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Farmer Institutions in India:Past, Present and Future

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Abstract

The purpose of the current study was to investigate the contemporary context to the evolution of different categories of farmer institutions evolved in India. The paper adopted Transaction Cost Economics (TCE)as the main theoretical perspective to evaluate the evolution of farmer institutions from welfare approach to economic enterprise model. The study is based out of secondary literatures and policy documents collected from authentic source. The study also conducted expert and practiotners interview involved in supporting farmer institutions. It was found that the welfare oriented farmer institutions has helped farmers to a limited extent and failed in transforming the existing institutions to match the expectations of modern value chain in agriculture. The evolution from welfare approach to enterprise model at present has been effectively linking small holders across the agribusiness verticals. The existing model of farmer institutions i.e. farmer producercompany is at its nascent stage and evidence revealed it has positive impact on farmers' income and transforming agriculture to a commercial level. The future of the farmer institutions is based out of effectiveness, resilience and sustainability which are possible out of continuous innovations in and out of framer institutions.

Keywords: Cooperatives, Farmers Producer Company, Farmer Institutions, Transaction Cost Economics

1. Introduction

Regardless of the level of development achieved by respective sectors; agriculture plays a crucial role in Indian economy. The sector bears the responsibility of catering the food and nutrition to the entire population. Featuring the contribution made by agriculture from becoming food deficit to self-sufficient, it is currently facing huge challenges.

The production system depends upon various factors such as climate, soil, inputs, irrigation, on time institutional credit, market, infrastructure and technology, skill and training, advisory services, policies and provision, institutional innovation and diversification for a better output and remunerative price for the producers.Mahendra Dev (2014) has observed that forward and backward linkages play a significant role in increasing the income. Changing demands of the customer with high value produces (Henson & Reardon, 2005) market competitions, institutional reforms and policies, and commercialisation in agriculture measures have not been sufficient to cover the problems of the marginal and small farmers.

With the course of changing time, marginal and small farmers face new challenges on integration of value chain, competitive market, market volatility and inefficiency, risk and vulnerability, adaption of climate change, lack of collective action, poor adaption towards commercializing and enterprising agriculture, post-harvest losses, and inappropriate supply chain network (Appraisal, 2012; Barham & Chitemi, 2009; Mahendra Dev, 2014; Thapa & Gaiha, 2011) Moreover, the farmer institutions during pre and post-independence have been evolved as institutional innovation for farmers, which have significantly contributed to the farm sector. However, these institutions continue with certain challenges in the emerging new dimensions.

Tracing the success and failure cases of farmer institution in India such as farmer cooperatives, i.e. welfare approach to till the amendment of Farmers Producer Company

(FPC), i.e. the ''New Economic Enterprises'', the institutional mechanism through its specified provisions such as emphasizing on increasing the production and productivity and strengthening collective power (Sarkar, 1986)through cooperatives to market integration and value chain development within existing institutions has paved the interest of farmers to a collective power.

Different scholars have contributed to the existing body of knowledge. Certain works commented on positive impact of farmer institutions in enhancing farmers' livelihood limiting to certain produces such as dairy, sugar, fertilizer, credit. However, the overall picture of the contemporary context in the evolution and development of farmer institutions has not been painted. This paper presents an evolution and development of farmer institutions in India in different contemporary contexts, particularly in the light of the need to strengthen market access for marginal and small farmers. The paper also brings the critical gaps by examining the challenges and way forward.

While the evolution of different farmer institutions may have social, political and economic functions, this paper focuses on economic function, and it uses Transaction Cost Economics (TCE) as the main theoretical perspective. Farmer institutions act as a collective organisational solution for high costs that farmers normally encounter in buying farm inputs and selling farm produces. To encounter the critical gaps and challenges in the evolution of farmer institutions in India, the paper raises following research questions: a) what are the contemporary contexts to the evolution of different categories of farmer institutions evolved in India?; b) what are various critical gaps, which led to evolution of one farmer institutions over others across the period?

The paper proceeds as follows. In the next section, we present the theoretical framework. In section 3 we explains the methodology of our study, Section 4 document the phases of evolution of farmer institutions in India and bring the contemporary context to the evolution and critical gaps by synthesising the existing literature on challenges on farmer institutions in India. Section 5 discusses the findings and suggestion for future research.

