The producer company which established an input shop at Navakarai in Madhukarai block, has been buying inputs in bulk and selecting seeds, fertilizers, pesticides, organic manures, etc., for the farmers at a lesser price than prevailing market price (Ajah and Nmadu 2012). The company has hired an agronomist who visits the farmer's field regularly once in a week on rotation and recommends required inputs for the crops based on the field condition. The farmers procure the inputs as recommended by the agronomist from the input shop owned by the company. It is inferred during an interview with farmers that the input shops owned by private entrepreneurs suggest the excess quantity of inputs than the actual requirement and which fetches them a higher profit margin. Hence, the purchase from the producer company shop avoids the excess expenditure spent on inputs (Pandian and Ganesan 2018).

The KFPCL are also involved in the execution of activities for up scaling the production method of member farmers specifically the transfer of technology and knowledge, planning for production, timely supply of fertilizers, high yielding seeds, and pesticides in order to increase the profit margin to the farmers and to enhance their livelihood.

From Table 5 the benefits of the members enrolled in the producer company can be inferred. The price is being fixed by the producer company which is a long time voice of the Indi-

**Table 5: Comparison between member and non-member in a producer company**

<i>Field of assistance</i>	<i>Member of producer company</i>	<i>Non-member in producer company</i>
Price	Fair price fixed by the company and stable	Price fixed by outsiders and fluctuating
Grading	Grading is done	No grading
Intermediary	No intermediary or middlemen	Middlemen procure the vegetables
Payment	Company guarantees for payment	No guarantee for payment
Exploitation	No exploitation of farmers	Exploitation by intermediaries
Weighing scale	The digital weighing scale is used.	No weighing scale. A number of bags taken into account.
Commission in the market	No commission	Farmer to pay a commission of Rs.10 for every transaction of Rs.100/-
Awareness	Farmers awareness high on marker price	No awareness of market price
Training	Attend regular training and exposure visit	No training and exposure visit
Information	Get updates on ICT tool	Limited updates on ICT tool
Communication		
Technology (ICT)		
Social bonding	High bonding among farmers	No bonding among farmers
Input cost	Procure inputs at a lower price from farmers producer company shop	Procure inputs at a higher price, from private input shop

*Source:* Interview with the Board of Directors of Kovai Farmers Producer Company, Coimbatore

an farmers that the producer should be able to fix the price for their vegetables. Required usage of inputs by the farmers in their field create eco-friendly environment. Usage of Information Communication Technology tools by the farmers updates the knowledge for getting higher prices for their produce (Lokeswari 2016). The intermediaries are replaced by the producer company and hence no charges being paid to the middlemen and commission agents. The amount otherwise would have been paid to the intermediaries are now realized as profit to the farmers and hence an increase in their net returns.

The farmers are able to fix the prices for their produce and able to get fair price and they are free from the clutches of the middlemen. Previously most of the profit was earned by the middlemen, but now it is with the Producer Organization. The schemes and other related information are disseminated in the meetings and trainings and farmers are able to get benefit. The fertilizers and other inputs are available at lower price at the input shop owned by the Producer Organization and farmers are able to reduce the input cost.

### CONCLUSION

The farmer's active participation and commitment are important factors for the success of producer company. The bottom approach seems to be a successive model and which can sustain in the long run. The participation and commitment of the farmers make them to take ownership of the organization which was lacking in the other models. The present study on producer companies indicates that the farmers get fair prices for their produce, increase in profit margin, reduction in input cost and linkage with financial institutions which have a positive impact on the socio-economic status of its members and make the farmers empowered than non-members. In the case study discussed in the paper, a non-member of the Producer Organization was able to get Rs.1,40,000/- and a member was able to get Rs. 3,50,000/- for one acre per year. The members able to avail a profit of Rs. 2,10,000/- per year than the non-members. Hence, the Producer Organization is a sustainable and viable model for the farmers to enhance their income and livelihood. The government and promoting institutions have to take necessary steps to create awareness and sensitize the farmers to

enroll them in producer company to avail the benefits and enhance their livelihood.

### RECOMMENDATIONS

The government and NGO have to concentrate for promoting and nurturing the Producer Organization which will help the farmers to empower them. The financial institutions have to be motivated to give financial assistance for Producer Organization. Since the concept of Producer Organization is a newly emerging concept, more awareness and training can be conducted to all the stakeholders and sensitize them to meet the urgent need of the hour to achieve the dream of doubling the farmers income in the year 2022.

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