

Case Study

Constraints Perceived by the Members and Non-members towards Functioning of FPO-AKPCL in Kannauj District of Uttar Pradesh

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ABSTRACT

Collectivization of primary producers, minimal and marginal into farmer's producer organizations has emerged as one of the most successful ways to tackle the many challenges of agriculture. Most importantly, FPO improved the access of farmers towards investments, technology and inputs, and markets. This study was conducted in the Kannauj district of Uttar Pradesh. Total seven FPOs were functioning in Kannauj district. Out of seven, one FPO, namely Ausher Kissan Producer Company Limited (AKPCL) was selected purposively because of its functional superiority over others. Data were collected by using a well-structured interview schedule. A total of 20 members and 40 non-member farmers were randomly sampled in the functional area of FPO-AKPCL to delineate the constraints faced by them. The results revealed that inadequate storage facilities, shortage of transportation facilities, lack of grading and packaging skills, revelry among members to achieve key positions in the organization, and challenging each other for key positions in the group were the significant constraints faced by the member farmers. Lack of well-developed storage facilities, lack of well-developed processing facilities, lack of awareness about grading and packaging, high cost of labor, and price fluctuation every year were the major constraints faced by the member as well as non-member farmers of FPO. It can be concluded that by removing above hurdles, many help enable farmers' access to the markets through FPOs, both as buyers and sellers, thereby improving farmers' income.

Highlights

- Six major categories of constraints, viz., technical and operational; competition; conflicts and constraints faced by the farmer at farm level included technical, labor, economic, and marketing.
- Lack of awareness about grading and packaging, lack of well-developed processing facilities, lack of well-developed storage facilities, high cost of labor, and price fluctuation every year were highlighted as the major problem by the members of FPO and control farmers.

Keywords: Perception, constraints, FPO, functioning, rank correlation

In the current Indian context of rapid changes, declining per-capita agricultural land availability (due to increased fragmentation of land holdings) (Agarwal, 1972), declining natural resource base

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(Li Li and Strielkowski, 2019), due to urbanization and industrialization leading to greater land use for the non-agriculture purpose (Balasubramanian and Choi, 2010), breaking of joint families to nuclear (Nerlekar, 2017), disinterest or disenchantment of youth towards agriculture i.e. more than 40 percent of rural youth want to quit farming, absence of a vibrant model to organize farmers and link with the market were the severe challenges facing by the agricultural sector (NSSO, 2011).

Farmers Producer Organisation (FPOs) is well known as an innovative co-operatives society in which those farmers who are the primary producers join together voluntarily to develop the company based on the significant principle; free membership and have a common interest of their members specifically developing technical and economic activities (NABARD, 2015; Tripathi, 2019). In order to enhance the sustainable income of the farming community, farmers have to be united not only to avail inputs at the proper time with low cost, place, and quantity but also to avail marketing facilities and link to domestic as well as export markets through the FPOs (Mukherjee *et al.* 2018). A similar concept of FPOs was also reiterated by Shepherd (2017) and Patyand Gummagolmath (2018).

In India, the concept of Producer Company evolved in 2002 under the chairmanship of economist Y. K. Alagh by introducing a new part IX A into the Companies Act, 1956 (Alagh, 2007). Later the Indian Government took the necessary steps to establish FPOs during 2011-2012 to overcome the associated problems in partnership with the state government, which was implemented through Small Farmers' Agri-Business Consortium. The Department of Agriculture and Cooperation had issued a policy document titled "Policy and Process Guidelines for Farmer Producer Organizations" in 2013 to encourage the formation of FPCs. It also set out indicative guidelines for the formation and performance of these collectives (Department of Agriculture and Cooperation, 2013).

Farmer Producer Organisations (FPOs) are found to be an effective institutional mechanism for linking small farmers to the external world as it helps farmers to reap many tangible and intangible benefits, including improved market access, reduced transaction costs, achieving economies of scale,

better quality and price realization for the produce and reduce risk (Nikam *et al.* 2019). Farmer Producer Companies (FPC) are the institutions that have all the significant features of private enterprises while incorporating principles of mutual assistance in their mandate, like co-operatives (Pustovoitova, 2011).

Farmer Producer Company plays five potential roles in strengthening markets for commodities produced, bought, and sold by smallholders: reducing transaction costs; managing risk; building social capital; enabling collective action; and redressing missing markets (Torero, 2011). The major constraint in the agriculture sector in rural areas is lack of infrastructural facilities such as inter-mediate collection centers, godowns, transport, farm-implements, affordable quality inputs, technology, quality extension, investment in natural resources, credit facilities, secondary agriculture activities, and marketing (Makal *et al.* 2017). The majority of the cooperative institutions are currently facing a severe financial crisis and heavily dependent on the state's subsidy for existence (Prabhakar *et al.* 2012). Lack of financial capital and lack of knowledge about running business are major problems that confront the board of directors of the FPC (Ganesh, 2017). This information raises certain research questions like what are the major problems which members and non-members of FPOs are experiencing in managing it. Likewise, there may be many other related issues experienced by the FPOs farmers. The study therefore, was planned and conducted to answer the above research question as objectively as possible with specific objective to find out the constraints faced by the members of FPO-AKPCL and control farmers in Kannauj District of Uttar Pradesh.