2. Theoretical Framework

The study focuses on the evolution of farmer institutions in India which aims at strengthening the collective capacity of farmers, linking them to markets. The study use Transaction Cost Economics as theoretical framework. The transaction is determine by the extent of cost involved and thereby determine the most efficient governance structure for the transaction (Williamson, 1985). The hypothesis of the framework expressed that economic organization is an effort to align transactions, which differ in their attributes, governance, costs and competencies.

Farmer institutions have been hypothesised as hybrid governance structures that reduce the transaction costs that marginal and small farmers face while buying inputs and selling their produce and products to sellers and traders (Hendrikse & Bijman, 2002). The transaction costs are higher because farmers are in a collective platform and aggregate their produce, lack of access to obtain market information, low bargaining power and higher constraint in accessing credit and technical support. While it is true that farmer institutions have also social and political dynamics leading to multidimensionality in benefits but the paper directly focuses on the economic function for which the institutions have evolved and benefitted the marginal and small farmers to such extent. With two sets of functions a) support in agricultural production through connecting to market for accessing farm inputs; b) support in marketing of farm produce and products, the farmer institutions has different roles. The extent of support provided depends upon the capability and resources within the institutions. The institutions also have governance and political functions, leading to multidimensional benefits. This paper exclusively focuses on the socio-economic services. Socio-economic services helps farmer in increasing agricultural production, aggregation and marketing of agricultural output(Shiferaw et al., 2011).Usually the small farmers face constraints and challenges across the production and marketing channels. Through literature reviews and field observation we have summarize in table 1 the various production and marketing challenges address by different farmer institutions.

Table 1.Different level of activities farmer institutions deal with marginal and small farmers

Challenges faced by marginal and small farmers	Collective actions through farmer institutions as potential solution
Production stage	
• Lack of on-time access to agricultural inputs	• Supply on-time inputs through enterprise model
• Lack of access to quality information, techniques and methods	• Train and create community leaders who provide extension services.
• Lack of access to on-time irrigation	• Collaboration and linkage with government department and develop bore-well and micro irrigations for water use efficiency.
• Lack of access to risk coverage services	• Convergence with private organisations and develop risk coverage products at institution level.
Marketing Stage	
• Lack of remunerative price and low bargaining power	• Link farmers to modern value chains and enhance bargaining power.
• Lack of access to market	
• Asymmetric information on price	• Connect farmers with institutional buyers with actual and perfect information.
• Inadequate infrastructure	• Provide adequate infrastructure such as storage, transportations, processing facilities
• No proper linkages and collaboration	• Facilitating coordination with institutional buyers, vendors and contractors.

Source: Authors compilation based on field observation and secondary literature.

2.1 Support in Agricultural Production

Agribusiness aspects become an important market mechanism for commercializing agriculture and transforming agriculture. It refers not just to sell farm produce but also to source quality inputs, credit, farm implements and machinery, labour and infrastructure. The cost is comparatively high for marginal and small farmers who use market mechanism (Poulton et al, 2010).However, collective actions may be a favourable strategy for realizing economies of scale. Facilitating quality of inputs and services has been one of the main economic functions of farmer institutions. Farmer institutions access input for farmers through bulk purchase(Kaganzi et al., 2007), technical support, credit, extension services where studies have found it more effective driver to provide various services to farmers(Dorward et al., 2004; Markelova et al., 2009).

2.2 Support in Marketing of Farm Produce

Access to market and getting remunerative price for farm produce is a critical challenge faced by marginal and small farmers. The constraint of Small farmers participation in market have found to be with high transaction cost due to lack of aggregation, lack of collective actions (Gulati & Saini, 2016; Mahendra Dev, 2014). High transaction costs are result of smaller farm size, weak bargaining power, lack of market information, poor infrastructure to store perishable produces(Abebe et al., 2016; Gulati & Saini, 2016). Collective actions among farmers enabled to pool resources and use it in an effective manner to overcome the risk, to realize economies of scale(Singh, 2008; Staatz, 1987). With changing market the problem of transaction cost also becomes crucial across the supply chain. In the modern retail chain, the demand for quality produces also increases. As a result, the need of investment in infrastructure and assets also increase, which make farmers vulnerable to market risk. The development of vertical coordination across value chain through collective actions within new age farmer institution incentivises the farmer groups. Studies by (Murray, 2008; Narrod et al., 2009; Singh & Singh, 2013)found that farmer institutions in India are successful in improving the conditions of farmers and linking them to modern value chain.

