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STUDY ON MARKETING CHANNELS AND MARKET READINESS OF FARMER PRODUCER COMPANIES (FPCs) IN TELANGANA AND KARNATAKA

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ABSTRACT

The present study aims to highlight the role played by Farmer Producer Companies (FPCs) in handling and doing the business of agricultural commodities, market intervention in the value chain to increase the share of producer in consumer rupee. Against this backdrop three FPCs in Telangana state and two FPCs in Karnataka state were purposively selected since these FPCs were promoted by the same promoter. A set of pre-tested schedules were used to collect pertinent data from farmer shareholders, FPC staff members, promoting agencies, other stakeholders of FPC, other farmers, commission agents, traders , processors and retailers. The highlights of the study were the sample FPCs were involved in direct marketing and handling single commodity i.e. red gram. The marketing channel of red gram currently followed by sample FPCs was Farmers – Farmer Producer Company - Traders - Miller – Wholesaler – Retailer – Consumer.

KEYWORDS: Farmer producer companies, Market readiness, Value chain, Marketing channel.

INTRODUCTION

The number of intermediaries in the structure of agricultural market limits the price realized by the primary producers to the lowest possible in the supply chain. At a time, when the country has been witnessing all round economic growth, naturally the farmers aspire for prosperity from agriculture in the similar lines. Cooperatives concept is one of the options available for the farmers to get organized themselves to move up in the value-chain and having business ownership. The below-par performance of cooperatives except for certain commodities *viz*, milk and fertilizers, led to the emergence of 'New Generation Cooperatives (NGCs)' with advanced member-friendly profile.

Ironically, the concept of NGCs too could not overcome certain pulling factors. One of the main questions in addressing farmers market access capability is as to how to improve their competitiveness. Second important issue is the lack of power and negotiation capacity of most of the small farmers in their relationship with down stream agents. All these issues can be dealt through farmers organizations and collaborations (Singh, 2008). Most of the FPOs are either simple farmer producer aggregator functioning to increase their share in the consumer rupee or work to eliminate one or two intermediaries from the supply chain (Shylendra, 2009). Despite several success stories, marketing still remains a challenge.

OBJECTIVES OF THE STUDY

1. Market readiness of farmer producer companies in terms of products and volumes.
2. Map the current value chain with existing FPOs value chain.

METHODOLOGY

A list of 445 producer companies including cooperatives were identified based on secondary data available from Small Famers Agribusiness Consortium (SFAC) website. From the data obtained, producer companies are classified based on the various promoters involved in it. There were totally 8 FPCs in the state of Karnataka and 9 in the state of Telangana promoted by several promoters. Taking into consideration of time and resources five FPCs (two FPCs in Bijapur district of Karnataka state and three FPCs in Mahabubnagar district of Telangana state) were purposively selected. A set of pre-tested schedules were used to collect pertinent data from farmer shareholders, FPC staff members, promoting agencies, other stakeholders of FPC, other farmers, commission agents, traders, processors and retailers.

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Market Readiness of FPCs in terms of products and Volumes

The market readiness of FPCs provides comprehensive understanding of FPCs ability to handle products and volume of business. This capture market opportunities and addresses changing market (Javier and Cavero, 2012).

Products Handled

Since all the FPCs are promoted by the same non-governmental organisation (Access Livelihood Consultancy) the major decisions taken were quite similar in all FPCs. The common crops cultivated in the study area during kharif under rain fed conditions are redgram, groundnut, sunflower, pearl millet, maize and castor. Though there are 4 to 5 major crops cultivated in the study area during kharif season, FPCs limited their operation to redgram. This is because most of the farmers in the study area were growing redgram.

Presently, redgram is the major farm produce procured and sold by all the selected FPCs. The other reason for FPC handling a single commodity is the fact that it is in the initial stage of establishment. It is quite obvious that it is difficult to handle many commodities which require huge capital and man power. The other reason behind single commodity business is the risk that lies behind maintaining quality of the produce like groundnut and cotton which needs specialized structures to store and maintain quality.

