Comparative Analysis of Farmer Producer Organizations (FPOs) Enrolled Farmers and Non-FPO Farmers in Siddipet District of Telangana

M. Chandra Shekar Reddy, D. Srinivasa Reddy, P. Radhika and D. Srinivasa Chary

Research Journal of Agricultural Sciences
An International Journal

P- ISSN: 0976-1675
E- ISSN: 2249-4538

Volume: 12
Issue: 03

Res Jr of Agril Sci (2021) 12: 814–816

CARAS

Res. Jr. of Agril. Sci. (May-Jun 2021) 12(3): 814–816
www.rjas.org

Short Communication

A Comparative Analysis of Farmer Producer Organizations (FPOs) Enrolled Farmers and Non-FPO Farmers in Siddipet District of Telangana

M. Chandra Shekar Reddy*[1], D. Srinivasa Reddy[2], P. Radhika[3] and D. Srinivasa Chary[4]

Received: 30 Mar 2021 | Revised accepted: 08 May 2021 | Published online: 19 May 2021

***Key words*:** Farmer producer organizations, Comparative analysis, Enrolled farmers

Agriculture has been and remains an important sector of Indian economy. Agriculture and related activities provide a living for nearly 70% of India's population. Agriculture, along with fisheries and forestry, is one of the most important contributors to GDP (GDP). According to the Central Statistics Office (CSO), agriculture and allied sectors (including agriculture, livestock, forestry, and fishery) contributed 14.4% of Gross Value Added (GVA) in 2018-19, declining from 15% in 2015-16. The decrease was primarily due to a decrease in crop GVA share from 9.2% in 2015-16 to 8.7% in 2017-18. (Source; Economic Survey 2018-19). In Indian agriculture, small and marginal farmers make up a majority of cultivators. Indian farms became more dispersed between 2010-11 and 2015-16, according to the 10th agriculture census. The proportion of small and marginal farmers increased from 84.9 percent to 86.2 percent during this period, while average farm size decreased from 1.15 hectares to 1.08 hectares. The small-scale essence of Indian agriculture is now even more evident than before. However, an increase in agricultural suicides among small and marginal farmers [1] indicates that these farmers are struggling to survive. While indebtedness is often cited as the immediate cause of distress, deeper issues related to vulnerability to risks in agricultural production [2].

According to the NSS 59th round results, marginal and small farmers received an average monthly income of Rs. 1,639 and Rs. 2,493 respectively, compared to Rs. 9,667 for large farmers. Furthermore, marginal, small, and large farmers' monthly consumption expenses were found to be Rs. 2,442, Rs. 3,148, and Rs. 6,418 respectively [3]. Small and marginal farmers productivity is better than that of medium and large farmers, but their economic situation is worse. Various factors have contributed to the economic disparity. The main reason is that small farm sizes lead to weak negotiating power in both the input and export markets. However, small farmers in developing countries face various challenges in selling their goods due to high transaction costs in the supply chain. Small and marginal farmers lack the resources for transportation and managing fixed assets due to the income-to-consumption gap. They are also unable to invest in innovations that improve productivity and value addition, restricting their ability to increase their production and effectively marketing their goods. Furthermore, farmers lack bargaining power because of information asymmetry, resulting in unequal distribution of value addition among market actors, especially among those producing seasonal and highly perishable agricultural products. High-value crops are difficult for marginal and small farmers to adopt, because they are mostly perishable and have high transaction costs [4]. There are several ways of collective action (through producer organizations) that can minimize transaction costs and promote commodity market development and coordination [5].

Siddipet district of Telangana was selected as a study area. To study the selected objective total three Mandals are selected. Further, from each Mandal one FPO is selected. To cover each FPO, one village is selected located in respective FPO. From each village, 15 FPO farmers and 15 non-FPO farmers are selected to compare the marketing costs and margins in FPO channel and non-FPO channel. Thus, total 90 farmers (45 FPO farmers and 45 non-FPO farmers) are selected from 3 villages spread across three Mandals. The data collected were compiled and tabulated to draw valid inferences from the study. Apart from the functional analysis, simple percentages and averages were also used to compute and compare the results of the study.

