

**AN EVALUATION OF FARMER PRODUCER
ORGANIZATIONS IN CHIKKABALLAPUR AND
MYSORE DISTRICTS OF KARNATAKA**

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**DEPARTMENT OF AGRICULTURAL MARKETING,
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UNIVERSITY OF AGRICULTURAL SCIENCES
GKVK, BENGALURU-560 065**

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*Affectionately dedicated
to my beloved Parents
&
My Guide*

**DEPARTMENT OF AGRICULTURAL MARKETING,
CO-OPERATION AND BUSINESS MANAGEMENT
UNIVERSITY OF AGRICULTURAL SCIENCES
GKVK, BENGALURU - 560 065**

CERTIFICATE

This is to certify that the thesis entitled “AN EVALUATION OF FARMER PRODUCER ORGANIZATIONS IN CHIKKABALLAPUR AND MYSORE DISTRICTS OF KARNATAKA” submitted by Ms. SINDHU, P., ID No. PALB 7167 in partial fulfilment of the requirement for the degree of MASTER OF SCIENCE (AGRICULTURE) to the University of Agricultural Sciences, Bengaluru, is a record of bonafide research work done by her during the period of her study in this University under my guidance and supervision and no part of the thesis has been submitted for the award of any other degree, diploma, associateship, fellowship or any other similar titles.

BENGALURU
September, 2019



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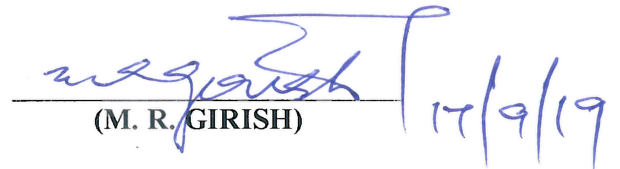
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Sindhu, P.

**AN EVALUATION OF FARMER PRODUCER ORGANIZATIONS
IN CHIKKABALLAPUR AND MYSORE DISTRICTS OF
KARNATAKA**

SINDHU, P.

ABSTRACT

In India Farmer Producer Organizations (FPOs) were recommended by Y. K. Alagh Committee in 2003. As a result, FPOs were promoted by states like Madhya Pradesh, Karnataka, Maharashtra, Tamil Nadu etc. In Karnataka FPOs were promoted by the Department of Horticulture, Department of sericulture, NABARD and Coconut Board from 2004 onwards. The study was conducted to analyse the backward and forward linkages, the business performance and to document the constraints faced by FPOs. The primary data was collected from 96 members and also from 36 CEOs/ BODs and employees of 12 selected FPOs in Chikkaballapur and Mysore districts. The study revealed that the backward and forward linkage activities of FPOs was not satisfactory. Lack of access to funds was the most important constraint faced by FPOs to operate effectively. Further the FPOs were constrained by lack of technical staff to undertake forward activities. The study also showed that there is a variation between the FPOs in terms of business performance. Only one FPO out of 12 was undertaking direct marketing to consumers. Hence there is need for group dynamics, participatory decision making, professional efficiency, financial viability and high degree of participation from FPOs. Further there is also a need for horizontal coordination among marketing agencies, banks and FPOs at field level and vertical coordination among policy makers and promoting institutions to strengthen the FPOs so that they take care of all the requirements of farmers.

September, 2019
Department of Agricultural Marketing,
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Dr. B. M. SHASHIDHARA
Major Advisor

ಕರ್ನಾಟಕದ ಚಿಕ್ಕಬಳ್ಳಾಪುರದ ಮತ್ತು ಮೈಸೂರು ಜಿಲ್ಲೆಗಳಲ್ಲಿ ರೈತ ಉತ್ಪಾದಕ ಸಂಸ್ಥೆಗಳ ಮೌಲ್ಯಮಾಪನ

ಸಿಂಧು, ಪಿ

ಸಾರಂಶ

ಭಾರತದಲ್ಲಿ ರೈತ ಉತ್ಪಾದಕ ಸಂಸ್ಥೆಗಳನ್ನು (ಎಫ್‌ಪಿಬಿ) ವೈ. ಕೆ. ಆಲಾಗ್ ಸಮಿತಿಯು 2003 ರಲ್ಲಿ ಶಿಫಾರಸು ಮಾಡಿತು. ಇದರ ಪರಿಣಾಮವಾಗಿ ರೈತ ಉತ್ಪಾದಕ ಸಂಸ್ಥೆಗಳನ್ನು ಮಧ್ಯ ಪ್ರದೇಶ, ಕರ್ನಾಟಕ, ಮಹಾರಾಷ್ಟ್ರ, ತಮಿಳುನಾಡು ಮುಂತಾದ ರಾಜ್ಯಗಳು ಉತ್ತೇಜಿಸಿದವು. ಕರ್ನಾಟಕದಲ್ಲಿ ರೈತ ಉತ್ಪಾದಕ ಸಂಸ್ಥೆಗಳನ್ನು ತೋಟಗಾರಿಕೆ ಇಲಾಖೆ, ರೇಷ್ಮೆ ಇಲಾಖೆ, ನಬಾರ್ಡ್ ಮತ್ತು ತೆಂಗಿನಕಾಯಿ ಮಂಡಳಿಯು 2004 ರಿಂದ ಉತ್ತೇಜಿಸುತ್ತಿವೆ. ಸರಬರಾಜು ಸರಪಳಿಗಳು, ವ್ಯವಹಾರದ ಕಾರ್ಯಕ್ಷಮತೆಯನ್ನು ವಿಶ್ಲೇಷಿಸಲು ಮತ್ತು ರೈತ ಉತ್ಪಾದಕ ಸಂಸ್ಥೆಗಳು ಎದುರಿಸುತ್ತಿರುವ ತೊಂದರೆಗಳನ್ನು ದಾಖಲಿಸಲು ಈ ಅಧ್ಯಯನವನ್ನು ನಡೆಸಲಾಯಿತು. ಪ್ರಾರ್ಥಮಿಕ ಮಾಹಿತಿಯನ್ನು ಚಿಕ್ಕಬಳ್ಳಾಪುರ ಮತ್ತು ಮೈಸೂರು ಜಿಲ್ಲೆಗಳಲ್ಲಿ ಆಯ್ದು 12 ರೈತ ಉತ್ಪಾದಕ ಸಂಸ್ಥೆಗಳ 96 ಸದಸ್ಯರಿಂದ ಮತ್ತು 36 ಮುಖ್ಯ ಕಾರ್ಯ ನಿರ್ವಾಹಕ ಅಧಿಕಾರಿ, ಆಡಳಿತ ಮಂಡಳಿಯ ಸದಸ್ಯರು ಮತ್ತು ನೌಕರರಿಂದ ಸಂಗ್ರಹಿಸಲಾಗಿದೆ. ರೈತ ಉತ್ಪಾದಕ ಸಂಸ್ಥೆಗಳ ಹಿಂಬದಿ ಮತ್ತು ಮುಂಬದಿ ಸರಪಳಿಗಳ ಚಟುವಟಿಕೆಗಳು ತೃಪ್ತಿಕರವಾಗಿಲ್ಲ ಎಂದು ಅಧ್ಯಯನವು ಬಹಿರಂಗಪಡಿಸಿದೆ. ರೈತ ಉತ್ಪಾದಕ ಸಂಸ್ಥೆಗಳು ಪರಿಣಾಮಾಕಾರಿಯಾಗಿ ಕಾರ್ಯನಿರ್ವಹಿಸಲು ಎದುರಿಸುತ್ತಿರುವ ಪ್ರಮುಖ ಸಮಸ್ಯೆಗಳೆಂದರೆ ಹಣಕಾಸಿನ ಕೊರತೆ ಮತ್ತು ತಾಂತ್ರಿಕ ಸಿಬ್ಬಂದಿ ಕೊರತೆಯಿಂದಾಗಿ ಮುಂಬದಿ ಸರಪಳಿಗಳ ಚಟುವಟಿಕೆಗಳನ್ನು ಕೈಗೊಳ್ಳಲು ತೊಂದರೆಯಾಗಿರುತ್ತದೆ. ವ್ಯವಹಾರದ ಕಾರ್ಯಕ್ಷಮತೆಗೆ ಸಂಬಂಧಿಸಿದಂತೆ ರೈತ ಉತ್ಪಾದಕ ಸಂಸ್ಥೆಗಳ ನಡುವೆ ವ್ಯತ್ಯಾಸವಿದೆ ಎಂದು ಅಧ್ಯಯನವು ತೋರಿಸಿದೆ. ಆಯ್ದು 12 ರೈತ ಉತ್ಪಾದಕ ಸಂಸ್ಥೆಗಳಲ್ಲಿ ಕೇವಲ ಒಂದು ರೈತ ಉತ್ಪಾದಕ ಸಂಸ್ಥೆ ಮಾತ್ರ ಗ್ರಾಹಕರಿಗೆ ನೇರ ಮಾರಾಟ ಕೈಗೊಳ್ಳುತ್ತಿದೆ. ಆದುದರಿಂದ ಈ ಮಿತಿಗಳನ್ನು ನಿವಾರಿಸಲು ಕ್ರಿಯಾತ್ಮಕ ಗುಂಪುಗಳನ್ನು ಪ್ರೋತ್ಸಾಹಿಸುವುದು, ಗುಂಪುಗಳಲ್ಲಿ ಭಾಗವಹಿಸಿ ನಿರ್ಧಾರ ತೆಗೆದುಕೊಳ್ಳುವುದು, ವೃತ್ತಿಪರ ದಕ್ಷತೆ, ಹಣಕಾಸಿನ ಸ್ಥಿರತೆಗೆ ಅವಶ್ಯಕತೆಯಿದೆ. ಮಾರುಕಟ್ಟೆ ಮಟ್ಟದಲ್ಲಿ ಮಾರುಕಟ್ಟೆ ಸಂಸ್ಥೆಗಳು, ಬ್ಯಾಂಕುಗಳು ಮತ್ತು ರೈತ ಉತ್ಪಾದಕ ಸಂಸ್ಥೆಗಳಲ್ಲಿ ಸಮತಲ ಸಮನ್ವಯದ ಅವಶ್ಯಕತೆಯಿದೆ. ಜೊತೆಗೆ ರಾಜ್ಯ ಸರ್ಕಾರ, ನಬಾರ್ಡ್, ಮಾರಾಟ, ತೋಟಗಾರಿಕೆ ಇಲಾಖೆಗಳ ಮತ್ತು ರೈತ ಉತ್ಪಾದಕ ಸಂಸ್ಥೆಗಳ ನಡುವೆ ನಿಕಟ ಸಮನ್ವಯದ ಅಗತ್ಯವಿದೆ.

ಸೆಪ್ಟೆಂಬರ್, 2019

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ಡಾ|| ಬಿ. ಎಂ. ಶಶಿಧರ
ಪ್ರಮುಖ ಸಲಹೆಗಾರರು

An Evaluation of Farmer Producer Organizations (FPOs) in Chikkaballapura and Mysore districts of Karnataka



P. SINDHU, PALB7167

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INTRODUCTION

The FPOs in India are promoted based on the recommendations of Dr. Y. K. Alagh committee in 2002. The Government of India accepted the recommendations of Dr. Y. K. Alagh committee and introduced the Producer company bill in Parliament. Subsequently the Producer company bill became law on 6th February 2003 for the promotion of FPOs based on cooperative principles.

In India, FPOs are at present supported by Small Farmers Agri-business Consortium (SFAC). At present 792 FPOs are already promoted in the country. Majority of FPOs are registered mainly in Madhya Pradesh (143), Karnataka (119) and Maharashtra (99). NABARD has also promoted 2073 FPOs. Among them the largest number of FPOs are concentrated in Karnataka (187) followed by Tamil Nadu (170) and Madhya Pradesh (160) as of 2019.

Keeping this in mind the study was undertaken to examine the performance of FPOs in the state.

(www.sfacindia.com)

OBJECTIVE

To assess the services provided by FPOs to members

METHODOLOGY

Study Area:

The study was conducted in Chikkaballapura and Mysore districts of Karnataka.



Fig. 1: Map depicting the study area

Sample

12 FPOs promoted in the Chikkaballapura and Mysore districts were selected for the study. In each FPO 5 members were randomly selected with a total sample size of 60.

Collection of data

The primary data was collected through personal interview method by using Pre-tested schedule.

Analysis of data

The services provided by FPOs for the members was analyzed by using five point continuum scale viz., Very poor, Poor, Fair, Good and Very good.

RESULTS

Table 1: Services provided by FPOs to its members

Sl. No.	Services	Response by members					Total
		Very poor	Poor	Fair	Good	Very good	
1.	Seeds	3	6	13	34	4	60
2.	Fertilizers	5	5	14	27	9	60
3.	Pesticides	8	7	15	26	4	60
4.	Agril. Equipment	8	6	8	24	14	60
5.	Animal Feed	9	11	10	26	4	60
6.	Marketing of Agril. Produce	7	17	20	12	4	60
Total		40	52	80	149	39	360
Per cent		(11.1)	(14.4)	(22.2)	(41.4)	(10.8)	(100)

Table 2: Rating of FPO services by its members

Sl. No.	Services	Mean score	Members of FPO	
			Number	Percentage to total
1.	Low	<17.63	17	28.3
2.	Medium	17.63-22.17	20	33.3
3.	High	>22.17	23	38.3
Total			60	100.0

Mean=19.90; SD=4.54

DISCUSSION

The service provided by FPOs to members is presented in Table 1. It is clear from the Table that 41.4 per cent of the members are satisfied (good) about the services provided by FPOs. Another 10.8 per cent of members still have highest rating (very good) about the services provided by the FPOs. Further 22.2 per cent also have positive (fair) opinion about the services of FPOs. The remaining members have expressed that the services provided by FPOs are poor (14.4) and still 11.1 per cent have lowest satisfaction (very poor) about the services provided by FPOs.

The Rating of FPO services by its members is presented in Table 2. It is clear from the Table that 38.3 per cent of the members have high opinion about FPOs. Further 33.3 per cent of members have medium opinion about services provided by FPOs. However nearly 28.3 per cent of members have a very low opinion about the services provided by FPOs.

GRAPHS AND PHOTOGRAPHS

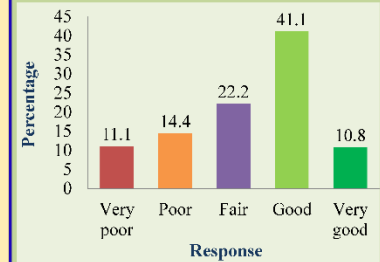


Fig. 2: Response of members towards the services of FPO

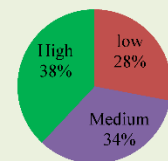


Fig. 3: Members rating about the overall services of FPOs



Fig. 4: Data collection from members of FPO

SUMMARY

In India FPOs were introduced under Producer Companies Act to overcome the weakness prevailed among primary level cooperatives since 1904.

This study has clearly indicated that majority of members are satisfied about the services. However even among members of FPOs nearly one third of members are not happy about their own FPOs.

Hence there is a need to make concerted efforts to strengthen FPOs to extend all type of services required by members and to make them efficient as well as effective organization in the interest of farming community in the country.

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LIST OF ABBREVIATIONS

AMHFPCL	Amaranareyana Horticulture Farmer Producer company Ltd.
APMC	Agricultural Produce Market Committee
ARHFPCL	Arkeshwara Horticulture Farmer Producer company Ltd.
BOD	Board of Directors
CFPO	Channekeshwara Farmer Producer Organization
CHFPCL	Chelur Horticulture Farmer Producer company Ltd.
COE-FPO	Centre of Excellence-Farmer Producer Organization
FACT	The Fertilisers and Chemicals Travancore Ltd
FSS	Farmer Service Societies
HHFPCL	Husenpura Horticulture Farmer Producer company Ltd.
IFFCO	Indian Farmers Fertiliser Cooperative
IIHR	Indian Institute of Horticultural research
IPL	India Pesticides Limited
KVK	Krishi vigyan Kendra
LAMPS	Large sized Agricultural Multipurpose Societies
LSS	Large Sized Societies
NABARD	National Bank for Agriculture and Rural Development
NDC	National Development Council
NFPO	Nagarigere Farmer Producer Organization
NHFPCL	Nanjangud Horticulture Farmer Producer company Ltd.
NHM	National Horticulture Mission
PACS	Primary Agricultural Cooperative Societies
PUC	Pre-University college

RBFPPO	Raitambrutha Farmer Producer Organization
RKVY	Rastriya Krishi Vikas Yojana
RMFPO	Raitamitra Farmer Producer Organization
RSK	Raitha Samparka Kendra
SFAC	Small farmers Agribusiness Consortium
SHFPCL	Sadamma Horticulture Farmer Producer company Ltd.
SHGs	Self- help groups
SSLC	Secondary School Leaving Certificate
UPL	United Phosphorous Limited
VFPO	Vatadahosahalli Farmer Producer Organization
VMS	Vandana Mahila Sanga

I INTRODUCTION

Agriculture is the backbone of the Indian economy which plays an important role in the socioeconomic development of the country. Indian agriculture has progressed a long way from an era of frequent droughts and vulnerability to food shortages to becoming a significant exporter of agricultural commodities. The policy, institutional and investment focus during green revolution time helped India achieve its food self-sufficiency goals. India has made a great degree of progress in the field of agriculture since independence in terms of development in output, yields and area under many crops. India's agricultural production from about 50 million tons to now 284.83 million tons in 2017-18 has shown spectacular growth in the last 60 years. Besides, India is the largest producer of milk in the world with production of 176.4 million tons in 2017-18 (The Hindu, July 27, 2018). It is the world's largest producer of pulses, and spices, as well as the largest area under wheat, rice and cotton. It is the second largest producer of rice, wheat, cotton, sugarcane, farmed fish, sheep & goat meat, fruit, vegetables and tea. India is also the second largest fruit producer in the world. It has gone through a green revolution, a white revolution, a yellow revolution and a blue revolution.

Paradoxically the contribution of agricultural sector to GDP has continued to decline over the years, while that of other sectors, particularly services, and has increased. The process of development, inter-alia, generally results in decline in share of agriculture in GDP, which is being witnessed in India too. In 1950-71 agriculture contributed about 55 percent of GDP, which declined to 31.4 per cent in 1990-91 and 15.87 per cent in 2017-18. Today the services sector accounts for 54.40 per cent of national Gross Domestic Product. Besides the Industry sector contributes 29.73 per cent of national Gross Domestic Product. (www.statisticstimes.com)

However, the declining share of Agriculture does not undermine the significance of the sector for employment, livelihood and food security. 58 per cent of India's population is wholly or significantly dependent on agriculture and allied activities for their livelihood (2018-19). The Gross Value Added by agriculture, forestry and fishing is estimated as Rs. 18.53 trillion (US\$ 271.00 billion) in 2018. Besides the development of

other sectors depends on the performance of agriculture to a significant degree. Agriculture has also contributed an important part as foreign exchange payee. Because of its regressive and advancing connections with the other economic sectors, transformations in agricultural performance have a multiplier effect on the entire economy. Its performance, therefore, is central in the jobs of decrease and ultimate abolition of poverty in India.

India is at a crossroads, economically, socially, politically, environmentally and technologically. Despite significant growth in agricultural production and employment over the past five decades, rural poverty continues to pose the greatest development challenge in India. Despite decades of poverty alleviation efforts, the absolute number of poor has doubled, since independence in 1947. India today retains the dubious distinction of having the largest number of poor people on the planet.

Finance in agriculture is as important as other inputs being used in agricultural production. In the 19th century, commercial banking was non-existent in rural areas, and farmers were completely in the hands of usurious moneylenders. Recognizing the importance of adequate credit support the government tried to provide cheap credit as an alternative to informal institutions.

The need for rural credit in India had been recognized even before independence by the erstwhile British Government. The agrarian riots prompted the British Government to give an impetus to the system of Taccavi loans to farmers, bring in regulations regarding money lending. The Northern India Taccavi Loan Act, 1875, The Land Improvement Loans Act 1883, Agriculturist Loans Act 1884 were enacted to mitigate the problems of the farmers and to make credit at reasonable cost available to farmers. The measures initiated to reduce indebtedness and regulating money lending activities for agricultural purposes failed to provide a long term solution and stagnation in rural economy continued. The regressive and exploitative land revenue system, coupled with by low productivity and recurrent natural calamities, caused heavy indebtedness among the peasantry. This led to large proportion of them losing their lands and turning into landless laborers.