3. Methods

The paper is based on several data source. The study aggregated quality literature on evolution, challenges and prospects related to farmer institutions in India from scopus and web of science indexing site. Secondly the literatures were segregated on the basis of timeline of their publications. The study also conducted experts and practiotners interview and discussion who are involved in supporting farmer institutions and farm based livelihood. Besides, the study collected all relevant policy documents from government authentic source. The secondary data were collected from authentic websites.

4. Evolution of Farmer Institution In India

Association of farmers and farming community is an integral part and age old practices with in many native community. Particularly, the association of farmers group has left many exemplary scenes for the Indian economy and for the researchers to explore more on it. Policy and governance and special committee have been entrusted, resulted to establish and origin of farmer institutions for farming community to overcome the challenges they face. National consciousness of Indian leaders and policy makers gave birth to concept of cooperation for development at a whole not for individual. Since 2500 BC there had been FI's existences during the beginning of early civilization to cooperative society and non-government organisation in early 1900's to new generation cooperatives in 2000's.

Farmer Institutions (FI's) are cluster of farmer group working towards common goal with collective responsibility. Farmer Institutions in India is in different forms have been operating since many decades. Various evidences from historical perspective reveal that different farmer institutions like peasants' society in Mohenjo-Daro and Harappa, champaran and Ahmednagar, informal credit lending groups or Arthiyas are governed under Mughals, Hindus and further by feudal system under colonials.Empirical studies from International Institution on development like World Bank, FAO, CSR support, Donor agency, governmental support has subjected the impact of FI's on marginal & small farmers through intervention of program, policies and schemes.Broadly the study has categorised the farmer institutions in to two broad approaches. 1) Welfare approach 2) Economic enterprise approach.

4.1 Farmer Institutions as Welfare Approach

Set of farmer institutions evolved under welfare approach. These institutions are Farmer cooperative society, Self-help group and Farmers club or Farmers Service Society. These institutions were established to improve the growth of agriculture sector and the rural economy through community based and self-help mechanism.These institutions aimmeasurely with poverty reduction, self-sufficiency and upliftment of rural economy. Institutions wereestablished under guiding thoughts of socialism and were categorized by state and central control and coordination and ownership (Rahmato, 2002; Emana, 2009).

4.1.1 Farmer Cooperative Society

Cooperative derive from Cooperation got its special provision as a state subject under Montague-Chelmsford reform in 1919 to Government of India Act in 1935 and further enacted as Multi-Unit Cooperative Society in 1942. Cooperatives stood as a core value of cooperation among Indian society. Understanding the condition of Indian farmers and Indian agriculture after independence, cooperative became an integral part of five year plans.

Cooperative society is an organisation of cluster of people working towards common goal with collective responsibility(Kumar et al., 2015)for needy, underprivileged and particularly among rural agricultural household. International Co-operative Alliance in1995express cooperatives as autonomous association of person united voluntarily for economic, social, cultural needs keeping core values for jointly owned and democratically controlled enterprises. Being constituted with welfare approach, not as a profit making enterprises cooperative hold seven core values of self-help, democracy, equality, equity, solidarity, limited interest on share capital and awareness and education.

The idea of cooperation induced different forms of model (Cooperative Planning Commission, 1946) for farming such as 'tenant farming society' which proposed on leasing the land where the member of the society become the tenants and cultivate the land given to them individually. Second is the 'better farming society' proposed for the promotion of some technical and advance mechanism extended with economic benefit. Third one is the 'joint farming society' where pooling and joint allocation of land, resources and labour retaining their land rights. The return had to be distributed in proportion of resource contributed by member. Lastly, the 'collective farming society' in which the either lease in land for joint cultivation or by pooling the landholdings of member and individual ownership is surrenders to the society. The members are entitled as wage earners. Looking to practicality of the different model of farming, only collective farming cooperative society exist and operate in India, whereas the other three does not represent its significance(Agarwal, 2010; Ebrahim, 2000)in cooperative structure. Further (Planning Commission of India, 1956) define cooperative farming as an institution of commonly pooled and jointly managed resources.

