

**Promoting and strengthening of Farmer Producer Companies as Rural Agribased Industry Initiatives towards Achieving Atmanirbhar Bharat: Initiatives from Karnataka**

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**ABSTRACT:** Agriculture sector plays an important role in nation's growth and development as it contributes significantly to Gross Domestic Products apart from ensuring food and nutrition security for growing population. Around 55 per cent of population in the country are directly or indirectly working in agriculture sector. The small and marginal land holdings together contributes around 86.00 per cent of total land holdings and is increasing year over year due to sub division and fragmentation. This has resulted in poor bargaining power of small farmers. To address these issues and to minimize the gap between farmers and the consumers, the Government of India made provision to establish Farmer Producer Companies(FPC) under Companies Act of 1956 now 2013 (as amended in 2002). Farmers are the owners of these FPCs aiming at increasing their farm income through effective forward and backward linkages as indicated by the study of Swati Khandave et al (2019). These FPCs have mixed features of Private Companies and Cooperative Societies. As a part of major reforms for FPCs, Government of India in 2018 has introduced cent percent tax holiday for all the FPOs below 100 crores up to five years, credit guarantee scheme, matching equity grants, revolving fund etc so that they should emerge as rural enterprises. During the budget of 2020 Government of India, has announced formation of 10,000 new FPOs and Karnataka has formed over 175 FPOs under this scheme. Government of Karnataka has brought FPO Policy in 2018, setup a Centre of Excellence for FPCs, crafted a new Amrut scheme to promote 750 FPCs.

These FPCs are ensuring many benefits to member farmers such as; Increasing bargaining power through bulk buying of inputs and marketing of produce; Capacity building of farmers; Helping farmers in reducing post-harvest losses by storage and value addition; Assisting farmers for getting benefitted by different government schemes; Fast dissemination of Good Agricultural Practices; Access to extension services; Facilitate contract farming to address distress sale of farm produce; Custom Hiring Services providing agricultural implements on rental basis; Ensuring Insurance Services; Technical and Networking Services for connecting farmers with financial institutions, traders and consumers through digital platforms such as e-NAM , ReMS and NCDEX Services. Karnataka as of now has over 1100 FPCs promoted under different central and state government schemes, NABARD, and under Corporate Social Responsibility programs of different organizations. This paper highlights the efforts of Government of Karnataka in promoting and strengthening of FPCs as rural agribased industry initiatives towards achieving Atmanirbhar Bharat.

**INTRODUCTION:**

Agriculture continues to be major source of income, employment and livelihood in India which has about 138 million farm holdings (92.8 million marginal holdings and 24.8 million small holdings as per Census, 2011). About 85 per cent of the of total holdings are small and marginal and their share in total operated area is 44.6 per cent. Every year around 1.5 to 2.0 million land holdings are added to the marginal and small sector due to subdivision and fragmentation of land and this has rendered them economically nonviable. The farmers are not able to adopt new technologies, use high-yielding varieties, inputs like seeds, fertilizers and adopt mechanization. Further due to limited access to markets and absence of institutions to safeguard farmer's interests, they are unable to integrate with the agricultural value chains, fight the risks and vulnerabilities such as commodity price volatility, crop failure and insect pest attacks etc on their own. To address these issues several institutional models have prevailed over a period of time and there has been a spurt of approaches to organize farmers in order to enhance their farm profitability and FPC is one such potential model. Taking the concept of FPCs further to strengthen them under Self Reliant India Campaign, the Prime Minister on 12.05.2020 announced Atmanirbhar Bara, an economic stimulus package for Rs 20-lakh-crore (estimated at 10% of the GDP). Five pillars of Atmanirbhar Bharat include, (1) An economy that brings quantum jump rather than incremental change.(2)An infrastructure that becomes the identity of modern India.(3) A system that is driven by technology to fulfill dreams of the 21st century(4)Use

India's vibrant demography as a great strength and source of energy (5) Harness the cycle of demand and supply chain in our economy.

