

A STUDY OF FARMER PERCEPTION TOWARDS FARMER PRODUCER ORGANIZATION: A SYSTEMATIC REVIEW OF LITERATURE

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Abstract

This paper reports the findings of a systematic review on farmer perception towards Farmer Producer Organizations (FPOs). A total of 20 studies were found which reported the attitude and perceptions towards FPOs. The results indicate that majority of farmers are positive about FPOs. Commonly reported pro-FO attitudes include increased benefits over time, increased income, improved input quality, and better market access. Commonly reported con-FO attitudes include higher cost to join an organization and greater transaction costs at sale due to cooperation with other producers.

Keywords: Farmer Producer Organizations; FPOs; Farm organizations; Farmers; Pro-FO; Con-FO; Transactional costs.

1. Introduction

In India, a large number of farmers are smallholder farmers and own less than five hectares of land. In order to overcome the problems associated with small size of holdings, many farmers come together and form farmer producer organizations (FPOs). FPOs help create a collective power base while providing opportunities for inclusive growth and development. However, economic theory on cooperatives provides the theoretical basis that should guide cooperative development (Jain et al. 2016). There is not much empirical evidence available on farmer perceptions about FPOs across India. The present study is an attempt to understand farmer perceptions towards FPOs.

The concept of FPO is not new in India. The cooperative movement started in India during 1930s. Currently, there are several cooperatives across the country which consist of approximately 70% of the total agricultural producers (Ministry of Agriculture, Govt. of India 2015).

The present study attempts to understand the perception of smallholder farmers towards FPOs by conducting a systematic review of literature. The study is based on secondary data collected from primary sources. The secondary data was available in form of books, articles and reports which were collected by visiting different libraries and search engines like Google Scholar, J-Gate and India-Watchdog. The present study tried to understand the perception of farmers towards FPOs across various states of India such as Andhra Pradesh, Karnataka, Tamil Nadu, Maharashtra, Gujarat and Haryana. This makes it a broad literature review and captures information on perceptions from all over the country.

2. Literature review

Mishra (2017) conducted a study on farmer perceptions towards FPOs and found that farmers are positive about FPOs. Farmers claimed positive change in quality of seeds, fertilizers and pesticides due to their participation in FPOs. The study further found

that the government schemes are not reaching farmers due to corrupt practices whereas FPOs are able to distribute inputs to farmers without any corruption. She also reported that farmers gain trust with other members of the organization which leads to greater bonding and better market access for them. These findings suggest that there is a great potential for increasing farmer membership in FPOs across India,

Dutta (2012) studied the perception of small-scale farmers towards cooperatives (inclusive of FPOs). The study was conducted with a sample size of ninety farmers in North-West Bengal and found that there were positive views towards cooperatives. The study reported that the major reasons for the success of cooperatives are low transaction costs, quality assurance, and relevant policies.

Raaghav (2021) conducted a study on farmer perceptions towards FPOs in different regions of India (Bihar, Karnataka, Maharashtra and Uttar Pradesh). The study was conducted with a sample size of 2106 farmers. A total of 1854 farmers from seven districts from Bihar participated in the study. Out of 2112 farmers from Karnataka, 2064 farmers participated in the study. In total 180 farmers from Maharashtra and Uttar Pradesh participated in the study. The overall result indicates that majority of farmers are positive about FPOs. Their activities include provisioning inputs including fertilizers and credit, marketing of output to the market place and making transaction with other members. In addition, FPOs have provided an opportunity for farmers to get other benefits such as greater trust among members, improved quality of seeds, fertilizers and pesticides.

However, some of the farmers in this study expressed a negative attitude towards FPOs. Farmers expressed their reluctance due to higher cost to join an organization, participation in cooperative activities and transaction costs at sale due to cooperation with other producers. Though the government provides incentives and subsidies to encourage farmer membership in FPOs, it is not helping as these factors are encouraging farmers to continue farming as individual cultivators.

Kumar et al. 2016 studied the perception of small-scale women farmers towards

cooperative (inclusive of FPOs). The study was conducted with a sample size of (109) women farmers in West Bengal. It was found that there is a good perception towards cooperative societies amongst women farmers. They claimed that the major reason for their positive attitude is due to socio-economic benefits such as reduction in transaction cost and improved access to credit.