Initially, cooperative society in India evolved with bottom-up approach occupying an important place among its member. Members were bearing core principle along with the external support transform socio-economic conditions of the rural population. It has inbuilt advantage to overcome the problems of poverty, food insecurity and unemployment. Dulfer (1974) expressed that there is hardly better organisational structure to achieve the dual goal of social and economic development, but final success depends on the level of operational efficiency and autonomy.

Cooperatives in the first few decades after independence played foremost role in successfully bringing green revolution where it had created a network of backward linkage in extension, seed, credit, pesticides and fertilizer. Across the green revolution, some successful cooperative got established like IFFCO, KRIBHCO and NAFED. Simultaneously through operation flood 'Gujarat Cooperative Milk Marketing Federation Ltd' successfully workout as a resulting to world largest milk producer. India has large number of cooperative in a vast range, but very few successes can be replicated and cooperative remain constraint only in the Western & Central India which was argued mostly due to the enterprising farming community(Baviskar & Attwood, 1991).

Pervasiveness of business society and policy reforms demand for prerogative and efficient strategy, where cooperatives can attain economies of scale. Cooperative as an institution is considered to have enormous potential to deliver goods and service at locally and globally.(Kumar et al., 2015) expressed that cooperatives, except a few larger one, are local institutions addressing local needs, employing local talents, controlled by local leaders.

Analysis on some of the cooperatives which proved to be successful is due to strong operating system of the business and organising structure rather than focusing on charismatic leadership, developing social capital, repressive policy and legal environment. Cooperative visionaries such as Mohan Dharia, LC Jain, Verghese Kurien express that farmers cooperative can overcome in a better way if policy and legal environment becomes more liberal and nurturing rather than paternalistic, repressive and dominant. Consigning to negative force within cooperative, it is poised that with catalytic support cooperative can be viable, self-sustained and free from external interference. It is empirically found that there was a positive role of cooperative in improving livelihood of farmers sustainably limiting only to certain produces(Kumar et al., 2015). Collective effort with catalytic role let farmers to achieve environmental resilience and economic prosperity with complete integration of backward and forward linkage towards members of the society.

Consequently, many cooperative farming societies were formed due to stringent land reform law, found to be defunct and had membership by non-resident(S. Deshpande, 1967; S. H. Deshpande, 1977; Laxminarayan & Kanungo, 1967). Certainly, it does not contribute minimum labour, unorganised way of maintaining records and manipulating the finance, which void the principle of cooperation. Diagnosing, the situation of cooperative in India, LC Jain and Karen Coelho in 1996 expressed in the 'Wake of Freedom' India's tryst with Cooperative is not an ideology but is a practical wisdom. Henceforth, principles and values of cooperative are more important in practical ground for farmer who values it rather of theoretical principles.

Successful model from cooperatives such as Gujarat Milk Cooperative of Anand, Sugar Cooperative in Maharashtra, Nanritam seed cooperative in West Bengal, Mulk-e-noor Marketing Cooperative Society in Karimnagar, Telengana show how efficiently they were managed to grow in wake of India's economic reform. Despite their irresistible importance in India's rural economy, most of rural cooperatives are not physically and financially viable. Majority of the cooperatives were driven by elite class, political interference and lacks decision making among members, who are although marginal and small. The consciousness of cooperative movement fed among Indians due to core development mechanism in the changing global scenario. Cooperatives were lacked to transform and functioned as commercial enterprises which in a long run could benefit the farmers and contribute to the economy. Cooperatives in India account for 98 per cent of all rural household constituting 8.54 lakhs cooperatives of all type with 290.06 million memberships (Cooperative Union of India, 2018).

Why Large no of Farmer cooperatives Society failed?

With the changing economic scenario which has to keep its pace within market and consumer mind, traditional cooperatives have been unsuccessful. Diagnosing the changing needs, absorb price risk, linking producers collective to the market and giving them economies of scale have perhaps missing. Several weaknesses hinder the operations of cooperatives leading to its unprofessionalism.(Farina, 2002) conveyed that agribusiness cooperative role was not only to procure and sale at a superior price but also to give producer to adapt a new pattern and higher level of competitions. Venkattakumar and Sontakki (2012) had reported that cooperative as a farmer institutions provides an opportunity to the farmers to get organised themselves in the supply-chain.Veerakumaran (2007) reported cooperative faced multiple constraints, such as involuntary membership, lack of leadership capabilities, lack of transparency in governance and politically established price for farm produce and internal consumption. Due to with drawl of government support, the institutions had faced capital constraint and high competition.Singh (2008) reflected that cooperatives are different organisation in terms of philosophy and way of functioning. Its role is to build an edge between farmers and inclusive market, manage risk through diversification and promote economic democracy at grass root level. However, cooperatives failed to link small farmers to global market. Cooperative philosophy evolved as bottom-up approach but political interference and bureaucratization made cooperatives to function top-down approach and resulted to plague of cooperative sector in India.