The scheme also extends several measures for supporting the poor, migrants, farmers, tiny businesses and street vendors etc. The important reforms for Agriculture, Fisheries and Food Processing Sectors include the measures to strengthen Infrastructure Logistics and Capacity Building for Agriculture, Fisheries and Food Processing Sectors: (1)Rs 1 lakh crore Agri Infrastructure Fund for farm-gate infrastructure for farmers(2)Rs 10,000 crore scheme for Formalization of Micro Food Enterprises (MFE)(3)Rs 20,000 crore for fisherman through Pradhan Mantri Matsya Sampada Yojana (PMMSY) (4)National Animal Disease Control Programme(5) Animal Husbandry Infrastructure Development Fund - Rs. 15,000 crore (6) Promotion of Herbal Cultivation: Outlay of Rs. 4,000 crore.(7) Beekeeping initiatives – Rs 500 crore (8) From 'TOP' to TOTAL - Rs 500 crore -"Operations Greens" run by Ministry of Food Processing Industries (MOFPI) is extended from tomatoes, onion and potatoes. In order to realize this dream Government of India is promoting 10,000 FPCs with an investment of Rs 6,850 crore for the benefit of farmers, many of who work on a small scale and do not receive the benefit of minimum support price and other benefits. Only self-sufficient villages can help fulfill country's vision of 'Atmanirbhar Bharat' and for this a special focus is given on collectivization of small and marginal farmers.

#### **MATERIALS AND METHODS:**

To understand unique efforts in Karnataka in promoting over 1100 FPCs to address rural distress and attain Atmanirbharata in farming sector, a review of similar studies, efforts of state government in promotion and strengthening of FPCs, status and distribution of the FPC's, the data from different development departments was collected and analyzed to provide the descriptive statistics. This is further supplemented by the inputs from experts on what needs to be further done to ensure Atma Nirbharata in Agriculture sector.

#### **RESULTS AND DISCUSSIONS:**

Karnataka is one of the pioneering states that has promoted over 1100 FPCs to address rural distress and attain Atma Nirbharata in farming sector. The paper aims at bringing the efforts of Karnataka state in promotion and strengthening of FPCs in Karnataka. It also aims to bring the attention of the stakeholders towards immense opportunity to transform agriculture through FPCs which are inclusive institutions truly represented by small and marginal cultivators and their experiences are to be shared among FPCs as opined by Venkattakumar and Sontakki (2012).

#### **Concerns of Small-Holder Farmers in Karnataka:**

Important key concerns relating to small farmers include, (a) Inadequate extension services and low level of technology adoption (b) Lack of capital and poor business skills and (c) Low income due to poor infrastructure and low market efficiency. The above situation calls for major structural reforms and transformational initiatives towards the revitalization of agriculture both, by way of stepping up investments for productivity enhancement as also through reforms in agricultural marketing and post-harvest agri-logistics for boosting agricultural growth. In this context the state of Karnataka has realized that a sustainable solutions to all these constraints lies in the collectivization of agricultural produce and value addition/marketing by achieving the economy of scale and creating commodity-specific agri value chains with participation of primary producers.

#### **Objectives of Formation of FPOs:**

The objectives of formation of FPCs as studied by Radhikarani and Amarendra (2014) include, (i) Production, harvesting, procurement, grading, pooling, handling, marketing, selling of produce of members (ii) Facilitating processing of farm produce (iii) Rendering technical services, consultancy services, training, education, research and development etc (iv) Revitalization of land and water resources (v)Custom hiring, sale or supply of machinery, equipment or consumables(vi) Promoting mutual assistance, welfare measures, financial services, insurance of producers or their primary produce.

#### **State and Central Government Departments involved in promotion of FPCs:**

Different departments of Government of Karnataka involved in the promotion of FPCs include, (1) Department of Horticulture (2) Department of Agriculture (3) Department of Sericulture (4) Department of Animal Husbandry (5) Department of Fisheries (6) Department of Watershed

Development (7) Department of Textiles (8) Department of Scheduled Tribes Welfare. The development departments of Government of India involved in promotion of FPOs in Karnataka include, (1)Department of Agriculture and Farmers Welfare(DOA&FW)(2)Small farmers Agribusiness Consortium(SFAC) (3)National Bank for Agriculture and Rural Development(NABARD) (4)National Cooperative Development Corporation(NCDC) (5)Coconut Development Board (CDB). Apart from this other organizations involved in promotion of FPOs in Karnataka include, Initiatives of Non-Governmental Organizations, Banking Institutions and self-promoted FPCs by the farmers

