
Farmer Producer Organisations as Collective Action Model: Evidence from Kerala

Discipline: Commerce

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Abstract

In India, various forms of collectivisation among farmers exist, including co-operatives and companies, which are collectively categorised under the broad term 'Farmer Producer Organisations' (FPO). FPOs are farmer-led business collectives that have gained prominence as instruments for empowering the economic and social position of small and marginalised farmers in India. While several collectives models, especially in sectors such as dairy, handloom, and poultry have demonstrated notable success, many FPOs continue to face significant existential issues. Existing studies have not been able to identify the factors affecting performance and proper functioning of FPOs. To address this gap, present study adopts a mixed-method approach, combining qualitative insights from Focus Group Discussions with farmers and quantitative Primary data were collected through structured interview schedule. Three FPOs promoted by different agencies were selected randomly to capture institutional diversity. The study identifies key enabling and challenging factors, links these findings with the existing literature, and conducts a Critical SWOT analysis of FPOs to assess performance determinants. The insights generated are expected to benefit a wide range of stakeholders – including FPOs members, Board of directors, funding agencies like NABARD, SFAC, Banks, and capacity building organizations by informing strategies aimed at strengthening the sustainability and effectiveness of FPO.

Keywords: Farmer Producer Organisation, Farmer Collectives, Farmer Producer Companies, Challenges, Sustainability, Performance, SWOT Analysis

Introduction

In a developing country like India, agriculture plays a cornerstone for the economic development of the nation (Motdhare et al., 2024). According to the 11th Agricultural Census in India, more than 80% of total landholdings are held by small and marginal farmers (Bharti & Kumari, 2024b). The size of the landholdings has consistently fragmented due to various reasons, which may seriously affect the ability to earn profit from economies of scale (Kumari et al., 2023). In order to protect the farmers from the negative effects of competitive market and increase their income, Govt of India, Ministry of Agriculture and Farmers Welfare and the Department of Agriculture and Cooperation introduced the concept Collectivisation of Farmers. Farmer Producer Organisations identified as best collectivisation Model for Small and Marginal Farmers (Priyanka & Jayasankar, 2024). Through FPOs the bargaining power of farmers gets better by pooling resources and linkage with market (Baruah et al., 2022) access to technology, high quality inputs (Gautam & Mallaiah, 2024). It facilitates a room for small farmers to take institutionalised collective action for their farm enterprises (Acharya et al., 2023; Bijman & Wijers, 2019). FPOs are started to ensure better income to the farmers through the organisation of their own (Jose, 2024). The Government of India has acknowledged the significant potential of Farmer Producer Organizations. In line with this, In 2020 the Ministry of Agriculture and Farmers Welfare has declared a plan to establish 10,000 new FPOs in the coming five years, with implementation support from SFAC, NABARD, and the National Cooperative Development Corporation (NCDC) (Govil & Neti, 2024).

FPOs help to enhance agribusiness opportunities of the economy and achieve economic development. Even though many studies reported the success factors of FPO, there have been studies that noted the flip side of FPOs. Many FPOs are facing existential issues (Suresh et al., 2024). With the rapid expansion of FPOs, ensuring their quality has become a critical concern. In this context, the present study aims to formulate appropriate measures to assess FPO performance based on the interview conducted with stakeholders of FPO. Findings of this study compared with relevant literature and published reports. Hence a critical SWOT analysis would help the key stakeholders of FPOs to systematically promote the number of FPOs in India. To understand how Farmer-Producer Organisations operate, a SWOT analysis was conducted, reflecting the views of farmers and various stakeholders on what aspects of FPOs are effective and which areas require attention (Anand et al., 2023). The remaining part of this article includes Literature Review, Research methodology, Results and Discussion in which detailed description of each FPO selected for the study mentioned and Demographic characteristics of beneficiaries of FPO included. Critical SWOT analysis of FPO added. And article ended up with Conclusion.

Literature Review

In 2000 a committee led by Alagh recommended the concept of Producer Organisation in India. A new “part IX A” for “Producer companies” were incorporated to Companies Act, 1956 in 2002 (Jose, 2024). As per this amendment Producer Organisations are any legal entity formed by primary producers like farmers, artisans, fishermen, weavers etc (Suresh & SS, 2024). The concept behind new-gen cooperative is to make them more income-generative and capable of taking risk for their business growth. Equal allocation of voting right among members helps to maintain unity in shared goals. They follow a formal governance structure that fosters member cooperation and effectively addressing the requirements of the modern agricultural value chain (Waring et al., 2022). Over the past decade, the concept of Producer Company has gained significant acceptance (Mourya & Mehta, 2021).

