



Performance Grading and Constraints Analysis of Farmer Producer Organisations (FPOs) in Anantapuramu District of Andhra Pradesh

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ABSTRACT

The study was conducted during the period from September, 2020 to August, 2022 in the Anantapuramu district of Andhra Pradesh, India to evaluate the functional performance and constraints faced by Farmer-producer Organizations (FPOs). Farmer Producer Organization (FPO) is believed to improve the livelihood of farmers by collectivizing them for input purchase and providing forward and backward linkages. Performance Grading Tool for FPOs developed by the National Bank for Agriculture and Rural Development (NABARD) was used for measuring the performance of each FPO and the Garret ranking method was used for constraint analysis. Purposive cum simple random sampling was followed where from each FPO, five Board of Directors (BOD) and fifteen farmer members were selected randomly and thus, comprising a total sample size of 100 respondents from Five FPOs. The findings of the study revealed that Tadipatri Horticulture FPO was categorized under 'Grade-A' FPO, and three FPOs viz. Sri Venkateswara Swamy FPO, Sri Ramaswamy FPO, and Sri Peddamma Thalli FPO were categorized under 'Grade B', and one FPO namely, Narpala Rythunestam FPC Ltd was categorized under Grade-C. With respect to constraint analysis, obtaining the remunerative price in local markets was the major constraint followed by fluctuation in market prices. It was concluded that FPOs should have market awareness and market linkages with corporate buyers/processors or any other agencies for fetching better returns and to overcome the constraints.

KEYWORDS: Business plan, financial, grading, governance, management, market linkage

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1. INTRODUCTION

Small and marginal farmers in India are integral to the country's food security but face numerous economic, social, and environmental challenges. While government programs and policies provide some relief, addressing their needs requires more comprehensive and innovative approaches (Ravikishore et al., 2023). Over the past decade, operational holdings have significantly decreased, with the top 10% of farmers now occupying nearly 50% of India's agricultural land whereas the bottom 50% are cultivating less than 0.5% of India's agricultural land (Sunil et al., 2022). Grass root-level institutional innovations in the form of farmers' collectives have received wider popularity all over the world in the last two decades (Vinayak et al., 2019). This new collective combines the efficiency and efficient management of the corporation form with the cooperative ideals of producer ownership, involvement, and governance (Mourya and Mehta, 2021). Producer companies are the promising tool to strengthen farmers' position in their relationship with supermarket chains in India (Trebbin, 2014). Farmer Producer Organizations (FPOs) are fundamentally farmer-owned and farmer-governed micro-enterprises (Mukherjee et al., 2019). Farmers' collectivization through FPOs enhances the economy of scale in on-farm and off-farm activities at preproduction, production, and post-production stages (Ravikishore et al., 2024).

FPO is an institution that has provision for the sharing of profits/benefits among the members (Adhikari et al., 2021). It is found to improve the livelihood of farmers by collectivizing them for input purchase and providing forward linkage. Hence, the number of FPOs has increased over the years (Singh and Vatta, 2019). FPO success, however, depends on the farmers' commitment to the organization (Sawairam, 2015). Backward linkage and forward linkage are the basic purpose envisioned for the FPO (Rathour et al., 2022). FPOs achieve high turnover and profit when it diversifies their activity to aggregation and provide a collective market for produce (Kumari et al., 2022). The stability of a FPO is largely influenced by factors such as attitude, cooperation, member duties, responsibilities, and entrepreneurial characteristics of the farmers (Gorai, 2022; Singh, 2022). Amitha et al. (2021) reported that leadership of FPO officials and participation of farmers significantly contributed to the performance of FPOs.

Capital requirement was found to be the biggest constraint faced by FPO in achieving better performance and for increasing the turnover (Sanjiv et al., 2023). Research indicates that Producer Organizations face significant challenges such as inadequate professional management, working capital shortage, financial institution access, lack of member awareness, insufficient Board direction, and

inadequate infrastructure (Govil et al., 2020). Failure to strike business partnership with input companies, to initiate market tie-up with big companies, high operational costs during the initial years are found to be emerging challenges of the FPOs (Venkattakumar and Narayanaswamy, 2022). The studies also showed that the significant factors affecting the performance were the number of FPOs promoting institutions in the area, ease of doing business, number of markets, and rural literacy (Manaswi et al., 2018). The major reasons for the success of FPOs include group approach, strengthened linkages and increased income levels among the group members (Devi et al., 2020). There are not many examples of FPOs and cooperatives being viable (Phansalkar and Paranjape, 2021). Somehow the initial enthusiasm and energy got dried midstream making FPOs limp slowly, sink in dying. Although success has been tasted by many FPOs, it is the stability of these FPOs that the development professionals, thinkers, and planners are currently concerned (Deka et al., 2020). With the above backdrop, the study was undertaken with the objectives of assessing the performance grading and the constraints faced by those FPOs for survival and growth in Anantapuramu District of Andhra Pradesh.

