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## Business performance of farmer producer organizations (FPOs) in Chhattisgarh plains

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**Abstract**

Government of India had started institutional changes in agriculture sector to empower the small producer and doubling the farm income by formation and development of Farmer Producer Organizations (FPOs) under the 12<sup>th</sup> five year plan to achieve the inclusive growth of agriculture. The study aimed to find out business performance and socio economic empowerment by FPOs. Chhattisgarh plains region was selected due to highest number of registered FPOs in state. The survey and case study methodologies both were included in study. Suitable statistical method and SWOT analysis used for examine the collected data. The study found that Maa Bamleswari Mahila, Dugdh Utpadak Sakhari Samiti earned highest profit per member with rupees 1300.74 among all of the producer organizations of Chhattisgarh plains. Where the Wadi model for tribal development of NABARD built up successfully had more scope of processing and marketing the produces through FPOs due to more quantity for sale.

**Keywords:** Farmer producer organizations, business, small and marginal farmers, marketing

**Introduction**

The main objective of Farmer Producer Organizations (FPOs) is to better and stable income opportunity to small and marginal farmer members via direct business operations. The income of small and marginal farmers can be increased multifold and the mission of doubling the income of farmers by 2022 can be achieve through collective action. It is a method when all small and marginal scale farmers pool their resources and share the machinery. The profit earned is shared and thus each one in the group is benefited. This collective marketing can be done under the umbrella of government of India. The growth rate of agrarian sector in India over the last decade has been stagnating and had gone decline to 1.8% in 2006. While, industrial growth has been buoyant at more than 9%. Such skewed rate of growth are a matter of serious concern for planners and policy makers of the nation at the highest level. India has over 92 million small holdings or nearly 21% of the world's small holdings of 450 million, the second largest after China (Romen et al. 2014). The challenge is therefore enormous for India to ensure that small holdings are truly productive and are the main source of livelihoods for millions of people dependent on it. Aggregation is an effective method to mitigate risk in agriculture and strengthen the livelihoods of farmers particularly small and marginal. It helps producers and off-takers to achieve economies of scale along with value chain. Collective farming brings higher production and productivity with net returns and social empowerment on comparing with production units of any individual for many sense. It manages the risk and uncertainty of farm business among more number and enhance the opportunities of production. To attempt with higher value, producer –members would be more valuable placed as an organization, and more risk-prone production along with bigger pay offs. Choices for diversification of crops, cultivable area, labour sharing also enlarge due pool of collective action (Agarwal 2010).

**Methodology**

The study has adopted multistage sampling procedure for the selection of district, and sampled FPOs. Chhattisgarh state having three agro-climatic zones namely Chhattisgarh plains, Northern hill regions and Bastar plateau by "Planning Commission of India". Chhattisgarh plain was selected purposively due to highest numbers of registered Farmer Producer Organizations among three zones. There were total 130 FPOs supported by NABARD, SFAC, and Directorate of Horticulture and Farm Forestry, Chhattisgarh in state (Table 1). Out of them 37 FPOs registered in Chhattisgarh plains followed by 13 and 7 in Northern hill region and in Bastar plateau supported by NABARD. Out of 37 FPOs only 24 FPOs are in functional form. 50 percent of the functional FPOs were selected from Korba, Rajanandgaon, Dhamtari, Raigarh and Mahasamund districts of Chhattisgarh plain purposively on the basis of their

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response, communication, functional status and performance. Ten members were selected from each of the sampled FPOs randomly, thus a total of 120 farmers' were selected from 12 FPOs. The performance of ongoing business of sampled could be understood by availability of primary and secondary data. The data were collected through survey method. The primary data were collected from the producer-member as well as from the executives of company on various aspects by personal interview method with the help of designed questionnaire was adopted. Year 2017-18 was the reference year for primary data. Secondary data were collected from published and Doctoral Dissertations, Annual reports of NABARD, and from reputed Journals, books, and articles. Multiple case studies in each category and major districts have been undertaken to find out the operation modalities of FPOs.

