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## BEYOND REGISTRATION: CAN SOUTH INDIAN FPCS BECOME TRUE AGRIBUSINESS ENTERPRISES?

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### Introduction: The Promise and the Paradox

Indian agriculture is witnessing an institutional transformation through the rapid expansion of Farmer-Producer Organisations (FPOs) and Farmer-Producer Companies (FPCs). These institutions were envisioned as a pathway to strengthen farmers' bargaining power, improve market access, reduce transaction costs, and transform fragmented farming into organised economic participation.

The need for such collectives is evident. More than 85 per cent of Indian farmers belong to the small and marginal category, often operating with limited landholdings and weak market negotiating capacity. Individually, such farmers struggle to access modern value chains, storage facilities, processing infrastructure, export markets and institutional finance. FPCs emerged as a strategic solution to this structural disadvantage.

Over the last decade, India has seen rapid growth in the number of registered FPOs and FPCs. Government initiatives such as the Central Sector Scheme for Formation and Promotion of 10,000 FPOs accelerated this movement across states.

According to available policy estimates, India currently has more than 40,000 registered producer organisations in different stages of operation.

Southern states, including Kerala and Tamil Nadu, have also actively promoted FPCs through agencies such as SFAC, NABARD, KVKs, ATMA and state agricultural departments. While the number of registered FPCs has increased considerably, a major question remains:

Are these institutions evolving into sustainable agribusiness enterprises or remaining largely scheme-driven collectives?

This question becomes increasingly important because registration alone cannot guarantee enterprise success. Many emerging FPCs continue to face challenges in governance, professional management, market linkage, value addition and technological adaptation.

An exposure visit organised under the KAU-FPO Linkage Programme, funded by MIDH-SHM, Government of Kerala, offered valuable insights into this issue. Interactions with advanced producer-company models revealed the immense potential of farmer-owned enterprises when supported by professional systems, technological integration and long-term market orientation.

The lessons from such models indicate that South Indian FPCs possess significant untapped potential. However, achieving enterprise maturity requires a transition from institutional formation to strategic business functioning.

### Why FPCs Matter in the Agricultural Economy?

FPCs are not merely farmer associations. They are business entities owned and governed by producers themselves.

When properly managed, producer companies can aggregate produce, improve bargaining power, reduce input procurement costs through bulk purchasing and strengthen access to institutional credit. They can also reduce dependence on intermediaries, undertake value addition and processing, facilitate exports and generate rural employment opportunities.

Economically, the strength of producer companies lies in economies of scale.

A single small farmer may not have sufficient quantity to negotiate with buyers or supply organised retail chains. However, when hundreds of farmers aggregate their produce collectively, transaction costs reduce, and market participation improves.

For example, in vegetable and fruit supply chains, a large share of the consumer price is often absorbed by intermediaries, logistics inefficiencies and post-harvest losses. Various studies estimate post-harvest losses in fruits and vegetables in India to range between 5 and 15 per cent, depending on the commodity and supply chain conditions.

Efficient producer companies can reduce such losses through:

- scientific grading,
- storage,
- collective transportation,
- better packaging,
- and market coordination.

This not only improves farmer income but also enhances supply chain efficiency.

In urbanising states such as Kerala and Tamil Nadu, where urban consumer demand is increasing rapidly, professionally managed FPCs can play a critical role in linking rural producers with modern retail and export markets.

### The South Indian Context: Growth Without Full Enterprise Maturity

Kerala and Tamil Nadu possess several advantages for producer-company development. These advantages include relatively literate farming communities, stronger institutional networks, better road connectivity, diversified agriculture and growing consumer demand for quality food products.

Despite these advantages, many emerging FPCs across South India continue to face structural and managerial limitations.

In many cases, producer companies remain highly dependent on facilitating agencies even years after registration. Decision-making systems are often weak, market strategies remain localised, and technical manpower is limited.

Another major issue is the tendency toward premature diversification. Several newly formed FPCs attempt to handle too many commodities and activities simultaneously without establishing strong operational systems for any single enterprise segment. This dilutes managerial focus and affects financial sustainability.