First the concept of ‘Farmer Producer Organisation’ was emerged in developed nations. In India committee led by the economist Dr. Y K Alagh first recommended the concept of Producer Organisation in 2000 by retaining the cooperative principle of ‘one vote and one share’. In 2002, The Companies Act of 1956 was amended by inserting ‘Part IX A’, introducing a new form of corporate entity known as ‘Producer Companies’ (Radadiya & Lad, 2024). FPOs were permitted to register as companies under the Companies Act, 2013 and can operate along the principles of a Profit driven firms. These entities represents farmer owned agri-businesses that originated as informal collectives of small and marginal farmers. FPOs sometimes known as Farmer Producer Companies (Anamika et al., 2021). According to this act only primary producers are allowed to do producer business. Which means a non-producer cannot be become a member in producer organization. In India most importantly the two nodal institutions that support FPOs are Small Farmers Agribusiness Consortium (SFAC) and National Bank for Agriculture and Rural Development (NABARD) (Bharti & Kumari, 2024a). These institutions assist the farmer collectives by providing monetary support and managerial guidance for the formation of FPOs. Besides this, many FPOs are self-supported by NGOs or Progressive rural youth. According to NABARD Producer Organisations as a legal entity formed by primary producers like farmers, artisans, fisherman etc. if the members of such entity are farmers we called it as Farmer Producer Organisations (Malik & Kajale, 2024). FPOs support the producers for the production, harvesting, procurement, processing, grading, pooling, selling and marketing of their products. ‘Farmers Honey Bee India Producer Company Ltd.’ was the first producer company registered in India in June 6, 2003.

Research Methodology

The present study was conducted in Kerala, with districts from the southern, central, and northern regions purposively selected based on the presence of a higher number of Farmer Producer Organisations (FPOs) promoted by diverse agencies. To ensure representativeness across institutional variations, three FPOs were selected: Neeloor Producer Company Limited (promoted by Neeloor Service Cooperative Bank), Shreyas Tribal Farmer Producer Company Limited (promoted by the Spices Board of India), and Onattukara Coconut Producer Company Limited (promoted by the Coconut Development Board). These organisations reflect different commodity bases, geographical contexts, and promoting institutions, thereby offering a holistic understanding of FPO functioning in the state.

The study was primarily based on primary data collected directly from member farmers. A total sample of 90 respondents was selected, comprising 30 randomly chosen members from each of the three FPOs. Data were gathered using a structured interview schedule, which was designed to capture socio-economic characteristics, organisational participation, perceived benefits, challenges, and members' assessment of FPO performance. All interviews were conducted in Malayalam, the respondents' native language, to facilitate clear communication and enhance response accuracy. The researcher personally interviewed each respondent, which enabled deeper engagement, improved quality of responses, and allowed direct observation of member perceptions and field realities. Responses were carefully recorded, and the collected data were thoroughly checked and cross-checked to ensure reliability and consistency.

A cordial and non-threatening interview environment was maintained throughout, encouraging respondents to express their opinions freely. In addition to primary data, secondary information from relevant literature, reports, and official documents was incorporated to strengthen the analysis and support the interpretation of findings. The collected data were tabulated and analysed using percentage analysis to understand demographic characteristics and examine the effectiveness of FPOs in enhancing farmer empowerment.

Results and Discussion

In the results and discussion part, include a demographic profile of the beneficiaries of the three selected FPOs. Findings integrate interview responses, Focus Group Discussion and secondary literature to offer a proper understanding of FPO functioning in Kerala and based on that, SWOT analysis of performance of FPOs were listed.