1.1 Cooperative Movement in India

One of the first steps taken by the Government of India towards addressing the problem was the establishment of co-operative credit societies. The Co-operative Credit Societies Act (1904) was passed to provide cheap and cost-effective financial services to farmers and attempts were made thereafter to widen the co-operative movement.

Frederick Nicholson Report Mr. Dupernex enquiry in united province as to how best Agricultural Banks may be established in selected localities led to the establishment of Cooperative societies in parts of Punjab, United province and Bengal. A report of the India Famine Commission of 1901 powerfully advocated the introduction of mutual credit associations. Lord Curzon followed the famine commission's recommendations. Taking cognizance of these developments and to provide a legal basis for cooperative societies, the Edward Law Committee with F.A. Nicholson as one of the members was appointed by the Government to examine and recommend a course of action. The Cooperative Societies Bill, based on the recommendations of this Committee, was enacted on 25th March, 1904. The Act incorporated, in a slightly modified form, the basic Raiffeisen principles enunciated by F.A. Nicholson in his report.

The defects of the 1904 Act were remedied in 1912 when another cooperative society's act was enacted. The essential features of this Act are, any type of cooperative society can be registered, which has its object the promotion of economic interests of its members in accordance with co-operative principles. A federal society like the Central Bank could also be registered.

A decade later the Government of India appointed a committee under the chairmanship of Sir E.Maclagan in 1914 to take stock of the progress of cooperative movement.

With the introduction of Reforms Act of 1919, after the end of World War I, Cooperation become a provincial subject and was placed under the charge of a Minister. The post-war boom and rising prices further provided fillip to the cooperative movement.

Different kinds of cooperative societies in the field of credit, marketing, cooperative farming, land mortgage banking saw the light of the day during this period.

The Royal Commission on Agriculture in India submitted its report in 1928 made an important observation that “if cooperation fails, there will fail the best hope of rural India”. The royal Commission suggested that the cooperative movement should continue to focus on expanding rural credit and that the State should patronize co-operatives and protect the sector. The Commission specifically recommended the setting up of land mortgage banks.

The major development during this phase was the role played by the Reserve Bank of India (RBI). The RBI Act, 1934, made provisions to establish an Agriculture Credit Department (ACD) in the bank and extend refinancing facilities to the co-operative credit system.

1.2 Reorganization of Primary Agricultural Cooperative Societies (PACS)

Primary agricultural credit societies form the base of cooperative credit structure. It is universally accepted that strength of the structure depends in the ultimate analysis on the efficiency and soundness of the primaries. However, historically as the cooperative credit structure has grown over the years, it is the higher tiers of the structure, which have developed in to stronger units and not so primaries except in few areas. The fundamental importance of having strong primary level cooperative organizations was accepted from the beginning and with that in mind the primary level cooperatives were from time to time put through series of reorganization and structural experimentation.

Initially PACS were started in India from 1904 with the sole purpose of providing the credit to the agriculturists and it did lay exclusive emphasis on credit alone leaving other aspects of the agriculturist’s life untouched. These societies have rarely taken a deeper or wider interest in the life of their members. In 1937, the Agricultural Credit Department of the RBI recommended the organization of Multi-Purpose Societies (MPS). The cooperative planning committee (appointed by the Government of India, on the

recommendation of the conference of the Registrars of Cooperative Societies) endorsed the recommendation of the Agricultural Credit Department of RBI.

A MPS is a society, which undertakes all activities effecting the daily life and business of the agriculturist. The RBI considered a MPS as a process or technique of the economic rehabilitation of agriculture and the agriculture produce. The cooperative planning committee (Saraiya Committee) 1945 suggested that a MPS should undertake activities like financing crop production, act as agent for sale of crop to the nearest cooperative marketing organization, supply farmers simple needs and crop production materials like seed, cattle feed, fertilizer and agricultural implements and also common goods like cloth, kerosene etc. the committee also suggested that MPS can also undertake other activities like milk- collecting centre for the nearest dairy, serve as a centre for maintaining agricultural machinery for the joint use of members and others and also encourage subsidiary occupation for members.

1.3 Large Sized Societies (LSS)

In October 1951, RBI appointed All India Rural Credit Survey Committee under the chairmanship of A. D. Gorawala. The committee submitted its report in 1954. The AIRCSC categorically stated that the formula of one village one society has failed in India. The committee was of the definite view that instead of small societies with uneconomic turnover there should be larger societies operating as viable units of business, so that competent paid personnel might replace honorary services. The committee, therefore, recommended that the future development of primary credit structure should be in the direction of larger societies covering larger area of operation as could provide adequate business. The Standing Advisory Committee on Rural Credit and the Second Indian Cooperative Congress duly endorsed the Scheme for the formation of LSS in March 1955. The State Cooperative Ministers Conference of 1955 also endorsed the same view.

The essential features of LSS are envisaged by AIRCSC were that LSS should be organized or reorganized to cover group of villages. These societies should have larger membership and reasonable adequate capital. The committee recommended that the State

should participate in the share capital of these societies. As for as the activities are concerned the committee suggested that these societies should provide loans on the basis of crop loan system and also added that the consumption needs of members should be met out of the chit funds. To strengthen primary level cooperatives the committee also suggested that there should be effective link between the LSS and the cooperative marketing societies. To manage the LSS professionally the committee also suggested that these societies should have paid full time qualified Secretaries.

In November 1958, the National Development Council recommended radial reforms in the organization of PACS. The NDC considered that for the development of cooperation as a people's movement it was essential that cooperatives should be organized on the basis of the village community as the primary unit. Where villages are too small with the consent of the community concerned, it will be convenient to form them in to large groups with a population of about 1000. Subsequently, the Government of India appointed a working group to consider the administrative and organizational arrangements needed for the implementation of the resolution of NDC.

The entire question of agricultural credit came up for consideration at the conference of the State Ministers in charge of cooperation. The conference recommended that an Expert Committee should go into the whole question and make suggestion. In pursuance of this recommendation, the Government of India appointed the committee on cooperative credit under the chairmanship of Shri V.L.Mehta in September, 1959. The committee reviewed the working of PACS and made recommendations for strengthening them. The committee on cooperative credit made the following recommendations for reorganizations and revitalization of PACS:

- A systematic Programme of rectification, consideration and revitalization of the large number of defunct PACS should be chalked out.
- The committee recommended the promotion of viable units of cooperative services and business. The societies should have ability not only to command the services of competent personnel as well as the expenditure on rent, audit and supervision and provide for RF and a reasonable return on share capital.

- The cooperative aspect is as important as that of viability. Hence, the membership should not be too large and area too extensive. The committee is of the view that the population covered should not exceed 3000 (i.e. 600 families or 500 cultivating families).

The period 1960-61 to 1967-68 saw a few major shifts in the policy regarding the size of a PACS. The organization of LSS was totally given up with effect from 1st April 1959. In pursuance of the NDC Resolution, village societies, which came to be popularly known a service cooperative, came into being by fresh organization as well as reorganization of existing societies in some States. The organization of service cooperatives was not preceded by any well-planned efforts. The organization was completed like a rush job to attain the target by simple devise of converting existing societies in to service cooperatives. Among many instances of hasty conversion, there was the much publication of 10000 service societies in one State, in a short period of a month.

The All India Rural Credit Review Committee, 1969 (AICRC) also went into the question of structure of cooperative credit at the primary level. In the opinion of the committee success of entire credit structure turns very much around the efficiency and soundness at the primary level. The committee, however, remarked, “There will be no major changes in regard to the structure”. As in the opinion of the committee, frequent shifts and reversals in the matter of structure of PACS had enlarged the area of confusion. The AICRC recommended the promotion of viable units for which the committee made the following recommendations.

- The functioning of strong and viable units at the primary level is an urgent need for the sound working and successful implementation of agricultural programmes. It is, therefore, important to complete the reorganization of viable PACS by 1970-71.
- While taking care to see that economic viability is assured the State Government should adopt a flexible approach in determining the specific standards of business required for a viable society.

- The committee recommended that a PACS may be permitted to cover a population of more than 3000 and that, in fact no limit beset in this regard.
- The committee suggested that each society should be expected not only to provide larger credit and distribution, facilities but also to mobilize deposits and diversify services.
- The share capital of PACS should be specially strengthened to the extent of over and above Rs.10,000/- provided that the total contribution of the Government does not in any case exceed Rs.20,000/-.
- Payment of managerial subsidy at an average of Rs.1500/- per society only to societies, which employ a full time, paid Secretary.

1.4 FARMERS SERVICE SOCIETIES

In 1973, the National Commission on Agriculture recommended a special multipurpose organization called Farmers Service Cooperative Societies to serve the small landholders in the country. The National Commission on Agriculture recommended a radical structure of FSS incorporating one FSS for each tehsil/block or any other viable unit of convenient size with as many branches as are required in the area (15 villages - 15 to 20,000), a unit of these societies at the district level for common services and a Lead Bank of the district assuming leadership in the matter of organizing agricultural credit societies.

1.4.1 Main Features of Farmers Service Societies

- A FSS would be a registered cooperative body, with bye-laws to ensure autonomy efficient management, with minimum department interference.
- Each FSS should take care of all development needs of the small and village artisans either directly or by special arrangements with other agencies.
- Only those farmers" agricultural laborers and village artisans who qualify for receiving assistance under the SPOA and MFAL projects should be eligible for the membership of the FSS. Others can join FSS as associate members.

- The jurisdiction of each society should be equivalent to a block and in regions where the availability of services is inadequate; it may be an area as big as a tehsil.

The National Commission on Agriculture also recommended that institutions like Land Development Banks, State Agro-industries corporations, District Marketing Federations, Assistant Engineers of state electricity boards and FCI should play a vital role in offering services to farmers to absorb credit for production purposes.

1.5 Large sized Agricultural Multipurpose Societies (LAMPS)

India is one of the countries, which have large tribal population. In the implementation of programmes of tribal development, cooperatives have been assigned a very important role. A number of expert committees appointed by GOI from time to time brought out a number of parameters defining the role of cooperatives in tribal development. A study team (1971) appointed by the GOI headed by K.S. Bawa suggested the organization of LAMPS in tribal areas. The Bawa committee recommended the organization of LAMPS to provide to the tribal members all facilities under one roof including the production as well as consumption credit, Undertake marketing of agricultural produce and Minor forest produce (or NTFPs), distribution of consumer goods and also distribution of agricultural inputs.

Despite of all these measures initiated by the government of India, the performance of primary level cooperatives in the country was not very impressive. The reasons were over- dependence on government for financial assistance, lack of professional management, lack of adequate infrastructure, lack of good leadership, internal and structural weakness, Inefficiency and corruption, excessive Government control and political interference. Further the cooperative movement has suffered on account of limitations on its working, small size and single purpose societies and also suffered from inadequacy of trained personnel right from its inception.

1.6 Origin of the concept of Farmers Producers Organizations (FPOs)

1.6.1 The Rise of New Generation Co-operatives in USA

Historically, co-operatives in USA have been the natural response of farmers to rapid economic and social change. The co-operatives have played an extremely important role in keeping the agricultural sector and rural areas healthy and prosperous. In USA Agriculture has undergone a major transformation in recent decades. The production is no longer concerned with only generic commodities, but is increasingly focused on differentiated products. This is primarily because of advances in technology and changes in consumer preferences. One aspect of transformation is industrialization of agriculture during 1990s and corporatization agriculture subsequently. One of the outcomes of industrialization and corporatization is lower per unit returns to primary agricultural production. The changing structure of agriculture has raised many questions concerning control and power in the industry. As contracting and vertical integration become more common, producers have less control over their production and marketing decisions. These changes are important factors in the emergence and subsequent development of New Generation Co-operatives in the US over the past three decades.

1.6.2 The concept of New Generation Co-operatives in USA

A New Generation Co-operative is simply a form of business organization that combines features of a traditional cooperative with of an investor-owned corporation (IOC). The focus of an NGC is on value-added processing rather than commodity production. The NGC structure emerged in USA is originally based on a California model of cooperatives that required producer agreements as well as up-front equity investments from members. The NGC members, who are agricultural producers, sell their commodities to their cooperatively- owned processing business. The delivery rights tied to level of equity invested.

In the light of poor performance of traditional cooperatives in India, it was felt that there was a need to give more freedom to cooperatives to operate as business entities in competitive markets. To overcome the drawbacks of cooperatives, in 2002, the

Government of India enunciated a National Cooperative Policy. The objective of the Policy is to facilitate an all-round development of cooperatives in the country.

Keeping this in view, The Department of Company Affairs (DCA) Government of India constituted a High Powered Committee headed by Dr. YK Alagh, noted economists and former Union Minister to examine and make recommendations with regard to:

- Framing a legislation which would enable incorporation of cooperatives as Producer Companies and conversion of existing cooperatives to Producer Companies and
- Ensure that the proposed legislation accommodates the unique elements of cooperative business within the regulatory framework similar to that of companies.

On the basis of recommendations of the Committee, the Companies (Second Amendment) Bill 2001 was finalized and introduced during December, 2002 in the Parliament. Finally, the Companies (Amendment) Act 2002 came into effect On 6th February 2003. Until then The Companies Act, 1956 (the Act), recognized only three types of companies, namely:

- Companies limited by shares (subdivided into public limited and private limited Companies),
- Companies limited by guarantees and
- Unlimited Companies. The amendment to the act now adds a fourth variant: 'Producer Companies'.

A producer company operates under the regulatory framework that applies to companies, which is distinctly different from that of the cooperatives, which was seen as arbitrary and corrupt. A producer company can be registered under the provisions of part IX- A, chapter one of the Companies Act, 1956. The objective of the said company can be production, harvesting, procurement, grading, pooling, handling, marketing, selling, and export of primary produce of the members or import of goods or services for their benefit. Its membership can be 10 or more individual producers, or two or more producer institutions or a combination of both. It retains the one member-one vote principle

irrespective of shares or patronage, except during the first year when it can be based on shares. Like traditional cooperatives, it provides a limited return on capital but can give bonus or bonus shares based on patronage. Based on the cooperative principles of mutual assistance, it provided an alternative to the institutional form that is presently available to cooperative enterprises.

The new type of institution termed as 'Producer Company', to indicate that only certain categories of persons can participate in the ownership of such companies. The members have to be primary producers, that is, persons engaged in an activity connected with, or related to, primary produce. The primary produce is the produce of farmers arising from agriculture including animal husbandry, horticulture, floriculture, pisciculture, viticulture, forestry, forest products, re-vegetation, bee raising and farming plantation products: produce of persons engaged in handloom, handicraft and other cottage industries: by-products of such products; and products arising out of ancillary industries. The objective of producer Organizations has to conform to the activities included in section 581B of Companies Act 1956. The highlights of the provisions of Companies Act are:

- The Producer Organization can have an unlimited number of shareholder members but with one condition that the member should only be a primary producer / farmer.
- The producer organizations can have single registration to operate all over India (including export business).
- The Producer organizations are promoted as autonomous organization without any political intervention by the Government / local authorities.
- The producer organizations can enter into Joint Ventures, alliances and also have subsidiaries.
- The producer organizations can distribute the earning/ profits to its members in proportion to their contribution and not necessarily as per the share holding pattern.
- The producer organizations operate on the principle of one man one vote, irrespective of number of shares held by him.

- The producer organizations can be managed by professionals by designating them on board.

The Multilateral agencies like World Bank, United Nations Development Programme (UNDP), bilateral donor agencies, Government of India, the National Bank for Agriculture and Rural Development (NABARD), Ministry of Rural Development, Ministry of Agriculture, Small farmers Agribusiness Consortium (SFAC), and state governments have invested their resources in the form of financial resources, human resources in Producer Organizations promoted in various states.

The FPOs offer a pathway to successfully deal with a range of challenges that confront small producers, empowering them in a variety of way. The experiences so far in the performance of FPOs suggests that FPOs are able to leverage their collective strength and bargaining power to access financial and non- financial inputs and service, technology, reduce transaction cost, trap high-value markets and enter into partnerships with private and public entities on more equitable terms. Several institutional models of farmers have been tried in India to integrate farmers with the value chain, FPOs are found to be one such recent and effective model.

Y.K. Alagh committee has recommended FPOs as a primary level organization to serve the interest of farming community, These FPOs are flexible incorporating the characteristics features of companies and also co-operative societies. As per the guidelines prepared by NABARD, FPOs in India can be promoted or registered in the country under Companies Act 1953 or even as a co-operative societies under the concerned state co-operative societies act or the liberal co-operatives act enacted by few states in the country.

Besides, The area of operation of FPO is more than a state. It can be registered under multistate co-operative act 2002. Further as per the NABARD guidelines an FPO can also be registered under Indian trust act 1882. Hence sufficient provision has been made to promote and register FPOs under the provision of any act in the country. The following are the important features of FPOs

- FPO is a registered body and a legal entity.
- FPOs are formed by a group of producers for either farm or non-farm activities.
- Producers are shareholders in the organization.
- FPOs deals with business activities related to the primary produce/product.
- FPOs work for the benefit of the member producers.
- A part of the profit is shared amongst the producers.
- Rest of the surplus is added to its owned funds for business expansion.

1.7 Current Status of FPOs in India and Karnataka

Presently, around 5000 POs (including FPOs) are existence in the country, which were formed under various initiatives of the Government of India (including SFAC), State Governments, NABARD and other organizations over the last 8-10 years. Of these, around 3200 FPOs are registered as Producer Organization and the remaining as Cooperatives/Societies, etc. (<https://www.nabard.org>)

In India, at present 792 FPOs are promoted by SFAC. Majority of FPOs are registered mainly in Madhya Pradesh (143), Karnataka (119) and Maharashtra (99). NABARD has also promoted 2073 FPOs. Among them the largest number of FPOs are concentrated in Karnataka (187) followed by Tamil Nadu (170) and Madhya Pradesh (160) as of 2019. (www.sfacindia.com)

1.8 NABARD's Support to Farmer Producers' Organizations

During 2011-12 NABARD created Producers Organization Development Fund (PODF) with initial corpus of Rs. 50 crores as financial support for existing FPOs including PACS to create innovative financing models for mainstream banking. NABARD also created its own subsidiary (NABKISAN Finance Ltd.) for meeting the credit requirements of FPOs by adopting a flexible approach based on life cycle needs, while it continues to provide promotional support out of grant fund towards capacity building, market linkages and other incubation services to FPOs. The scope of this fund has been further enhanced during 2017-18 to provide need-based grant assistance to

those FPOs also, which are financed by the Commercial Banks, Cooperative Banks and Regional Rural Banks.

During 2014-15 Government of India has created Producers' Organization Development and Upliftment Corpus (PRODUCE) Fund in NABARD. Under this Fund, NABARD has promoted 2,154 FPOs as on 31 May 2018.

1.9 Schemes of Government of India / SFAC for FPOs

The Union Finance Minister, in the Budget Speech for 2013-14, announced two major initiatives to support Farmer Producer Organization (FPOs) viz., support to the equity base of FPOs by providing matching equity grants and credit guarantee support for facilitating collateral free lending to FPOs.

1.9.1 Equity Grant Fund Scheme

The equity grant support to eligible FPOs is provided by the SFAC on matching basis subject to a maximum of Rs 10.00 lakh per FPO, provided the FPO has a minimum shareholder membership of 50 farmers.

1.9.2 Credit Guarantee Fund Scheme

The main objective of the Credit Guarantee Fund scheme is to provide a Credit Guarantee Cover to Eligible Lending Institutions to enable them to provide collateral free credit to FPCs by minimizing their lending risks in respect of loans not exceeding Rs. 100.00 lakhs.

Under the schemes, only Farmer Producer Organization having minimum 500 individual shareholder members is eligible for Credit Guarantee cover. Maximum guarantee cover is restricted to the extent of 85 per cent of the eligible sanctioned credit facility, or to Rs. 85 lakhs, whichever is lower.