4.1.2 Self-help Group

It is a small group of individual members who voluntarily come together and form an association for achieving common goals. SHGs are small in size with membership ranging from 10 to 25 members homogenous groups having certain social binding factors. They perform to manage the common pool resources such as watershed irrigation, plantation, wasteland agriculture, providing basic amenities in school, health care centre, mid-day meals, saving and lending credit facility. SHGs have become the vehicles of delivering micro-credit to the poor across the world and gain its popularity among rural women groups. Credit lending was for production purpose through enterprising rural folks.

In 1992, NABARD in consultation with RBI launched bank linkage program to institutionalise innovative participatory and self-sustaining credit delivery system among rural poor. SHGs have been functionalising under many flagship agency like National Rural Livelihood Mission. NRLM proposes to reach out to 600000 villages in India. 463.6 lakhs households have been mobilized into 39.3 lakhs SHGs as of January 2018.

It emerges as a cost effective mechanism for providing financial services to the unreached poor, which has been successful in exercising enterprising ability by giving economic and social gain leading to empowerment. The SHG imprints a good impact on members, by enabling them to save their hard earned money and repaying the loan amount regularly. The SHG helps to create economic and social capital among the folk in the same culture. The coordination and communication among group is very important in order to make them vocal and have a cohesive stance in different matters. SHGs like Kudumbashree in Kerala, SEWA in Gujarat and Mission Shakti in Odisha have immensely been contributing towards economic as well as social development of the resource less farmer group. Success of Kudumbashree has been adopted and replicated by government in Kerala.(Sundaram, 2012) Bank Linkage Programme is emerging as an effective mechanism(Reddy & Manak, 2005)for providing financial services to the unreached poor which empowers them collectively to strengthen their economic and social backgrounds. There are different challenges and problems faced by SHGs in India related to (Bhattacharya, 2014; Harish, 2012)fund mismanagement, elite capture, decision overloaded by family and peer pressure and political capture for vote bank which has brought a fear and pressure on funding agency and decline trust worthiness among the group.

4.1.3Farmers Club or Farmers Service Society

Realising the intricate issue borne through cooperative structure, NABARD soon after its formation launch "Vikash Volunteer Vahini" program for development of farmers through credit enunciating 'panchasutra' among farmers. It helps in strengthening the banker borrower relationship, increasing the credit flow through diversification and business avenues. Presently there are1,43,032 Farmers Club more or less contributing to all round development of farming community (FSDD, NABARD, 2015). But despite such incredible effects, farmers face many constraints viewed by experts at Banker Institute of Rural Development in 2014 low bargaining power, service constraints, market competitions and low risk taking ability.

As a result of challenges, it plagues government control Cooperative, SHGs and Farmer Club in India. Several bodies of scholars, researchers, academicians demands for a new institution through legislation, that can check the economic failure, improves the efficiency, provide more autonomy, and free it from political clutches and bureaucratic controls. Being more of welfare orientated has brought hindrances in the economic growth of farmers group and NGOs which develops fragmented thoughts. In 2014 it was proposed to corroborate all Farmers Club in to a federation and convert it to Farmers producer Company due to the closure of the respective scheme.

4.2Economic Enterprise Approach

The New Economic Enterprise came up with the gap and constraint borne under the former farmer institutions which fails to develop a strong value chain across the verticals in agricultural production and marketing of farm produces. The farmers' cooperative, SHGs, farmers club was plagued to capitalize themselves in the changing and emerging agribusiness environment. Legislating special provisions in to companies act 1956; 2013, the government of India came up with Farmers producer Company. Farmers producer Company proposed to be new economic enterprises tends to strengthen collective power through market integration and value chain development.