MATERIALS AND METHODS

The ex-post facto research design of social research was used for the present study. Total seven FPOs are working in Kannauj District. Out of seven FPOs, one FPOs, namely AKPCL was selected purposively. The reason behind selecting AKPCL Farmers Producer Organisation was its relative superiority over other FPOs working in the district. Primary data were collected by using a well-structured interview schedule from sample respondents. A total of 20 member farmers and 40 non-member (*i.e.* control

group) farmers from the functioning area of FPO were randomly chosen to find out constraints perceived by respondents towards functioning of FPO. The selection of 40 numbers of non-members was to arrive at maximum matching between the control and treatment groups. For measuring the constraints towards the functioning of AKPCL were categorized in six-part, viz., technical and operational; competition; conflicts and constraints at farm level include technical, labor and economic and marketing constraints. The scoring pattern was followed for technical and operational; competition and conflicts on five-point continuum of 'very high extent' to 'very low extent'; with scores ranging from 5 to 1 respectively and constraints at farm level included technical, labor and economic and marketing constraints by three continuum of 'less important', 'important', 'most important' with score of 1,2 and 3 respectively. The weighted mean score of each item was calculated for the members, and non-member farmers of AKPCL and ranks were assigned based on weightage mean score separately for both groups. For measuring the relationship between the ranking of constraints by members and non-members of AKPCL, rank correlation coefficient was calculated to see the significance of difference in the ranking of constraints by members and non-members.

RESULTS AND DISCUSSION

Technical and operational constraints as perceived by member towards functioning of AKPCL

The results revealed that (Table 1) 'inadequate storage facilities, 'shortage of transportation facilities', 'lack of grading and packaging skills' was ranked 1st with a weightage mean score of 3. Member farmers perceived it as most serious constraints because of Ausher Kisan Producer Company Limited (AKPCL) doesn't have its storage house and go-downs, it may be due to lack of proper infrastructure and the private storage house cost was very high which became difficult to afford by members. The organization could not provide transportation facilities to all its members, and at the same time, it also had not started grading and packaging facility for member producers. , the second most important essential constraints

perceived by members of AKPCL was organization is not procuring produces from every member with a weighted mean score of 2.4. Other constraints as perceived by a member of AKPCL were lack of availability of literature which was also reported by (Kathiravan *et al.* 2017), lack of skill training for the use of information technology on availability of market, lack of co-ordination for different group activities, non-inclusion of local leaders in FPO, lack of knowledge of recent technologies and non-members are preferred in produce procurement was ranked 3rd, 4th, 5th, 6th, 7th and 8th corresponding weighted mean score of 2.3, 2.1, 2.0, 1.9, 1.3 and 1.0, respectively. Similar findings were also reported by Witcombe *et al.* (2010) and Chopade *et al.* (2019) in their study.

Table 1: Technical and operational constraints as perceived by the member farmers towards functioning of AKPCL

Sl. No.	Technical and operational constraints towards the functioning of AKPCL	WMS	Rank (n=20)
1	Organisation is not procuring produces from every member	2.4	II
2	Non-members are preferred in produce procurement	1.0	VIII
3	Inadequate storage facilities	3.0	I
4	Shortage of transportation facilities	3.0	I
5	Non- inclusion of local leaders in FPO	1.9	VI
6	Lack of availability of literature	2.3	III
7	Lack of knowledge of recent technologies	1.3	VII
8	Lack of grading and packaging skills	3.0	I
9	Lack of skill training for use of information technology on market availability	2.1	IV
10	Lack of co-ordination for different group activities	2.0	V

Constraints as perceived by member towards Organizational competition

The results (Table 2) revealed that 'each member tries to achieve key positions in organization' was ranked 1st with weighted mean score 3.3. This may be because every person wants to become a leader in the organization. The second most important constraint as perceived by members was 'lack of team spirit among members' with a weighted

mean score of 2.9 followed by 'less support among member in organizational activities' with a weighted mean score of 2.7. Other constraints were; very formal relationship with each other member, personal gain is getting important than the group goals, strive against each other over benefit sharing, few members using more resources than others, inadequate profit to individual members and oppose each other in meetings ranked 4th, 5th, 6th, 7th, 8th, 9th with weighted mean score 2.6, 2.4, 2.3, 2.2, 2.1 and 1.9, respectively. Similar constraints related to FPO organizations were also documented by Kathiravan *et al.* (2017) in their study.

