

Farmers Producers Company and Broad-based Extension Services: A Case of Ayakudi Guava Producers in Dindigul District of Tamil Nadu

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ABSTRACT

A study was conducted to analyze the role of Ayakudi Guava Producers Company Limited in Dindigul district of Tamil Nadu with respect to extending broad-based extension services to the producer members. Information pertaining to the general profile of the company, organizational pattern, critical success factors and challenges faced by the company was collected from office bearers of the company, whereas that of profile of the farmers, their perceived effectiveness of the company against social, economic and overall performance indicators was collected from producer members (32) of the company, through case study approach with ex-post facto research design. The data was analyzed using descriptive statistics and pragmatic conclusions and recommendations for strengthening the services of the company were suggested. This paper discusses the result of the study for further replication of such model in related commodities and under similar socio-economic situations.

Key words: *Farmers Producer Company;, Broad-based extension services; Perceived effectiveness;*

The Government-owned agricultural extension system in India struggles to address the emerging broad-based needs of farmers at the backdrop of globalized agriculture trade scenario and agricultural platform largely influenced by the factors of climate change. Many concepts are being tried by the extension system to address this situation. 'Cooperatives' model can be one such model. Though many cooperatives are established on agricultural and other commodities, very few successes could be realized. Corruption, political intervention and lack of 'business mode' approach were the predominant reasons (Singh, 2008 and Murray, 2009). Hence, in 2002, in order to revamp the cooperative structure, with the amendment (in Section 581) of Companies Act 1956, as a response to the Report of the Committee under the Chairmanship of Professor Dr. Yoginder K Alagh, Ministry of Consumer Affairs, Government of India introduced the Bill for amendment by introducing part IX A and thereby paved

the way for incorporation of Producer Companies (Alagh, 2007, Gupta, 2007, Singh, 2008 and NRRA, 2009). The concept of incorporation of 'Producer Company,' thus, began its journey.

As a result, many farmers producer companies (FPCs) have been established at various parts of the country covering a wider range of commodities (NRRA, 2009). Here arises, the question of performance of this model. Understanding of this model by farmers or producers, promoters such as development departments, non-governmental organizations (NGOs), farmers associations, research or educational institutions, business operators etc.; the organizational pattern followed by these companies in social engineering of producers and organizing them to move together across the stages of agricultural supply and value chains; challenges faced by the companies and the members during business operations; the critical success factors unique to the companies; profile of the producer

members and their perception about their own and company's performance etc., need documentation for further analysis as well as drawing out lessons for appropriate replication (Gupta, 2009). Hence, a study was undertaken to document and analyze the various models of FPCs in India, especially on horticulture-based commodities, as horticulture in an ever-emerging sector, whose contribution to agricultural exports and GDP is constantly on the rise (Venkattakumar and George, 2016). This paper deals with results one such model of Guava growers of Ayakudi taluk in Dindigul district of Tamil Nadu.

METHODOLOGY

It was decided to document FPCs on horticulture-based commodities. The research design followed was 'ex-post facto', through case study approach. Personal interview was the method adopted to collect primary data from farmers and office-bearers of the companies. Well-structured interview schedules were constructed separately to collect data from farmers and office bearers. It was decided to collect data from a minimum of 30 producer members. In that way, in this model, the data was collected from 32 producer members.

Information pertaining to general profile of the company, organizational pattern, critical success factors and challenges faced by the company was collected from office bearers of the company, whereas that of profile of the farmers, their perceived effectiveness of the company in terms of social, economic indicators as well as overall performance was collected from producer members. Age (number of years), educational level, farm size (acres), annual transaction with the company (in rupees) and membership experience (in years) were the profile characteristics against which, the data from producer members was collected.

The effectiveness of the company performance as perceived by the producers members was assessed towards social, economical and overall performance indicators against a five-point continuum such as strongly disagree, disagree, undecided, agree, strongly agree with respective scoring of 1, 3, 5, 7 and 9. The collected data was analyzed with descriptive statistics.

RESULTS AND DISCUSSION

Socio-economic profile of the company: Ayakudi, one of the blocks of Dindigul district of Tamil Nadu, located

in north-west region of the state. Guava is the predominant fruit crop, grown in an area of approximately 5000 acres, concentrated around this block, spread across different taluks. It was the initiative of the Researchers of Tamil Nadu Agricultural University (TNAU), Coimbatore to seed the idea of establishing a producer company by organizing the Guava growers, who were struggling to market their produce for a reasonably remunerative price. Under the World Bank funded National Agricultural Innovation Project (NAIP), the researchers of TNAU facilitated the Guava growers of Ayakudi to register this company under Company's Act with Small Farmers Agri-Business Consortium (SFAC) in 2009. The registered name of the company is 'Ayakudi Guava Farmers Producers Company Limited (AGFPC Ltd.)'. The producer members (750) of the company are hailing from about 25 villages of five taluks of Dindigul district. There are about 100 women members. The company also has the membership representation from 25 self-help groups (SHGs)/ farmers-interest groups (FIGs). The main objective of the company is 'to enhance the profitability of Guava growers through value addition and market linkage'.