Demographic Characteristics of FPO beneficiaries (N=90)

Sl No	Variables	Category	Frequency	Percentage
1	Age	Below 25	0	0
		26-50	30	33.3
		51-75	40	44.4
		Above 75	20	22.2
2	Education	Illiterate	10	11.1
		Primary School	28	31.1
		Middle School	30	33.3
		High School	10	11.1
		Graduation	12	13.3
3	Annual Income	Low (Up to 1lakh)	30	33.3
		Medium (1-3lakh)	50	56
		High (Above 3lakh)	10	11.1
4	Farming Experience	Upto 10 yrs	10	11.1
		10-20yrs	40	44.4
		Above 20yrs	40	44.4
5	Farm Size	Marginal farmer (less than 2.50 acre)	35	39
		Small Farmer (2.50 to 5.00 acre)	40	44
		Big Farmer (above 5.00 acre)	15	17

Interpretation of Variables**Age**

The age distribution of FPO beneficiaries indicates that participation is concentrated among middle-aged farmers. A majority belong to the 51–75 years age group (44.4%), followed by those aged 26–50 years (33.3%), while 22.2% are above 75 years, and no respondents fall below 25 years. This pattern suggests that FPO membership is primarily driven by experienced and older farmers who are more actively engaged in farming activities and decision-making processes. The absence of youth indicates limited involvement of younger generations in FPO structures, highlighting a potential gap in youth mobilization for future sustainability of the organizations.

Education

The educational profile of respondents shows a mixed literacy level, with most having basic schooling. About 33.3% of the beneficiaries completed middle school, and 31.1% studied up to primary school, while 13.3% attained graduation. Meanwhile, 11.1% are illiterate, and another 11.1% completed high school. This indicates that although a portion of FPO members possess adequate educational exposure, many still rely on practical knowledge rather than formal education. Such a distribution underscores the need for continuous training and capacity-building initiatives to strengthen managerial and market-related competencies among FPO members.

Annual Income

The income distribution reveals that the majority of the beneficiaries fall under the medium-income category (1–3 lakh), accounting for 56% of respondents. About 33.3% belong to the low-income group (up to 1 lakh), while only 11.1% fall into the high-income category. This suggests that FPOs are largely serving small and economically vulnerable farmers who depend heavily on collective mechanisms to improve their livelihood conditions. The dominance of medium- and low-income participants also implies that FPO interventions have the potential to significantly uplift the economic status of marginal and small farmers through better market access and price realization.

Farming Experience

A considerable proportion of FPO beneficiaries have substantial experience in farming. Farmers with 10–20 years of experience and those with more than 20 years form equal shares, each contributing 44.4% of the total. Only 11.1% of members have less than 10 years of experience. This reflects that FPOs are predominantly composed of seasoned farmers who possess deep knowledge of agricultural practices and rural markets. Their experience makes them valuable contributors to collective decision-making, although the relatively low presence of new or first-generation farmers may signal a need to attract younger entrants into agriculture and strengthen future membership.

Farm Size

Analysis of farm size shows that 44% of respondents fall under the small farmer category (2.5–5 acres), while 39% are marginal farmers with less than 2.5 acres of land. Only 17% qualify as big farmers with more than 5 acres. This distribution highlights that FPOs are primarily composed of small and marginal farmers, who are traditionally constrained by limited resources, low bargaining power, and poor market access. Their higher representation indicates that FPOs are playing an important role in collectivizing smallholder farmers to enhance economies of scale, reduce transaction costs, and improve access to inputs and markets.

Performance of Farmer-Producer Organisations

1. Shreyas Tribal Farmer Producer Company Limited (STFPC)

STFPC is a private Company established in 2017 in Wayanad district of Kerala. Although the project was initially designed to enhance the livelihood security of tribal communities through farming, Shreyas soon realized that higher production did not automatically result in better income for the farmers. This was mainly because middlemen in the region-controlled prices, which reduced fair return of farmers even though the yield is good. Generally tribal farmers who are less educated and lacked strong organizational support, were unable to bypass these intermediaries and sell their produce directly. Recognizing that involving farmers in the governance of an institution could strengthen their capacities, the NGO began to seriously consider forming a Farmer Producer Company (FPC) to ensure better income and long-term sustainability for the producers. As a result, the FPC took up procurement, processing, and marketing of products from its tribal farmer members. Several board members received training from NABARD on agricultural commodity marketing.

Members of the FPC now benefit from market support, as well as technical training offered by agencies such as NABARD, Krishi Vigyan Kendra (Wayanad), Indian Institute of Spices Research (IISR), Calicut, and the Department of Agriculture. The organisation also arranged exposure visits and financial literacy programmes. Local trade fairs were organised to promote member products, and efforts are underway to provide life insurance coverage to all members through a collaboration with a public sector insurance company.