2. MATERIALS AND METHODS

The study was conducted during the period from September, 2020 to August, 2022 in the Anantapuramu district of Andhra Pradesh. The district is in the scarce rainfall zone of the southwestern part of Andhra Pradesh and lies approximately between 14.68° North Latitudes and 77.63° West longitude. An exploratory sequential design was followed in the present study including a qualitative approach followed by a quantitative approach. The list comprising 90 well-established, registered, and functioning Farmer Producer Organisations (FPOs) in the Anantapuramu district of Andhra Pradesh was obtained from the National Bank for Agriculture and Rural Development (NABARD), Krishi Vigyan Kendra (KVK) and Non-Governmental Organisations. Out of these, a total of five FPOs namely Sri Venkateswara Swamy FPO, Sri Peddamma Thalli FPO, Sri Ramaswamy FPO, Narpala Rythunestam FPC Ltd, and Tadipatri Horticulture FPO were selected randomly considering the differential period of services rendered to the farming community. From each FPO, respondents were selected randomly comprising, five Board of Directors (BOD) and fifteen farmer members making the sample size of 20 respondents from each FPO. Thus, Five FPOs, covering 75 FPO member farmers and 25 BODs with a total of 100 respondents were selected for the study. A structured data collection tool was utilized to collect the data from the producer members (100) of FPOs.

Performance of FPO is operationally defined as the FPOs ability to achieve the predetermined goals in the appropriate

time frame and right quality. Performance Grading Tool for Farmer Producer Organisations developed by the National Bank for Agriculture and Rural Development (NABARD) was used for measuring the performance of each FPO based on various key parameters (Table 1). The parameters included in the tool were the Age profile of FPO, Governance, Management, Infrastructure, Membership of FPO, Percentage of total members contributing to share capital, Total share capital collected, Training of board members, Business plan, financial aspects, Annual turnover, Market linkage, Percentage of members availing services, Convergence with government schemes, Compliance/record keeping. This tool helps in identifying areas where FPOs are excelling and where they need improvement. It is widely used to ensure the success and scalability of FPOs across India (Murray, 2011).

Based on the total scores obtained by each FPO on the basis of these parameters, categorized into four grades. These are Grade A (>75), Grade B (60–75), Grade C (50–60), and Grade D (<50) (Table 2).

2.1. Constraints analysis of FPOs

The garret ranking method was used to analyze the

Table 1: Performance grading tool developed by NABARD for measuring the performance of each FPO

Sl. No.	Parameter	Maximum score
A) Governance and management aspects		
1.	The age profile of FPO	5
2.	Governance	10
3.	Management	10
4.	Infrastructure	5
5.	Membership of FPO	10
6.	Percentage of total members contributing to share capital	5
7.	Total share capital collected	5
8.	Training of board members	10
B) Economic and financial aspects		
1.	Business plan	4
2.	Financial aspects	2
3.	Annual turnover	10
4.	Market linkage	4
5.	Percentage of members availing services of FPO	10
6.	Convergence with Government schemes/corporates	5
7.	MIS/Compliance/record keeping	5

Table 2: Categorization of FPOs based on the obtained scores

Grade	Scores obtained	Remarks
A	>75	Ready for credit linkage
B	60–75	Credit linkage after little capacity building
C	50–60	Need further capacity building
D	<50	Need detailed assessment for further capacity building

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 inquires about the challenges faced by the farmers and the board of directors. The first frequent challenges were selected by using the Garret ranking technique. The order to merit that given by the respondent was converted into percent position using the following formula

$$\text{Percent position} = 100 \frac{(R_{ij} - 0.5)}{(N_j - 0.5)}$$

Where,

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

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

The completed and returned questionnaires from FPO farmer members revealed the distribution of FPOs based on their performance with respect to various key parameters and constraints hindering the performance of FPOs under study.

3. RESULTS AND DISCUSSION

3.1. Performance grading of FPOs in Anantapuram Dt. of Andhra Pradesh

Performance of Farmer Producer Organisations is measured using the Performance Grading Tool developed by NABARD.