Volume of business

Market readiness of the farmers through FPCs exhibited different scenarios. Normally, the presence of FPCs provides a particular mechanism while procuring and arranging for sale. So the farmers were convinced about the probable benefits they are going to receive once they become members of FPCs. It is only two years since the FPCs have been registered; the data shows certainly that there is an element of enthusiasm by members to sell their produce through the FPCs.

It is observed from Table 1, that in 2013 the produce of red gram that was brought by FPCs was of 180 tonnes, 190 tonnes, 180 tonnes, 127 tonnes and 120 tonnes for Angadiraichur Farmers Services Producer Company Limited (AFSPC), Kodangal Farmers Services Producer Company Limited (KOFSPC), Hasnabad Farmers Services Producer Company Limited (HFSPC), Jalwad Farmers Services Producer Company Limited (JFSPC) and Kalkeri Farmers Services Producer Company Limited (KFSPC) respectively.

In 2014 there was a uniform reduction in the quantities that was brought for the sale with the reference to all FPCs barring Kodangal Farmers Services Producer Company limited. This was mainly due to two reasons. One is only15 percent – 30 percent of the red gram grown by farmer share holders of the companies only brought their produce to the FPCs, others preferred to dispose the produce on their own. The financial commitments of the farmers to the non institutional financing agencies like money lenders, relatives might have compelled them to do so. Another sound reason was the price line that prevailed in 2014 was similar to that in 2013 which was not all that encouraging leading to the reduction in area.

A point to be highlighted here is that all the farmer members were well convinced about the role that FPCs played in their lives but those initial hiccups played their role that could be observed from the percentage of produce brought to the FPCs as detailed in Table 1. .This scenario will be changed once the farmers get to used to this new system in the coming years. However, the FPCs must redefine new ways of marketing and handling the products rather than just a follower of established marketing practices.

Map the current value chain with existing FPOs value chain

Marketing channels provides detailed information regarding flow of redgram through different channels in the study area. The important link in the marketing of redgram is the regulated market. Most of the crop output is sold either directly by the farmers or with the help of village traders, produce flows to millers through the regulated market. Village traders were also found to have a lot of variation in their mode of operation. In some cases, they were approaching the farmers, while in others they were operating through their own collection centres i.e. local private markets. As redgram is consumed in the dal (split) form; the millers have an important presence in the marketing of the pulses. In order to ensure smooth supply of raw material for the dal mill, some of the millers have vertically expanded their operations by participating in the marketing of pulses as traders.

Table 1. Volume of red gram sales business done by FPCs for two years

Year	AFSPC		KOFSPC		HFSPC		JFSPC		KFSPC	
	Qn (tn)	Amnt (lkhs)	Qn (tn)	Amnt (lkhs)	Qn (tn)	Amnt (lkhs)	Qn (tn)	Amnt (lkhs)	Qn (tn)	Amnt (lkhs)
2013	180	77.40	90	38.70	180	77.40	127	54.61	120	51.60
2014	136	73.49	127	69.97	107	56.67	102	53.92	110	58.15

Though there are many marketing channels exist in the study only few were operating efficiently and most of the produce was found to be flowing through channel I and channel II.

(i) Farmers – Commission Agent – Trader – Miller – Wholesaler – Retailer – Consumer.

(ii) Farmers – Farmer Producer Company – Traders – Miller – Wholesaler – Retailer – Consumer.

CONCLUSION

All the FPCs identified in the study area were doing direct marketing and handling single produce. They were handling red gram as their business because most of the farmers in the study area were growing redgram due to prevailing rainfed condition. Due to financial commitments by farmer shareholders of FPCs there was reduction in the volume of the produce handled by all the FPCs barring Kodangal Farmers Services Producer Company limited in 2014 compared to 2013.Taking the consumption pattern of redgram in the form of dal, millers have an important presence in the marketing channel. Exploitation by commission agents was reduced in the study area as FPCs are arranging centers for buying of redgram from farmers shareholders and selling to traders cum millers. This increases producer share in consumer rupee.

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