2. Neeloor Producer Company Limited

Neeloor Producer Company Limited (NPCL), established in 2006 as a collective initiative of over 500 farmers and promoted by the Neeloor Service Cooperative Bank with support from NABARD, has evolved into one of the most prominent and functional FPOs in Kottayam district. Its performance over the years reflects a combination of strong institutional backing, member cohesion, and a clear value-chain focus. Situated in Neeloor—a hilly, agrarian village in the Pala region—NPCL emerged in response to farmers' need for better market access, organised value addition, and income stability. Interviews with farmers and Board members indicate that NPCL's performance is rooted in its ability to mobilize farmers around a common commodity, ensure transparency in operations, and deliver measurable benefits to its shareholders.

A major strength of NPCL lies in its commodity specialization, with jackfruit positioned as the primary value-chain activity. The company has successfully developed a range of value-added products such as dried jackfruit, jackfruit powder, halwa, and

kumbil appam, all produced without chemical preservatives. This focus has created a stable identity for NPCL in the regional market and has enabled the organisation to move from selling raw produce to capturing higher margins through processing. Interviews reveal that farmers benefit from assured procurement, reduced exploitation by middlemen, and opportunities for training in post-harvest handling. The establishment of basic processing facilities and storage infrastructure has further strengthened NPCL's capacity to maintain quality consistency and supply reliability.

Beyond product diversification, NPCL's performance is reflected in its support systems for farmers. The organisation conducts regular training programmes, capacity-building workshops, and exposure visits with assistance from NABARD and other agencies. These initiatives have enhanced members' technical knowledge, improved farming practices, and promoted the adoption of value-addition techniques at the household level. Financial inclusion services—including linkages with banks, assistance in availing credit, and guidance on financial management—have also contributed to building trust and deepening member engagement. Farmers interviewed attribute their increased confidence, reduction in production wastage, and improved income stability to the structured support provided by NPCL.

Institutionally, NPCL demonstrates effective coordination among its members and leadership. The Board of Directors actively participates in decision-making, maintains accountability, and engages in continuous networking with government departments, research institutions, and market agencies. Such collaboration has helped NPCL secure training resources, expand market channels, and improve organisational efficiency. Members consistently described the internal environment as democratic and participatory, with regular meetings and transparent communication enhancing collective ownership.

Despite its achievements, NPCL faces operational challenges typical of growing FPOs. These include limited working capital, seasonal dependency of jackfruit, need for advanced processing technology, and competition from commercial brands in the value-added food sector. However, the organisation has adopted adaptive strategies such as exploring new products, strengthening branding, and gradually diversifying into complementary activities. Farmers expressed confidence that with continued institutional support and enhanced market linkages, NPCL can scale up production, expand its customer base, and emerge as a model FPO for value-chain development in niche products like jackfruit.

Overall, the performance of Neeloor Producer Company Limited demonstrates how a community-driven organisation, backed by strategic support and commodity focus, can transform the livelihoods of small and marginal farmers. Its journey highlights

the potential of FPOs in Kerala to promote entrepreneurship, strengthen local economies, and sustainably integrate farmers into competitive markets.

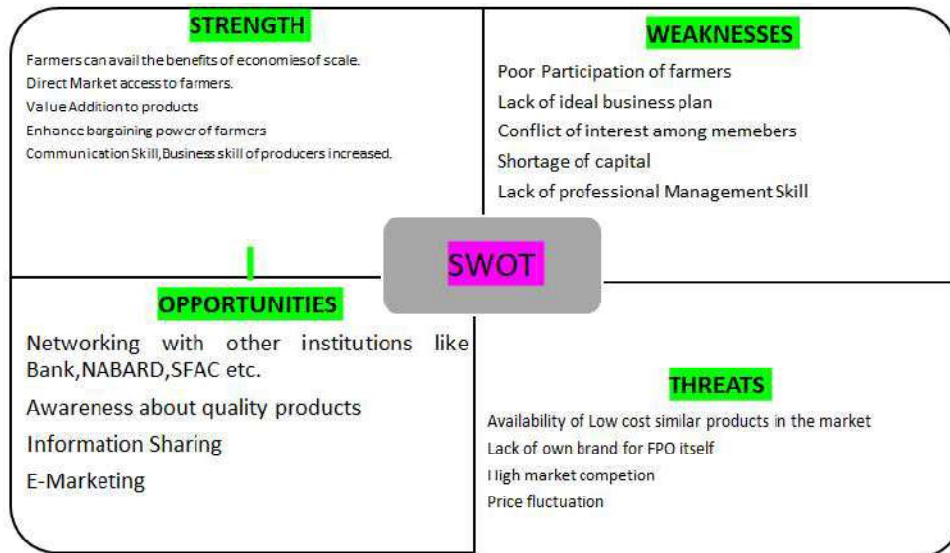
3. Onattukara Coconut Producer Company Limited (OCPCL)