Ministry of Food Processing Industries, as created a scheme for Backward and Forward Linkages, integration for processed food industry by plugging the gaps in supply chain in terms of availability of raw material and linkages with the market. Under the

scheme, financial assistance is provided for setting up of primary processing centres/ collection centres at farm gate and modern retail outlets at the front end along with connectivity through insulated/ refrigerated transport.

The Ministry of Rural Development, under its Deendayal Antyodaya Yojana a large number of Producers' Groups are being promoted and graduated into sustainable, member- owned and member-governed Producers' Enterprises (PEs).

The Government of India, in the Union budget 2018-19, announced the 100 per cent tax deduction for FPOs with annual turnover of up to Rs. 100 crores, to promote FPOs for a prosperous and sustainable agriculture sector that enable farmers to enhance productivity through efficient, cost-effective and sustainable resource use and realize higher returns of the produce. The benefit shall be available for a period of five years from 2018-19.

1.10 Farmer Producer Organizations in Karnataka

The Department of Horticulture, Government of Karnataka has started a pilot program for promoting member-based Farmers' Producer Organization (FPOs) during 2014-15, in association with Small Farmers' Agri-business Consortium (SFAC), New Delhi a nodal agency for FPO identified by Ministry of Agriculture Co-operative and Farmer Welfare, Government of India.

The program involved the mobilization of small and marginal farmers into FPOs across the state, under the schemes of the RKVY, NHM and SUJALA III. The objective of the project is to collectivize farmers, especially small and marginal producers, to share the benefits of collectivizes like adoption of new technology, improve productivity and enable improved access to inputs and services and increase income, thereby strengthening their sustainable horticulture based livelihoods.

The Department of Horticulture in association with SFAC is supporting FPOs through enrolled Resource Institutions (RIs), which provide various inputs of training and capacity- building in the members and helps in linking FPOs to input suppliers,

technology providers, and market players. Further, The Government of Karnataka established a Centre Of Excellence for Farmer Producer Organizations (COE-FPO), first of its kind in India, during 2017 for the overall development of FPOs. It provides the handhold and institutional support with respect to training, knowledge dissemination, economic sustainability, self-reliance, policy analysis and evolution into effective enterprises working especially for economic benefit of small holder members in general and for Farmer Producer Organizations in particular. It will also serve as a platform for coordination among various departments and other related government agencies, NGOs, private sector firms, and other organizations dealing with the horticulture and allied sectors. In Karnataka at present 119 FPOs are promoted by the Department of Horticulture and 187 FPOs are promoted by NABARD. (www.sfacindia.com)

1.11 Importance of the study

Currently in India many institutions including the central government and state governments are promoting FPOs as new organizational format for producer groups and investing its resources largely in the form of financial resources, human resources etc. The FPOs are flexible organizations operates in collaborations/ joint ventures with Agri supporting institutions under the changing economic environment in order to optimize the benefits to producer members. The FPOs in the state are being promoted since 2004. Besides they are being promoted by NABARD, the Department of Horticulture and also the department of Sericulture. Further the FPOs are also being promoted by The Deutsche Geseiischafft fur Internationale Zusammenarbeit (GIZ) in partnership with the government of India. However so far no attempt has been made to critically examine the usefulness of FPOs to the farming community. There is also need to analyze their performance from the point of Business. Besides it is also necessary to study the role of linkages of FPOs in increasing the farmer's income in the state. In this regard, an evaluation of Farmer Producer Organization in Chikkaballapur and Mysore districts was taken up with the following specific objectives.

1.12 Objectives of the Study

1. To analyze the Backward and forward linkages of FPOs.
2. To analyze the Business performance of FPOs.
3. To examine the constraints in the functioning of FPOs.

1.13 Hypotheses

1. Majority of FPOs are focusing more on backward linkages compared to forward linkages
2. There is a variation between FPOs in terms of financial performance.

1.14 Limitations of the study

This study is based on both primary data and secondary data. The primary data was collected from the respondents by Personal interview method. The FPOs in the state have been organized from 2004 onwards on a very small scale. Hence historical data on the subject is limited. The study was limited to Chikkaballapur and Mysore districts. The data pertaining to FPOs was drawn from records maintained by FPOs, NABARD, the Department of Horticulture and from various agencies that are promoting FPOs. Hence it would be difficult to draw precise generalizations regarding the implications of the study. The findings in this study, interpretations and conclusions drawn could be best seen within these limitations

1.15 Structure of the study

The study has been organized into six chapters.

The chapter I presents the subject and background information of the research, explores the research problems, examines the theoretical framework of the study, explains the choices of the research context, what the research intends to achieve, the objectives and hypothesis structure and limitations of the study. The Chapter II focuses on the existing theories related to the research subject. Chapter III highlights the underlying principles for selecting the research strategy or methodology adopted to

conduct the research covering description of the main features of the study area, sampling design/ framework, nature and sources of data, data collection and analytical tools and techniques employed for evaluating the objectives and interpreting the results of the study. The section concludes with the issues related to validity and reliability of the research. The Chapter IV deals with presentation of the main findings of the study through tables, description and lays emphasis on the discussion of the results of the study in the knowledge of reasons based on past studies. The Chapter V provides summary and lays emphasis on the conclusions, recommendations and suggests the policy implications arising from the finding of the study along with the future research challenges. The chapter VI lists the literature referred/ references accessed for the present study.

II REVIEW OF LITERATURE

For any proper investigation, the review of earlier studies provides valuable insights about attempts made to solve the problem and sets direction for the research process. An extensive review of literature must therefore be undertaken in order to have a clear knowledge of the various aspects related to the study and to understand key achievements already covered related to the problem and to explore the areas to be focused further. In this chapter, an attempt has been made to review the literature of the past research work in India and abroad relevant to the present study. The review has been presented under the following headings.

2.1 Studies on Concept of FPO

2.2 Studies on linkages of FPOs

2.3 Business performance of FPOs

2.4 Constraints faced by of FPOs

2.1 Studies on Concept of FPO

Rondot and Collion (2000) defined the producer organizations as formal rural organizations whose members organized themselves with the objective of improving farm income through improved production, marketing, and local processing activities. The Producer Organizations operate with the objective on pricing and export and import of agricultural products; access to inputs and services, including agricultural credit and local processing of agricultural production and its marketing.

Dutta (2005) in his study on cooperatives in Agriculture observed that despite introduction of various cooperative acts including Multi State Cooperative Societies (MSCS) Act, the pace of reform has been far too slow. Hence, a new chapter on producer companies was introduced in 2002, to the Companies Act, which is an attempt to enable farmers and other primary producers to set up companies, mostly resembling as cooperatives.

Buckley (2007) in his study on *Producer Organizations: A guide to Developing Collective Rural Enterprises* focused on three defining features of Producer Organizations (PO) in relation to their purpose, structure and core activity. According to him, POs are rural businesses that are generally owned and controlled by small producers and engage in collective marketing activities. POs are different from other communities or groups, as they are not primarily a means of channeling resources to a community or mobilizing community activities rather pursue businesses that aim to provide business-oriented services to their members. They can engage in social activities and pursue social objectives but these should not drive business decisions, the PO's business should be the first priority.

National resource centre for rural livelihoods (2007) conducted the work shop on "linking small farmers to markets" has concluded that the producer companies actually had a distinct advantage since it allowed professionals to take part in governance as Directors which helped to bridge the information asymmetry between the producer Directors and professional managers. The Producer companies provided with the opportunity of retaining the unique characteristics of a cooperative enterprise even as it enabled flexibility in business operations that was not available under the Cooperative Act. There are undoubtedly going to be challenges, as in the case of cooperatives. There are other problems that would arise as a producer company created its space in the marketplace. These are only natural and only a professional management will be able to ensure that adequate commercial benefits accrued to all stakeholders.

Murray (2009) in his study on *Producer Company Model- Current status and future outlook: Opportunities for bank finance* examined the present status of financial opportunities available from different sources and concluded that capital was the major requirement and barrowing from banks was the challenge as companies may not have much ease than the producer member equity to leverage borrowings. Unconventional approaches would be required to assess the credibility, reputation and the principles on which the company operate which are the only tangible assets, not physical assets.

Singh (2013) in his study on Producer Companies as New Generation Co-operatives, concluded that in comparison to cooperatives and PCs in government policy in India shows that cooperatives received income tax exemption, non-taxable welfare income exemption, land lease at nominal rates or free, fertilizer allocation to PACS, foundation seed supply and marketing support to seed cooperatives, state agency grants to cooperatives, export incentives and provision of distribution outlets for selling products, At the same time the author has revealed the PC in India have not received any of the above benefits provided to cooperatives.

Cherukuri and Reddy (2014) conducted their study on Producer Organizations in Indian Agriculture: Their Role in Improving Services and Intermediation and examines the role of producer organizations in improving service delivery to producers/farmers. The study has observed that access to technology and other farm advisory services for producers within a producer organization. Perceptible changes occurred in terms of increase in net incomes for members compared to non-members. The study reveals that the benefits arose mainly because of increase in market access, marketable surplus and bargaining power for producer organizations. The findings of the study support arguments for greater policy support to leverage the functioning of producer organizations for their sustenance and replication.

Emmanuel *et al.* (2015) conducted their study on Economic Analysis of the Role of Farmer Organizations in Enhancing Smallholder Potato Farmers' Income in Middle Guinea. The study aims to examine the determinants and effects on farm income of group membership, with the sample of 90 smallholder potato producers in Middle Guinea. A probit model was used as a selection equation to identify factors that influence group membership decision by smallholder potato farmers. The results revealed that the age of the potato farmers, land ownership, extension service, credit access and off-farm income are positively associated with group membership, while gender and education level of the farmer negatively influenced their decision to join farmer groups, and farm income is predominantly determined by labour used, the size of the cultivated potato area, share of potato sold and potato market price.

Sankri and Ponnusamy (2015) in their case study on A Comparative Analysis of the Processes of Formation of Selected Farmer Producer Companies, analyze the processes of formation of Farmer Producer Companies (FPCs). Three Farmer Producer Companies, namely, Ramnad Pesticide Free Chillies Producer Company, Ayakudi Guava and Fruits Producer Company and Dharmapuri District Minor Millets Producer Company were selected for the study. Focused Group Discussion method was used to collect the data from 71 respondents (Directors and Members). The study found that the major processes that led to the formation of FPCs were creating awareness, building confidence, convincing, capacity building for collective production, processing, value addition and marketing, conducting trainings, demonstrations, exposure visits, Buyer-Seller Meets and Stakeholders" Meets. The study concludes that the catalyst agency has, therefore, to use an appropriate combination of such processes for facilitating the formation of FPCs.

Sankri and Ponnusamy (2015) conducted a case study on, An Process Analysis of Erode Precision Farm Producer Company in Tamil Nadu and explored the processes of formation and functioning of Erode Precision Farm Producer Company Ltd and to know their future plans and expectations. The Primary data was collected through Focused Group Discussion with 40 members using a checklist and personal visits to the farmer's fields in the 15 clusters and the constituent units of the Company. The study found that the catalytical role placed by Tamil Nadu Agricultural University, line departments and private agro companies in building techno managerial and marketing skills through trainings, demonstrations, exposure visits, negotiations, conducting field experiments etc.,. The study also revealed that Identification of opportunities, adoption of improved technologies, coordination among the clusters of collective production, grading, processing and marketing were the other processes for the success of the Company.

Sawairam (2015) in his Case Study of Farmer Producer Organization in Maharashtra in the Era of Globalization. The primary data was collected by interviewing the members of FPOs situated in Narayangaon Taluka Junnar District Pune. The secondary data was collected from the office bearers of FPO supporting organization. The study revealed that the success of producer companies depends on the farmers' commitment to the company. The integrity and quality of the leadership, its acceptance

within the community, as well as the market environment are the most crucial factors for a successful production company. At the same time, the company has to provide appropriate knowledge to generate excess production from within the community in order to maintain linkages to the target markets. Finally, the researcher concludes that producer companies are a promising new model for farmers, but one which needs continued support and further critical analysis.

Darshan *et al.* (2017) conducted a study on Farmer Producing Organizations for Development of Farmers in India: An Economic Perspective. The objective of the study is to find current status, performance and to document the case study of FPOs in different states of India, namely Madhya Pradesh, Maharashtra, Karnataka, West Bengal and Odisha in terms of number of FPO"s. The secondary data was collected from various sources of government websites and authenticated sources for analysis. The analysis of cases of FPOs revealed a positive impact on the economic development of farmers. The FPOs have helped to organize the small and marginal farmers to improve their standards of living by providing assured income, employment, better technologies of production and post-harvest management activities.

Navaneetham *et al.* (2017) conducted a study on the Status of farmer producer companies in India. This study was aimed at predicting the trend of FPOs establishment over the years and challenges faced by FPOs. The primary data was collected from the secondary sources by an intensive survey of papers on Farmer Producer Companies in India published from 2011 to 2016, and analysed using trend analysis, CAGR and conventional analysis. The study shows that during the period from 2004 to 2009 there was no growth, predicted with linear horizontal line, from 2010-2011 there has been an increasing interest in farmer producer companies. Taking a break at 2012, there has been an upward rise in the trend line touching peak during 2013, this was mainly due to information of Government schemes. The CAGR predictions from 2004 to 2016 shows a positive growth of 31.1 per cent.

2.2 Studies on linkages of FPOs

Bingen *et al.* (2003) in their study on linking farmers to markets: different approaches to human capital development, examines the extent to which different types of investments influenced the capacity of farmers organizations to make their own social and economic choices and thereby become full actors in the market. Investment in capacity building requires a long-term and focused commitment to develop human skills and social capital. In contrast to technology-driven efforts, this type of investment values and encourages learning in order to deal with a broader set of actors and market opportunities. Based on this investment, access to agricultural goods and services tended to be demand driven as farmers played a key role in identifying their needs, and in capitalizing and managing their organizations.

Pradan (2007) in workshop on Producer Companies- Linking Small Producers to Markets stated that producer companies are engaged in livelihood promotion or support. They made specific efforts in collectivizing people, aggregating their products and services, and building their institutions. Importantly, they had to work on developing markets, sometimes new segments and alternate channels of marketing. It was suggested that producer companies could attract suitable capital issuing preferential shares or B class shares or voting shares. It was indicated that the existing legislation restricts mobilization of capital which needs to be looked at. A producer company can also look at raising capital indirectly, through alliances, partnerships or joint ventures with another private company.

Bijman and Wollni (2008) in their paper on Producer organizations and vertical coordination: an economic organization theory perspective. The author defined that producer organization is an association, a society, a cooperative, a union, a federation, or even a firm that has been established to promote the interests of farmers. The main goal of the producer organization was to provide services that support producers in their farming activities, starting from information on selection of crop, variety, inputs, technical knowledge and also including the marketing of the farm products. The producer organizations are created to cater the overall needs of farmers at village level.

Trebbin and Hassler (2012) in their study on analytical framework in relation to the value-chain governance and the impact of collective-action emphasizing structural characteristics of agriculture in India and the regulatory framework on which the concept of producer companies is promoted. A case study of Vasundhara Agri-Horti producer Co. Ltd (VAPCOL) was conducted and analyzed in relation to the success of this producer company in empowering farmers and improving their livelihood. The author concluded that producer companies are promising model of smallholder organization, which needs support and need for further research.

Dhakal (2013) conducted a study on Seed Producer Organization of farmer: An Experience of Western Terai, Nepal. The primary data was collected through focus group discussions, interview with key informants, and survey. The study found that the farmers' organizations have collapsed due to lack of ownership, group management skill and inability to link with the market. The business skills, technical skills and organizational management skills of ARC (Agricultural Resource centres) members were not promoted parallelly. The study indicated that autonomy and adequacy of time given to select the enterprise for groups have a long-term impact on ownership development. The study also revealed the high level of external influences which resulted in ARCs depending on resources from outside dependency and lack of problem solving ability among members.

Elbehri *et al.* (2013) have conducted the study on process of change design with in producer organizations and in assessing the "Women in Action" In a Cooperative Union and developing a proposal for an institutional action. The members have clearly revealed the factors which motivated them to join the union; the access to training and market information and projects. The assessment workshop highlighted that the Union is still quite fragile as it has been set up by its leader and network of women's cooperatives across the Milian territory. However the union lacked human resources and effective organizational structure.

Maria *et al.* (2016) conducted a study on role of Producer Organizations in the vegetable value chain. The study attempted to identify differences in supply chain with a

PO as intermediary and supply chain with a wholesaler as intermediary. The study reveals that farmers gain more from FPO by adopting direct marketing system, which needs to be incentivized and promoted. Inefficiencies occur largely in traditional markets due to large number of intermediaries from farm to fork. The findings endorse the view that, to improve the efficiency of the supply chain, it is necessary to strengthen their role through their activities. By implementing the tools one can facilitate both vertical and horizontal coordination of the production to improve interaction between various players of the market. The study revealed that strong collective and coordinated action of all the actors of supply chain will enable a return to profitability, as well as efficiency of the supply chain.

Salokhe (2016) in his study on Farmers producer organization for effective linkage of small producers with market examined the mode of operation of FPO and effectiveness of the FPO with reference to the small farmers in India. It brings together the small and marginal farmers and other small producers to build their own business enterprise that will be managed by professionals. FPO offers a proven pathway to successfully deal with a range of challenges that confront farmers, especially small producers and to participate in the market more effectively and help to enhance agricultural production, productivity, and profitability.

Rani *et al.* (2017) conducted their study on Formation of Farmer producer organization and its impact on the development of sustainable crop production in Karnataka. The study was conducted to know the problems and benefits to the farmers by forming the FPOs. On the basis of both qualitative and quantitative methods, the study results that no farmer was practicing organic farming in the locality, no regular and authentic source of information to the farmers regarding market prices. The farmers generally rely on their own past experiences and information provided by fellow farmers. And the benefits after forming as FPO"s were per hectare production improved by 10 per cent and minimum of 20 per cent rise in net income of the FPO farmers.

Babu and Patoju (2018) conducted the study on Impact of Farmer Producer Companies on Marginal and Small Farmers in Osmanabad district of Maharashtra. The

study aim is to find the status and impact of Farmer Producer Companies on small and marginal farmers. The primary data was collected from 150 respondents using multi stage stratified random sampling method, The impact was measured using a five point scale, the interpretations of the scores were between 0.01 to 1.00 – Very Poor, 1.01 to 2.00 – Poor, 2.01 to 3.00 – Good, 3.01 to 4.00 – Very Good, 4.01 to 5.00 – Excellent. The study found FPCs are providing services out of which marketing, value addition, technological services and pre- harvest services are good, agricultural advisory services, and capacity building and credit access services are poor.

Gersch (2018) conducted a study on Producer organizations and contract farming: a comparative study of smallholders' market strategies in South India. The study compares the abilities of the models to address economic challenges of highly fragmented and small-scale dominated agriculture on a household as well as on an aggregate level. It analyses the empirical data from the Indian floriculture sector with the global value chain approach. The study reveals that the smallholders perceive both contract farming and producer organization to be beneficial for their households' economic risk situation, while only the producer organization has a positive effect on the households' income. The researcher pointed out that the contract farming model increases value creation in the overall chain, but it did not raised the producer's value capture while the producer organization model did not heighten value creation in the overall chain, but it lifts the producers' value capture. The author concludes that contract farming and producer organizations were not competitive strategies they are supplementing, and should be applied in combination.

2.3 Studies on Business performance of FPOs

Esham and Usami (2007) analyzed the performance of Ridi Bendi Ela Farmer Company in Srilanka the study revealed that the commercialization of agriculture in respect of irrigation scheme was a failure by FPO as a formal collective group. This is mainly due to two reasons, one, the farmers' perception of the farmer company as a service provider and the restrictions on share ownership by outsiders from the irrigation scheme has limited the capital necessary for expanding the commercial activities of the

farmer company. Further the awareness gap between the shareholders and the farmer company has resulted in poor farmer participation in commercial activities of the farmer company. The author suggested strengthening the capital base and organizing mutually beneficial farmers-agribusiness linkages. Increased number of shares per farmer and relaxation in restrictions on share ownership from outside the irrigation scheme to strengthen the capital base of the company. The author suggested allowing farmers to have control over their company in the share ownership of the agribusiness industry will help to preserve company's independence.