## Results and Discussions

### Business Performance of Selected Farmer Producers Organizations

The major business of sampled FPOs were Krishi Sewa Kendra, production and marketing of Wadi produces like fruits and vegetables. production and marketing of pulses, aggregation and marketing of Non-timber forest produces like Mahua and char, manufacturing and selling of organic fertilizers, cultivation, processing and marketing and of mushroom, vermicomposting, Dairy, soil testing laboratories and Kiosk center operated by producer- members of FPOs in Chhattisgarh plain. Krishi Sewa Kendra found as major business activities of FPOs which was doing by 83.33 percent of FPOs, followed by production and marketing of W produce with 66.67 percent, Aggregation and marketing of NTFPs and Production and marketing of Mushroom, and its processed food with 41.67 percent of sampled FPOs in study area. It was observed that areas where the 'Wadi model' for tribal development of NABARD already built up successfully, have more scope for assembling, collecting, processing their bulk output for marketing through Producer Origination due to more quantity available for sale. The major business activities performed by of Selected FPOs in Chhattisgarh Plains is presented in table 2.

The annual turnover in year 2015-16 was 89.13 lakhs, where the profit was Rs.6.55 lakhs by the annual business of six FPOs, while remaining were not formed. In year 2016-17 the annual turn was Rs. 98.74 lakhs and profit was Rs.8.6 lakhs gained by annual business of seven FPOs in study areas. In year 2017-18 there were 11 FPOs involved in market and annual turnover was Rs.184.45 lakhs and profit gained was 6.15 lakhs. The input output ratio were 1:1.07, 1:1.09 & 1:1.03 respectively in year 2015-16, 2016-17 and 2017-18 (Table 3).Jeevan Amrit Sahkari Samiti (JASS) from Mahasamund District showed highest input output ratio 1:1.22 among all the selected FPOs taken under study. It shown that low cost production and marketing of Mushroom and its processed food was the most profitable business in study area.

FPO Maa Bamleshwari Dugdh Utpadak Sahkari Samiti (MBMDUSS) from Rajnandgaon district had dairy business,

they linked with Devbhog C.G. State Cooperative Dairy Federation Ltd. for marketing of milk. The MBMDUSS was one and only woman owned and managed FPOs among sampled FPOs. It was found that MBMDUSS earned highest profit per member with Rs.1300.72 among all of the Producer Organizations in study area. Haiyali Bahuudeshhiya Sahkari Samiti Maryadit (HBSSM) from Korba district earned highest profit per member in year 2017-18 with Rs.293.47 among all of the Producer Organizations in Korba district and second highest in Chhattisgarh plains. The third highest profit per member earned by Sahyog Green Plus Adiwasi Sahkari Samiti Maryadit Dharamjaigarh, Raigarh (SGPASSMD) is Rs. 201.53 for year 2017-18 in study area.

### SWOT Analysis of selected FPOs in Chhattisgarh plain

SWOT analysis of sampled FPOs in Chhattisgarh plains was analyzed by identifying the key factors of success and critical factors of failure.

#### 1) Strengths

1. Training program, workshop, seminar, field visits, tour for small farmers to introduce them with new technology and profitable farming.
2. Reduction in cost of cultivation.
3. Easily availability of inputs for farming.
4. Backward and forward linkages.
5. Increased bargaining power of small farmers due to collective action.
6. Establishment of FPO in chapter 9 A of company act 1956.
7. Absence of brokers and middleman

#### 2) Weakness

1. Producer Organizations are managed by staff of promoting institutions.
2. Capital shortage.
3. Poor professional management due to inability to afford professionals.
4. Illiteracy of producer-members misleads proper communication.
5. Lack of acceptance for adopting new technology.

#### 3) Opportunities

1. Employment generation.
2. Higher market price of produce.
3. Self-respect and identification for small producers.
4. Government's scheme to provide equity subsidy to POs, equal to their share capital.
5. SFAC started a credit guarantee fund of Rs./-100 crore, which ensure that financial institutions who give loan to PO without security.