Table 2: Constraints as perceived by member related to Organizational competition

Sl. No.	Constraints as perceived by member towards functioning related to Organizational competition	WMS	Rank (n=20)
1	Oppose each other in meetings	1.9	IX
2	Each member tries to achieve key positions in the organisation	3.3	I
3	Few members using more resources than others	2.2	VII
4	Strive against each other over benefit sharing	2.3	VI
5	Less support among member in organisational activities	2.7	III
6	Personal gain is getting importance than the group goals	2.4	V
7	Very formal relationship with each other member	2.6	IV
8	Lack team spirit among member	2.9	II
9	Inadequate profit to individual members	2.1	VIII

Constraints as perceived by member arising due to Conflict in organisation

The results (Table 3) revealed that members usually try to remove opponent members from the group as the most important perceived constraints, and it was ranked 1st with a weighted mean score of 3.3. It may be because if the members of the organization shall remain fewer, competition among the members for achieving higher positions will be lesser. The second most important constraint was divergent views of members in village meetings, which has weighted mean score of 3. Other constraints arising due to conflict in the organisation as perceived by member farmers were; political affiliation of some members,

fight over resource use, aggressive over benefit-sharing, the clash among members over activity selection, stealing resources for personal gain, and severe hostility/violence in organizational issues which ranked 3rd, 4th, 5th, 6th and 7th with weighted mean score of 2.5, 1.8, 1.7, 1.6 and 1.5, respectively. Navaneetham *et al.* (2019) also highlighted in their studies the similar nature of conflict-related issues in FPOs.

Table 3: Constraints as perceived by member arising due to Conflict in organisation

Sl. No.	Constraints as perceived by member arising due to Conflict in organisation	WMS	Rank (n=20)
1	Clash among members over activity selection	1.6	VI
2	Divergent views of members in village meetings	3.0	II
3	Aggressive over benefit sharing	1.7	V
4	Fight over resource use	1.8	IV
5	Try to remove opponent member from the group	3.3	I
6	Stealing resources for personal gain	1.5	VII
7	Serious hostility/ violence in organisational issues	1.5	VII
8	Political affiliation of some members	2.5	III

Technical constraints as perceived by member and non-member at farm level

The findings (Table 4) revealed that 'lack of well-developed storage facilities', 'lack of well-developed processing facilities' and 'lack of awareness about grading and packaging facilities were perceived as most serious constraints and were ranked 1st by both members and non-members with a weighted mean score of 3 for each. It may be because the organization had no storage, grading, and packaging facilities. Untimely, costly and poor quality inputs availability was the 2nd most important constraint as perceived by the non-member with a weighted mean score of 2.3. At the same time, member respondents accorded lack of proper infrastructure as 2nd most important perceived constraints with a weighted mean score of 2.5. Likewise,, 'computer illiteracy which makes them unable to derive benefits of the ICT tools' was ranked 3rd by the

member respondents and 4th rank by the non-members with a weighted mean score of 2.3 and 2.2. Difficulties in adopting the recommended practices, high incidence of diseases and pests, crop failure were ranked 5th and 3rd by member and non-member respondents with weighted mean scores of 1.3 and 2.2, respectively. The value of rank correlation is 0.653, which indicates both members and non-members of AKPCL perceived the technical constraints in similar manner. The findings get support from the studies of Navaneetham *et al.* (2019) and Chauhan *et al.* (2021).

Table 4: Technical constraints perceived by member and non-member farmers at farm level

Sl. No.	Technical constraints perceived by at farm level	Members WMS	Rank (n=20)	Non-Members WMS	Rank (n=40)
1	Untimely, costly and poor quality inputs	1.8	IV	2.3	II
2	Lack of proper infrastructure facilities	2.5	II	2.0	V
3	Lack of well-developed storage facilities	3.0	I	3.0	I
4	Lack of well-developed processing facilities	3.0	I	3.0	I
5	Difficulties in adopting the recommended practices, High incidence of diseases and pests, crop failure.	1.3	V	2.2	III
6	Computer illiteracy which makes them unable to derive benefits of the ICT tools	2.3	III	2.2	IV
7	Lack of awareness about grading and packaging	3.0	I	3.0	I

Rank Correlation = 0.653 ($p = 0.11116$).