**Distribution of FPOs in Karnataka:**

Sl. No	Name of the division	No of FPOs under Central Sector Scheme	No of FPOs under RKVY scheme	No of FPOs under Amrut Scheme	Total No of FPOs
<b>1</b>	<b>Kalburgi Division</b>				
	Bidar	1	5	2	8
	Kalburgi	4	5	4	13
	Yadgir	3	5	2	10
	Raichur	2	5	4	11
	Koppal	4	5	4	13
	Ballari	5	5	5	15
	Vijayanagar	2	0	0	02
<b>2</b>	<b>Belagavi Division</b>				
	Bagalkote	5	5	2	12
	Vijayapur	6	5	4	15
	Gadag	4	5	4	13
	Belagavi	7	5	4	16
	Haveri	5	5	7	17
	Dharwad	4	5	3	12
	Uttarakannada	6	5	2	13
<b>3</b>	<b>Bengaluru Division</b>				
	Bengaluru Urban	0	0	0	00
	Bengaluru Rural	1	5	2	08
	Chikkaballapura	3	5	2	10
	Chitradurga	4	5	6	15
	Davanagere	4	5	6	15
	Kolar	3	5	3	11
	Ramanagar	2	5	2	09
	Shivamogga	0	5	2	07
	Tumukru				
<b>4</b>	<b>Mysore Division</b>				
	Mysore	3	5	3	11
	Kodagu	1	0	1	2
	Dakshina Kannada	1	0	2	03
	Udupi	4	0	1	05
	Mandya	2	5	3	10
	Chamarajnagar	2	5	1	08
	Chikkamagaluru	1	5	2	08
	Hassan	5	5	7	17
	<b>Total</b>				<b>309</b>

**Policy and Institutional Support to FPCs in Karnataka:**

As the concept of FPCs is new and the FPCs require different support mechanisms congenial support is essential. Apart from technical handholding, FPCs require capital, infrastructure and market linkages. State has taken all steps to create a congenial ecosystem for FPCs to help them deal effectively with agri- value chain. Further state initiatives also aim at ensuring an enabling environment by formulating the policy, providing several critical ecosystem services such as initial

management support, credit linkages, licenses for input business, custom hiring services to promote mechanization, matching grants from SFAC and risk fund support etc.

### **Karnataka State FPO Policy-2018:**

In order to bring uniformity in guidelines and to overcome confusions and conflicts in promoting FPCs in Karnataka a state policy was formulated after several consultations, workshop deliberations, interactive sessions and brainstorming meetings. This policy is common for all departments and developmental agencies involved in the formation of FPCs in Karnataka.

### **State Level Empowered Committee (SLEC):**

A SLEC under the Chairmanship of Additional Chief Secretary and Development Commissioner with representatives from all stakeholders has been constituted. SLEC guides and monitors all activities relating to FPCs and also reviews the guidelines from time to time. The decisions of SLEC are followed by all developmental departments and other agencies involved in the formation of FPCs in Karnataka.

### **Establishment of Centre of Excellence for FPOs (CoE-FPO):**

A Centre of Excellence was established as an autonomous institute to function as a knowledge partner for FPCs in Karnataka. It caters to training and capacity building of FPCs and supports the State Level Empowered Committee in all matters pertaining to policy making, capacity building and business development of the FPCs.

### **Other Knowledge Partners:**

The government has recognized the role of all State Farm Universities, Krishi Vignan Kendra's(KVKs) as knowledge partners for FPCs in the state and has issued necessary directions to these farm universities and KVKs to support FPCs.

### **Nodal Department for FPCs:**

The Watershed Development Department has been identified to function as the nodal department. It coordinates with all departments and developmental agencies and assists SLEC in all matters pertaining to formation of FPCs in the State.

### **Department level PMUs:**

For each development department involved in promotion of FPCs, a Project Monitoring Unit (PMU) at state level is constituted. The PMU monitors the overall activities of the FPCs promoted by their departments.

### **District Level Monitoring Committee:**

To coordinate, monitor and guide the programs pertaining to FPCs at the district level, a committee Chaired by the Deputy Commissioner of the district is constituted. The Zilla Panchayat, Chief Executive Officer serves as Vice Chairman with Joint Director of Agriculture as Nodal Officer along with heads of the concerned Development Departments at the district level as members.

### **Empanelment Cluster Based Business Organizations (CBBOs) and Resource Institutions (RIs):**

Under Central Sector Scheme, Karnataka has empanelled CBBOs to assist the formation of FPCs in Karnataka. The CBBOs have been trained by Centre of Excellence on various aspects of FPCs. Further under state sector scheme the Resource Institutions (RI) having experience in working with farmers and their capacity building are empanelled for farmer's mobilization and creation of awareness on FPC's.

### **Financial Support:**

Under state sector scheme a financial assistance not exceeding Rs.30 lakhs per FPC under various components including Rs.10 lakhs as one-time revolving fund assistance for infrastructure and implementation of business development plan is provided for FPC's. Also, several funds such as incubation and stabilization / risk fund are extended to the FPCs. A little differently structured financial assistance is available under central sector scheme also.