The company follows 'one-member one vote' policy, whereas every year election is conducted for its Board of Directors, which includes women representatives too. The company has its own established rules/ by-laws accepted by all members. All members are the shareholders. Initially, the share value was Rs.5000, then, to attract more number of producer members, the share value was reduced to Rs. 1000. Along with the share value, an amount of Rs. 100/- is being collected as processing fee at the time of membership initiation. Though, there is a prescribed minimum number of shares (10) to be purchased by the producer members, such practice is not strictly followed, keeping membership drive in point of view. However, the prescribed maximum number of shares (50), is strictly followed as per the guidelines given by SFAC, so that the domination of individual share holders can be avoided in the decision making process. The company has shown Rs.7.7 lakhs as the initial share capital, with an annually maintained reserve of Rs. 1.5 lakhs. It was found that the financial position of the company remains to be healthy, which was known through analysis of financial statements of the company.

Majority of the producer members were falling under the age group of 45 years and above. Middle school to high school was the education level of majority farmers. The farm size of majority of them was medium (5 to 10 acres), all are irrigated. Approximate annual transaction of majority of the producer members was observed to the tune Rs.1,60,000/-. Most of the producer members had at least 6 years of membership in the company.

Organizational pattern of the company: The company has a simple organizational pattern. It is headed by an elected President, who the chief of the decision is making process, also advised by a set of regularly elected Board of Directors including Women representatives. Apart from the Board, the company has an elected Secretary and a Treasurer. This honorary body is adequately supported by appointed staff such as a Chief Executive Officer (CEO), a Farm Manager and an advisor, who extends crop-advisory services to the producer members (Fig. 1). The appointed staff, in general, facilitates the producer members through input supply, arranging either on-farm or on-campus training, advisory on agro-techniques, group formation and strengthening activities etc. However, the company lacks adequate number of

appointed staff at various levels such as village, block/ taluk, for extending broad-based services to the producer members.

Broad-based extension services rendered by the company: The company renders need-based agro-advisory to the producer members. An agricultural professional has been appointed by the company for such purpose. He visits the Guava gardens of the producer members and advises based on the conditions. He has adequately sufficient contact with the researchers of TNAU, so as to get appropriate recommendations for the producer members. The company also arranges visit to Guava gardens for the researchers and thus, agro-advisory is provided. Need-based off-campus training programmes are being organized by the company, apart from deputing the producer members to on-campus training programmes of TNAU to address various issues in Guava cultivation. The company, under the guidance of researchers of TNAU, introduced technological innovations in Guava, such as supply of quality planting material, high density and ultra-high density planting, management practices for nematode-wilt complex menace etc. Supply of organic and inorganic fertilizers, plant protection