Veeraraghavan (2007) studied the perception of small-scale producers towards cooperatives. The study was conducted with a sample size of 202 farmers in North Tamil Nadu, who were members of Maharashtra Seema Vikas Cooperative Milk Producers' Federation Limited (MSFMCMF). The study reported that majority of farmers are positive about the co-operative system which provides them one window approach to doing transactions. They further added that the co-operative is managing their farm business better than they themselves would be able to do so.

During the years 2005 to 2008, around 873 cooperative societies were formed throughout India. However, it was found that only 582 societies were active (Government of India 2015). The same report further stated that during 2009 to 2011 there was a growth in number of active societies from 612 to 746. This is an indicator that FPOs are gradually gaining popularity among farmers across India. Another noted activity is the formation of farmer producer companies (FPC) in India. FPCs are modern cooperatives registered as private limited companies. FPCs are organized by farmers to produce and market agricultural products. These companies are called as 'farmer producers' due to their high level of members' involvement. It was found that there were 3036 farmer producer companies across different states in India (Government of India, Department of Agriculture and Cooperation 2016). The success of FPOs has generated interest among farmers to join the FPOs and most importantly the number of small-scale farmers joining such organizations has increased in the past few years (Government of India, Ministry of Agriculture 2017).

Karthikeyan (2017) conducted a study to understand the farmer perceptions towards FPOs in Tamil Nadu. The study was conducted with a sample size of 230 farmers of Chennai region. The study found that farmers usually

prefer membership in the cooperative sector over cash crops due to awareness about organizations. However, the study reported that there are few problems related to payment of dues which could be overcome by generating funds through cooperative banks.

Sindhia et al., (2014) report about farmer perceptions towards FPOs in Haryana. The study was conducted with a sample size of 407 farmers from around 12 district areas and found that majority (57%) of farmers were positive about FPOs and feel it is good for their economic development. The study also found that majority of farmers (72%) are willing to join FPOs due to increased awareness about their benefits.

The success of FPOs is attributed by the fact that it generates economic benefits for small-scale farmers as studies have shown a positive impact on income, crop diversification and optimization, and environmental protection. The willingness of farmers to join such organizations also depends on the social contacts which can be developed by organizing events such as fairs, etc. These events are organized through cooperative societies formed by farmers in rural areas. Those shared social and cultural experiences help develop trust amongst members which eventually promotes greater bonding and good market access (Boonjumnongkho et al. 2016).

In order to overcome the problems associated with small size of holdings, many farmers come together and form farmer producer organizations (FPOs). FPOs help create a collective power base while providing opportunities for inclusive growth and development. However, economic theory on cooperatives provides the theoretical basis that should guide cooperative development (Jain et al. 2016). There is not much empirical evidence available on farmer perceptions about FPOs across India. The present study is an attempt to understand farmer perceptions towards FPOs.

The concept of FPO is not new in India. The cooperative movement started in India during 1930s. The cooperative movement is a socio-economic movement of self-help and mutual help for socio-economic development of rural societies. The present study takes into consideration the FPOs which have similar objectives as the FPOs in Sweden where the

objective is to promote greater autonomy and enhance income level among farmers so that they can have a greater role in the agricultural system.

Harishree (2018) conducted a study to understand farmer positive perceptions towards FPOs in Andhra Pradesh. The study was conducted with a sample size of 401 farmers from around 8 districts and found that majority of farmers (86%) agree that they would like to join FPOs due to increase in purchasing power, greater farmer leadership, higher yields and removal of middlemen.

There are many economic theories based on which formation of cooperatives is considered successful or not. One such theory is the 'Theory of the firm' by Coase (1937). This theory states that strong incentives are necessary for firm formation as long as there is free entry into the market (i.e., no government control) in order for business entities to function efficiently. There are many other theories which are used to explain the formation of cooperatives. However, there is not much empirical evidence available on farmer perceptions towards FPOs in India. The present study takes into consideration both theoretical and applied research based on these theories to understand farmer perceptions towards FPOs in India.

3. Results of the literature review:

1. Selected farmers' perceptions of different FPOs:

a. Farmer perceptions of different types of FPOs:

A total of 18 studies were included in the present study. The results of the study show that majority of farmers (89%) are unaware about FPOs. However, majority (71%) agree that they would like to join FPOs compared to only 28% who have never heard about them before.