OCPCL is a private company incorporated in the year 2015. Onattukara Coconut Producer Company Ltd. (OCPCL), established in 2015 in Alappuzha district under the guidance of the Coconut Development Board, functions as a successful farmer-led collective integrating over 200 Coconut Producer Societies and multiple federations to support more than 25,000 coconut farmers. The company focuses on strengthening the entire coconut value chain by procuring raw nuts from member farmers and converting them into a range of value-added products such as coconut oil, virgin coconut oil, desiccated coconut, coconut chips, coconut milk oil, chutney powder, cookies, squash, and other diversified coconut-based items. Equipped with modern processing units and backed by quality certifications like ISO, HACCP, AGMARK, and FSSAI, OCPCL ensures standardized production, packaging, and branding under the “Onattukara” label, enabling members to bypass middlemen and secure better and more stable prices. In addition to processing and marketing, the company promotes sustainable farming practices, encourages intercropping and organic methods, facilitates the use of by-products such as husk, shell, and coir, and supports farmers through nursery services, training, and access to quality seedlings. Its marketing strategy includes retail distribution, participation in trade fairs, and expansion into premium consumer markets, thereby enhancing brand visibility and income opportunities. Through value addition, organized marketing, and crop diversification, OCPCL has been able to create multiple income streams, reduce risk for small and marginal farmers, improve livelihood security, and demonstrate an effective FPO model that links farmers directly to markets while ensuring long-term sustainability.

SWOT Analysis of FPO

Based on the Literature Review, Focus Group Discussions with the Board of Directors, Personal Interview with member Farmers of three selected FPOs from three districts of Northern, Central and Southern part of Kerala. Shreyas Tribal Farmer Producer Company Limited from Wayanad District, Neeloor Producer Company Limited from Kottayam district and Onattukara Coconut Producer Company Limited from Alappuzha district. All these FPO are considered the leading and reputed FPOs in Kerala. SWOT analysis would help to assess the current situation of FPO before going to start a new strategy. Awareness of their strengths and potential opportunities helped the FPOs develop clarity about the internal advantages that require continued enhancement. In the same way, identifying weaknesses and threats equipped them with insights to anticipate and manage external negative influences. Strengths represent those

internal qualities of an organisation that place it in a favourable position compared to others. Here researcher studies the three selected FPOs separately and based on the insights from each FPO, synthesises the findings into a common SWOT analysis.



Findings of the Study

- Institutional Support from the authorities helps to ensure operational success and the long-term existence of FPOs
- Value addition of the crop, especially in OCPCL and NPCL, plays a major role in the income generation to members.
- Members' technical know-how and decision-making ability are getting improved through the training programmes conducted by the promoting agency.
- FPOs contribute Social Capital of members by participation, networking, motivation, and skill acquisition.
- FPOs help to improve market participation of member farmers by providing a fair price to their product and avoiding market intermediaries.
- Young member participation in FPOs is very low, highlighting an urgent need for strategic interventions to attract young farmers.
- Shortage of working capital remains major obstacle for expansion of the organisation.
- Strong leadership and transparent governance emerged as consistent factors determining FPO performance across all three organisations.

Conclusion

In a nutshell, Farmer Producer Organisations act as an effective collectivisation model that helps to improve the social and economic well-being of small and marginal farmers in Kerala. The comparative analysis of three distinct FPOs promoted by three different institutions demonstrates that organised procurement, value addition, market linkage, and capacity-building initiatives create measurable improvements in livelihood outcomes. Leadership quality and the level of member participation emerged as the key determinants of FPO effectiveness. To strengthen these organizations, the government may consider encouraging the involvement of young and educated farmers who can actively contribute to FPO activities. The strengths identified within FPOs empower members to participate in decision-making and improve their standard of living. Successful and innovative practices adopted by certain FPOs can also be highlighted and promoted for replication by other FPOs. Overall FPOs hold substantial potential to strengthen rural economies, enhance farmer income, and build resilient community-based enterprises in Kerala's agricultural landscape.

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