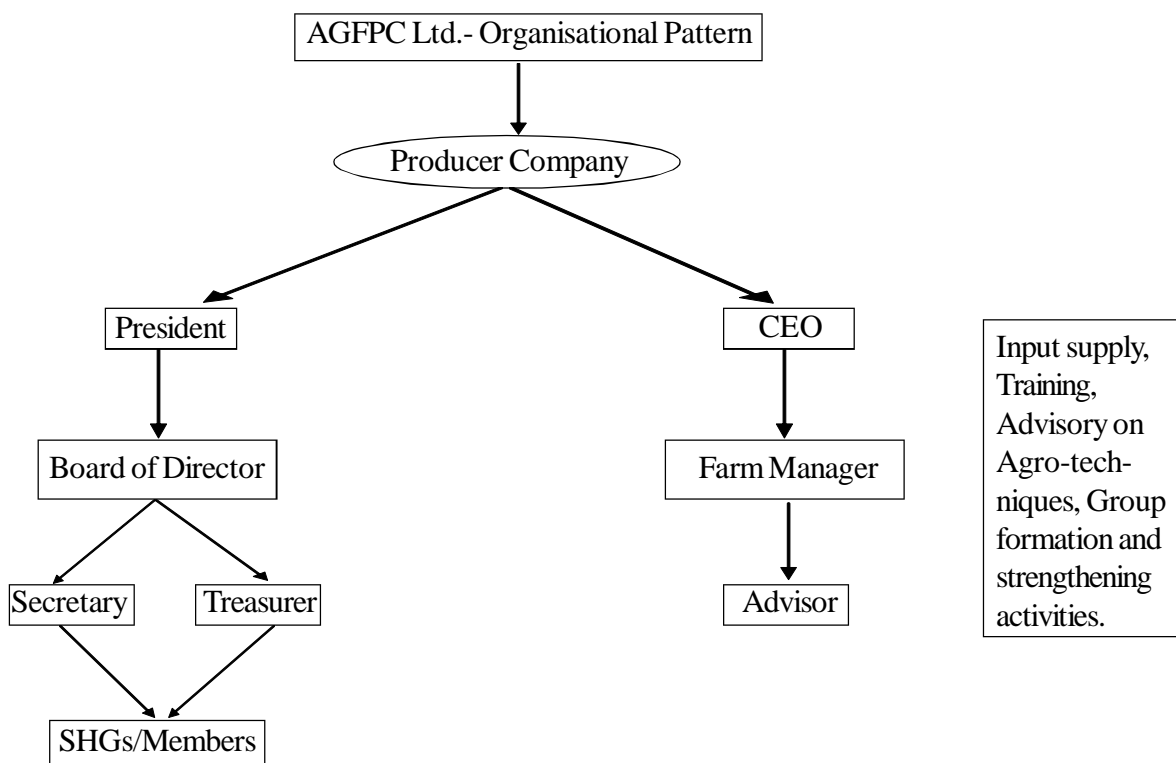


Fig. 1. Organizational pattern of AGFPC Ltd.

chemicals, micro-nutrients, bio-formulations, farm implements through wholesale prices to the producer members is another important extension service rendered by the company. Thus, cultivation cost incurred by the producer members could be brought down.

The company recently (in 2016) started an organic outlet called '*Unnadham*' for sale of products of producer members. Sale of organic products of the members are given preference. This initiative was financially supported by SFAC, with the objective of linking producers to market. The products such as organically prepared beverages of Guava, Jamun, Amla and powders of Jamun and Amla seeds, organically produced honey, millets-based products are being sold. However, further expansion of this model is being planned by the company and adequate awareness has to be created among the consumers about such initiative. This model also needs diversification towards consumer products and tie-up with retail-chains for creating more demand.

The company was rendering marketing services, by procuring the Guava produce from the producer members and marketing to markets around and also exported to middle-east countries. However, the office-bearers opined that such practice is not continued due to adequately available market demand in Ayakudi market itself. This Ayakudi Guava market is a unique model, biggest Guava market in Tamil Nadu, wherein Guava growers from the nearby taluks supply their produce directly to the buyers at remunerative price. The price is fixed based on the grades and exported to Kerala markets and Erode, Salem, Coimbatore, Ooty, Trichy markets of Tamil Nadu. Every day about 10 tons business takes place and it happens throughout the year. During festival times, the business may go even up to 40 tons/ day. The price of Guava was ranging from Rs. 50-70/ kg of fruits, during the period of survey (February, 2017).

Challenges faced by the company and its critical success factors: The office-bearers of the company opined that the prevailing caste system and the resultant differences among the producer members of different caste groups is one of the challenges in mobilizing the members and organizing the activities of the company. Mobilizing members to accumulate a share capital of Rs. 10 lakhs is a challenge for the office bearers of the company. Only after showing a share capital of Rs. 10

lakhs, the company will become eligible to get matching grant from SFAC. Due to lack of sufficiently educated members and office bearers, who have experience in business operations pertaining to supply and value chain-related activities, they felt that obtaining business license from Tamil Nadu Agricultural Marketing Federation (TANFED), dovetailing of welfare and developmental schemes of development departments etc. are very difficult. For the similar reasons, they felt that establishing business links with financial institutions for arranging credit for company activities or for the activities of the producer members. Arranging quality Guava planting material (grafts) and providing management solutions for nematode-wilt complex in Guava, which is a serious menace is one of the major challenges as felt by the office-bearers of the company. They need either adequate handholding by specialized agencies or they need to appoint business management experts to address these issues.

Amidst all these challenges, the office bearers opined that the built-in trust of the company among its producer members, their constant and sincere attempts to provide crop advisory on crop management and protection aspects through appointed professional graduates, distribution of inputs such as organic and inorganic fertilizers and plant protection chemicals on whole sale prices and introduction of advanced production technologies for Guava cultivation with the support of State Agricultural Universities (SAUs) and research organizations etc. are the critical success factors of the company, which influenced the mobilization and sustenance of membership.