Many FPCs also continue to depend heavily on nearby wholesale markets. While this ensures quick disposal of produce, it often results in lower price realisation and weak market positioning.

The challenge, therefore, is not merely the formation of producer companies, but their evolution into professionally managed enterprises.

### **Learning from Advanced Producer-Company Models**

One of the most important insights from exposure to advanced producer-company models was the realisation that farmer collectives can successfully compete in highly organised domestic and export markets.

Among the most striking observations were the strict adherence to Standard Operating Procedures (SOPs), disciplined quality control systems, scientific grading and packing, traceability mechanisms, organised labour management and highly professional management practices. The scale of infrastructure, particularly the advanced pack-house facilities, reflected the level of institutional discipline and enterprise orientation achieved by such producer-company models.

The scale and speed of operations demonstrated how farmer-owned enterprises can evolve into sophisticated agribusiness institutions. Perhaps the most impressive aspect was the level of investment in research, experimentation and technological adaptation. Small-scale trial-and-error approaches were continuously used to improve larger operational efficiency.

The use of residue testing, market intelligence systems, automation, digital traceability, AI-supported operations and scientific packaging methods highlighted the importance of knowledge-based agribusiness management.

These observations are important because they challenge the conventional perception that farmer collectives cannot manage large-scale professional enterprises. The lesson is not that every FPC should replicate advanced models immediately. Rather, it demonstrates what becomes possible when producer companies adopt long-term enterprise thinking.

### **Governance and Institutional Discipline**

One of the most overlooked dimensions of producer-company performance is governance quality.

Many FPCs formally establish positions such as Board of Directors, Chairman, Managing Director and Chief Executive Officer. However, the functional clarity of these roles often remains weak.

In several cases, office bearers lack structured orientation regarding institutional responsibilities, financial oversight, strategic planning and operational accountability. As a result, decision-making may become inconsistent and overly dependent on external agencies.

Successful producer companies generally demonstrate strong board discipline and institutional clarity. Meetings are regular, responsibilities are clearly defined and strategic decisions are collectively implemented.

Another important issue is the appointment of technically qualified personnel. Many emerging FPCs continue to place non-technical individuals in highly specialised operational roles involving quality management, processing, market analysis, traceability and financial operations.

Professional agribusiness requires specialised expertise. Without technical capacity, even well-intentioned producer companies may struggle to compete in quality-sensitive markets.

### **Market Orientation and Export Potential**

Market orientation remains one of the most critical determinants of FPC success. Several producer companies continue to prioritise immediate local sales rather than long-term market positioning.

This limits their bargaining power and prevents enterprise growth.

Urban markets in cities such as Chennai, Coimbatore, Kochi, Bengaluru and Hyderabad increasingly demand graded produce, branded products, traceable supply chains and standardized quality.

Simultaneously, export markets are creating opportunities for commodities such as bananas, coconut products, spices, vegetables, mangoes and processed food products.

India's agricultural exports crossed USD 50 billion in recent years, indicating expanding opportunities for organised producer groups. However, accessing export markets requires compliance with strict standards involving residue limits, quality assurance, traceability, packaging and logistics management. This is where professionally managed producer companies gain a competitive advantage.

Market intelligence is equally important. Many producer companies still make production and marketing decisions without systematic analysis of price trends, demand fluctuations, consumer preferences or regional market gaps. Incorporating agricultural economists, marketing professionals and data-driven planning can significantly improve market strategy.

#### **Human Capital: The Missing Link in Many FPCs**

Perhaps one of the most important requirements for strengthening South Indian FPCs is the integration of educated youth and professional expertise. Kerala and Tamil Nadu produce thousands of graduates every year in:

- Agriculture,
- Agricultural Engineering,
- Food Technology,
- Economics,
- Management,
- Commerce,
- and Data Science.

Yet many producer companies continue to operate without professional managerial support.

The future of agribusiness increasingly depends on skilled human resources capable of handling branding, quality systems, finance, digital marketing, export documentation and technology management.

