



## CHALLENGES IN HINDERING THE PERFORMANCE OF FPOs IN ANANTAPUR DISTRICT

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### ABSTRACT

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The purpose of the study is to find the challenges hindering the performance of FPOs. The study was carried out with the members and the Board of Directors from the FPOs in Anantapur District of Andhra Pradesh. Five FPOs were selected randomly selected by using simple random sampling method for the purpose of the study. Total of 100 respondents, covering of five FPOs in the Anantapur district of Andhra Pradesh were selected. In India small holder farmers are suffering with market uncertainties as most policies and institutional supports favours large and progressive farmers and smaller farmers are devoid of them increasing wider gap between producers and consumers. Farmer Produces Organization plays an important role in promoting and strengthening member based institution of farmers. FPO's links smallholder's farmers to local, regional, national and international markets effectively. FPOs which are formed as Farmer Producer Company (FPCs) allow its member to access financial services, technical services, market oriented, economic and extension services and other input services. Prices in the local market and price fluctuations in the market are influenced by seasonality, and during the off-season, market prices significantly decline due to improper market connections and price erosion are some of the constraints faced by the FPOs.

**KEYWORDS:** Farmer Producer Organisations (FPO), Challenges, Performance, Simple random sampling.

### INTRODUCTION

Small holder agriculture is argued to remain important for economic development and poverty reduction in developing countries, but its development is challenged by the need for institutional innovations to overcome market failures. There is a renewed interest from donors, governments and researchers in cooperative producer organizations as an institutional vehicle to improve smallholder agricultural performance, particularly through improved market participation. Small holder producers participation in market-oriented production holds potential for diversifying their incomes and increase agriculture productivity, hence promoting food security and poverty eradication. With numerous farming problems in developing countries, low agricultural productivity has negative effect on the economic welfare of the rural population. Farmers organizations have been suggested as a key tool to improve the living conditions of the resource-poor farmers in developing countries. Farmer groups are important institutions for transformation of small holder farming, increase productivity and income, thereby reducing poverty.

Farmers Producer Organization (FPOs) are essential institutions for the empowerment, poverty alleviation and advancement of farmers and the rural

poor. Politically, FPOs strengthens the political power of farmers, by increasing the likelihood that their needs and opinions are heard by policy makers and the public. Economically, FPOs can help to farmers gain skills, access inputs, form enterprises, process and market their products more effectively to generate higher incomes. By organizing, farmers can access information needed to produce, add value, market their commodities and develop effective linkages with input agencies such as financial service providers, as well as output markets. FPOs can achieve economies of scale, thereby lowering the costs and facilitating the processing and marketing of agricultural commodities for individual farmers.

Farmers Producer Organisations are groups of rural producers coming together to form an organisation in order to pursue goals of members through technical and economic activities that benefit their members and maintaining relations with partner's operating in their economic and institutional environment. Cooperatives were established to improve the lives of farmers but the system was infected by several inadequacies. Now FPOs have emerged and they are expected to provide a commercial outlook to the institutions there by putting the farmer at the top of the supply chain. Despite advantages, the FPOs have their own challenges. Majority of the members of the FPOs are small and marginal farmers.

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Given the scenario, the major activities entrusted by the FPOs are providing inputs such as seed, fertilizer and machinery, market linkages, training and networking and financial and technical advice. There is a need for supporting institutions to make the FPOs popular. The aim of FPOs to bring about a change in the economy of the farmers.

The main aim of FPOs is to ensure better income for the producers through an organization of their own. Small producers do not have the volume individually (both inputs and produce) to get the benefit of economies of scale. Besides, in agricultural marketing, there is a long chain of intermediaries who very often work non-transparently leading to the situation where the producer receives only a small part of the value that the ultimate consumer pays. They will also have better bargaining power as the bulk suppliers of the produce and bulk buyers of the inputs.