3.1.1. Governance and management aspects

3.1.1.1. Age profile of FPO

The data in table 3 indicates that Sri Venkateswara Swamy FPO, Sri Ramaswamy FPO, and Tadipatri Horticulture FPO have been actively functioning for the last five years followed by Sri Peddamma Thalli FPO have been actively functioning for the last 4 years and Narpala Rythunestam FPC Ltd is actively functioning from the last two years.

3.1.1.2. Governance

It is shown from table 3 that out of 5 FPOs, 3 FPOs have 15 board members Sri Peddamma Thalli FPO has 12 board

Table 3: Governance and management performance of FPOs

Sl. No.	Parameter	Farmer producer organisations (FPOs)				
		Sri Venkateswara Swamy FPO	Sri Ramaswamy FPO	Tadipatri Horticulture FPO	Sri Peddamma Thalli FPO	Narpala Rythunestam
1.	The age profile of FPO	5 Years	5 Years	5 Years	4 Years	2 Years
2.	Governance	15 board members	15 board members	15 board members	12 board members	10 board members
3.	Management	1 CEO	1 CEO	1 CEO	1 CEO	1 CEO
4.	Infrastructure	Separate rented offices, computers, and other infrastructure like tables, and chairs were seen.	Separate rented offices, computers, and other infrastructure like tables, and chairs were seen.	Separate rented offices, computers, and other infrastructure like tables, and chairs were seen.	Separate rented offices, computers, and other infrastructure like tables, and chairs were seen.	Separate rented offices, computers, and other infrastructure like tables, and chairs were seen.
5.	Membership of FPO	591	550	520	605	392
6.	Percentage of total members contributing to share capital	All the members contributed to share capital i.e. 100%	All the members contributed to share capital i.e. 100%	All the members contributed to share capital i.e. 100%	All the members contributed to share capital i.e. 100%	All the members contributed to share capital i.e. 100%
7.	Total share capital collected	₹ 6,50,100	₹ 6,05,000	₹ 5,72,000	₹ 6,05,000	₹ 3,92,000
8.	Training of Board members	All board members trained	All board members trained	All board members trained	All board members trained	All board members trained
Total scores obtained		49	51	51	50	41

members and Narpala Rythunestam FPC Ltd has 10 board members. Out of 15 board members, 10 were male and 5 were female in the Sri Venkateswara Swamy FPO, with respect to Sri Ramaswamy FPO out of 15 board members 10 were male and 5 were female board members, in the case of Tadipatri Horticultural FPO of 15 board members 11 were male and 4 were female. With respect to Sri Peddamma Thalli FPO, 7 were males and 5 were females which is having highest number of female board members when compared to other FPOs under study. In the case of the Narpala Rythunestam FPC Ltd 9 were male board members with only female board members and this FPO comprises the least number of board members when compared to other FPOs under study. Representation of women was seen in all the 5 FPOs. Board meetings were conducted once every month in Sri Venkateswara Swamy FPO, Sri Ramaswamy FPO, Tadipatri Horticulture FPO, and Sri Peddamma Thalli FPO except in Narpala Rythunestam FPC Ltd where the board meetings were conducted twice in a month.

3.1.1.3. Management

The data in Table 3, shows that all five FPOs had one full-time Chief Executive Officer (CEO). It was observed that CEOs of FPOs promoted by some agencies. CEOs of all the FPOs received training from NABARD regarding processing, procurement, management, and marketing activities.

3.1.1.4. Infrastructure

It is evident from Table 3 that all the five FPOs had separate rented offices with infrastructure like computers, tables, chairs, etc. to facilitate the regular work of FPO.

3.1.1.5. Membership of FPO

It is shown in table 3 that Sri Peddamma Thalli FPO comprised the highest number of farmers i.e 605 followed by 591 members in the Sri Venkateswara Swamy FPO, 550 members in Sri Ramaswamy FPO, 520 members in Tadipatri Horticulture FPO and 392 members in the

Narpala Rythunestam FPC Ltd respectively.

3.1.1.6. Percentage of total members contributing to share capital

It appeared from the data in Table 3 that all the members were contributing to the share capital of FPO.

3.1.1.7. Total share capital collected

The data presented in Table 3, shows that the share capital of Sri Venkateswara Swamy FPO, Sri Ramaswamy FPO, and Tadipatri Horticulture FPO was 6,50,100 and 6,05,000 and 5,72,000 and fixed the amount of ₹ 1100 per membership respectively. Sri Peddamma Thalli FPO and Narpala Rythunestam FPC Ltd have a share capital of 6,05,000 and 3,92,000 respectively and a fixed amount of ₹ 1000 for membership.