#### 4) Threats

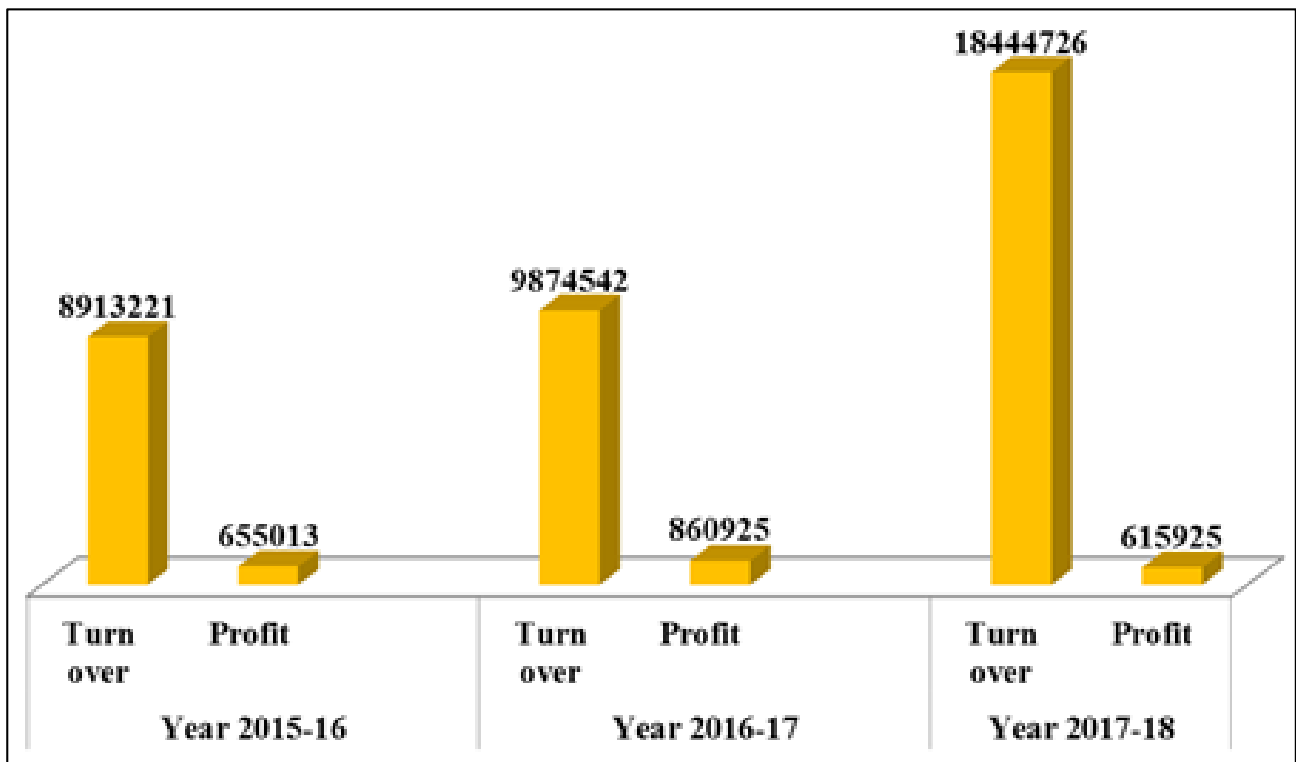
1. Price instability and fluctuation in market.
2. Due to absence of government and state guarantee banks refuses to lend to FPOs.
3. Delay in releasing revolving fund to POs by Government.
4. Differences in opinions and conflicts.

**Table 1:** Major Business activities of Selected FPOs in Chhattisgarh Plains

t	Business Activities	Rajnandgaon	Kora	Dhamtari	Raigarh	Mahasamund	No. of FPOs
1	KrishiSewa Kendra	3	4	2	1	0	10 (83.33)
2	Production and marketing of Wadi products like fruits and vegetables	3	4	0	1	0	8 (66.67)
3	Aggregation and marketing of NTFPs	0	4	0	1	0	5 (41.67)
4	Production and marketing of Mushroom, and its processed food	3	0	1	0	1	5 (41.67)
5	Organic fertilizer	0	4	0	0	0	4 (33.33)
6	Production and marketing of pulses	3	0	0	0	0	3 (25.00)
7	Vermicomposting	0	0	1	0	1	2 (16.67)
8	Soil testing lab	0	0	1	0	0	1 (8.33)
9	Dairy	1	0	0	0	0	1 (8.33)
10	Production and marketing of spices (tumeric, corinder )	0	0	1	0	0	1 (8.33)
11	Kiosk centre	0	0	1	0	0	1 (8.33)
	Total number of FPOs						12