Among the many marketing channels adopted by FPO farmers, which is having the one intermediary i.e., retailer, channel is the most used through FPO supply chain. So, it has been taken into consideration for the comparison. Among the many marketing channels adopted by non- FPO farmers,

* M. Chandra Shekar Reddy
csreddymuskula@gmail.com
[1-5] Professor Jayashankar Telangana State Agricultural University, Rajendranagar - 500 030, Hyderabad, Telangana, India

which is having the two intermediaries i.e., commission agent and retailer, channel is the most used marketing channel. So, it has been taken into consideration for the effective comparison.

FPO channel

Farmer → Retailer → Consumer

Non-FPO channel

Farmer → Commission Agent → Retailer → Consumer

In marketing of green chilli, the marketing cost for farmer in FPO channel was very lower (Rs.131.5 per quintal) when compared to the non-FPO channel (Rs.256.94 per quintal). Similarly, marketing cost for retailer in FPO channel was lower (Rs. 128.3 per quintal) compared to the non-FPO channel (Rs. 167.7 per quintal). Margin received by the retailer in FPO channel was lower (Rs. 871.7 per quintal) when compared to the non-FPO channel (Rs. 1132.3 per quintal). Margin to the commission agent in the non-FPO channel was Rs. 43 per quintal while no margin for commission agent as he is eliminated in FPO channel [6-7]. Price spread in the FPO channel was lower (Rs. 1000 per quintal) when compared to the non-FPO channel (Rs. 1300 per quintal). Producer's share in consumer's rupee in FPO channel was higher (60%) when compared with non-FPO channel (53%).

Table 1 Marketing margins, price spread and producer's share in consumer's rupee in FPO and non-FPO channels of tomato

S. No.		Particulars	FPO Channel (Rs./qtl)	Non-FPO Channel (Rs./qtl)
01		Marketing costs incurred by producer (Farmer)		
	(a)	Transport	43.3	105
	(b)	Loading and unloading	20.6	20.6
	(c)	Wastage	-	16
	(d)	Commission charges	-	32
	(e)	Total marketing cost	63.9	173.6
	(f)	Percent share of total marketing cost	23.9	42.4
	(g)	Gross price received by the farmer	800	800
	(h)	Net returns to farmer	736.1	626.4
02		Costs incurred by commission agent		
	(a)	Loading and unloading (1 Rs per box)	-	4
	(b)	Market fee (1 per cent)	-	8
	(c)	Sub total	-	12
	(d)	Net margins	-	20
03		Costs incurred by Retailer		
	(a)	Transport	100	100
	(b)	Loading and unloading	38.71	38.74
	(c)	Informal Payments	-	17.7
	(d)	Wastage	16	16
	(e)	Packing and handling	64.2	78.6
	(f)	Sub total	202.91	235.04
	(g)	Net margins	399.09	564.94
	(h)	Price paid by the retailer	800	800
04		Consumers purchase price	1400	1600
05		Price spread	600	800
06		Producer's share in consumer's rupee	57.14%	50%

In marketing of tomato, the marketing cost for farmer in FPO channel was very lower (Rs. 63.9 per quintal) when compared to the non-FPO channel (Rs.173.6 per quintal). Similarly, marketing cost for retailer in FPO channel was lower (Rs. 202.91per quintal) compared to the non-FPO channel (Rs. 235.04 per quintal). Margin received by the retailer in FPO channel was lower when compared (Rs. 399.09 per quintal) to the non-FPO channel (Rs. 564.94 per quintal). Margin to the commission agent in the non-FPO channel was Rs. 20 per quintal while in FPO channel the commission agent is eliminated [8]. Price spread in the FPO channel was lower (Rs. 600 per quintal) when compared to the non-FPO channel (Rs. 800 per quintal). Producer's share in consumer's rupee in FPO channel was higher (57.14%) when compared with non-FPO channel (50%).