3.1.1.8. Training of board members

Regarding training of the board members, the data in Table 3, indicates that all the board members in the five FPOs Sri Venkateswara Swamy FPO, Sri Ramaswamy FPO, Tadipatri Horticulture FPO, Sri Peddamma Thalli FPO and Narpala Rythunestam FPC Ltd received more than 80 percent training.

3.1.2. Economic and financial aspects

3.1.2.1. Business plan

The data in table 4 shows that among the studied FPOs Sri Venkateswara Swamy FPO, Tadipatri Horticulture FPO, and Narpala Rythunestam FPC Ltd have prepared business plans for 3 years. The other two FPOs namely, Sri Ramaswamy FPO and Sri Peddamma Thalli FPO have prepared a business plan for one year.

3.1.2.2. Financial aspects

It is observed from table 4 that all the selected five FPOs have not availed any financial assistance from the lending institutions. All the FPOs have been trying to get financial assistance and the proposals have also been submitted for the same to the lending institutions.

3.1.2.3. Annual turn over

It is evident from table 4 that the annual turnover of Tadipatri Horticulture FPO was between 4,50,000 to 5,00,000 which was the highest among studied FPOs followed by Sri Ramaswamy FPO with an annual turnover of 3,50,000 to 4,00,000, Sri Venkateswara Swamy FPO with annual turnover of 3,00,000 to 3,50,000, Sri Peddamma Thalli FPO with annual turnover of 3,00,000 and Narpala Rythunestam FPC Ltd with less annual turnover of 2,50,000 lakhs among the selected five FPOs.

3.1.2.4. Market linkages

The data in table 4 shows that Sri Venkateswara Swamy FPO, Sri Ramaswamy FPO, Tadipatri Horticulture FPO

have market linkages with the corporate buyers and Sri Peddamma Thalli FPO and Narpala Rythunestam FPC Ltd were dependent on the local markets for selling their goods as they were not having any linkage with corporate buyers.

3.1.2.5. Percentage of members availing services

It can be inferred from Table 4 that more than 50% of members were availing of input services, extension services and procurement services from Sri Venkateswara Swamy FPO, Sri Ramaswamy FPO, and around 75% of members were availing of input services, extension services and procurement services from Tadipatri Horticulture FPO, Sri Peddamma Thalli FPO and over 25% of members were availing input services and procurement services from the Narpala Rythunestam FPC Ltd respectively.

3.1.2.6. Convergence with government schemes

It is evident from table 4 that only two FPOs namely Tadipatri Horticulture FPO and Sri Peddamma Thalli FPO have convergence with the government schemes and other FPOs did not have any convergence with the government schemes.

3.1.2.7. MIS/compliance/record keeping

The data in Table 4 shows that Sri Ramaswamy FPO and Tadipatri Horticulture FPO have regularly submitted audited balance sheets, and other compliances and maintained all the registers. Sri Venkateswara Swamy FPO, Sri Peddamma Thalli FPO, and Narpala Rythunestam FPC Ltd submitted audited balance sheets regularly, but other compliances were irregular and maintained only a few registers for minutes of meetings of board members and CEO.

3.1.3. Distribution of FPOs based on their performance

It can be inferred from the above table 5 that out of five FPOs selected for the present study, one FPO viz. Tadipatri Horticulture FPO falls under Grade-A, and three FPOs viz. Sri Venkateswara Swamy FPO, Sri Ramaswamy FPO, and Sri Peddamma Thalli FPO were under Grade B, and one FPO namely, Narpala Rythunestam FPC Ltd was categorized under Grade C. So, it is evident that Tadipatri Horticulture FPO is ready for credit linkage which indicates that lending institutions can provide the credits for enhancing their business performance.

With respect to Sri Venkateswara Swamy FPO, Sri Ramaswamy FPO, and Sri Peddamma Thalli FPO, they need to be strengthened in terms of their level of awareness on market linkage mechanism, collaboration with government agencies, group approach to financial assistance and management aspects of agriculture and allied sectors without which the FPOs cannot sustain for a prolonged period with little support from credit lending institutions. So, farmers need capital assets to progressively improve