Garg (2012) conducted a case study on the Rewa crop producer Company private Ltd. (RCPCPL). The study aims to examine the performance of PC and the study revealed that the growth in turnover, gross profit, and net profit was positive for the period from 2007-09. The business performance assessed through the liquidity ratios, current and quick ratios was satisfactory. However, due to high inventory and lack of working capital the profits were very low. As a result the profitability ratio of the company was found to be not satisfactory.

Varun (2013) in his paper on Contract Farming through Farmer Producer Organizations (FPOs) in India. Argued that the Farmer Producer Organization (FPO) was the best organization, in terms of the objective of eliminating the "Moral Economy", and argued for the same using the tools of Transaction Cost Economics (TCE). He also argued that the problem of individual farmers being unable to pursue litigation against corporate would become less of an issue, because of the financial capacity of the FPO and farmers, who were previously not exposed to any form of business organization, have become "experts" in marketing their produce to the public, a mere six months after their FPO was officially incorporated.

Chauhan (2015) conducted the study on Producer Companies in Madhya Pradesh with an objective to examine the business performance of the Producer organizations The study found that there were 18 producer companies (15 agriculture, 02 dairy and 01 poultry) with the establishment of a new dairy based company at Shivpuri – Hardol Milk Producer Company Ltd. Most of the producer companies were in agribusiness and its core activities were quality seed production, farm produce trading and agri-input supply.

A producer companies had 45,751 shareholders with annual turnover of Rs. 118.92 cr. and net profit of Rs. 89.93 lakh (2012-13). The study analyses the business performance of producer companies in the state of Madhya Pradesh based on secondary data provided by DPIIP Department from year 2010 to 2013. The assessment was based on financial indicator like number of shareholders, annual turnover, and net profit of the companies. This study also highlights the constraints and challenges faced by producer companies.

Ahmed and Mesfin (2017) in their study on Impact of agricultural cooperatives membership on the wellbeing of smallholder farmers: empirical evidence from eastern Ethiopia, evaluated that the impact of agricultural cooperative membership on the wellbeing of smallholder farmers using cross-sectional data collected from the eastern part of Ethiopia. Using consumption per adult equivalent as a wellbeing indicator, the study measured the impact of agricultural cooperative membership by implementing propensity score matching and endogenous switching regression estimation techniques, the results indicate that joining agricultural cooperatives has a positive impact on the wellbeing of smallholder farmers. Furthermore, the analysis also indicates that agricultural cooperative membership has a heterogeneous impact on wellbeing among its members.

Yadav *et al.* (2018) have conducted a study on Management status of farmer producer organizations (FPOs) in Chhattisgarh plains, to examine the status and performance of Farmer Producer Organizations (FPOs) in Chhattisgarh Plains. They had collected data from 10 FPOs in the area using case study and survey method. The study shows that the major business of FPOs were production and marketing of fruits and vegetable collectively, input supply, milk production, mushroom and its value added products, vermi-compost and NTFPs etc. The average authorized capital ranged from Rs. 2.3 lakhs to 10 lakhs, mobilized share capital was Rs. 2.3 to Rs. 13.54 lakhs and annual turnover was in the range of Rs. 2 to 62 lakhs. All the FPOs studied were earning Profit (2016-17). The study suggesting to considered investment and working capital grants for creation of processing and marketing infrastructure. Further to Government, to exempt from corporate tax for few years and to provide a separate shop in Regulated market for FPOs at concessional rate.

2.4 Studies on constraints of FPOs

Shiferaw B., *et al* (2006) conducted a study on Rural Institutions and Producer Organizations in Imperfect Markets: Experiences from Producer Marketing Groups in Semi- Arid Eastern Kenya. The study found that the functioning of markets is constrained by high transaction costs and coordination problems along the production-to-consumption value chain. And suggests that the new kinds of institutional arrangements are needed to reduce these costs and to fill the vacuum left when governments withdrew from markets in the era of structural adjustments. One of these institutional innovations has been the strengthening of producer organizations and formation of collective marketing groups as instruments to remedy pervasive market failures in rural economies.

Barham and Chitemi (2009) in their study on Collective action initiatives to improve marketing performance: Lessons from farmer groups in Tanzania. The primary data was collected from group members and analyzed using Conceptual model and it Pointed out that Reliable water source, activity level and commodity types are the most strongly associated with improved marketing performance. Group maturity, partner agency, and education variables are also statistically significant. The study suggests that groups with more mature with strong internal institutions, functioning group activities, and a good asset base of natural capital are more likely to improve their market situation.

Meena *et al.* (2013) conducted a study on Constraints of women dairy co-operative societies in adoption of animal husbandry practices. The primary data was collected from 144 respondents (72 members and 72 non-members). The study revealed that the member and non-member respondents perceived more constraints in terms of infrastructural and technical matters in adoption of improved animal husbandry practices. The least perceived constrain in adoption was economic constraints. There was similarity between rank assigned by member and non-member adopters in animal husbandry practices in different aspects of infrastructural, technical and economic constraints.

Olatinwo *et al.* (2014) in their study examined the constraints to productivity of Cooperative Societies and Non Cooperative Women Farmers in Kwara State, Nigeria. The primary data for the study was collected from 160 respondents purposively in local

areas, and analysed the data using Descriptive statistics and Mann Whitney. The major constraints faced by the women farmers is poor road network ($X^2 = 111.728$ and statistically significant at (1%) and for non-cooperators) inadequate financial assistance (the $X^2 = 173.000$ and statistically significant at (1%) using Kruskal). The Man-Whitney result revealed a significant relationship between source of capital for investment ($Z = 1.865$, $P < 0.05$), level of education ($Z = 1.792$, $P < 0.037$) and farm size ($Z = 1.843$, $P < 0.040$). The study recommends that women farmers should be encouraged to participate in agricultural cooperative societies, and Government should intervene to provide soft loan for women farmers via their cooperatives societies.

Bernard and David (2015) conducted a study on Reaching the rural poor through rural producer organizations - A study of agricultural marketing cooperatives in Ethiopia. The objectives of the study is to examine the role of RPOs in supporting smallholder commercialization, and the extent to which principles of an inclusive, bottom-up approach relate to their marketing performance. The study revealed that many Rural Producer Organizations (RPOs) still struggled to offer services that would lead to higher output prices for their members. The study suggested that trust in leaders motives and competence as well as trust in ordinary members were crucial for successful collective commercialization as a form of collective action

Kaaria *et. al.* (2016) conducted a study on Rural women's participation in producer organizations: An analysis of the barriers that women face and a strategy to foster equitable and effective participation, the study was based on the secondary data. The study found that, the double burden (Family maintenance and working in field) and triple roles (Age, social status and previous experience in organizations are the factors that can affect women's participation in producer organizations) of women are the key constraint to women's access to producer organizations, The study concludes that more gender-inclusive producer organizations can bring rural communities and families, to become members in their own right and access the services and benefits that these organizations can provide.

Panchbhai *et al.* (2017) conducted a study on Constraints Faced by Co-Operative Dairy Farmers in Adoption of Recommended Dairy Management Practices with an objective to evaluate constraints faced by dairy farmers in co-operative of Shivamrut Dudh Utpadak Sahakari Sangh Maryadit, Akluj dist. Solapur of Maharashtra. The primary data was collected from 200 dairy farmers. The study shows that, major constraints faced by Co- Operative Dairy Farmers were ticks and other ectoparasites present in animal shed, milk production of local breeds is very low, dairy animals require large quantity of feed, higher cost of concentrate and cross bred animals are more prone to diseases, impacting on the quality and quantity of the milk. The study concludes that dissemination of knowledge, transfer of technology and role of dairy cooperatives would be crucial for development of dairy sector.

Kathiravan *et al.* (2017) conducted a study on Identification of Bottlenecks Perceived among the Farmer Producer Organizations. The study was carried in four FPOs with 45 respondents in Namakkal district of Tamil Nadu, through structured interview schedule. The primary data was analyzed by using Garratt ranking technique and the bottlenecks were ranked under organizational, socio - political, economic constraints and other constraints. The major constraint was lack of co-ordination for group activities (97.37) was ranked first and the non – availability of literature on FPO activities was ranked last with an average mean score (42.19) by the respondents.

Singh *et al.* (2017) conducted a study on Constraints Faced by Women Dairy Cooperative Society Members in Jaipur. The primary data for the study was collected from 120 women dairy farmers using structured schedules. The study revealed that the major constraints are lack of awareness about facilities provided by the Government and milk unions for rearing animals, lack of knowledge about the women rights in their empowerment, illiteracy, lack of affordability to purchase feed additives and concentrates, high cost of veterinary medicines and inequality in issuing loans. The study also revealed that economic constraints were ranked first with a mean score of 3.06 followed by technology constraints (2.87), infrastructural constraints (2.74), social constraints (2.73), political constraints (2.69), organizational constraints (2.62), psychological constraints (2.56) and personal constraints (2.54).

III METHODOLOGY

This chapter presents the overall description of the study area, sampling framework, conceptual framework and analytical tools employed in the present study. This chapter is organized under the following sections.

3.1 Description of the study area

3.2 Sampling framework

3.3 Nature and Sources of data

3.4 Analytical techniques

3.1 Description of the study area

Chikkaballapur and Mysore districts of Karnataka were purposively selected for the study. A large number of Farmer Producer Organizations are formed and operating in both the districts. The primary data for the study was collected during the month of February and March of 2019.

Chikkaballapur district is situated between North Latitude of 13° 13" 04" to 13° 58"29" and East Longitude of 77° 21" 52" to 78° 12" 31". It is located in the southern maidan region of Karnataka state and situated on the eastern side of the State. It has an area of 4,244 sq. kms and its greatest length from north to south is 82.16 kms and from east to west it is 92.26 kms. It is bounded on the south and south-west by Bengaluru rural district, on the west by Tumakuru, on the east by Kolar district and on the north and north-east by the states of Andhra Pradesh (Fig. 1).

Chikkaballapur district is a newly created district in the state of Karnataka. It was carved out of the erstwhile Kolar district in 2007 by separating six taluks, namely, Gauribidanur, Gudibanda, Bagepalli, Chikkaballapur, Sidlagatta and Chintamani to form a new district Chikkaballapur. It is land locked district and hard rock terrain of Karnataka in the maiden (plain) region and it owes its prosperity and development to the existence of ancient tanks. There are as many as 1243 tanks located in the district. The main

occupation of people is agriculture. In the absence of surface water irrigation system ground water is the main source of irrigation. (Anonymous, 2012).

Mysore district is bounded by North Latitudes 11° 45' - 12° 40' and East Longitudes 75° 59'-77° 05' It is located in the southern most region of Karnataka state. It has an area of 6269 sq. kms and it is located in the foothills of Chamundi Hills about 145.2 km towards the southwest of Bengaluru. It is bounded by Kodagu district in the west, Chamarajanagar district in the south and south east, Mandya district in the north, Hassan district in the north west and the Cannanore district of Kerala state in the south west (Fig. 1).

Mysore district is endowed with a number of perennial and non-perennial rivers. The Cauvery, which is the major river system of the district, traverses the Mysore plateau from northwest to east along with its tributaries, Kabini, Suvarnavathi, Laxmanathirtha and others. The total catchment area of the river is the second largest in the State and it covers nearly 18 per cent of the land area of the State. (Anonymous, 2017).

The net sown area in the Mysore district comprises 72 per cent of the total geographical area, of which about 20 per cent is sown more than once. Paddy is the major crop in the district and is grown in favorable areas totaling about 1107 km², followed by pulses and Ragi which are cultivated in 913 and 722 km² respectively. About 17 per cent of the total geographical area is under irrigation in the district, comprising of the command area of K.R.Sagar and Kabini Projects. The right bank high level canal of K.R.Sagar known as the varuna canal passes through Mysore, T. Narsipur, Nanjangud, & H.D.Kote taluks. Based on rainfall, soils and crops grown, the district is classified into two agro climatic zones viz., Southern Dry Zone (Krishnarajanagar, Mysore, T.Narasipur and Nanjangud) and Southern Transitional Zone (H.D.Kote, Hunsur and Periyapatna) (Anonymous, 2017).

The Cauvery river which is the major system of the district traverses the Mysore plateau from the northwest to east along with its tributaries Kabini, Suvarnavathi, Laxmanathirtha and others. The Cauvery rises at Talacauvery in Kodagu district and

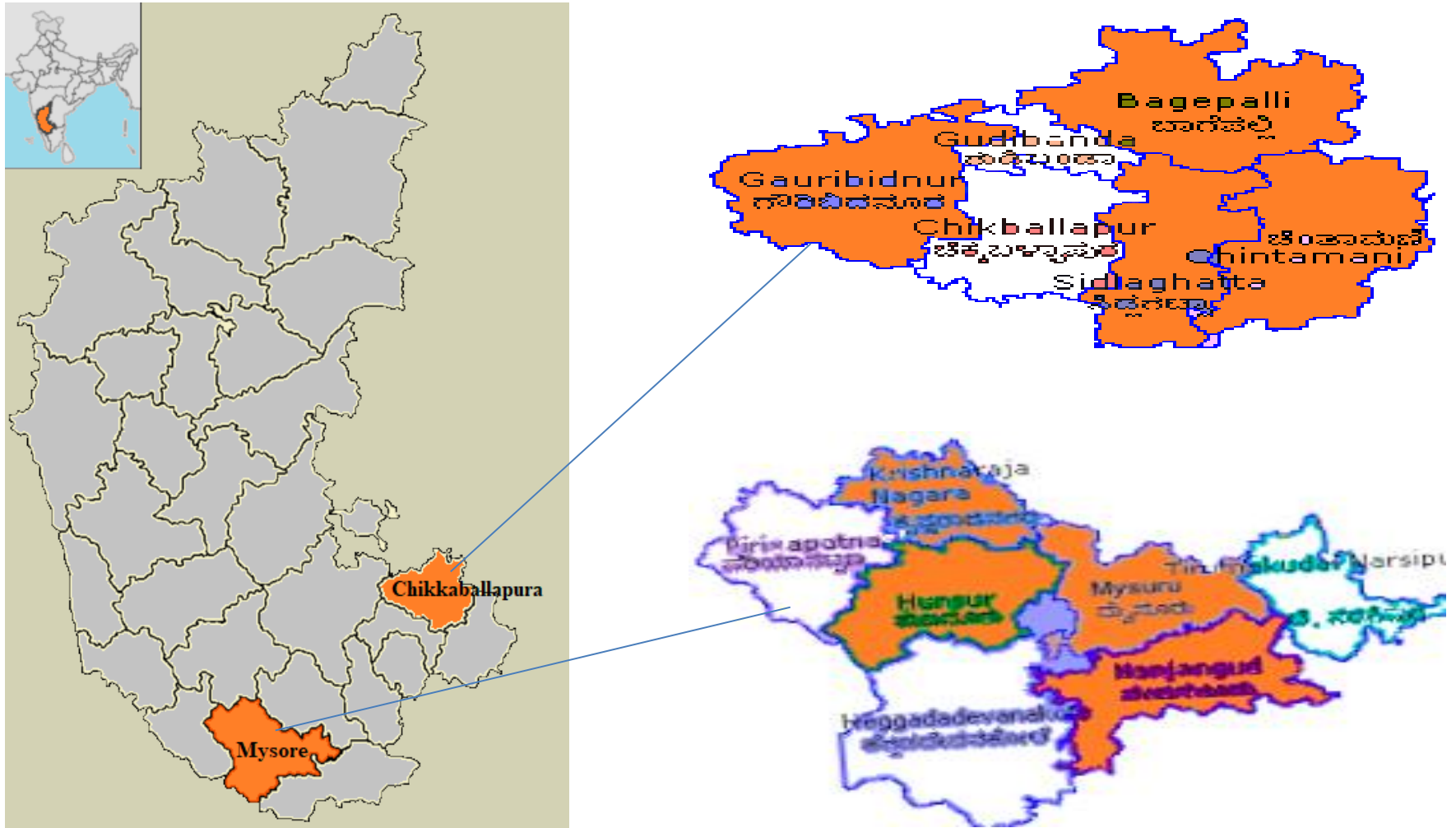


Fig. 1: Map depicting the study area in Chikkaballapur and Mysore district

flows along the boundary of Periyapatna taluk, enters into the district through K R Nagar taluk. It further moves into T. Narasipura and Kollegal before reaching Tamil Nadu.

3.2 Sampling framework

The present study is confined to the detailed documentation of profile of FPOs, their backward and forward linkages, business performance of FPOs; and constraints faced by FPOs in their functioning.

3.2.1 Selection of study area

Chikkaballapur and Mysore districts were purposively selected for the study as a good number of FPOs were formed and operating in both the district, the study aims to examine the performance of FPOs in two different agro climatic regions with differences in resources and in two different zones.

3.2.2 Selection of samples

The lists of Farmer producer organizations operating in both the districts were obtained from the Department of Horticulture, Government of Karnataka and NABARD Regional office, Bengaluru. Total sample sizes of 132 respondents were randomly selected from the selected FPOs of both the districts. The samples consist of eight members and three FPO officials (CEO, BOD and an employee) from each of twelve FPOs selected from both the districts. Six FPOs were selected from an individual district, promoted by both department of Horticulture and NABARD; three each.

Table 3.1 List of selected Farmer Producer Organizations

Sl. No.	Name of FPO	Village	Taluk	District
1.	Sadalamma HFPCL (SHFPC)	Sadali	Shidlagutta	Chikkaballapur
2.	Chelur HFPCL (CHFPC)	Chelur	Bagepalli	Chikkaballapur
3.	Amaranareyana HFPCL (AHFPC)	Madkere	Chintamani	Chikkaballapur
4.	Channekeshwara FPO (CFPO)	Thummanahalli	Shidlagutta	Chikkaballapur
5.	Vatadahosahalli FPO (VFPO)	Vatadahosalli	Gowribidnur	Chikkaballapur
6.	Nagarigere FPO(NFPO)	Nagarigere	Gowribidnur	Chikkaballapur
7.	Nanjangud HFPCL (NHFPC)	Hulahalli	Nanjangud	Mysore
8.	Husenpura HFPCL (HHFPC)	Husenpura	Hunsuru	Mysore
9.	Arkeshwara HFPCL (ARHFPC)	Hebbalu	K R Nagar	Mysore
10.	Raitambrutha FPO (RBFPO)	Hosahalli	K R Nagar	Mysore
11.	Raitamitra FPO(RMFPO)	Gowrishanker nagar	Mysore	Mysore
12.	Vandana Mahila Sanga (VMS)	Shanuboganahally	Hunsur	Mysore

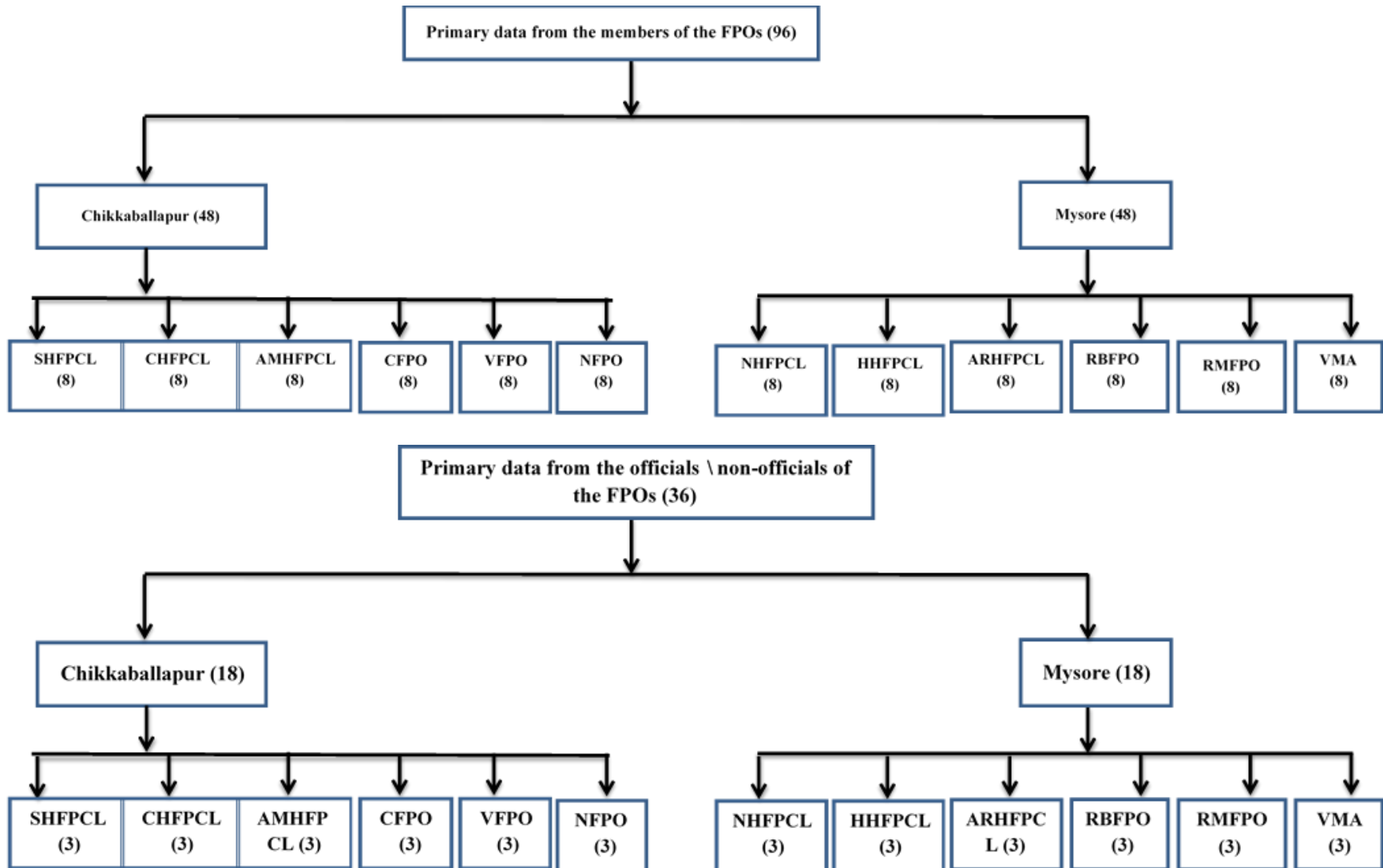


Fig. 2: Sources of primary data



Plate 1: Researcher collecting data from BODs of Sadalamma HFPCL, Sadali



Plate 2: Researcher collecting data from members of Cheluru HFPCL, Cheluru



Plate 3: Researcher collecting data from CEO of Raithamitra FPO, Gowrishanker nagar



Plate 4: Researcher discussing with Employee of Shri Amaranarayana HFPCL, Madkere cross

3.3 Nature and Sources of data

The primary data for the study were obtained from the sample respondents through personal interview method with the help of a pre-tested structured schedule. The collected data pertained to the agricultural year 2017-18. As most of the farmers did not maintain the records of expenditure and receipts of farm enterprises, the data collected were based on the memory of the respondents.