### **Formation of FPCs by Agriculture Department under NFSM:**

A centrally scheme, 'National Food Security Mission' (NFSM) was launched during 2007. Support was given for promotion and marketing support for value chain integration was given to FPCs.

Financial provision was given to establish mini *dal* mills and support for branding and marketing of pulses and millets. The scheme was implemented in two phases and 25 FPO's were formed in Kalyana Karnataka region.

#### **Formation of FPOs by NABARD:**

NABARD has also promoted FPCs adopting a flexible approach to meet the needs of producers. In order to give a special focus, "Producers Organization Development Fund" (PODF) was set up in 2011. In Karnataka, the formation of FPC's was launched in February 2015 through Produce Fund Programme announced by Government of India in the budget for 2014-15 (NABARD, 2015). Financial support of Rs.9.06 lakh for a period of three years was provided to Producer Organization Promoting Institutes (POPI)/NGOs and RSAs for formation of one FPC. Realizing the need for promotion of FPCs at the ground level. During April 2017, a low cost model with a financial support of Rs.2.00 lakh for a period of two years was implemented for promotion of FPCs. A revised policy on promotion of FPC's was implemented during October 2018 with budget support of Rs.21.60 lakh for a period of 05 years under PODF-ID Fund with financial assistance of Rs.11.44 lakh for first three years and Rs.5.16 lakh for the subsequent two years. Also, under the revised policy all the low cost FPCs sanctioned were upgraded into high cost budget i.e. Rs.11.44 lakh. Currently NABARD adopts the central policy to promote FPCs in Karnataka.

#### **FPCs Promoted by Horticulture Department:**

As part of the state's effort to strengthen Integrated Horticultural Development through Public Private Partnerships, Department of Horticulture undertook formation of FPCs for mainstreaming horticulture producers in horticultural value chains under RKVY, NHM and Sujala III programs from 2014-15 onwards and successfully registered 99 FPCs .Further, it focused on empowering FPCs by providing a range of financial and non-financial assistance such as revolving fund, infrastructure development assistance, Resource Institution support and various other types of technical and institutional support mechanisms and benefits. Currently department remotes FPCs both under both central and state sector schemes.

#### **Promotion of FPCs by Department of Sericulture:**

During October 2015, the Department of Sericulture initiated the process of formation of FPC's in sericulture sector with the objective of fostering technology penetration; enhancing productivity; enable improved access to inputs and services; strengthening forward and backward linkages; strengthening livelihoods of farmers. Karnataka State Sericulture Resource Development Institute is identified as the implementing agency with Department of Sericulture monitoring the review and progress. Currently Department promotes FPCs under state and central sector schemes.

#### **Promotion of FPCs by Coconut Development Board:**

To revive coconut cultivation in the state and fetch appropriate benefits to coconut farmers the Board promoted FPCs in Karnataka. The Coconut FPCs thus formed have a three tier structure consisting of Coconut Producers Society (CPS), Coconut Producers Federation (CPF) and Coconut Producers Company (CPC). In Karnataka, there are 398 registered CPS, 124 registered CPF and 12 registered CPC's.

#### **Self-Promoted FPC's in Karnataka**

Realizing the importance of formation of FPCs and its benefits for small holder farmers with services, access to these service and economies of scale in transactions with input and output marketing, farmer leaders, progressive farmers and thinkers have taken the lead and have promoted FPCs.

#### **Conclusions and way forward:**

Karnataka continues to pioneer the efforts of achieving self reliant India dream through FPCs to address rural distress and attain Atma Nirbharata in farming sector. The state has provided immense opportunity to FPCs to transform agriculture .The Government has been organizing a series of workshops, consultations, meetings with a diverse set of partners involved in promoting and strengthening of FPCs as rural agribased industry initiatives towards achieving Atmanirbhar Bharat. The state policy for FPOs in Karnataka has carved a way forward for this. Several suggestions have emerged from experts which can positively impact the functioning of FPCs. As per the findings of Shubhangi (2016) who studied the effective linkage of small producers with market and concluded that Farmer Producer Organizations were important means to bring the small and marginal farmers together in local communities to build their own enterprise, managed by professionals FPCs offers a

proven pathway to successfully deal with a range of challenges that confront farmers today, especially small producers. FPCs are the best means of linking producers to market for getting fair prices for their produce as it helps in giving market information on different markets and prices in different markets. The recent series of steps undertaken by Govt. of India and the state government to address the challenges of farmers' welfare help us to believe that with the right institutional framework, Karnataka can move towards the goal of doubling farmers' income and provide required support to farmers towards Atma Nirbhar Bharat.

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