Effectiveness of services of the company as perceived by produced members: The effectiveness of the company towards its performance against social, economic and overall performance indicators as perceived by the producer members is given in Table 1. It could be inferred from Table 1 that the producer members had 'strongly agree' perception towards economic indicators such as farm mechanization, input availability, cropping intensity, productivity of commodity, profitability in transactions and assured market price. However, their perception towards access to credit, assured buy-back and value addition linkage was ranging between 'disagree' to 'undecided', which means the company has to initiate strong supply/value-chain operations pertaining to buy-

back and value addition linkages with respect to Guava and that of arranging credit facility for the farmers through financial organizations.

The effectiveness of the company services against social indicators as perceived by the producer members was ranging between ‘strongly agree’ and ‘agree’ towards enhancing knowledge and adoption towards advanced production technology, access to training, benefits for backward people and women. Such perceived effectiveness was ranging between ‘undecided’ to ‘agree’ towards reduced social conflicts and between ‘disagree’ to ‘undecided’ towards output marketing. These findings also reiterate that the company has to initiate tangible activities for marketing of produce of the members.

However, it is surprising to know that the overall performance effectiveness of the company as perceived by the members, was ranging between ‘strongly disagree’ and ‘undecided’ against all the indicators such as cohesiveness, avoiding domination by individuals, transparency, heterogeneity, eliminating political intervention, participation in decision making, selection/ election of office bearers, transparency in financial transactions, adhering to rules, record maintenance, business activities, ways of raising funds, fixing the reserve funds, sharing the profit, dovetailing of government schemes. Though the company is performing very well against the social and economic indicators, if they are not improving their performance against overall performance indicators, it may lose its credibility among the producer members. To improve the overall performance, the company should operate with adequate transparency and should keep the members informed about all the decisions taken by the Board of Directors with respect to all financial and business dealings (Venkattakumar and Sontakki, 2012).

CONCLUSION

Analysis of the producer company model owned by producer members of ‘Ayakudi Guava Framers Producer Company Limited’, Dindigul, Tamil Nadu, through case study mode revealed that the company has a unique organizational pattern, which can be replicated by similar producer groups. Prevailing caste system, getting license recognition from development departments, mobilizing members and share capital for

Table 1. Effectiveness* of company services as perceived by producer members (n=32)

<i>Economic Indicators</i>	
Farm mechanization	9.0
Input availability	9.0
Access to credit	4.4
Cropping intensity	9.0
Productivity of commodity	9.0
Profitability in transactions	9.0
Assured buy-back	4.8
Assured market price	9.0
Value addition linkage	4.5
<i>Social Indicators</i>	
Knowledge on production technology	9.0
Adoption towards production technology	9.0
Access to training	9.0
Input purchase	8.0
Output marketing	4.3
Reduced social conflicts	6.5
Benefits for backward people	7.6
Benefits for women	7.3
<i>Overall Performance</i>	
Member cohesiveness	5.0
Avoiding domination by individuals	5.0
Transparency	5.0
Heterogeneity	4.9
Eliminating political intervention	4.7
Participation in decision making	4.5
Selection/ election of office bearers	3.6
Transparency in financial transactions	2.0
Adhering to rules	5.0
Record maintenance	5.0
<i>Business activities</i>	
Ways of raising funds	2.0
Fixing the reserve funds	2.0
Sharing the profit -	-
Dovetailing of government schemes	-
(* Rating against a five-point continuum; 1- Strongly disagree; 3-Disagree; 5-Undecided; 7-Agree; 9 - Strongly agree)	

receiving the matching grant from SFAC, establishing links with financial institutes for arranging credit facilities for its producer members, dovetailing Government schemes for running business operations of the company are the challenges faced by the producer company. Built-in trust among the producer members, arranging crop advisory through professional graduates, effective input distribution and introduction of technological

interventions are the critical success factors of the company. In order to enhance the performance of the company and maintain the trust built among its producer members, the company needs to concentrate on overall performance indicators, especially supply and value-chain operations and management of financial transactions, as per the following specific recommendations:

- Introduction of young and well educated members to the company and Directors to the Board, so that the business and financial dealings will be effectively managed.
- Appointment of adequate qualified technical staff at various levels for effective management of business and financial linkages, supply and value-chain management, agro-advisory, business expansion/ diversification etc.
- Expand the organic outlet 'Unnadam', with consumer goods; replicate this model to strategic

locations and try to have link with popular retail-outlets.

- Try to get business license with Government-owned marketing agencies.
- Try to dovetail schemes of development departments for input supply and output marketing.
- Try to arrange credit facilities for producer members towards performing agricultural operations through establishing contacts with financial organizations.
- Improve the overall performance, by operating with adequate transparency and keep the members informed about all the decisions taken by the Board of Directors towards all financial and business dealings.
- Seek handholding support for business operations from business planning and development (BPD) units of research institutes of Indian Council of Agricultural Research (ICAR) or incubation centres of Government or private organizations.

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