The data was collected from the members about the services provided by FPOs and their satisfaction toward the services (Plate 2). The information pertaining to members, their participation level was collected from BODs of the FPOs (Plate 1). The information with respect to activities, performance and constraints faced by FPOs in both Chikkaballapur and Mysore districts was collected from CEOs and Employees of the selected FPOs. (Plate 3 and Plate 4).

The data elicited related to (a) general characteristics such as name of the FPO, year of establishment, number of shareholders, year of join, share amount, BOD, etc. (b) backward and forward linkages FPOs (c) business performance of FPOs; and (d) Performance constraints of FPOs.

3.4 Analytical techniques

The following statistical tools were employed to analyze the data with reference to the objectives of the study.

3.4.1 Descriptive statistics

3.4.2 Garrett's ranking technique

3.4.1 Descriptive statistics

Descriptive statistics are numbers that are used to summarize and describe a given set of data, which can either be representation of the entire population of sample or a sample. These are used to present quantitative description in the manageable form in the

study. The measures used to describe the study the data set are percentage analysis and average.

3.4.1.1 Percentage Analysis

Percentage analysis is applied to create a contingency table from frequency distribution and represents the collected data from better understanding.

3.4.1.2 Average

Average is a single value (as mean) that summarizes or represents the general significance of a set of unequal values.

3.4.2 Garrett's ranking technique

In this study, Garrett's ranking technique was used to rank the constraints faced by FPOs in their functioning in the study area. The order of the merit given by the respondents was converted into per cent position using the formula.

$$\text{Per cent position} = 100 * (R_{ij} - 0.50) / N_j$$

Where, R_{ij} = Rank given for i^{th} item by j^{th} individual

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

The per cent position of each rank was converted to scores by referring to the table given by Garrett and Woodworth (1969). Then, for each factor, the scores of individual respondents were summed up and divided by the total number of respondents for whom scores were gathered. The mean score for all the factors / constraints were ranked, following the decision criteria that higher the value, the more important is the order of preference by respondents.

IV RESULTS AND DISCUSSION

In consistence with the objectives of the study, the data collected from primary as well as secondary sources were subjected to analysis by using statistical tools and techniques to draw meaningful inferences. The findings of the study have been presented and interpreted on the basis of analysis of data by using appropriate statistical tools and techniques in relation to the specific objectives of the study. The results of the study are presented under the following sub headings.

4.1 Socio-economic profile of members and FPO officials\Non officials of Farmer Producer Organizations

4.2 Organizational profile of Farmer Producer Organizations

4.3 Linkages of Farmer Producer Organizations

4.4 Performance of Farmer Producer Organizations

4.5 Constraints faced by Farmer Producer Organizations in their functioning

4.1 Socio-economic profile of members of Farmer Producer Organizations (FPOs)

The socio-economic profile of members, CEOs, BODs and employees is presented in Table 4.1 and 4.2. The socio-economic profile includes age, gender, education level, average size of land holding and experience in farming.

The socio-economic profile of the members of FPOs is presented in the Table 4.1. It could be seen from the Table that 43.75 per cent of members were belonging to middle (35-50 years) age group. Another 39.58 per cent of members belong to old (>50 years) age group and 16.67 per cent of members were belonging to young (<35 years) age group.

Among the respondents interviewed a vast majority of members (76.04 %) were males and the rest (23.96 %) were females. The educational level of members of FPOs is also presented in the Table 4.1. The Table 4.1 shows that about 28.13 per cent of members studied up to high school, another 21.88 per cent members studied up to Pre

University and 14.58 per cent of members studied in both Primary school and Middle school. Few of the members (6.25 % and 5.21 %) were Post graduates and graduates respectively. It also clear from the Table that 9.37 per cent of the members were illiterates.

Table 4.1: Socio-economic profile of members of FPOs

(n=96)

Sl. No.	Particulars	FPO members	
		Number	Per cent
1.	Age (years)		
	Young (<35 years)	16	16.67
	Middle (35-50 years)	42	43.75
	Old (>50 years)	38	39.58
	Total	96	100.00
2.	Gender		
	Male	73	76.04
	Female	23	23.96
	Total	96	100.00
3.	Education		
	Illiterate	09	09.37
	Primary School	14	14.58
	Middle School	14	14.58
	High School	27	28.13
	PUC	21	21.88
	Graduation	05	05.21
	Post-Graduation	06	06.25
	Total	96	100.00
4.	Land holdings (Acres)		
	Marginal farmers (<2.5)	45	46.87
	Small farmers (2.5-5)	34	35.42
	Large farmers (>5)	17	17.71
	Total	96	100.00
5.	Experience in farming		
	Less than 10 years	14	14.58
	11 to 20 years	37	38.54
	More than 20 years	45	46.88
	Total	96	100.00

Table 4.1 also provides information related to land holding size of the members of the FPOs. Among them 46.87 per cent were having marginal size (<2.5 acre) land holdings followed by 35.42 per cent have small size land holdings (2.5-5 acres) and 17.71 per cent of the members were having large size land holdings (>5 acres).

Further, Table 4.1 also provides information of members related to their experience in farming. It is clear from the Table that 46.88 per cent of members have more than 20 years of experience in farming. Another 38.54 per cent of members have 11 to 20 years of experience in farming and 14.58 per cent of members are having less than 10 years of farming experience. This clearly reveals that the experience in farming depends on how old they are. Hence younger generation has less experience in farming compared to older generations who have more experience in farming.

4.1.1 Socio economic profile of CEOs, BODs and Employees of FPOs

The socio economic profile of CEOs, BODs and Employees of FPOs is presented in Table 4.2 with respect to the age of CEOs 50 per cent of CEOs were belonging to young (<35 years), followed by Medium age (41.67 %). Only one CEO is above 50 years. Among the CEOs a majority are males (83.33 %) followed by females (16.67 %). With respect to educational level 41.67 per cent are post graduates followed by graduates (25 %), PUC (25 %) and only one CEO has passed SSLC.

The socio economic profile of BODs of FPOs is also presented in Table 4.2. Majority of BODs (75 %) are in Medium (35-50 years) age group, followed by (25 %) are old (>50 years) age group. Among the BODs also a vast majority (83.33%) are males followed by females (16.67 %). In respect of education a vast majority of BODs (75 %) have studied up to SSLC. The socio economic profile of employees is presented in Table 4.2. Majority of employees (83.33 %) are in Medium (35-50 years) age group, followed by 16.67 per cent of employees are belong to old (>50 years) age group. Similar to BODs, CEOs a vast majority of employees (75 %) are males and rest (25 %) are females. Majority of employees (66.66 %) are graduates. The remaining employees are studied up to SSLC (16.67 %) or PUC (16.67 %).

Table 4.2 Socio economic profile of CEOs, BODs and Employees of FPOs

(n=12)

Sl. No.	Particulars	CEOs of FPO		BODs of FPOs		Employees of FPOs	
		Number	Per cent	Number	Per cent	Number	Per cent
1.	Age (years)						
	Young (<35 years)	06	50.00	-	-	-	-
	Medium (35-50 years)	05	41.67	09	75.00	10	83.33
	Old (>50 years)	01	08.33	03	25.00	02	16.67
	Total	12	100.00	12	100.00	12	100.00
2.	Gender						
	Male	10	83.33	10	83.33	09	75.00
	Female	02	16.67	02	16.67	03	25.00
	Total	12	100.00	12	100.00	12	100.00
3.	Education						
	SSLC	01	08.33	09	75.00	02	16.67
	PUC	03	25.00	01	08.33	02	16.67
	Graduation	03	25.00	02	16.67	08	66.66
	Post-Graduation	05	41.67	-	-	-	-
	Total	12	100.00	12	100.00	12	100.00

4.2 Organizational profile of Farmer Producer Organizations

The organizational profile of FPOs in Chikkaballapur and Mysore districts are presented in Table 4.3 and Table 4.4. The Table contains the basic information of FPOs with respect to date of establishment, authorized share capital, subscribed share capital, villages or SHGs covered and information about number of members, BODs and employees.

4.2.1 Profile of FPOs in Chikkaballapur district

The organizational profile of FPOs in Chikkaballapur district promoted by Department of Horticulture and NABARD is presented in Table 4.3.

4.2.1.1 Sadalamma Horticulture Farmer Producer Company Ltd. (SHFPC)

The organizational profile of Sadalamma Horticulture Farmer Producer Company is presented in Table 4.3. The SHFPC is located in Sadali village of Shidlagutta taluk. The SHFPC is registered as company on 16-02-2016. The SHFPC is promoted by the Department of Horticulture, Government of Karnataka. The authorized capital of the SHFPC is Rs. 10 lakh. It is interesting to note that the members of SHFPC were able to subscribe share capital to the full extent since all the members of SHFPC (1000) contributed Rs. 1000 each with a cumulative total of Rs. 10 Lakh. However from the point of participation in the activities of SHFPC, only 310 members are active in the activities of SHFPC. The total number of villages covered by FPO is 24. The SHFPC has also associated with 4 self-help groups. The SHFPC is being managed by 11 Board of Directors. The day to day activities of SHFPC are managed by two employees. The major crops grown by the members of SHFPC are tomato, onion, potato and capsicum. However the SHFPC is providing marketing services only in respect of capsicum, onion and potato. The main activities undertaken by SHFPC are supply of inputs, dissemination of production and marketing information in addition to sale of members produce. SHFPC has linkage with the collection centres of organized retail shops (Safal, Waycool and Sai trust) for better price realization to the agricultural produce of members.

4.2.1.2 Chelur Horticulture Farmer Producer Company Ltd. (CHFPC)

The Table 4.3 documents the profile of Chelur Horticulture Farmer Producer Company Ltd., which is located in Chelur village of Bagepalli taluk. The CHFPC is also promoted by the Department of Horticulture and established in 15-03-2017. The authorized share capital of CHFPC was Rs. 10 lakh but the members were able to subscribe only up to Rs. 6.8 lakh. The CHFPC was able to expand its coverage to 18 villages surrounding chelur and managed to register 680 farmer members with in a span of two years. However in this FPO also only 332 members were actively participating in all company activities. The major crops grown in the area are rose, red onion, carrot, tomato, beetroot and musk melon. Bagepalli and Peresandra APMCs are the major markets for the farmers in this region. The main activities undertaken by CHFPC are sale of inputs, dissimulation of technology and marketing information to members. The

CHFPC is also involved primary processing and marketing of members produce. The CHFPC has established marketing linkages with safal and Easy Krush organized retail shops to market the agricultural commodities grown by the members particularly for commodities like Carrot and Red onion. The CHFPC has 10 board of directors and 2 employees.

4.2.1.3 Amaranareyana Horticulture Farmer Producer Company Ltd. (AHFPC)

The profile of Amaranareyana Horticulture Farmer Producer Company is presented in Table 4.3. The AHFPC is located in Madkere village of Chintamani taluk and registered as company on 16-02-2016. The AHFPC is promoted by the Department of Horticulture, Government of Karnataka. The subscribed share capital of AHFPC was Rs. 10 lakh which is equal to authorized share capital, as 1000 members have contributed Rs. 1000 each. The AHFPC is strategically located in Madkere cross where farmers in around 20-25 villages visit daily. The area of operation of AHFPC is confined to 18 villages. The members who are actively participating in the organization are about 613. Hence the member's participation in AHFPC is quite satisfactory. The AHFPC undertakes six activities for the benefit of members including supply of inputs, output, dissimilation of production and marketing information. The AHFPC is also providing storage and transportation facility to members. In respect of the source of water, Bore well is the only source of irrigation in the area. Vegetables, mango and Tamarind are the main crops in the area. The AHFPC is marketing these vegetables grown by members through Safal, Mother dairy and also traders of Coimbatore.

4.2.1.4 Channekeshwara Farmer Producer Organization (CFPO)

The organizational profile of Channekeshwara Farmer Producer Organization is presented in Table 4.3. The CFPO is located in Thummanahalli village of Shidlagutta taluk. The CFPO is registered as company on 14-10-2016. The CFPO is promoted by the NABARD. The authorized share capital of CFPO is Rs. 10 Lakh. However the members were able to subscribe only to the extent of Rs. 5.1 lakh. The total number of members is about 510. The area of operation of the CFPO is 12 villages. Mulberry, grapes, cashew, mango are the major crops in the area. The CFPO was involved in marketing of cashew

earlier but at present not able to pursue it due to incurring losses. At present CFPO is not undertaking any input or output business, but only extending technical services to its members. Bore well is the only source of irrigation since more than 75 per cent of the area is Rain fed. As a result the members are more involved in mulberry and dairy farming. At present the strength of the Board of Directors is only five.

4.2.1.5 Vatadahosahalli Farmer Producer Organization (VFPO)

The basic profile of Vatadahosahalli Farmer Producer Organization is presented in Table 4.3. The VFPO is located in Vatadahosahalli village of Gowribidnur taluk. The VFPO is also registered as a company on 21-07-2016 and this FPO is also promoted by the NABARD. The area of operation of VFPO is 19 villages in and around Vatadahosahalli Hobli. The VFPO is already created an image as animal feed shop (Busa Angadi). The authorized share capital of the VFPO is Rs. 10 Lakhs. However the members of VFPOs were able to subscribe to the share capital to the extent of only Rs. 7.6 Lakh. This is mainly due to the fact that in this FPO there are only 766 members who were able to subscribe up to Rs. 7.6 lakhs at the rate of Rs. 1000 each. The percentage participation of members in VFPO activities was reasonably good (75 %). There are 13 Board of Directors in VFPO with one employee. Ground nut, maize and vegetables are the major crops in the area. The VFPO is providing marketing services to its members in the sale of member's groundnut to an oil processing industry. At present the main activity of VFPO is supply of different types of animal feed to its members.

4.2.1.6 Nagarigere Farmer Producer Organization (NFPO)

The profile of Nagarigere Farmer Producer Organization's profile is presented in Table 4.3. The NFPO is located in Nagarigere village of Gowribidnur taluk, registered as company on 3-10-2016. The NFPO is promoted by NABARD. The authorized share capital of NFPO is Rs. 10 Lakh and it subscribed share capital is Rs. 7.2 lakh. Gowribidnur is being a rain fed area the dairy as become a predominant enterprise. Among 720 members of NFPO nearly 650 farmers are dairy farmers. However only 81 are actively participating in NFPO activities. The NFPO is serving 18 villages with main focus on supply of Animal feed and technology dissemination. There are 14 Board of

Directors and an employee in the NFPO. Ground nut and maize are the major crops in the area. However farmers with bore well facility take up cultivation of vegetables also.

Table 4.3: Profile of FPOs in Chikkaballapur district

Parameters	Name of FPOs					
	SHFPC	CHFPC	AMHFPC	CFPO	VFPO	NFPO
Date of registration	16-2-2016	15-03-2017	16-02-2016	14-10-2016	21-07-2016	3-10-2016
Authorized capital (Rupees in Lakhs)	10	10	10	10	10	10
Subscribed share capital (Rupees in lakhs)	10	6.8	10	5.1	7.6	7.2
Number of villages covered	24	18	18	12	19	16
Number of Self Help Group's associated	04	0	20	0	20	0
Total number of members	1000	680	1000	510	766	720
Number of active members	310	332	613	0	75	81
Number of Board of Directors	11	10	14	05	13	14
Total number of employees	02	02	02	01	01	01

4.2.2 Profile of FPOs in Mysore district

4.2.2.1 Nanjangud Horticulture Farmer Producer Company Ltd. (NHFPC)

The organizational profile of Nanjangud Horticulture Farmer Producer Company is presented in Table 4.4. The NHFPC is located in Hulahalli village of Nanjangud taluk, registered as company on 31-07-2016. The NHFPC is promoted by the Department of Horticulture, Government of Karnataka. It is interesting to note that the members of NHFPC were able to fully subscribe share capital Rs. 10 lakh with the share amount of Rs. 1000 from 1000 members. The NHFPC is in a large area covering 33 villages of

Nanjangud taluk. The NHFPC has 236 active members and 15 self-help groups. The NHFPC has undertaken both input and output business along with technology dissemination. The NHFPC has developed its own logo, distributed identity cards to its members and making effective use of social media for dissemination of agriculture information through Whatsapp and facebook groups. It is interesting to note that most of the members of NHFPC are young farmers and are very cooperative to each other. There were 13 BODs and two employees in the NHFPC. Nanjanagud farmers are blessed with the plenty of water resources and as result get two crops a year. In addition to paddy, banana, watermelon, tomato, chilies are the major crops grown by members. NHFPC facilitating marketing service to most of vegetables grown by members by maintaining linkages with farm foods an organized retail chain and with traders for banana crop.

4.2.2.2 Husenpura Horticulture Farmer Producer Company Ltd. (HHFPC)

The Table 4.4 also documents the profile of Husenpura Horticulture Farmer Producer Company. The HHFPC is located in Husenpura village of Hunsur taluk. The HHFPC was promoted by the Department of Horticulture which was established on 15-03-2016. The HHFPC has authorized capital of Rs. 10 Lakhs. The members of HHFPC were able to fully subscribe to the share capital of Rs. 10 Lakh. The total numbers of members in HHFPC were 1000. However among them only 196 are active members. The area of operation of HHFPC is confined to 29 villages. Paddy, chili and Cole crops are the major crops of area. The lift irrigation is the main source of irrigation in this area. The HHFPC is focusing only on supply of inputs like seeds, fertilizers, pesticides and Custom Hiring Centres. The other important activity undertaken by the HHFPO is dissemination of information related to production and marketing of the crops grown in the area. There were 13 BOD in HHFPO and two employees in the HHFPC.

