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Assessment of constraints and strategic interventions for strengthening farmer producer organizations in Uttar Pradesh

[1]Govind Mall and [2]RP Mani Tripathi

[1]Research Scholar, B.R.D.P.G. College, Deoria, Uttar Pradesh, India

[2]Professor and Head, B.R.D.P.G. College, Deoria, Uttar Pradesh, India

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Corresponding Author: Govind Mall

Abstract

The study was conducted from 2022 to 2024 in Kushinagar and Deoria districts of Uttar Pradesh to analyze the constraints faced by Farmer Producer Organization (FPO) members and suggest strategies for overcoming them. A stratified random sampling technique was adopted to select a total of 300 respondents, distributed equally across three FPOs from two blocks in each district. The findings revealed that "Lack of scientific storage facilities" ranked as the most significant constraint (Mean Percent Score = 96.52), followed by "Frequent price fluctuations" (95.71) and "High cost of inputs and services" (93.65). Other notable constraints included "Lack of knowledge on subsidy by government on material inputs" (90.32) and "Inadequate credit facilities" (88.12). Factors like "Adverse climatic conditions" (67.71) and "Power cuts" (69.17) were less critical but still noteworthy. To address these challenges, FPO members suggested several measures. "Flexible sources of credit" was ranked as the most effective strategy (96.66%), followed by "Government-provided transportation facilities" (94.66%) and "Providence of knowledge about value-added product production" (93.33%). Other significant recommendations included training on new technologies (89.33%), risk coverage for vegetable crops (86.66%), and improved marketing facilities (85.33%). The study underscores the importance of addressing systemic issues such as storage infrastructure, credit accessibility, and market linkages, alongside providing education and risk management solutions, to enhance the functioning of FPOs and the livelihoods of their members.

Keywords: Farmer producer organizations, constraints, strategic interventions, credit accessibility

Introduction

In the present condition, Indian agricultural sector is facing various challenges like increasing population and small and fragmented land holdings results in declining agricultural land availability, most of the agricultural lands are occupied for non-agricultural purposes due to urbanization and industrialization, disinterest of youth towards agriculture sector, absence of proper strategy to organize farmers and link with the market. Due to poor storage and processing facilities, more than 45% of fruits and 30% of cereals are wasted. Post-harvest losses of food grains in India account to 10% of total production i.e., 20 Mt which is equivalent to the total annual food grains production of Australia. (TACSA Report on Secondary Agriculture, 2013).

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 output markets. 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 market 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. According to Pingali *et al*. (2005) [8], high-value crops are difficult for marginal and small farmers to adopt, because they are mostly perishable and have high transaction costs. There are several ways of collective action (Through producer organizations) that can minimise transaction costs and promote commodity market development and coordination (Jaffee 1995; Staatz 1987) [6, 11].

Private involvement is being promoted through contract farming, especially after the amendment of the Agriculture Produce Marketing Committee (APMC) act in 2003, in response to the problems faced by small and marginal farmers at the market end of the agriculture value-chain. Contract farming is agricultural production based on a corporate- farmer arrangement for the production and supply of agreed-upon quantities of a commodity that meets certain quality requirements (FAO, 2014) [2]. However, contract farming arrangements tend to exclude small producers (Gill, 2004; Hazell, 2005; Singh, 2009; Pritchard and Connell, 2011) [3, 4, 10, 9] and in many instances have benefited buyers at the expense of producers (Hellin *et al*., 2009) [5]. Agricultural cooperatives, which were formed under the Co-operative Credit Societies Act of 1904, have long been the most common form of farmer collective; however, cooperatives have too many weaknesses that hinder successful collective action.

To resolve the challenges faced by small and marginal farmers, the Indian government has promoted a new type of collective action known as Farmer Producer Organizations (FPOs). Particularly to improve access to investments, technical advances, and efficient inputs and markets. (Hellin *et al.*, 2009; Department of Agriculture & Cooperation, 2013) [5].

Formation and Development of Producer Companies (PCs)

The formation and development of PCs are being actively undertaken by government and their agencies with major financial support from the Small Farmers Agri-Business Consortium (SFAC) and the National Bank for Agriculture and Rural Development (NABARD), with technical support from resource support agencies. A total of 7,381 PCs were registered by March 2019, across 33 states and union territories, and 2,749 PCs were active as of March 2018 (Shilpa, 2020) [12].

FPOs is a means to bring together the small and marginal farmers and other small producers to build their own business enterprise that will be managed by professionals. Small Farmers Agribusiness Consortium (SFAC) is providing support for promotion of FPOs. Farmer Producer Organizations (FPOs) also referred as Farmers Producer Company (FPC) is a generic name for an organization of producers who produce agricultural produce. FPO is a registered body and a legal entity formed by a group of primary producers who claim chief shareholders in the organization. It deals with business activities related to the primary produce/product/related inputs and it works for the benefit of the member producers. Portions of profit are shared among the producers and the balance goes to the share capital or reserves. It has minimum shareholding members numbering 50 at the time of registration. However, the shareholding membership will have to be increased over a period of 3 years to a sustainable level (Krishna *et al.*, 2018) [7].