4.2.1 Farmers producer Company

Farmers producer Company as per Part IXA Section 581C of farmers producer Company Act 2002 under Companies Act, 1956:2013 with collective efforts of marginal and small farmers determines to retain a sustainable outcome through institutional innovation as specified by World Bank in 2008 and developing competitiveness from market failure(Shah, 2016).

Farmers producer Company under Y.K Alagh Committee in 2002 is an instrument that brings the marginal and small farmers in to collective action for enterprising agriculture with provision of aggregation and marketing paved the way to incorporate Producers Company(Singh, 2008).Farmers producer Company as New Generation Cooperative (Singh, 2008)known as Hybrid Company carries the attributes of cooperative society and private ltd company (Dwivedi & Joshi, 2007). Singh (2008)proposed that such organised system needed for sharing services by absorbing price risk through diversification, amplify the political voice of small holder, reduce the marketing cost through value addition and accessing farmers to market, improve income, manage risk, access to capital market and ensuring economic stability(Hellin et al., 2009).

A total of 7217 Producers Company have been registered in India and promoted by various agencies like NABARD, Small Farmers Agribusiness Consortium (SFAC), Agriculture Department of different state government and voluntary organisations. The Producers Company have been supported in different forms including grant support, capacity building, market linkages and mobilisation. It has been reported that the number of registered FPCs has significantly increased during the period 2004 and 2019. However, the growth of FPCs in its initial phase, i.e., from 2004 to 2012, was found to be abysmally low (Figure 1). The sluggish growth of FPCs from 2004 to 2012 as shown in figure 1 might be due to low acceptance and awareness of business perspective among marginal and small farmers organisations and a few facilitating agency to provide hand holding support, financial grant apart from NABARD. However, the number of FPCs has significantly grown since 2013 (Figure 1). The inducing factors for such fast growth of FPCs are considered to be as under: (a) the newly initiated financial grant support called as 'Produce fund' by NABARD to FPCs. This also include financial support to Producer Organisation Promoting Institutions (POPI) for nurturing and mobilizing producer groups; (b) the new government schemes such as RKVY and Mission for Integrated Development of Horticulture were also extended in align with FPC promotions; (c) SFAC as a nodal agency to promote FPC, it had extended equity matching fund and credit guarantee schemes to the producers company as financial compensations; (d) there was an increase in number of FPCs during 2019 onwards might be due to central government increased support to FPCs promotion through the union budget 2018-19, 2019-20 and 2020-21.

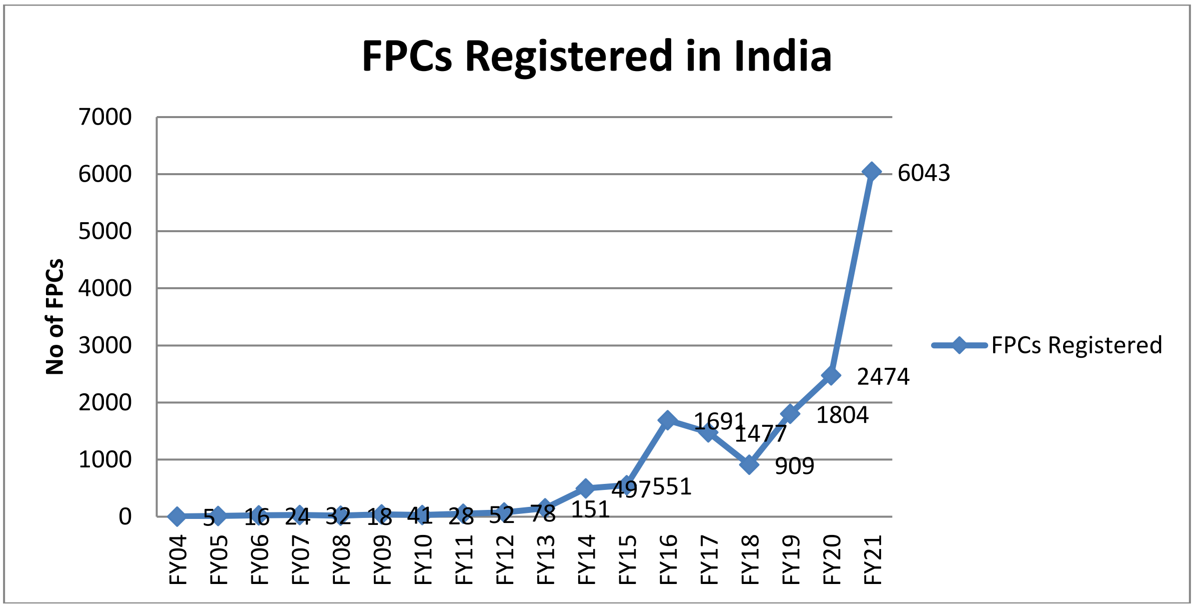

Figure 1. Number of FPCs registered from 2004 to 2021 in India

Source: Compiled data from Annual Report NABARD 2021, Annual Report SFAC 2021 and Ministry of Corporate Affairs, Govt. of India.