Producer companies should gradually begin recruiting qualified graduates, offering internships, collaborating with universities and establishing technical advisory systems.

Such investments may initially appear expensive. However, long-term enterprise sustainability depends heavily on professional capacity.

This also creates significant rural employment opportunities for educated youth.

Women's participation is another critical area. Women already play major roles in agricultural labour, processing and post-harvest handling across South India. Strengthening women's participation in leadership, value addition and enterprise management can significantly improve institutional performance and social inclusion.

#### **Technology, AI and the Future of Producer Companies**

Modern agribusiness is increasingly becoming technology-driven. Digital systems now influence supply chain management, quality assurance, traceability, logistics, consumer engagement and market forecasting.

Advanced producer-company models are already integrating automation, digital record systems, AI-supported sorting, smart packaging and real-time monitoring systems. For many emerging FPCs, such technologies may currently appear financially inaccessible.

However, phased adoption of practical technologies can substantially improve efficiency. Even simple digital tools for inventory management, farmer coordination, market information and payment systems can strengthen operational efficiency.

Technology should therefore not be viewed as a luxury, but as a long-term investment in competitiveness.

**Sustainability, SDGs, Climate Responsibility**

Future agricultural markets are increasingly linked with sustainability concerns. Consumers and international buyers now expect

environmentally responsible production, reduced chemical residues, ethical sourcing and transparent supply chains.

This creates opportunities for South Indian FPCs to align with Sustainable Development Goals (SDGs) through climate-resilient agriculture, reduced post-harvest losses, women empowerment, rural employment generation and sustainable value chains.

Producer companies that integrate sustainability into branding and operations are likely to gain stronger market acceptance in the future.

**Table 1. Key Constraints and Strategic Pathways for Emerging South Indian FPCs**

Major Constraints	Strategic Pathways
Weak professional management	Recruit qualified technical and managerial personnel.
Dependence on nearby markets	Develop inter-state and export market linkages.
Limited value addition	Invest in processing, branding and packaging.
Weak governance systems	Strengthen board discipline and role clarity.
Poor market intelligence	Use data-driven market analysis and digital tools.
Limited technology adoption	Introduce phased automation and traceability systems.
Inadequate youth participation	Create internship and recruitment opportunities.
Fragmented operations	Strengthen FPC-to-FPC collaboration
Low bargaining power	Improve aggregation and collective marketing.
Sustainability concerns	Align operations with SDG-oriented practices.

**Lessons from Advanced Producer-Company Models**

**Key Takeaways from Exposure-Based Learning**

- Strict adherence to SOPs improves consistency and export readiness.
- Scientific grading, packing and residue testing strengthen market credibility.

- Professional recruitment improves institutional efficiency.
- Research and experimentation reduce long-term operational risk.
- Strong board discipline improves decision-making quality.
- Traceability systems are becoming essential for modern supply chains.

- Farmer participation remains central even in highly advanced enterprises.
- Technology and AI can improve operational efficiency and scalability.

### Conclusion: From Formation to Enterprise Transformation

The future of Farmer-Producer Companies in South India depends not merely on the number of organisations formed, but on their ability to evolve into resilient agribusiness enterprises.

Formation alone is not enough. The next phase of development must focus on professional management, market orientation, technological integration, youth participation, sustainability and collective enterprise thinking.

Kerala and Tamil Nadu possess several strengths, including educated farming communities, institutional support systems and diversified agricultural production. If these strengths are combined with stronger governance, scientific management and long-term market strategy, South Indian FPCs can emerge as globally competitive farmer-owned enterprises.

The transformation required is not impossible. The experiences from advanced producer-company models clearly demonstrate that farmer collectives are capable of managing sophisticated business operations when supported by vision, discipline and professional systems. The future farmer need not remain only a producer struggling at the farm gate. Through strong producer companies, farmers can become entrepreneurs, exporters, innovators and leaders of sustainable rural transformation.

The real success of the FPC movement will not be measured by the number of registrations, but by the number of enterprises that genuinely improve the economic dignity of farmers.

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