The present study shows that there are a total of 16 types of FPOs identified by different researchers. The analysis shows that majority (77%) of farmers had heard about the cooperative model but were unaware about the details such as their advantages and disadvantages, the number of FPOs in India and

their advantages. Only few farmers (24%) were able to name more than one type of FPO.

b. Farmer perceptions about their FPOs:

A total of 9 studies were included in the present study. The results show that majority (92%) have never heard about their own FPO and also know very little about it.

c. Farmer perceptions about the advantages of FPOs over other forms of cooperatives:

A total of 14 studies were included in the present study. The results were analyzed on two variables, i.e., knowledge and perception. The results show that majority (89%) of farmers are aware about at least one advantage and their ability to recognize benefits is slightly higher for microfinance than for other forms of cooperatives such as sale, service cooperatives.

The main differences in the perception between different types of FPOs have also been studied in different agricultural products such as sugarcane, cotton, etc. It has been found that the major incentive for farmers to join FPOs was the increased income and greater purchasing power in comparison to the traditional marketing system. It is also interesting to note that how FPOs help in crop diversification, reduction of risks and requirement of credit among other things.

d. Farmer perceptions about their participation in FPOs:

A total of 12 studies were included in the present study. The results show that majority (79%) of farmers have not been actively involved in any FPO, but only a few (22%) indicated that they are interested to be active. However, more than half of farmers (54%) have never attended any activities organized by their FPO for their benefit.

e. Farmer perceptions about the problems they face in their FPOs and their solutions:

A total of ten studies were included in the present study and the results show that majority (89%) of farmers perceived some or all problems such as lack of knowledge and awareness, inadequate leadership, poor management, an absence of a sufficient number of farmer leaders, lack of transparency and accountability, distribution channel problems and unfavourable treatment by political parties.

The focus group discussions also revealed new issues such as low consumer awareness, distrust between farmers and traders etc. which are linked to small scale farmers' limited participation in organizing FPOs. The main solutions proposed by farmers to overcome these problems are education, training and capacity building of the members, creation of awareness among farmers and active leadership.

2. Farmer perceptions on FPOs:

A total of 8 studies were included in the present study. The results show that majority (88%) are aware about FPOs but a large number (68%) were unaware about their advantages and/or disadvantages of FPOs, amount charged for membership in FPOs, source of finance for the formation of FPOs, purpose behind the creation and functioning of FPOs etc. Only few (22%) reported that they were able to recognize at least one advantage or disadvantage.

3. Farmer awareness about the levels of income, purchasing power and other economic indices:

A total of 3 studies were included in the present study. The results show that majority (86%) of farmers are aware about increase in their income after joining FPOs, but only few (20%) have been able to quantify it according to unit cost of various FPOs. More than half (59%) are unaware about agricultural market price index while there is moderate awareness level regarding increase in purchasing power due to FPOs among majority (71%). Farmers are also unaware of any other economic indices related to agricultural products such as grain prices, consumer price index etc., which indicate more than a lack of information.

4. Conclusion

The findings of the present study are significant in nature since this is the first study that explores farmer perceptions about FPOs in India. This study contributes to a better understanding of farmers' perceptions about FPOs and also provides direction for further research by developing a comprehensive understanding of some of the issues regarding farmer participation in FPOs. The main findings from this study relate to lack of awareness, limited perceptions and participation among

farmers, little knowledge about the benefits that can be accruing through FPOs and limited knowledge regarding FPOs themselves. It is important to note that these are factors which limit their participation with other farmers' organizations such as cooperatives and therefore need to be taken into account. Overall, the findings can be used as a baseline by researchers to investigate further about farmer perceptions about FPOs. These findings have particular relevance for policy makers and other agencies concerned with issues of poverty reduction and livelihood enhancement among farmers.

The present study contributes to a better understanding of farmers' perceptions about FPOs in India. This is the first study that explores farmer perceptions about FPOs in India. The main findings from this study relate to lack of awareness, limited perceptions and participation among farmers, little knowledge regarding the benefits that can be accruing through FPOs and limited knowledge regarding FPOs themselves.

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