Discussion

In understanding the evolution of farmer institutions in reducing the transaction costs, there has been distinction between two sets of farmer institutions under welfare approach and new enterprise approach. The role of farmers' cooperative, SHGs and farmers club have been more limited towards distributing of farm inputs and services at community level and carry the philosophy of community development as a whole. Transformation of marginal and small farmers agriculture to reduce poverty and increase food security requires strong institutional framework and ability to facilitate farmers access to input and output market.Even though there has been impressive growth of farmer institutions as welfare approach but the institutions were found to be under certain critical challenges such as low member participations, dependence on supporting organization, weak leadership, lack of working capital, poor attitude towards taking up their farm activity to a commercial level. From the expert discussion and filed interview it was observed that these organizations has over dependence on supporting organization, government institutions, weak internal governance and low economic viability within these sets of organization. The transaction cost of dealing with supporting in agricultural production and marketing of farm produces has been observed not to be viableand resulted in higher production costs, marketing and carriage cost.

The above critical gaps were the primary reasons towards the evolution of farmer institutions to new economic enterprises. The farmers producer company as discussed above is at its nascent stage of establishment and development. Producer Company is an integral part of present agriculture system and expected to play important role in strengthening commercialization of agriculture.Certain of the conceptual and policy paper have cited that value addition and diversification can significantly contribute towards transformation and raising agricultural growth and minimise the transaction costs (Mahendra Dev, 2008). Attributing important features of entrepreneurship to marginal and small farmer with collective actions, the existing provision within producers company are weak to carter for flexible operations. Majority of FPCs across the nation have been struggling for its basic stability in terms of coordination, share value contribution and professionalism (Dwivedi and Joshi, 2007; Singh, 2008). Even the existing provision of FPC has not been able to benefit the producers in safeguarding a sustainable outcome in their socio- economic progress. But in the long run by including certain new provisions like value addition, innovation, risk coverage, collaboration & linkages and strong internal institutional governance across the production and marketing stages can be viable in minimizing the transaction costs and economically feasible. Experts and literatures reported that innovation with risk bearing is seen as a main driver of productivity growth in agriculture, which is an important part of sustainable production and meeting economic sustainability focusing on profitability, productivity and market orientation. Although innovation is a complex process and hard to measure but it plays an important role in growth. Studies posit that education influences the farmers on adoption of innovation which is driven by various external factors like skill, knowledge and credit accessibility. Innovation and risk an important attributes of entrepreneurship, where the present study deals with Farmers producer Company aimed as new economic enterprises. Innovation considered being a knowledge system need practical application base and it has to be across all level and among the stakeholder at farm, production and marketing level. Adoption and application of innovation aim at price risk reduction, decreasing cost of production and giving enhanced income.

Conclusion

There has been a structural change in the agri-food system due to urbanization, change in consumer preferences and globalization. It has led to the emergence of stronger value chain. The farmers associating with different forms of farmer institutions has been helping them to benefit from new market opportunity, increase the bargaining power and reduce the transaction cost. Small holders' involvement with welfare oriented farmer institutions such as cooperatives, SHGs, farmers club hadbenefited them in socio-economic upliftment to certain extent. But in long run it fails to match the needs of the modern value chain and holds a political and beaurocratic control. Moreover, they fail to transform themselves in to commercial organization. The evolution from welfare model to new enterprise model especially, farmers producer company have been the ultimate solution at present to effectively linking small holders across the agribusiness verticals. Producer company is playing a significant role but it is at its nascent stage but seems to have a positive impact on farmer income, agricultural commercialization and rural livelihood. In long run particularly, the potential provisions mentioned in the discussion section are much important and crucial for the effectiveness, resilience and sustainability of the farmer institution.

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