4.2.2.3 Arkeshwara Horticulture Farmer Producer Company Ltd. (AHFPC)

The organizational profile of Arkeshwara Horticulture Farmer Producer Company is presented in Table 4.4. The FPO is located in Hebbalu village of K R Nagar taluk, registered as company on 7-3-2017, promoted by the Department of Horticulture, Government of Karnataka. The authorized share capital of AHFPO is Rs. 10 lakh and it is

managed to subscribe share capital from members to the extent of Rs. 9.5 lakh within a span of just two years. The total numbers of members in HHFPC is 950. It is interesting to note that out of 950 members, nearly 912 are active members. The area of operation of ARFPC is about 35 villages indicating the coverage of large area. Paddy, chili, tomato, beans are the major crops in the area. AHFPC is rendering input and information services to its members. The organizational structure of AHFPC consists of 13 BODs, one regular employee appointed for undertaking daily activities of AHFPC.

4.2.2.4 Raitambrutha Farmer Producer Organization (RFPO)

The basic profile of Raitambrutha Farmer Producer Organization is presented in Table 4.4. The RFPO is located in lallamdevanahalli village of K R Nagar taluk, and registered as company on 10-6-2016 promoted by the NABARD. The authorized share capital of FPO was 10 Lakh. However the subscribed share capital by the members is only Rs. 2.0 lakh. The total numbers of members are 200 and among them only 110 are active members. Due to the internal misunderstanding among 9 BODs, the RFPO was not able to undertake any activity, but recently opened an input marketing shop in lallamdevanahalli village by shifting its office from hosahalli of K R Nagar taluk. The members of this organization are from nine villages in and around lallamdevanahalli. Interestingly 47 Shee Shakthi groups are also the members of this RFPO. Paddy, tomato, chili and vegetables are the major crops in the area. The main source of irrigation is from KRS dam for cultivation of crops. The irrigation department also provides water through canal once in six months only if there is sufficient water in the KRS dam.

4.2.2.5 Raitamitra Farmer Producer Organization (RMFPO)

The basic profile of Raitamitra Farmer Producer Organization is presented in Table 4.4. The RMFPO is located in Gowrishanker Nagar of Mysore, registered as company on 24-12-2014 and promoted by the NABARD. The authorized share capital of FPO is Rs.10 Lakh. However the RMFPO is able to mobilize share capital to the extent of Rs. 19.92 lakh from 1200 members. The RMFPO is operating all over the state being Mysore as its head quarter. There are 8 BOD and five employees working in the RMFPO. Chia, tomato, chili and vegetables are the major crops and RMFPO providing marketing

services to every vegetable that its member is growing. RMFPO has its own processing and packing unit for vegetables.

4.2.2.6 Vandana Mahila Sanga (VMS)

The basic profile of Vandana Mahila sanga is also presented in Table 4.4. The Vandana Mahila sanga is located in Shanaboganahalli of Hunsur taluk, registered under Karnataka State Societies Registration Act, 1960 on 20-06-2006 and promoted by the NABARD. The *mahila swasahaya sanga* started with 15 women and by bringing interested women in the village. There were 150 members in the society. However only 84 of them are participating in society's activities in purchase of inputs, preparing incense sticks and tailoring handmade bags and purse. VMS is providing employment for nine women.

Table 4.4: Profile of FPOs in Mysore district

Parameters	Name of FPOs					
	NHFPC	HHFPC	ARHFPC	RFPO	RMFPO	VMS
Date of registration	31-07-2016	15-03-2016	7-3-2017	10-6-2016	24-12-2014	20-06-2006
Authorized capital (Rupees in Lakhs)	10	10	10	10	24.80	NA
Subscribed share capital (Rupees in Lakhs)	10	10	9.5	02	19.92	1.58
Number of villages covered	33	29	35	09	Entire state	05
Number of Self Help Group's associated	15	0	47	10	0	04
Total number of members	1000	1000	950	200	1200	150
Number of active members	236	196	912	110	56	84
Number of Board of Directors	13	13	13	09	08	-
Total number of employees	01	02	01	01	05	09

4.2.3 Activities undertaken by FPOs as per the bye law

Table 4.5 shows the difference between activities mentioned in the bye law and the activities actually undertaken by the FPOs in the study area. It is clear from the Table that none of the FPOs are undertaking all the activities proposed under the byelaw. The RMFPO is only organization involved in nine activities (out of 14 activities proposed) followed by VMS (seven activities out of 14). The AMHFPC is involved in six activities followed by CHFPC Ltd, with five activities out of 14 activities proposed in the bye law. The remaining eight FPOs are poor to very poor in terms of activities undertaken by them. This reflects poorly on these organizations since FPOs organized under companies act or other acts are in no way better than the existing gross root level cooperative organizations in terms of providing services to members to improve their socio economic conditions.

Table 4.5: Proposed activities of FPOs as per bye law and activities undertaken by FPOs in study districts

(n=12)

Sl. No.	Name of FPO	Total number of activities as per bye law	Total number of activities undertaken by FPO	Per cent
1.	RMFPO	14	9	64.29
2.	VMS	14	7	50.00
3.	AMHFPC Ltd.	14	6	42.86
4.	CHFPC Ltd.	14	5	35.71
5.	SHFPC Ltd.	14	4	28.57
6.	VFPO	14	4	28.57
7.	NHFPC Ltd.	14	4	28.57
8.	HHFPC Ltd.	14	3	21.43
9.	ARHFPC Ltd.	14	3	21.43
10.	CFPO	14	2	14.29
11.	NFPO	14	2	14.29
12.	RFPO	14	1	07.14

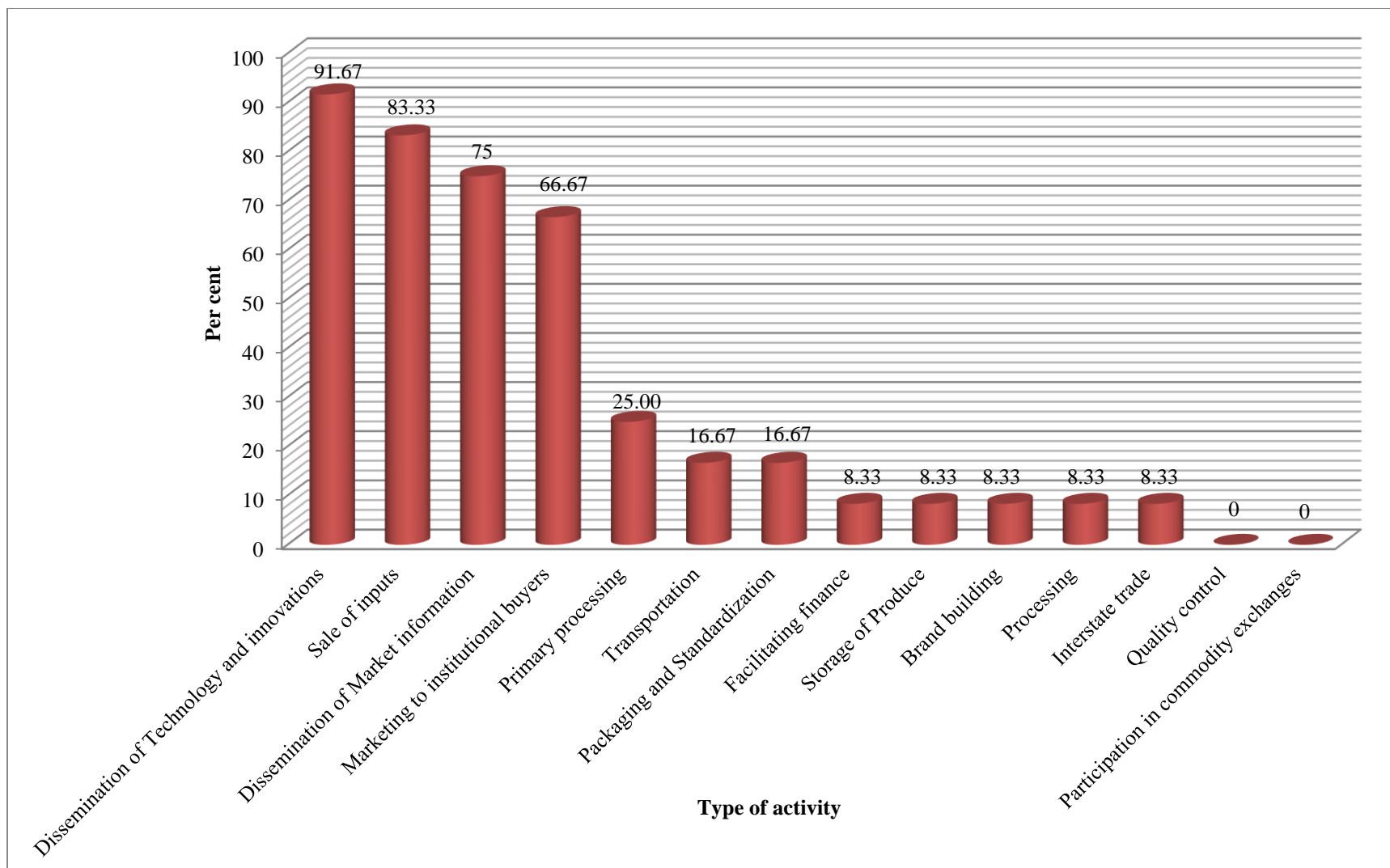


Fig. 3: Activities undertaken by FPOs in study districts

4.2.4 Activities undertaken by FPOs in study districts

The activities undertaken by FPOs in the study area are presented in Table 4.6. The FPOs have identified 14 activities (Fig. 3) as major activities in providing various services to members. The Table clearly indicates that 91.67 per cent of FPOs have undertaken dissemination of technology and innovations has one of the core activities through trainings and demonstrations. The next important activity undertaken by FPOs is Supply of inputs (83.33 %) followed by dissemination of Market information (75 %).

The other activities undertaken by FPOs are marketing of agricultural produce of members to institutional buyers (66.6 %). It is interesting to note that packaging and grading has not received much attention by FPOs (16.67 %). Added to it none of the FPOs are involved in exporting the commodities grown by the member's or even in participating in commodity exchanges. This clearly reveals that the FPOs are focusing on business without any, which can be undertaken without much involvement of them in terms of investing their money or even their efforts.

However what is most important from the point of members is selling the agricultural produce grown by them which is not considered as a priority including brand building, processing and interstate trade. Even facilitating finance is also treated as not so important activity either because they do not carry much weightage with the banks or FPOs himself are not ready to take up this risky business. Hence the FPOs have not shown commitment in addressing the most important concerns of their members.

Table 4.6: Activities undertaken by FPOs in study districts

(n=12)

Sl. No.	Type of activity	Number	Per cent
1.	Dissemination of Technology and innovations	11	91.67
2.	Sale of inputs	10	83.33
3.	Dissemination of Market information	09	75.00
4.	Marketing to institutional buyers	08	66.67
5.	Primary processing	03	25.00
6.	Transportation	02	16.67
7.	Packaging and Standardization	02	16.67
8.	Facilitating finance	01	08.33
9.	Storage of Produce	01	08.33
10.	Brand building	01	08.33
11.	Processing	01	08.33
12.	Interstate trade	01	08.33

4.3 Linkages of FPO with other organizations

The important activities undertaken by FPOs in the study are shown separately for FPOs organized in Chikkaballapur district and Mysore district. The FPOs in both the areas have made sincere attempts to link other organizations like input agencies, agencies involved in dissemination of market information, organizations involved in procurement of agricultural produce from members of FPOs. Table 4.7 clearly shows that the FPOs in Chikkaballapur as well as in Mysore were able to link with the private seed companies, companies involved in manufacturing various types of Fertilizers and also companies manufacturing pesticides.

Similarly the FPOs also developing linkages with companies manufacturing agricultural implements, animal feed. The FPOs were also able to access market information for the benefit of members by visiting APMC personally to examine the trends in the market arrivals of commodities grown by the members including the expected price for the produce.

Table 4.7: Linkages of FPO with other organizations

Sl. No.	Linkages	FPOs in Chikkaballapur	FPOs in Mysore
Inputs Linkages			
1.	Seed brands	Syngenta, Micolal, Ashwini agro seeds, Sakata, Agroisla, Vikram, Gangambika agro seeds and IIHR varieties like Arka bindu	Syngenta, Indus, Standard seeds and IIHR varieties like Arka bindu.
2.	Fertilizer brands	Jaikisan, Mangala, IFFCO, Spic and Mahadhan	Spic, Mangala, FACT, IFFCO, IPL and Growmore
3.	Pesticides brands	IPL, UPL, Syngenta, Bayer, Cryogen, Kingdow, Spectrum	Bayer, UPL, Due point
4.	Animal feed brands	Shanthi feeds, Super cow brand, KNC (Krishi nutrition company)	Ganesh Gold, Shanthi feeds, Krishna feeds
5.	Agril Impliments and Others	Hi-Max Sprayers, SRK (Shafi Rehan Khan) Enterprises Tarpels	Surya tarpels
Extension linkages			
6.	Production technology/ Demonstrations/ Training programs	RSKs, KVKs, COE-FPO, Line dept., Post-harvest Management institute and Pesticide companies	RSKs, KVKs, COE-FPO, NABARD, Line dept. and Pesticide companies
7.	Market information	Visit to APMC, accessing market information through phone calls or through Apps (Agri central) and websites like Krishi Marata Vahini, Agmarknet	Visit to APMC, accessing market information through phone calls or through websites like Krishi Marata Vahini, Agmarknet
Output linkages			
8.	Output buyer	Waycool, Sai trust, Safal and Easy krush	Farm foods, Local traders and export to Kerala market

Further FPOs are also contacting various agencies to know about the market trends, current and future prices. Few of the FPPOs have been able to access market information through Apps (Agri central), Krishimarata Vahini and Agmarknet websites with respect to marketing of agricultural produce the activities of FPOs are limited to linking FPOs with the procurement centres of organized retail centres. Few FPOs in Mysore have also explored sale of produce in distant markets of Kerala to get better price for the members produce particularly for vegetables.

4.3.1 Sources of Funds of FPOs in Study districts

The sources of funds of FPOs are presented in the Table 4.8. The Table bring to light that the FPOs in the study area are depending on various sources of funds for undertaking their activities for the benefit of members. All the 12 FPOs have mobilized funds from the members in the form of share capital since it is mandatory as per the byelaw to contribute money by members to FPOs in the form of share capital to become members. In respect of equity grant from small farmer's agribusiness consortium (SFAC) only 7 FPOs have availed the funds. Among them 6 FPOs are promoted by the Department of Horticulture and only one FPO promoted by NABARD. The Department of Horticulture has also given funds to 6 FPOs sponsored by them with the intention of establishing Custom Hiring Centres for the benefit of members. Further the NABARD has sanctioned working expenses to six FPOs promoted by them to reduce the burden of working expenses in the initial years. All the 12 FPOs have created Reserve fund since it is mandatory for the FPOs to earmark 25 per cent of the profit earned by them annually. It is interesting to note that only one FPO has borrowed funds from NABKISAN, financial institution subsidiary of NABARD.

Hence it is clear from the Table that very sincere attempts have been made by NABARD and Department of Horticulture to promote the FPOs in the study area so that these FPOs will take care of the needs of the members. To what extent the sincere attempts made by these institutions have an impact on the FPOs is not clear. The casual observation among the stakeholders of these organizations has revealed that the Board of Directors of few of the FPOs have taken the advantage of financial assistance from these

institutions to establish the FPOs without any sincere attempts from them to undertake the activities as per the byelaw for the benefit of members of FPOs. This is a serious issue for the sponsored institutions since the experimentation of promoting cooperative organization from 1904 till today has not any desired effect. Further to what extent the financial assistance given to these institutions is really beneficial to them or ultimately benefit rural society needs further intensive research, So for none of the attempts made by the government and other organizations has not shown any spectacular performance except the operation flood program, which resulted in India becoming largest producer of milk in the world.

Table 4.8: Sources of Funds of FPOs in Study districts

(n=12)

Sl. No.	Sources of funds	Number	Per cent
1.	Share capital		
	a) from members	12	100.00
	b) equity grants from SFAC	07	58.33
2.	Reserve funds	12	100.00
3.	Grants from Department of Horticulture for Custom Hiring Centre	06	50.00
4.	Working expenses from NABARD	06	50.00
5.	Borrowings from NABKISAN	01	08.33

4.3.2 Availability of Infrastructure facilities in FPOs of study districts

Since the inception, FPOs in the study area were responsible for creating facilities for the benefit of members. Table 4.9 shows the infrastructural facilities created by the FPOs. It is clear from the Table that 91.6 per cent of FPOs (eleven out of twelve FPOs) have built storage units\Godowns for the use of FPOs to store Agricultural inputs and farm machineries. Further 50 per cent of FPOs who were promoted by Department of horticulture have already established Custom Hiring Centre (CHC) with the intention of helping members to use farm machinery in their agricultural operations. However beyond these measures only one FPO (8.30 %) has established a processing unit which clearly

indicates that much more need to be done by FPOs in terms of creating infrastructure for the benefit of members in realizing good returns from their agricultural operations.

Table 4.9: Availability of Infrastructure facilities in FPOs of Study districts

(n=12)

Sl. No.	Infrastructure	Number of FPOs	Per cent
1.	Storage unit/ Godown	11	91.67
2.	Custom Hiring Centre	06	50.00
3.	Processing unit	01	08.30

4.3.3 Storage capacity of FPOs and its utilization in study districts

As already presented in Table 4.9, 91.6 per cent of FPOs have created storage units. The Table 4.10 presents another dimension of the storage facility in terms of storage capacity and utilization which provides a true picture of use of the facilities by the FPOs. It is clear from the Table that storage capacity of FPO ranges from 7 quintal to a maximum of 35 quintal which is not very high in terms of the capacity of the storage.

However what is interesting is only three FPOs were able to utilize storage capacity to the extent of more than 80 per cent. The two FPOs have utilized to the extent of 60 per cent. Another three FPOs capacity utilization is around 45 per cent. The remaining three FPOs utilization is just 30 per cent to ten per cent.

Hence even in terms of utilization of storage by FPOs, except three the remaining FPOs were in efficient. The FPOs utilized storage units to keep inputs (92 %) and only 8 per cent was utilized for storage of outputs.

Table 4.10: Storage capacity of FPOs and its utilization in study districts

(n=12)

Sl. No.	Name of FPOs	Storage unit/Go down		Per cent of utilization	Purpose of utilization
		Capacity available (Qtls)	Capacity Utilized (Qtls)		
1.	RMFPO	07	06	85.71	Storage of Produce
2.	AMHFPC	30	25	83.33	Storage of inputs
3.	HHFPC	15	12	80.00	Storage of inputs
4.	CHFPC	30	20	66.67	Storage of inputs
5.	SHFPC	50	30	60.00	Storage of inputs
6.	ARHFPC	15	07	46.67	Storage of inputs
7.	NHFPC	20	09	45.00	Storage of inputs
8.	VFPO	35	15	42.86	Storage of inputs
9.	VMS	30	10	33.33	Storage of inputs
10.	RFPO	15	03	20.00	Storage of inputs
11.	NFPO	10	01	10.00	Storage of inputs
12.	CFPO	00	00	00.00	--

4.3.4 Technical support provided by FPOs to members in study districts

The Technical support provided by FPOs to their members is presented in Table 4.11. The Table reveals that 91.67 per cent of FPOs have conducted awareness campaign about the objectives of FPOs, their activities, benefits of these organizations to members, how they are managed, role and responsibilities of members, Board of Directors and employees. The FPOs also conducted training programmes (66.67 %) related to crop production, crop protection, harvesting practices including grading and marketing. Nearly 58.34 per cent of FPOs have organized exposure visits to members followed by demonstrations (50 %) in the use of farm machinery, use of sprayers etc.