**Table 2:** Business profile of selected FPOs in Chhattisgarh plains

S.N.	Particulars	Amount in Rs.
1	Turn Over (2015-16)	8913221
	Turn Over (2016-17)	9874542
	Turn Over (2017-18)	18444726
2	Profit (2015-16)	655013
	Profit (2016-17)	860925
	Profit (2017-18)	615925
3	Input: Output ratio(2015-16)	1:1.07
	Input: Output ratio(2016-17)	1:1.09
	Input: Output ratio(2017-18)	1:1.03
4	Profit per member (2017-18)	262.95

**Fig 1:** Business Performance of selected FPOs since 2015-2017.

**Table 3:** Business Profile of Selected Farmer Producer Organizations in Chhattisgarh Plain Region

S. N.	Particulars	BGDFPCL (IN RS.)	JGDFPCL (IN RS.)	KGDFPCL (IN RS.)	MBMDUSS (IN RS.)	HBSSM (IN RS.)	JCVBSSM (IN RS.)	JGBSSM (IN RS.)	MBSSM (IN RS.)	OKUCL (IN RS.)	SRLAIPCL (IN RS.)	SGPASSMD (IN RS.)	JASS (IN RS.)
1	Turn Over (2015-16)	Nil	Nil	Nil	Nil	354600	Nil	158000	709235	0	6647386	244000	800000
	Turn Over (2016-17)	507535	Nil	Nil	Nil	1000000	Nil	500000	1250000	0	4804807	962200	850000
	Turn Over (2017-18)	997051	1023000	555000	1178858	1673830	1208368	859164	1179078	280216	3087390	6402771	Nil
2	Profit (2015-16)	Nil	Nil	Nil	Nil	28635	Nil	43500	63585	0	311950	27343	180000
	Profit (2016-17)	5076	Nil	Nil	Nil	88430	Nil	45000	66300	0	411715	57300	190000
	Profit (2017-18)	9971	65000	25000	68938	149670	94879	32966	92980	11836	-90271	157600	Nil
3	Input: Output ratio (2015-16)	Nil	Nil	Nil	Nil	1:1.08	Nil	1:1.27	1:1.09	0	1:1.05	1:1.11	1:1.22
	Input: Output ratio (2016-17)	1:1.01	Nil	Nil	Nil	1:1.09	Nil	1:1.09	1:1.05	0	1:1.09	1:1.06	1:1.22
	Input: Output ratio (2017-18)	1:1.01	1:1.06	1:1.05	1.06	1:1.09	1:1.08	1:1.04	1:1.08	1:1.04	1:0.97	1:1.02	Nil
4	Profit per member (2017-18)	19.14	126.46	47.71	1300.72	293.47	189.76	65.80	112.02	29.89	151.21	201.53	242.97
5	Market linkage	Rajandgaon, Durg, Raipur, ABIS company, PI company			Devbhog, Chhattisgarh state coopeative Dairy Federaration Ltd.	Korba, Bilaspur, Kharsiya Jain Agro Processing Durg			Dhamtari, Kurud, Raipur		Raigarh, Dharamjaigarh, Kharsiya		Mahasamund, Saraipali, Pithora

### Conclusion

It is observed that areas where the 'Wadi model' for tribal development of NABARD already built up successfully, have more scope for assembling, collecting, processing their bulk output for marketing through Producer Origination due to more quantity of produces available for sale. Low cost production and marketing of Mushroom and its processed food was the most profitable business in study area. It is observed that membership in Producer Organization have direct and positive impact as social and economic empowerment of producer-members. . Due to increase in income, savings and employment opportunities producer-members of FPOs stable with better economic status in community on comparing with non-members. In the union budget for 2018-19, the union finance minister announced two major announcement which are 100 percent tax deduction for the next five year for FPOs with annual turnover of up to Rs.100 crore and the launch of 'Operations Greens' for tomato, onion, potato, on the lines of "Operation Flood", by promoting FPOs, agri-logistics, processing facilities and professional management. The broad objective of fund is to promote and nurture FPOs by way of extending financial and non-financial during the earlier stage.

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