SUMMARY

Present investigation was undertaken in district Siddipet of Telangana to evaluate the comparative analysis of farmer producer organizations enrolled farmers and non-FPO farmers. To cover each FPO, one village was selected located in respective FPO and 15 FPO farmers and 15 non-FPO farmers are selected to compare the marketing costs and margins in FPO channel and non-FPO channel. Thus, in total 45 each FPO and non-FPO farmers were selected from 3 villages spread across three Mandals. From the investigation it was concluded that both marketing of tomato and chilli were experienced better by farmer producer organizations as compared to non-farmer producer organizations. Farmer producer organizations can be beneficial in various ways to farmers, mainly in adopting market-oriented production technologies and accessing lucrative market opportunities.

The FPOs should be support in the form of endowments by the government agencies during the early stages of the FPOs makes them stand out and need to be strengthened by the government.

Table 2 Marketing costs incurred by various stakeholders in FPO and non-FPO channels of green chilli

S. No.		Particulars	FPO Channel (Rs./qtl)	Non-FPO Channel (Rs./qtl)
01				
		Marketing costs incurred by producer (Farmer)		
	(a)	Transport	45	113.3
	(b)	Loading and unloading	19	8.64
	(c)	Wastage	7.5	15
	(d)	Commission charges	-	60
	(e)	Cost for mesh bags	60	60
	(f)	Total marketing cost	131.5	256.94
	(g)	Gross price received by the farmer	1500	1500
	(h)	Net returns to farmer	1368.5	1243.1
02				
		Costs incurred by commission agent		
	(a)	Loading and unloading (1 Rs per bag)	-	2
	(b)	Market fee (1 per cent)	-	15
	(c)	Sub total	-	17
	(d)	Net margins	-	43
03				
		Costs incurred by retailer		
	(a)	Transport	95	111.7
	(b)	Loading and unloading	18.3	20
	(c)	Informal Payments	-	21
	(d)	Wastage	15	15
	(e)	Sub total	128.3	167.7
	(f)	Price paid by the Retailer	1500	1500
	(g)	Consumers purchase price	2500	2800
05		Price spread	1000	1300
06		Producers share in consumer rupee	60%	53%

LITERATURE CITED

1. Anonymous. 2011. *National Crime Records Bureau*. https://ncrb.gov.in/en/table-crime-india-2011-6
2. Anonymous. 2019. Economic Survey; Key highlights 2018-19. https://pib.gov.in/newsite/PrintRelease.aspx?relid=191213
3. Satish P. 2007. Agricultural credit in the post-reform era: A target of systematic policy coarctation. *Economic and Political Weekly* 42(26): 2567-2575
4. Jaffee S, Morton J. 1995. *Private sector high-value food processing and marketing: A synthesis of African experience*. Dubuque, Hunt Publishing Company.
5. Kandeeban M, Prabhavathi Y. 2017. Marketing efficiency and market competitiveness of farmer produce companies (FPC's) – A case study of Telangana and Karnataka states. *The Journal of Research ANGRAU* 45(2): 100-107.
6. Patil SA, Talathi JM, Wadkar SS, Khobarkar VK. 2007. Price spread in marketing of capsicum in Thane district of Maharashtra state. *Agricultural Marketing* 12(3): 42-47.
7. Pingali P, Aiyar A, Abraham M, Rahman A. 2019. Linking farms to markets: reducing transaction costs and enhancing bargaining power. *In*: *Transforming Food Systems for a Rising India*. Palgrave Macmillan, Cham. pp 193-214.
8. Staatz J. 1987. Farmers' incentives to take collective action via cooperatives: A transaction cost approach. *Department of Agriculture Service*. Washington.