Table 4.11 Technical support provided by FPOs to members in study districts

(n=12)

Sl. No.	Technical support	Number	Per cent
1.	Awareness campaign	11	91.67
2.	Training	08	66.67
3.	Exposure visits	07	58.34
4.	Demonstrations	06	50.00

Note: (Multiple responses given by respondents)

4.3.5 Marketing details of FPOs in study districts

FPOs in the study area are marketing the agricultural produce grown by the members through various channels. Table 4.12 shows various channels used by FPOs. Out of 12 FPOs in the study area 36.36 per cent of FPOs are selling through APMCs. It is interesting to note that 36.36 per cent of FPOs are also selling agricultural produce through local agents. Similarly another 36.36 per cent of FPOs were able to link FPOs procurement centres established by organized retail centres. However 15.38 per cent of FPOs were able to utilize the opportunity to sell their produce in distant markets like Kerala which is really benefiting members of to FPOs in Mysore. It is interesting to note from the Table that *Vandana Mahila Sanga* is also involved in the sale of agricultural commodity (Ragi) grown by the members directly to consumers as there is more demand for ragi in the district.

Table 4.12: Marketing details of FPOs in study districts

(n=12)

Sl. No.	Channels	Number	Per cent
1.	APMC	4	36.36
2.	Local traders	4	36.36
3.	Collection centres of organized retail shop	4	36.36
4.	Inter-state trader	2	15.38
5.	Direct selling to consumer	1	07.69

Note: (Multiple responses given by respondents)

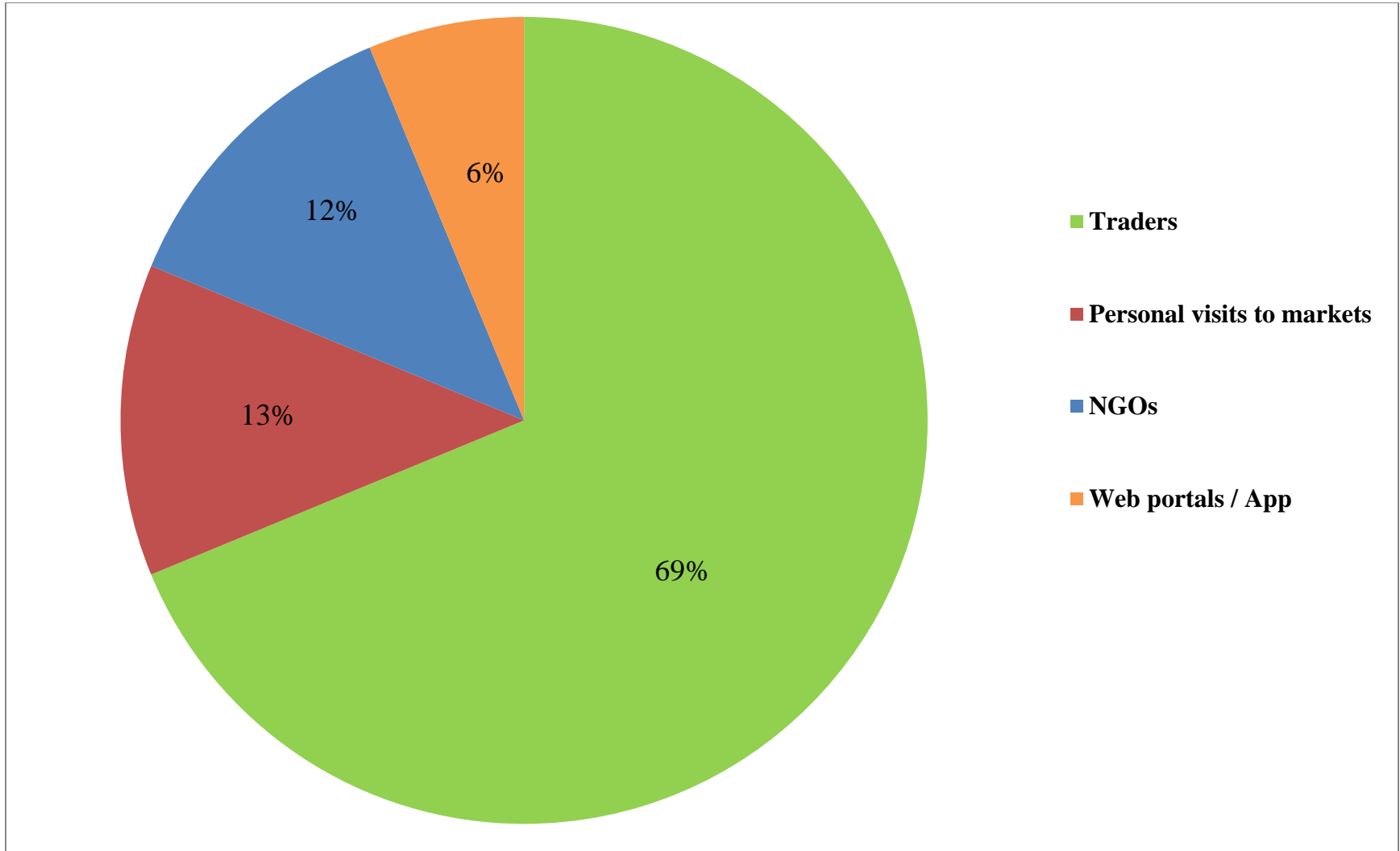


Fig. 4: Sources of Market information to FPOs in study district

4.3.6 Sources of Market information to FPOs in study districts

The source of marketing information to FPOs is presented in Table 4.13. The Table clearly reveals that 91.67 per cent of FPOs are getting information from traders. Out of 12 FPOs, two are making an attempt to visit APMC to understand the ground reality of market with respect to arrivals of commodities in the market, current prices for these commodities and also to forecast the demand and supply situation in future with expected prices in future. Similarly another two FPOs are having close collaboration with NGOs who in turn providing market related information to them.

It is surprised to know that only Cheluru HFPCL is accessing information through private App (Agri central) and web portals like Krishimarata Vahini which is promoted by Karnataka State Agricultural Marketing Board and Agmarknet promoted by Directorate of Marketing and Inspection. Other FPOs felt that the information provided by portals and Apps are not reliable. Hence it is clear from the Table that there is diversity in respect of accessing and dissimulation of market information by the FPOs.

Table 4.13: Sources of Market information to FPOs in study districts

(n=12)

Sl. No.	Information sources	Number	Per cent
1.	Traders	11	91.67
2.	Personal visits to markets	02	11.76
3.	NGOs	02	11.76
4.	Web portals / App	01	05.88

Note: (Multiple responses given by respondents)

4.3.7 Impact of input services provided by FPOs on members in Chikkaballapur district

The impact of input services provided by FPOs to members is presented in Table 4.14. In order to find out the impact of FPOs on the members, the prices prevailing in the retail stores in the adjacent areas for various types of inputs was compared. The prices prevailing in the retail store was compared with the prices of inputs of FPOs. After

working out the average prices prevailing in the open market with six FPOs in Chikkaballapur district this Table 4.14 is prepared.

Table 4.14: Impact of input services provided by FPOs on members in Chikkaballapur district

(n=6)

Particulars	Cost of 100 gms of seed (in Rs.)		Total Quantity sold by FPO	Difference in price	Savings to members
	FPO price	Retail price			
Carrot (Super takiis)	1,250	1,350	162	100	16,200
Beans(Solar seeds)	770	800	106	30	3,180
Fertilizer	Cost of 50 kg of Fertilizers (in Rs.)				
DAP (Mangala)	1,400	1,420	925 bags	20	18,500
MOP (Mangala)	910	950	820 bags	40	32,800
Pesticide	Cost of pesticide (In Rs.)				
Score 250 EC	(Per litre)		17 litres	30 per 200ml	2,550
	680	710			
Metalaxyl 35 W	(Per kg)		850 kg	40	34,000
	2,960	3,000			
Machineries	Charges for hiring machineries				
	FPO	Private company			
Tractor/ day	1,800	2,000	865 days	200	1,73,000
Bund maker	75/ hour	200/ hour	6,959 hrs.	125	8,69,875
Total Savings/ year (in Rs.)					11,50,105

The Table 4.14 clearly reveals that the price of all inputs supplied by FPOs is marginally less compared to retail selling in the nearby areas. However the Table also clearly reveals that there is a variation in terms of savings between different types of inputs sold by the FPOs in Chikkaballapur district. For example the highest savings to

members is in respect of Metalaxyl 35W pesticide (Rs. 3,400), followed by Mop (Mangala) fertilizer (Rs. 32,800). Further the members were able to benefit substantially with respect to the use of farm machinery (Rs. 1,73,000 in tractor and Rs. 8,69,875 in Bund making JCW). In all six FPOs in Chikkaballapur district they were able to save money to members to the extent of Rs. 11,50,105.

Hence it is clear from the Table, the six FPOs in Chikkaballapur district have been able to help members in terms reduction in prices when they sell inputs compared to retailers on the nearby areas.

4.3.8 Impact of input services provided by FPOs on members in Mysore district

The impact of input services provided by FPOs to members is presented in Table 4.15. Similar to FPOs in Chikkaballapur district in order to find out the impact of FPOs on the members, the prices prevailing in the retail stores in the adjacent areas for various types of inputs was compared. The prices prevailing at the retail store was compared with the prices of inputs of FPOs. After working out the average prices prevailing in the open market with six FPOs in Mysore district this Table 4.15 is prepared.

The Table 4.15 clearly reveals that the price of all inputs supplied by FPOs is marginally less compared to retail selling in the nearby areas. However the Table also clearly reveals that there is a variation in terms of savings between different types of inputs sold by the FPOs in Mysore district. For example the highest savings to members is in respect of DAP fertilizer (Rs.63,900), followed by Ammonium Sulphate (FACT) fertilizer (Rs. 46,200). Further the members were able to benefit substantially with respect to the use of farm machinery (Rs. 8,14,500 in Mini tractor and Rs. 41,750 in Cultivator). In all six FPOs in Mysore district were able to save money to members to the extent of Rs. 9,76,776. Hence, it is clear from the Table that the six FPOs in Mysore district have been able to help members in terms reduction in prices when they inputs from FPOs compared to retailers on the nearby areas.

Table 4.15: Impact of input services provided by FPOs on members in Mysore district

(n=6)

Particulars	Cost of seed (in Rs.)		Total Quantity sold by FPO	Difference in price	Savings to members
	FPO price	Retail price			
Ridge guard (Eastwast)	(For 50g)		55 packs	20	1,100
	790	810			
Pole beans (Sahara seeds)	(For 500 grams)		78 packs	40	3,120
	760	800			
Fertilizer	Cost of 50 kg of Fertilizers (in Rs.)				
DAP (Mangala)	1,400	1,445	1,420 bags	45	63,900
Ammonium Sulphate (FACT)	680	720	1,155 bags	40	46,200
Pesticide	Cost of pesticide (in Rs.)				
Nutriment (Sambara)	(Per litre)		139 litres	10	1,390
	480	470			
Neon	(Per 250ml)		172 bottles	28	4,816
	240	268			
Machineries	Charges for hiring machineries				
	FPO	Private company			
Mini Tractor/ hrs.	600	750	5,430 hrs.	150	8,14,500
Cultivator/ day	600	650	835 days	50	41,750
Total Savings/ year (in Rs.)					9,76,776

4.4 Turnover of FPOs in input activity in study districts (2017-18)

The FPO in the study area is mainly involved in procurement of inputs from company so as to sell it to members of FPOs to undertake cultivation of crops. The Table 4.16 clearly reveals that there is a variation between FPOs in Chikkaballapur district

compared to FPOs in Mysore district. For example in Chikkaballapur district FPOs have sold more volume of Fertilizers (Rs 32 lakhs) compared to FPOs in Mysore district (Rs.17.5 lakhs). However in both these districts fertilizer business is highest. The next important input is pesticide in terms of turnover of FPOs.

However here also FPOs in Chikkaballapur district have sold more pesticides (Rs. 24.3 lakhs) compared to FPOs in Mysore district (Rs. 15.3 lakhs). The other important activities are sale of seeds (Rs. 10.3 lakhs in Chikkaballapur district and Rs. 15 lakhs in Mysore district) and sale of Animal feed. In Mysore district six FPOs sold Rs. 7.9 lakhs worth of animal feed. However in Chikkaballapur district six FPOs were able to sell Rs. 3.1 lakh worth of animal feed. The total turnover of inputs sold by FPOs in Chikkaballapur district was Rs. 46.8 lakhs and Rs. 41.6 lakhs in Mysore district.

Table 4.16: Turnover of FPOs in input activity in study districts (2017-18)

(n=12)

Sl. No.	Inputs	FPOs in Chikkaballapur district (Rupees in Lakhs)	FPOs in Mysore district (Rupees in Lakhs)
1.	Seed	10.30	15.00
2.	Fertilizer	32.00	17.50
3.	Pesticide	24.30	15.30
4.	Animal feed	03.10	07.90
Total input turnover		46.80	41.60

4.4.1 Business performance of FPOs in Chikkaballapur district (2017-18)

The business performance of FPOs in Chikkaballapur district is presented in Table 4.17. The Table evidently exposes the huge variation among the six FPOs in terms of their financial performance in Chikkaballapur district. For example in case of SHFPCL the revenue is more than rupees one crore. However in the case of CFPO the revenue is hardly Rs. 2, 61,500.

As a result the CFPO has incurred a loss Rs.23,476. However what is surprising is that even though the revenue generated by SHFPO exceeds rupees one crore, the net profit realized by the FPO is just Rs. 8,693 indicating the precarious position of SHFPC. But few of FPOs like CHFPCCL, VPFO and NFPO were able to generate more net profit even though the turnover of these FPOs is not substantial. The Table also markedly uncovers the fact that the FPOs who were able to reduce the administrative and other expenses were able to generate more revenue and vice versa.

Table 4.17: Business performance of FPO in Chikkaballapur district (2017-18)
(Amount in Rupees)

(n=6)

Sl. No.	Particulars	Name of FPOs					
		SHFPO	CHFPCCL	AMHFPL	CFPO	VPFO	NFPO
1.	Revenue from activities of FPOs	1,00,97,920	22,53,394	33,90,168	2,61,500	36,20,245	34,06,548
2.	Other income	7,67,566	4,16,624	12,584	0	36,549	11,546
Total		1,08,65,486	26,70,018	34,02,752	2,61,500	36,56,794	34,18,094
3.	Total Expenses	1,00,98,579	25,10,739	26,58,412	2,84,976	1,95,846	1,86,954
4.	Gross profit/Loss	7,66,907	1,59,276	7,44,340	-23,476	34,60,948	32,31,140
5.	Net profit/Loss	8,693	1,18,264	29,500	-23,476	9,84,328	7,48,569

4.4.2 Business performance of FPOs in Mysore district (2017-18)

The business performance of FPOs in Mysore district is presented in Table 4.18. Similar to FPOs in Chikkaballapur district, the FPOs in Mysore district also bring to light variation in terms of business performance. For example in RMFPO the total income generated is substantial with Rs. 6, 57, 00,000. As a result, the net profit earned by the FPOs is satisfactory (Rs. 3, 17,359). However the other four FPOs in Mysore district were able to generate the revenue in a very modest way. But few of FPOs like HHFPCCL, NHFPCCL and ARHFPCCL were able to generate more net profit even though the turnover of these FPOs is not substantial. The Table 4.18 also distinctly reveals the fact that the

FPOs who were able to reduce the administrative and other expenses were able to generate more revenue and vice versa.

Table 4.18: Business performance of FPOs in Mysore district (2017-18) (Amount in Rupees)

(n=6)

Sl. No.	Particulars	Name of FPOs					
		NHFPCL	HHFPCL	ARHFPCL	RBFPO	RMFPO	VMS
1.	Revenue from activities of FPOs	25,48,246	29,00,270	1,29,175	1,49,401	6,57,00,000	NA
2.	Other income	10,51,325	5,22,882	992	0	0	NA
Total		35,99,571	34,23,152	1,30,167	1,49,401	6,57,00,000	NA
3.	Total Expenses	34,58,685	32,72,126	77,279	1,43,211	27,12,584	NA
4.	Gross profit	1,40,886	1,51,026	52,888	6,190	6,29,87,416	NA
5.	Net Profit	90,864	1,51,026	52,888	2,399	3,17,359	NA

4.4.3 Perception of members about backward and forward linkages provided by FPOs in study districts

The perception of members about backward and forward linkages provided by FPOs is presented in Table 4.19. The Table clearly reveals that FPOs are focusing more input business compared to output activity. The members have clearly expressed that the FPO are focusing more on input business. For example 84.38 per cent of members have clearly indicated that their FPO is involved in sale of Fertilizer, followed by supply of pesticide (80.21 %), supply of seed (77.08 %) and supply of farm machineries (63.54 %).

However in respect of forward linkage only a negligible number of members have a positive opinion about these services. The Table 4.19 clearly shows that the involvement of FPOs in packaging (8.33 %), value addition (7.29 %) and grading of produce (5.21 %) is very negligible.

In marketing of agricultural produce, the share of FPOs is 23.96 per cent followed by transportation activity (14.58 %). Hence, the overall performance of FPOs is not satisfactory.

Table 4.19: Perception of members about backward and forward linkages provided by FPOs in study districts

(n=96)

Sl. No.	Activities	Yes	Per cent	No	Per cent
Backward linkage activities					
1.	Supply of seed	74	77.08	22	22.92
2.	Supply of fertilizer	81	84.38	15	15.62
3.	Supply of pesticide	77	80.21	19	19.79
4.	Supply of farm machineries	61	63.54	35	36.46
Forward linkages activities					
6.	Grading of produce	05	05.21	91	94.79
7.	Packaging	08	08.33	88	91.67
8.	Value addition	07	07.29	89	92.71
9.	Storage facility	96	100.00	00	00.00
10.	Transportation facility	14	14.58	82	85.42
11.	Marketing of Agril. produce	23	23.96	73	76.04

4.4.4 Activities undertaken by FPOs in Chikkaballapur district

Table 4.20 discloses the activities undertaken by FPOs in Chikkaballapur district. All the FPOs were organized with the mandate of providing backward services to members so to assist them in undertaking their agricultural activities. However none of the FPOs in Chikkaballapur district were able to provide all the inputs required by the members. Among the six FPOs only SHFPCL, CHFPCL and AMHFPCL were able to undertake five input activities. The VFPO and NFPO were able to provide only two services and the CFPO is in a position to undertake only Marketing activity. When enquired with the CEOs and employees of the FPOs about the poor input services the

reasons provided by them vary from each other. In general, the important reasons are lack of business skills among the CEOs and employees, cut throat competition from private traders, lukewarm response from the members and lack of funds are the reasons observed among the six FPOs in Chikkaballapur district.

Table 4.20 Activities undertaken by FPOs in Chikkaballapur district

(n=6)

Sl. No.	Particulars	Name of FPOs						Total	Per cent
		SHFPC	CHFPC	AMHFPC	CFPO	VFPO	NFPO		
1.	Supply of seeds	Yes	Yes	Yes	No	Yes	Yes	5	83.33
2.	Supply of fertilizers	Yes	Yes	Yes	No	No	No	3	50.00
3.	Supply of pesticides	Yes	Yes	Yes	No	No	No	3	50.00
4.	Supply of farm machinery	Yes	Yes	Yes	No	No	No	3	14.29
5.	Supply of animal feed	No	No	No	No	Yes	Yes	2	33.33
6.	Marketing	Yes	Yes	Yes	Yes	Yes	No	5	83.33
Total		5	5	5	1	2	2		
Per cent		83.33	83.33	83.33	16.67	33.33	33.33	-	

4.4.5 Activities undertaken by FPOs in Mysore district

Table 4.21 illustrates the activities undertaken by FPOs in Mysore district. All the FPOs were organized with the mandate of providing backward services to members so to assist them in undertaking their agricultural activities. Similar to FPOs in Chikkaballapur district none of the FPOs in Mysore district were able to provide all the inputs required by the members. Among the six FPOs only one (NHFFPC) was able undertake five input activities. The HHFFPC was able to undertake four activities. The ARFFPC was able to undertake three activities. The RMFFPO and VMS were able to undertake only two activities. The RBFPO is confined its inputs activity to only one. When enquired with the

CEOs and employees of the FPOs about the poor input services the reasons provided by them vary from each other. Similar to the FPOs in Chikkaballapur district the important reasons are lack of business skills among the CEOs and employees, cut throat competition from private traders, lukewarm response from the members and lack of funds are the reasons observed among the six FPOs in Mysore district.