Labour and economic constraints as perceived by Member and Non-member of AKPCL

The findings (Table 5) revealed that 'high cost of labor' was accorded as most serious constraints by member and non-member of AKPCL and ranked 1st with a weighted mean score of 2.5 and 3 by both, respectively. Lack of sufficient finance was the second most important as reported by member

and non-member respondents with weighted mean scores of 2.4 and 2.8, respectively. Due to lack of capital money and inability to afford the labour chargers, lack of awareness about credit facilities was also ranked 3rd and 7th by member and non-member respondents with weighted mean score of 2.3 and 2.1 respectively. Likewise, 'non-availability crop insurance facilities was given 4th rank by members and 6th rank by non-members with a weighted mean score of 1.8 and 2.2, respectively. 'Lack of technical skill of labourers in harvesting and processing' and 'lack of price policy by the government were assigned 5th rank by members and 4th and 3rd rank by non-members respondents with a weighted mean score of 1.8, 2.4 and 2.5, respectively. Non-availability of labour during harvesting' was ranked 6th by members and 4th by non-members farmers. The value of rank correlation is 0.414 which revealed that respondents perceived labour and economic constraints (weak correlation) differently. This finding are in the line of those reported by Chauhan *et al.* (2021) and Kathiravan *et al.* (2017).

Table 5: Labour and economic constraints as perceived member and non-member farmers

Sl. No.	Labour and economic constraints	Members WMS	Rank (n=20)	Non-Members WMS	Rank (n=40)
1	Non availability of labour during harvesting	1.0	VI	2.2	V
2	Lack of technical skill of labourers in harvesting, processing	1.8	V	2.4	IV
3	High cost of labour	2.5	I	3.0	I
4	Lack of sufficient finance	2.4	II	2.8	II
5	Lack of awareness of credit facilities	2.3	III	2.1	VII
6	Non availability of crop insurance facilities	1.8	IV	2.2	V
7	Lack of price policy by the government	1.8	V	2.5	III

Rank Correlation = 0.414 ($p = 0.35527$).

Constraints as perceived by respondents in Marketing of produce

The results (Table 6) revealed that yearly price fluctuation, lower price for produce and distress sale, exploitation by middlemen, perishable nature

Table 6: Constraints as perceived by respondents in Marketing of produce

Sl. No.	Constraints as perceived by respondents in Marketing of produce	Members (WMS)	Rank (n=20)	Non-Members (WMS)	Rank (n=40)
1	Yearly price fluctuation	3.0	I	3.0	I
2	Lack of latest market information	1.6	VI	2.0	III
3	Lower price for produce and distress sale	2.2	V	3.0	I
4	Distant market and high cost of transportation	2.7	III	2.5	II
5	Exploitation by middle men	1.1	VII	3.0	I
6	Perishable nature of products	2.8	II	3.0	I
7	Delayed payment	2.6	IV	3.0	I

Rank Correlation = 0.223 ($p = 0.6312$).

of products, and delayed payment were the most serious constraints by non-member respondents, and all were ranked 1st. The 1st and 2nd most important constraints from members' point of view were price fluctuation and the perishable nature of products with a weighted mean score of 3 and 2.8. Similar results were reported by Pal and Kaur (2019). 'Distant market and high cost of transportation was ranked 3rd by members and 2nd by non-members with weighted mean scores of 2.7 and 2.5, respectively. 'Delayed payment, (WMS, 2.65) was ranked 4th, 'lower price for produce and distress sale, (WMS, 2.25) was ranked 5th, 'lack of latest market information, (WMS, 1.6) was ranked 6th by members and 3rd (WMS, 2.07) by non-members. These were also the major constraints faced by the FPO members in the study of Navaneetham *e al.* (2019), and in lastly, 'exploitation by middlemen, (WMS, 1.1) was ranked seventh by members of AKPCL. The value of rank correlation is 0.223, indicating that both groups perceived labor and economic constraints (weak correlation) quite differently. The above findings are also associated with those reported by Darshan *et al.* (2019) and Chauhan *et al.* (2021).

CONCLUSION

In the present scenario, FPOs are like a boon for the farmers. It is a perfect option for increasing farmer's income and deriving benefits for them. There are many factors which act as a hindrance in the good performance of FPOs. Based on the above findings, it can be concluded that non-members were facing more seriously the need to train farmers about grading and packaging skills. At the same time, the government should establish more storage and warehouses in district so that farmers may store

their produce for long-term, which was reflected as major problems by both members and non-members. Provision of transportation facilities by the Government and supporting agencies also need to emphasized in the study area. Financial backup to existing FPOs must be ensured so that it may facilitate greater technology and practices adoption. As the members of FPO challenge each other for critical positions in the organization, this hinders the growth of FPO and to short-out this problem there is a need to establish strongest coordination among the members of FPOs. The cooperative study between member and non-member farmers confirmed that except for technical constraints, both group felt differently on labour and economic related constraints and marketing related constraints. This helped to conclude that whereas, from the existing arrangements of FPO, members are able to manage market and labour related constraints, their skills to manage the technical constraints, however, need upgradation.

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