## MATERIAL AND METHODS

Anantapur was purposively selected for the study. Anantapur is majorly a drought-prone region with average rainfall of 556 mm and there exists huge scope for diversification in agriculture. Due to diversified farming, well established FPOs are operating in this area. At present, there are 90 FPOs present in the Anantapur district of Andhra Pradesh. Out of them, five FPCs that are functioning actively were randomly selected. Primary data was collected through personal interview method

from farmers and directors of FPOs. The secondary data on agro economic features of the district was collected from Chief planning office, Anantapur district. The data regarding FPOs was also collected from Research report of ICRISAT and NABARD. From each FPO, farmers were selected randomly comprising of five board of directors and fifteen farmers making the sample size of 20 respondents from each selected FPO. The random selection was used based on the list of farmers collected from the FPOs. Thus, in Anantapur district, five FPOs, covering 75 FPO member farmers and 25 board of directors with a total of 100 respondents were selected for a study.

The garret ranking method was used to analyze the challenges that the five FPOs faced. The various challenges for the present study have been operationalized as obstacles or hurdles that the farmers and board of directors encountered in the FPOs. So that the interview schedule is prepared and openly inquire the challenges faced by the farmers and the board of directors. The first frequent challenges was selected by using Garret ranking technique

The order to merit that given by the respondent was converted into percent position using the following formula

$$\text{Per cent position} = \frac{R_{ij} - 0.5}{N_j} \times 100$$

**Table 1. Challenges faced by the farmer producer organizations**

S. No.	Constraints	Average Garrett's score	Rank
1.	Remunerative price in local markets	86.67	I
2.	Fluctuation in market prices	82.67	II
3.	Lack of credit facility from institutional sources	77.34	III
4.	Weak backward and forward linkages	74.67	IV
5.	Inadequate storage and ware house facilities	72.0	V
6.	Quite of farmers from FPOs when there is loss	65.34	VI
7.	Lack of participation in activities of FPO	62.67	VII

where,

$R_{ij}$  = Rank given for  $i^{\text{th}}$  variable by the  $j^{\text{th}}$  respondents

$N_j$  = Number of variables ranked by the  $j^{\text{th}}$  respondents

With the help of Garrett's table, the per cent position is estimated and converted into scores, then for each constraint the per cent position values are evaluated and mean values of score is calculated. The factors having excessiveness mean value is considered to be the most important factor and ranked accordingly.

## RESULTS AND DISCUSSION

The identified FPOs faced various problems like remunerative price in local markets, big fluctuation in market prices, lack of credit facility from institutional sources, weak backward and forward linkages, inadequate storage and ware house facilities, and lack of participation in activities of FPO was identified. Among the following constraints the remunerative price in local markets as a major constraint with the score of (86.67) followed by fluctuation in market prices (82.67), lack of credit facility from institutional sources (77.34), Weak backward and forward linkages (74.67), inadequate storage and ware house facilities (72.0), quite of farmers from FPOs when there is loss (65.34) and lack of participation in activities of FPO (62.67).

Remunerative price in local markets and whole sale markets observed as a major issue for the FPOs. Big fluctuations in market price due to the seasonality problem, particularly during off season, when the market price reduces drastically and the member farmers moves away from the FPOs due to these price fluctuations. Further due to the lack of credit, FPOs could not provide proper services like storage facilities, input facilities etc. Besides FPOs were not having good interaction with other organizations, so forward and backward linkages were less. The infrastructure facility in the selected FPOs are average as they are in the initial stages of their development.

The price in local markets and whole sale markets is a major issue for the FPOs and its members. Major fluctuations in market price is due to the seasonality problem, particularly during off season, when the market price reduces drastically and member farmers move away from the FPOs due to these price fluctuations and not getting proper linkages in the market and loss of price in the market. further Due to the lack of credit,

the FPO could not provide proper services like storage facilities, warehouse facility, availability of machineries, input facilities etc.

Besides FPOs are not having good interaction with other organizations, so forward and backward linkages are less. The infrastructure facility in the selected FPOs are average as they are in the initial stages of their development.

- The group membership has the potential benefit to farmers by increasing their income and the Farmer Producer Organizations provide a good platform for marketing of output and this can immensely enhance farm productivity and increase income there by reducing the poverty.
- Remunerative price in local markets was found the major constraint faced by the FPOs (with the highest score of 86.67).
- Strengthening of backward and forward linkage of FPOs is the need of a hour for better performance of FPOs.
- Study on marketing linkages and networking followed by FPOs with respect to supply chain and value chain management can be taken up.

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