Table 4: Economic and financial performance of FPOs

Sl. No.	Parameter	Farmer producer organisations (FPOs)				
		Sri Venkateswara Swamy FPO	Sri Ramaswamy FPO	Tadipatri Horticulture FPO	Sri Peddamma Thalli FPO	Narpala Rythunestam
1.	Business plan	The business plan was prepared for 3 years	The business plan was prepared for one year	The business plan was prepared for 3 years	The business plan was prepared for one year	The business plan was prepared for 3 years
2.	Financial aspects	It has not availed of financial assistance	It has not availed of financial assistance	It has not availed of financial assistance	It has not availed of financial assistance	It has not availed of financial assistance
3.	Annual turnover	Between 3,00,000 to 3,50,000	Between 3,50,000 to 4,00,000	Between 4,50,000 to 5,00,000	Around 3,00,000	Below 2,50,000
4.	Market Linkage	It has established market linkage with corporate buyers	It has established market linkage with corporate buyers	It has established market linkage with corporate buyers	It was dependent on the local market for selling the produce	It was dependent on the local market for selling the produce
5.	Percentage of members availing services of FPO	Over 50% of members are availing input services	Over 50% of members are availing input	Over 75% of members are availing input	Over 25% of members are availing input	Over 25% of members are availing input
6.	Convergence with Government schemes/ corporates	It has no convergence with any other government schemes	It has no convergence with any other government schemes	It has convergence with any other government schemes	It has convergence with any other government schemes	It has no convergence with any other government schemes
7.	MIS/ Compliance/ record keeping	Only the audited balance sheet is regular and other compliances are irregular.	Regular submission of records was observed	Regular submission of records was observed	Only the audited balance sheet is regular and other compliances are irregular.	Only the audited balance sheet is regular and other compliances are irregular.
Total scores obtained		23	22	29	19	18

their income over the initial 3 to 4 years and sustain for a prolonged period. Narpala Rythunestam FPC Ltd needs further capacity building as it has inadequate infrastructure facilities inefficient board members and a CEO who does not have market awareness and knowledge about market linkages.

It can be concluded through observations that all the selected FPOs were performing almost similarly with respect to governance and management aspects but the major

difference lies within economic and financial aspects. In governance and management aspects the major differences observed were infrastructure facilities of FPOs, governing capabilities of CEO, availability of paid staff, training of board members, and decision-making capability of board members. FPOs that were providing only input services but not doing procurement of produce were not performing up to the mark and the FPOs that were procuring the produce performed well. The FPOs which have market awareness

Table 5: Distribution of FPOs on the basis of their performance

Sl. No.	Parameter	Farmer producer organisations (FPOs)					
		Maximum Score	Sri Venkateswara Swamy FPO	Sri Ramaswamy FPO	Tadipatri Horticulture FPO	Sri Peddamma Thalli FPO	Narpala Rythunestam
A) Governance and management performance of FPOs							
1.	The age profile of FPO	5	4	4	4	4	3
2.	Governance	10	6	9	7	6	6
3.	Management	10	7	6	8	8	6
4.	Infrastructure	5	4	4	4	4	4
5.	Membership of FPO	10	8	8	8	8	6
6.	Percentage of total members contributing to share capital	5	5	5	5	5	5
7.	Total share capital collected	5	5	5	5	5	3
8.	Training of board members	10	10	10	10	10	8
B) Economic and financial aspects							
1.	Business plan	4	4	2	4	2	4
2.	Financial aspects	2	0	0	0	0	0
3.	Annual turnover	10	3	3	3	3	3
4.	Market linkage	4	4	4	4	2	2
5.	Percentage of members availing services of FPO	10	8	8	10	5	5
6.	Convergence with Government schemes/ corporates	5	0	0	3	3	0
7.	MIS/Compliance/record keeping	5	4	5	5	4	4
Total scores obtained		100	72	73	80	69	59
Category		B	B	A	B	C	

and market linkages with corporate buyers/processors, or any other agencies were fetching better returns.

3.2. Constraints analysis of FPOs in Anantapuramu district of Andhra Pradesh

It can be inferred from above table 6 that remunerative price

in local markets is a major constraint with a 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 warehouse facilities (72.0), Quite of farmers from FPOs

Table 6: Constraints perceived by the members of farmer producer organizations

Sl. 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 warehouse 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

when there is loss (65.34) and Lack of participation in activities of FPO (62.67).

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

4. CONCLUSION

The NABARD grading tool was crucial for FPOs' growth, evaluating performance, enhancing governance, financial sustainability. Tadipatri Horticulture FPO was categorized under 'Grade-A' FPO, Sri Venkateswara Swamy, Sri Ramaswamy and Sri Peddammathalli FPO, were categorized under 'Grade B', and Narpala Rythunestam FPC Ltd was categorized under Grade-C. The FPOs demonstrated similar governance and management performance, but faced economic and financial challenges, emphasizing the need for continuous capacity building, leadership development, and member engagement for long-term success.

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