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Farmers' Producer Company: A Boon for Farmers through Collective Action

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Producer Company is a hybrid between cooperative societies and private limited companies and combines the goodness of cooperatives and efficiency of corporate companies. It mainly aims at collectivising farmers efforts enabling them to have a greater bargaining power and enhance their returns. Producer Companies overcome certain limitations faced by the Producer Cooperatives. There is need for awareness creation and capacity building among farmers and promotional efforts by, government agencies (eg. KVK, ATMA), civil society organizations to encourage the conversion of producer cooperatives to producer companies.

Introduction

India has over 92 million small holdings or nearly 21% of the world's small holdings of 450 million, the second largest after China (Oksana Nagayets, IFPRI, 2005). The farmers especially the small holdings face new challenges on integration of value chains, liberalization and globalization effects, market volatility and other risks and vulnerability, adaptation of climate change etc. (Thapa and Gaiha (2011). Moreover, NSSO survey revealed that about 40 per cent farmers want to quit farming, given a choice and about 27 per cent said they did not like farming because it was not profitable. There is need to integrate the farmers for collective action, especially the small farmers with the value chain so that the net return at the farmers' end is remunerative enough for them to remain interested in agriculture.

Several institutional models are being tried in India to integrate farmers with the value chain. The most common model is the producer's cooperatives which enable farmers to organise themselves as collectives. But the cooperative experience in India has not been a very pleasant one, as cooperatives have largely been state promoted, with a focus on welfare rather than to do business on commercial lines. The cooperatives in the country have been infected by political interference, corruption, elite capture, less efficiency, loss-making ways and declining government support (Singh, 2008). Recently Producer Company has captured the attention of policy makers and the promoting agencies primarily due to several advantages it carries in comparison to the conventional model of producer cooperatives.

Farmers' Producer Company

Organizing farmers in a structured mode that is conducive to efficient value addition and marketing will be in the interest of millions of small and marginal farmers. In view of this, the Centre amended the Indian Companies Act, 1956, in 2002-03 to provide for "Producer Companies" — a hybrid between cooperative societies and private limited companies which combines the goodness of cooperatives and efficiency of corporate company (Venkattakumar and Sontakki, 2012) — on the recommendations of an expert panel led by Y.K. Alagh.

The basic purpose of the PC is to collectivise small farmers or producers for backward linkage for inputs like seeds, fertilisers, credit, insurance, etc and forward linkages such as collective marketing, processing, market-led agriculture production etc. This effort is primarily directed towards gaining a collective bargaining power for small farmers (DAC, GOI, 2013). It also renders technical or consultancy services; generation, transmission and distribution of power and revitalisation of land and water resources; promoting techniques of mutuality and mutual assistance; welfare measures and providing education on mutual assistance principles.

Key Features of Producer Companies

Producer Company is a corporate body registered under the Indian Companies Act 2002. Ownership and membership of such companies is held only by 'primary producers' or 'Producer Institution'.

Minimum number of producers required to form a Producer Company is ten, while the maximum number can be increased as per feasibility and need. The members' equity cannot be publicly traded but can only be transferred with the approval of the Board of Directors. The liability of the Producer Company is limited to the value of the share capital it has issued. Similarly, the member's liability is limited to the value of share capital held by them and the minimum authorized capital at the time of incorporation is Rs.5 lakh. There cannot be any government or private equity stake in the producer companies. The area of operation for a PC can be the entire country.

Indian experiences

More than 150 Producer Companies covering a wide range of commodities has been established in the country since 2002. Following are some Indian Producer Companies:

The Indian Organic Farmers Producer Company Ltd (IOFPCL), the first farmers' Producer Company in India, is located in Aluva (Kerala) and produces organic products. Only producers with the organic certification are the members, where patronage per share is Rs. 40, 000 with one member-one vote policy. The company advices its members on mapping and assessing the resources, sustainable resource utilization and scientific production methodologies; markets organic produces of the members with own brand. "Healthy people, wealthy farmer, healthy and wealthy nation" has been the motto of the company (Singh, 2008 and NRAA, 2009).

Vanilla India Producer Company Ltd (VANILCO) has been promoted by Indian Farmers Movement (INFARM) of Kerala, a charitable society with over one lakh farmer members to cater to the long-term needs and interests of the vanilla farmers. Banana India Producer Companies Ltd (BAPCL) has also been promoted by INFARM for building brand quality for 25 Indian banana varieties as exotic varieties at the International market (Murray, 2009). The Government of Madhya Pradesh (MP) under District Poverty Initiatives Programmes (DPIP) promoted a large number of producer companies at various parts of the states with respect to the commodities *viz*, rice, tomato, chilies, peas, sugarcane, turmeric, ginger, poultry, potato, coriander, milk and bio-fertilizers. Spices Board under the Ministry of Commerce, Government of India has promoted two producer companies, the Coinonya Farm Producers Company Ltd for turmeric and Karbi Farm Producers Company Ltd for Ginger and Chilly in Karbi Anlong district of Assam for promoting organic cultivation, processing and export.

Rangsutra, a Producer Company that promotes the products of artisans, weavers and craftsmen, was registered in 2004 and has been extending services in Rajasthan, Assam and Uttarakhand to bridge the gap between the artisans and the customer and to provide such artisans sustainable rural livelihood options.

Benefits of Producer Companies

Y.K. Alagh opined that the Producer Company format is a better way for organising poor producers compared to the co-operative format, which is known for its inadequacies. Consistency in quality and regularity in supply to the corporate buyers facilitates entry into long term contract. The problem of dormant membership which plagues the producer cooperatives is overcome in case of Producer Companies as they entertain only those who are active in the commodity deals and transact with the company on an on-going basis (Murray , 2008).

Pooling of produce by the members enable them to have a greater bargaining power in the market and also by-pass intermediaries and thus, save on costs and enhance their returns. The aggregate demand for inputs of producer-members enables them to purchase in bulk and enjoy greater command over the produce dealt with which enhance quality, productivity and returns.

Conclusion

Producer Company enhances in the bargaining power and ensures a remunerative price especially to the small and marginal farmers. There is need for awareness creation and capacity building among farmers and promotional efforts by, government agencies (eg. KVK, ATMA), civil society organizations to encourage the conversion of producer cooperatives to producer companies.

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