Table 4.21: Activities undertaken by FPOs in Mysore district

(n=6)

Sl. No.	Particulars	Name of FPOs						Total	Per cent
		NHFPC	HHFPC	ARFPC	RBFPO	RMFPO	VMS		
1.	Supply of seeds	Yes	No	No	No	Yes	No	2	33.33
2.	Supply of fertilizers	Yes	Yes	Yes	Yes	No	No	4	66.66
3.	Supply of pesticides	Yes	Yes	Yes	No	No	No	3	50.00
4.	Supply of farm machinery	Yes	Yes	Yes	No	No	No	3	50.00
5.	Supply of animal feed	No	Yes	No	No	No	Yes	2	33.33
6.	Marketing	Yes	No	No	No	Yes	Yes	3	50.00
Total		5	4	3	1	2	2	-	
Per cent		83.33	66.66	50.00	16.67	33.33	33.33		

4.4.6 Satisfaction level of members about the services provided by FPOs in study districts

The satisfaction level of members about the services provided by FPOs is presented in Table 4.22. The response of the members about the services provided by their FPOs varies based on the type of services provided by the FPOs. For example the ratings of members of FPOs are satisfactory related to supply of seeds, supply of pesticides and somewhat satisfied to supply of fertilizers. However, the Table also clearly indicates that in terms of very good response the members have given highest rating

(55.21 %) to Supply of Animal feed. Paradoxically the response of members about the poor services 60.41 per cent have clearly expressed that lack of marketing by the FPOs is the biggest constraints.

Table 4.22: Satisfaction level of members about the services provided by FPOs in study districts

(n=96)

Sl. No.	Services	Members response		
		Poor	Satisfactory	Very Good
1.	Supply of Fertilizers	15 (15.63)	54 (56.24)	27 (28.13)
2.	Supply of Seeds	20 (20.83)	59 (61.46)	17 (17.71)
3.	Supply of Pesticides	19 (19.79)	58 (60.42)	19 (19.79)
4.	Supply of Farm Machineries	32 (33.33)	37 (38.54)	27 (28.13)
5.	Supply of Animal Feed	22 (22.92)	21 (21.87)	53 (55.21)
6.	Marketing	58 (60.41)	22 (22.92)	16 (16.67)

Note: (The figures in the parenthesis represents percentage to the total)

4.4.8 Opinion of members about FPO in study districts

The Opinion of members about FPOs is presented in Table 4.23. In general the members have expressed positively about the FPOs which are organized recently to better able to solve their problems in all respects. Majority of members (84.38 %) are realized the importance of being in groups and 65 per cent of members opinioned that their knowledge about production and marketing as increased. From the member's point of the FPOs. the FPOs were able to provide certain services which are more about backward integrated services. However from the point of providing lasting solutions in respect of

marketing, the member's response was not very positive since only 34.38 per cent of the members have indicated that the FPOs were able to reduce the marketing cost. Even with respect to increased net returns from agriculture the response from members is even very poor (26.04 %). Perhaps the other opinion expressed by the members rather provides the clue that the FPOs are falling in to the traps of non-performing cooperative institutions promoted by the government more than century ago. Interestingly 23.96 per cent of the members have expressed that FPOs are just replica of PACS in terms of the activities undertaken. These is also an apprehension among members of FPOs (23.96 %) that these organizations are one more platform for promoting few individuals interests for their future political endeavor. Lastly there is cynicism among few members (12.50 %) that not much can be expected from FPOs in solving their members problems.

Table 4.23: Opinion of members about FPOs in study districts

(n=96)

Sl. No.	Benefits	Number	Per cent
1.	Realized the importance of groups	81	84.38
2.	Enhanced knowledge about production and marketing	65	67.71
3.	Increase in production	35	36.46
4.	Reduction in Marketing cost	33	34.38
5.	Increase in net returns	25	26.04
6.	Activity wise FPO are similar to PACS	23	23.96
7.	Promoted by few individuals to become BODs	23	23.96
8.	Not much can be expected from FPO in solving farmers problems	12	12.50

Note: (Multiple response given by members)

4.6 Constraints faced by Farmer Producer Organizations in their functioning

The constraint faced by FPOs is presented in Table 4.24. The first constraint expressed by CEOs, BODs and employees is about lack of access to funds with the highest Garrett's Rank (57.3). The next important constraint indicated by the FPOs is about less staff (53.8), lack of infrastructure facility is the third constraint with the

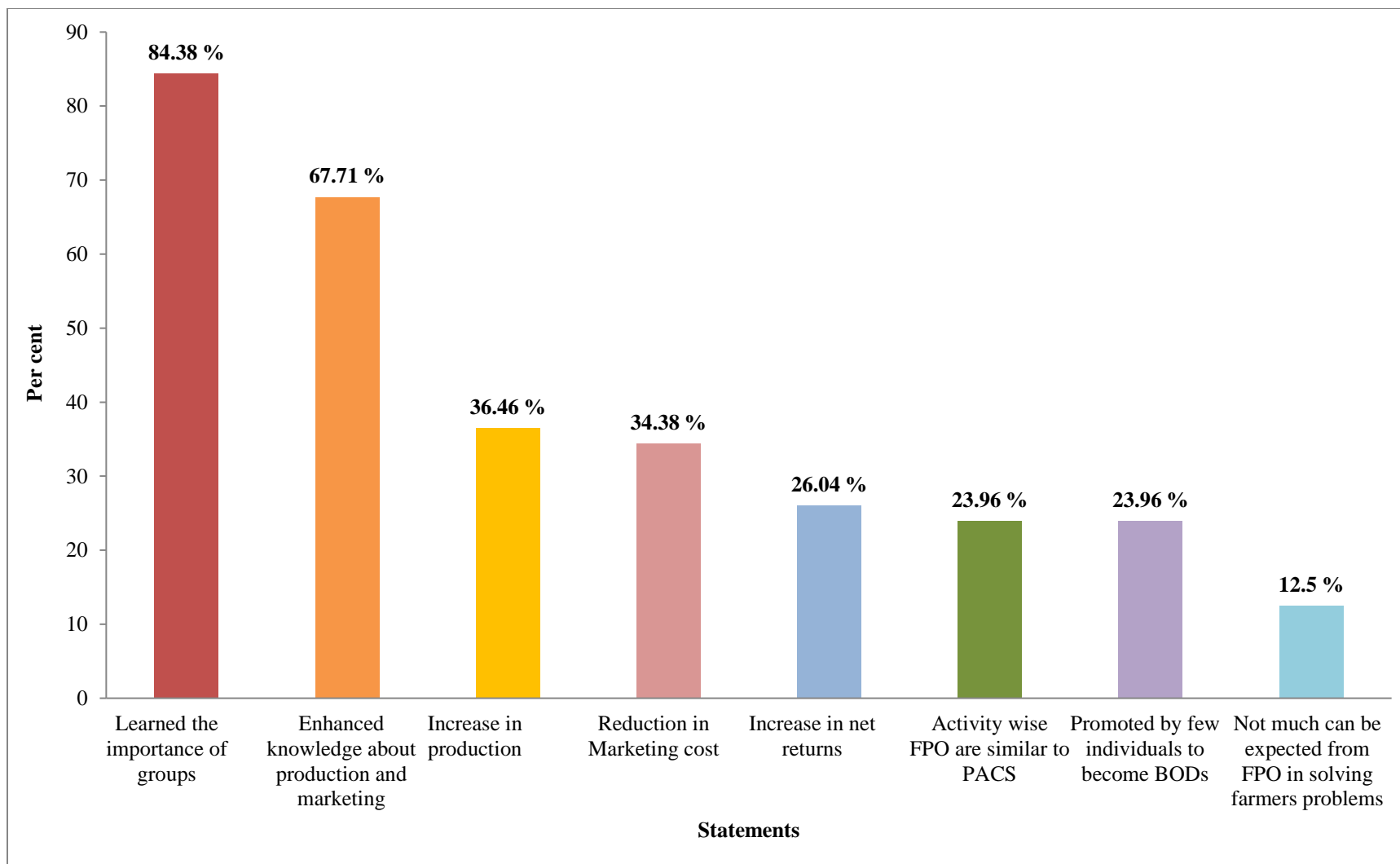


Fig. 5: Opinion of members about FPOs in study district

Garrett's score of 50.20. Lack of collective efforts in marketing is the fourth important constraint with the Garrett's score of 49.5. The others constraints indicated by CEOs, BODs and employees are Local competitors for sale of inputs, Unavailability of own land / building, lack of awareness about FPOs among the members and lack of access to market information and markets.

Table 4.24 Constraints faced by FPOs in their functioning

(n=12)

Sl. No.	Constraints of FPOs	Garrett's scores	Garrett's Rank
1.	Lack of access to funds	57.3	I
2.	Less staff	53.8	II
3.	Lack of infrastructure facility	50.2	III
4.	Lack of collective efforts in marketing	49.5	IV
5.	Local competitors for sale of inputs	48.9	V
6.	Unavailability of own land / building	48.8	VI
7.	Lack of awareness about FPOs among the members	48.8	VII
8.	Lack of access to market information and markets	35.8	VIII

V SUMMARY AND POLICY IMPLICATIONS

Agriculture plays an important role in the process of economic development in India. In India, agriculture is the main source of national income and occupation at the time of Independence. Since independence India has made much progress in agriculture. India's agricultural production has increased from about 50 million tons in 1950s has now reached 284.83 million tons in 2017-18. But the contribution of agricultural sector to Indian GDP has continued to decline over the years. However, the declining share of Agriculture does not undermine the significance of the sector for employment, livelihood and food security. 58 per cent of India's population is wholly or significantly dependent on agriculture and allied activities for their livelihood.

Finance in agriculture is as important as other inputs being used in agricultural production. Recognizing the importance of adequate credit support the government tried to provide cheap credit as an alternative to informal institutions. The agrarian riots prompted the British Government to give an impetus to the system of Taccavi loans to farmers, bring in regulations regarding money lending. The measures initiated to reduce indebtedness and regulating money lending activities for agricultural purposes failed to provide a long term solution and stagnation in rural economy continued.

One of the first steps taken by the Government of India towards addressing the problem was the establishment of co-operative credit societies. The Co-operative Credit Societies Act (1904) was passed to provide cheap and cost-effective financial services to farmers and attempts were made thereafter to widen the co-operative movement.

Since 1904, Primary agricultural credit societies form the base of cooperative credit structure. It is universally accepted that strength of the structure depends in the ultimate analysis on the efficiency and soundness of the primaries. However, historically as the cooperative credit structure has grown over the years, it is the higher tiers of the structure, which have developed in to stronger units and not so primaries except in few areas. The fundamental importance of having a strong primary level cooperative organization was accepted from the beginning and with that in mind the primary level

cooperatives were from time to time put through series of reorganization and structural experimentation.

In the year 1937, the Agricultural Credit Department of the RBI recommended the organization of Multipurpose Society. The cooperative planning committee appointed by the Government of India, on the recommendation of the conference of the Registrars, of cooperative societies endorsed the recommendation of the Agricultural Credit Department of RBI.

In 1954, the All India Rural Credit Survey committee recommended an integrated approach to cooperative credit. The AIRCSC categorically stated that the formula of one village one society has failed in India. The committee was of the definite view that instead of small societies with uneconomic turnover there should be larger societies operating as viable units of business, so that competent paid personnel might replace honorary services. The committee, therefore, recommended that the future development of primary credit structure should be in the direction of larger societies covering larger area of operation as could provide adequate business.

In 1971, a study team appointed by government of India headed by K. S. Bava suggested organization of LAMPS in tribal areas to provide the tribal members production as well as consumption credit, marketing of agricultural and minor forest produce and distribution of consumer goods as well as agricultural inputs so that the tribals could secure all facilities under one roof.

In 1973, the National Commission on Agriculture recommended a special multipurpose organization called Farmers Service Cooperative Societies to serve the small landholders in the country. The National Commission on Agriculture also examined in depth the organizational structure for rural credit with special reference to small and marginal farmers. The Commission recommended the establishment of FSS to serve relatively to the large number of small and marginal cultivators and provide for meeting all their needs through an integrated credit service.

Despite of all these measures initiated by the government of India and RBI, the performance of primary level cooperatives in the country was not very impressive. The reasons were over-dependence on government for financial assistance, lack of professional management, lack of adequate infrastructure, lack of good leadership, internal and structural weakness, Inefficiency and corruption, excessive Government control and political interference. Further the cooperative movement has suffered on account of limitations on its working, small size and single purpose societies and also suffered from inadequacy of trained personnel right from its inception.

In the light of poor performance of traditional cooperatives in India, it was felt that there was a need to give more freedom to cooperatives to operate as business entities in competitive markets. To overcome the drawbacks of cooperatives, in 2002, the Government of India enunciated a National Cooperative Policy. The objective of the Policy is to facilitate an all-round development of cooperatives in the country. Keeping this in view, The Department of Company Affairs (DCA) Government of India constituted a High Powered Committee headed by Dr. YK Alagh, noted economists and former Union Minister to examine and make recommendations with regard to:

- Framing a legislation which would enable incorporation of cooperatives as Producer Companies and conversion of existing cooperatives to Producer Companies and
- Ensure that the proposed legislation accommodates the unique elements of cooperative business within the regulatory framework similar to that of companies.

The FPOs offer a pathway to successfully deal with a range of challenges that confront small producers, empowering them in a variety of way. The experiences so far in the performance of FPOs suggests that FPOs are able to leverage their collective strength and bargaining power to access financial and non- financial inputs and service, technology, reduce transaction cost, trap high-value markets and enter into partnerships with private and public entities on more equitable terms. At the same time the available literature shows that, not much work has been carried out in respect of evaluation of role and performance of backward and forward linkages of FPOs. In this regard, an evaluation

of Farmer Producer Organization in Chikkaballapur and Mysore districts of Karnataka was taken up for the study.

The specific objectives with which the study was conducted were:

1. To analyze the Backward and forward linkages of FPOs.
2. To analyze Business performance of FPOs.
3. To examine the constraints in the functioning of FPOs.

For the study, Chikkaballapur and Mysore districts were purposively selected as study area, because a good number of FPOs were established and to analyses the linkages and performance of FPOs in two different districts. Both primary and secondary data was collected for the study. The secondary data was obtained from the financial statements of the FPOs. The primary data was collected by using structured interview schedule with 96 members and CEO, BODs and employees (12 each) of FPOs. The primary data collected was analyzed using techniques such as averages, percentage and Garrett's ranking.

5.1 Major findings of the study

1. Majority of the sampled FPOs (67 %) were registered in the year of 2016.
2. The subscribed share capital of FPOs in Chikkaballapur district ranges from Rs. 5.1 lakh to Rs. 10 lakhs and in Mysore district it ranges from two lakhs to Rs.24.80 lakhs.
3. The area of operation of FPOs in Chikkaballapur district ranged from 12 to 24 villages whereas in Mysore district it ranged from five to 35 villages.
4. The total number of members in Chikkaballapur district ranges from 510-1000 members. In case of Mysore district the number of members in FPOs ranged from 200- 1000 members.
5. The RMFPO is the only FPO involved in nine out of 14 activities as per the byelaw. In case of VMS it involved in seven out of 14 activities followed by AMHFPC which involved in six activities. The other FPOs have undertaken even less activities.

6. 91.67 per cent of FPOs have undertaken dissemination of technology as one of the core activities through trainings and demonstrations. The next important activity undertaken by FPOs is sale of inputs (83.33 %) followed by dissemination of Market information (75 %).
7. All the 12 FPOs have mobilized funds from the members in the form of share capital and all FPOs maintaining the reserve funds. In case of equity funds from SFAC only 7 FPOs out of 12 have availed, only ANHFPCL has borrowed funds from NABKISAN.
8. 91.6 per cent of FPOs (eleven out of twelve FPOs) have storage units\ Godowns facility. However only 50 per cent of FPOs have Custom Hiring Centres and only RMFPO has established its own processing unit.
9. The storage capacity of 12 FPO ranges from 7 quintal to a maximum of 35 quintal. Only three FPOs (RMFPO, AMHPCL and HHFPCL) out of 12 were able to utilize storage capacity to the extent of more than 80 per cent, the two FPOs (CHFPCL and SHFPCL) have utilized to the extent of 60 per cent. The FPOs utilized storage units to keep inputs (92 %) and only 8 per cent was utilized for storage of outputs.
10. 91.67 per cent of FPOs have conducted awareness campaigns about the objectives of FPOs for the benefit of members, followed by training programmes (66.67 %), exposure visits (58.34 %). 50 per cent of FPOs have conducted demonstrations to provide technical support to members.
11. Among the 12 FPOs, 36.36 per cent are selling members produce through APMCs, 23.08 per cent through local agents. Only two FPOs (15.38 %) were marketing through organized retail collection centres and also vegetables outside the state. Only one FPO out of 12 was undertaking direct marketing to consumers.
12. Majority of (64.71 %) of FPOs were getting market information from traders through phone calls. Two FPOs were visiting APMCs to understand the demand and supply situation. Another two FPOs are dependent on NGOs for market information and only one FPO is using Agri central App and Krishimarata Vahini web portal.

13. The prices of inputs supplied by FPOs was marginally less compared to private retail sales in the nearby areas. All six FPOs in Chikkaballapur district were able to save money to members to the extent of Rs. 11,50,105. In Mysore district six FPOs were able to save Rs. 9,76,776 to members.
14. The FPOs in Chikkaballapur district have sold more fertilizers (Rs. 32 lakhs) compared to FPOs in Mysore district (Rs.17 lakhs). In both these districts fertilizer business is highest for all FPOs.
15. In Chikkaballapur district, five FPOs out of six have earned net profit. The net profit earned by FPOs ranged from Rs. 8,693 in HFPC to Rs. 9,84,328 in VFPO.
16. In Mysore district all six FPOs have earned net profit ranging from Rs. 2,399 to Rs. 3,17,359.
17. 84.38 per cent of members have revealed that their FPO is involved are involved in the sale of fertilizer, followed by supply of pesticide (80.21 %), supply of seed (77.08 %) and supply of farm machineries (63.54 %).
18. Among the six FPOs in Chikkaballapur district, only SHFPCL, CHFPCL and AMHFPCL were able to undertake supply of seeds, fertilizers, pesticides, animal feed and marketing activities. The VFPO and NFPO were able to supply only Seeds and Animal Feed.
19. Among the six FPOs in Mysore district only one (NHFPC) was able undertake five input activities. The HHFPC was able to undertake four activities and the ARFPC was able undertake three activities.
20. The members have given highest rating (53.13 %) to supply of animal feed. Paradoxically members have given lowest rating to marketing services (60.42 %) by the FPOs.
21. 84.38 per cent of respondents opinioned that they experienced the importance of being in group, followed by enhanced knowledge about production and marketing (67.71 %). With respect to reduction in marketing cost the member's opinion was very poor (34.38 %). Further with respect to increased net returns from agriculture the response from members is even very poor (26.04 %).

22. The major constraints faced by FPOs are lack of access to loan (57.3) followed by less staff (53.8) and lack of infrastructure facility (50.02).

5.2 Policy Implications

- The present study has critically evaluated the working of FPOs in Chikkaballapur and Mysore district. The study has clearly highlighted that FPOs have not been able to make significant growth in terms of expansion of services to meet the diversified needs of the members. These organizations are struggling to reach the goals expected from them. There is a mismatch between what is expected from them and what they are doing. One of the reasons for all these problems is lack of awareness among the members about their own organization, absence of professionalism in managing FPOs due to lack of training among the Board of Directors, CEOs and also employees.
- While organizing, promoting and nurturing FPOs, the promoting organizations like NABARD and Department of Horticulture need to improve their professional efficiency and financial viability. A businesslike approach is critical in order to establish FPOs to carry out their activities in supporting the member farmers.
- Further there is a need for care and circumspection in promoting these organizations to ensure that the basic tenets of FPOs, viz. group dynamics, participatory decision making, professional efficiency, financial viability and high degree of participation are not lost sight of in pursuit of targets.
- The very design of the FPOs calls for a high order of inter-institutional coordination and joint functioning. Hence there is need for horizontal coordination among the APMCs, organized retail markets, input agencies, bank branches and FPOs at the field level on one side and vertical coordination among policy makers, training institutions, NABARD and Department of Horticulture to strengthen the FPOs so that they take care of all the requirements of farmers.

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