Methodology

The study was conducted during the year 2022-2024 in Kushi Nagar and Deoria districts of Uttar Pradesh. In Uttar Pradesh state comprised of seventy-five districts, out of this Kushi Nagar and Deoria district were selected purposely for the study to understand the ground reality of FPO members with respect to the issues in the FPO. Kushinagar district has 14 community development blcoks. Out of these two block was selected for the study which is Kasia & Padrauna. While, Deoria district has 16 community development blocks. Out of these blocks two blocks was selected for the study which is Desahi & Tarkulwa. A list of FPOs from selected blocks was prepared. From this list, three FPOs were selected for the study by random sampling method form each block. An equal number of FPO members was selected from each of the selected FPOs so as to make the sample size of 300. To select sample units, stratified random sampling method was adopted in each FPOs.

Results and Discussion

Here is a summary of the findings for each statement:

Table 1: Distribution of respondents according to constraints being faced in adoption of benefit/services of FPOs

S. No.	Constraints	Mean Percent Score	Ranks
1.	Inadequate credit facilities	88.12	V
2.	Lack of knowledge on subsidy by government on material inputs	90.32	IV
3.	High cost of inputs and services	93.65	III
4.	Power cuts	69.17	IX
5.	Adverse climatic conditions	67.71	X
6.	High commission charges	85.31	VII
7.	Lack of transportation facilities	87.46	VI
8.	Lack of market information and news	81.20	VIII
9.	Frequent price fluctuations	95.71	II
10.	Lack of scientific storage facilities	96.52	I

A perusal of the Table 1 indicate that the maximum number of the respondents. 96 mean score value with adopt a rank of first were agreed with the statement that “Lack of scientific storage facilities” is the common problem, followed by “Frequent price fluctuations” at ranks second, “High cost of inputs and services" at rank third, “Lack of knowledge on subsidy by government on material inputs" at rank fourth, “Inadequate credit facilities" at rank fifth, “ Lack of transportation facilities" at rank sixth, " High commission charges" at rank seventh, “Lack of market information and news" at rank eight, “Power cuts" at rank ninth, “Adverse climatic conditions" at rank tenth, respectively.

Suitable strategies for overcoming the constraints

A perusal of the table 2 indicate that the suggestive measures as stated by the FPO members can be placed in a rank order “Flexible sources of credit must be there "at rank first, “Government should provide transportation facilities" at rank second, “Providence of knowledge about value added products production" at rank third, “Contact from nearest KVK " at rank fourth, “Government/Agencies should provide training on new technologies to the farmers" at rank fifth, “Government should provide risk coverage for vegetable crop" at rank sixth, “Government should provide proper marketing facility" at rank seventh, “Demonstration of different scheme should be organized" at rank eight, “Government should focus on providing proper supply of electricity" at rank ninth, “Providence of skilled farm workers" at rank tenth, Respectively.

Table 2: Distribution of respondents for overcoming the constraints

S. No.	Suggestive measures	F	%	Rank
1.	Flexible sources of credit must be there.	290	96.66	I
2.	Contact from nearest KVK.	277	92.33	IV
3.	Demonstration of different scheme should be organized.	248	82.66	VIII
4.	Government/Agencies should provide training on new technologies to the farmers.	268	89.33	V
5.	Government should provide transportation facilities.	284	94.66	II
6.	Government should provide risk coverage for vegetable crop.	260	86.66	VI
7.	Government should provide proper marketing facility.	256	85.33	VII
8.	Government should focus on providing proper supply of electricity.	235	78.33	IX
9.	Providence of skilled farm workers.	220	73.33	X
10.	Providence of knowledge about value added products production.	280	93.33	III

Conclusion

In conclusion, the Indian agricultural sector faces several challenges, particularly for small and marginal farmers who struggle with issues like inadequate credit facilities, high input costs, and lack of proper storage and transportation. These constraints hinder their ability to compete in the market and adopt new technologies, limiting their productivity and economic viability. Farmer Producer Organizations (FPOs) offer a potential solution by providing a platform for collective action, enabling farmers to overcome these barriers through better access to credit, market information, and training. The study highlights the importance of addressing issues like poor storage facilities, price fluctuations, and inadequate infrastructure. Suggestions for improvement include enhancing credit access, providing transportation support, offering training on new agricultural techniques, and ensuring better risk coverage. By strengthening FPOs and implementing these strategies, the government can help small farmers improve their livelihoods, reduce post-harvest losses, and enhance agricultural productivity, ultimately contributing to the overall development of the agricultural sector in India.

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