



A STUDY ABOUT PADDY FARMER PRODUCER COMPANIES IN KUTTANAD (2016-2019)

Aby George

Research Associate, International Centre for Technological Innovations, Alappuzha, Kerala

ABSTRACT

Paddy is one of the main crop cultivated in Kuttanad. Kuttanad is the only place where paddy farming is done below sea level. Most of the people in Kuttanad depend on agriculture for their livelihood. Some farmers are falling apart from paddy farming due to the difficulties in it. Farmer Producer Organization (FPO) is typically a society/company consisting of only practicing farmers who are also actual producers of a specified commodity/commodities, and is formed under the Companies Act. There are 131 FPOs in Kerala and out of these only 2 FPOs are currently providing services to paddy farmers in Kuttanad.

The aim of the study was to find out which are the FPOs that are working for Kuttanad paddy farmers and to learn what the problems are facing by paddy farmers of Kuttanad. In addition to this to give some recommendations to other FPOs in Kerala to support the paddy farmers in Kuttanad. Additionally a financial analysis of FPOs working for Kuttanad paddy farmers were also done. The research made use of primary data obtained from paddy farmers in Kuttanad through direct interview. To know more about the problems faced by paddy farmers a questionnaire was prepared before the interview. Secondary data was obtained from the website of Ministry of corporate Affairs, Government of India.

From the study conducted it became clear that FPOs plays an important role in supporting paddy farmers. Currently Farmertree Producer Company limited and Kuttanad Agro Producer Company limited are working for paddy farmers in Kuttanad. More FPOs should come forward to support paddy farmers with the services like insurance, input supply, financial Services, procurement and packaging, technical services and networking.

KEYWORDS: FPO, Paddy, Kuttanad, Agriculture, Farmers

CHAPTER - 1

INTRODUCTION

1.1 Kuttanad: Below Sea Level Farming System

Kuttanad, the 'Rice Bowl of Kerala', lies in the very heart of the Alappuzha district backwaters. What got this unique nickname is its wealth of paddy crops. Based in the inner regions of the district, it is a huge area of reclaimed land, separated by dikes from water which is higher than it appears. The countryside view is what enchants all those who pass through this area as they travel through houseboats. It has been speculated that it is perhaps the only place in the world where farming is done up to 2 meters below sea level. Four major rivers serve the area: Pampa, Meenachil, Achankovil, and Manimala. (Department of Tourism, Kerala)

The soil in Kuttanad is a varied combination of sand and clay. Generally the soil is highly acidic in

most of the low lying areas, and contains salts. Depending on the type of soil the entire wetland area of the region can be classified into kayal lands, karappadams and kari lands. Reclaimed Kayal lands Vembanad lake beds and are located mainly in Kuttanad and Kottayam taluks. As puncha crop (summer crop) is the traditional crop in Kuttanad during which 80% of the paddy fields are sown, from early days paddy cultivation in this region is called puncha cropping. The season begins from October-November when the process starts to bail out water from padasekharams. The other season is the virippu season (autumn or varsha crop) where 40 per cent of paddy land is grown. For most of the year, padasekharams where the second crop is not elevated are submerged under water. (Thomas, 2002)

Large agricultural areas near Lake Vembanad were in fact reclaimed from the lake. Following the Land Reclamation Act (1949), which decreed that



land can be owned by anyone who reclaims land from water, many enterprising farmers took up the challenge leading to massive land redemption from the lake. As farming in the area rose, because of the limited availability of potable water in Kuttanad, farmers restricted rice cultivation to two cycles a year. The water from the mountains flows through the rivers into the sea during the monsoon seasons, bringing potable water to Kuttanad.

1.2 Agriculture in Kuttanad

According to FAO, Kuttanad Wetland Agriculture System is unique, as it is India's only system that favours rice cultivation below sea level in the soil created by draining delta swamps in brackish waters. As an approach to coping with the impending climate impacts in coastal areas and evolving efficient methods, it aims to address the availability of soil and overflows problems in agriculture. The Kuttanad system is a complex mosaic of fragmented agricultural landscapes divided into three structures: wetlands used for paddy and fish catching activities, garden lands used for coconut, tubers and grown food crops, and water areas used as inland fishing and shells. Wetlands were formed by the construction and dewatering of polders with bonds. Faced with extreme water contamination due to tourism but also the use of chemicals, it is necessary and urgent for humanity to protect this fragile and unique environment from any external pressure, as it is crucial for the conservation and enhancement of so much ecological biodiversity and other critical ecosystem services for human well-being worldwide.

In addition to this duck farming, livestock and banana cultivation are also being taking part in the lands of Kuttanad. However paddy farming is the main among the other types of cultivation and the income from paddy farming is the main source of income for the 75% of people living in Kuttanad.

There are about 150,000 farmers in Kuttanad who cultivate paddy. Rough estimates by state government officials put the rice production in 2019 pancha season at two lakh tonnes – 75,000 tonnes higher than the previous year's harvest. Farmers in lower Kuttanad, which is prone to moderate flooding, got the highest yield as compared to upper Kuttanad (which lies closer to the uplands), kayal lands (in the vicinity of the Vembanad Lake), north Kuttanad (the deltaic formation of the Meenachil river), Kari lands (which come under the west southern side and the northern side of the deltaic formation) and Purakkad (which lies at the western side of upper Kuttanad). (Ameerudheen, 2019)

1.3 Farmer Producer Organisations (FPO)

Considering the judicial environment and the agrarian sector's political sensitivity, there is a

gradual recognition that one of the ways to overcome the many challenges faced by Kuttanad farmers is through voluntary collectivization of farmers into producer organizations (POs). Producer organizations are argued as the only institution that can protect small farmers from the adverse effects of globalization or make them successfully participate in modern competitive markets (Trebbin and Hassler, 2012). This is being projected as a 'solution from below' to address the challenges faced by small and marginal farmers. Indian government does not force farmers to join POs by passing laws and policies, but organizes various awareness programs across India to promote producer organizations and farmers' benefits.

A Producer Organization (PO) is a legal entity made up of primary producers, including farmers, dairy producers, fishermen, weavers, rural craftsmen, and artisans. A PO can be a producer corporation, a cooperative society, or some other legal structure that allows for profit / benefit sharing between members. Farmers' Organization (FPO) is one form of farmers' organization where the members are farmers. Thus the farmers' reliance on intermediaries can be reduced by collectivizing farmers into FPOs and allowing farmers to access better markets. Several initiatives have been taken by the government, top financial institutions such as the National Bank for Agricultural and Rural Development (NABARD), private donor organisations, financial institutions and many other institutions to support and nurture the development of FPOs and to facilitate their emergence as efficient profit-making enterprises. (Nicku, 2017)

1.4 Objectives

The main objective of this research is to:

1. Explore FPOs providing services to farmers in Kuttanad.
2. Conduct interviews with farmers and identify their difficulties.
3. Analyse the performance of existing FPOs based on financial statements and membership.
4. Give recommendations and provide FPOs better understanding about services required by farmers in Kuttanad.

CHAPTER. 2

MATERIALS & METHODS

2.1 Methods

The results and data presented in this research paper were part of a study on FPOs that are working for paddy farmers in Kuttanad. As mentioned in the introductory chapter the main objectives of the research is to identify the difficulties of paddy



farmers, and to explore FPOs providing services to farmers in Kuttanad. Additionally, to review the FPOs results based on the basis of financial statements and membership and to offer recommendations and provide FPOs a better understanding of the services farmers required in Kuttanad. To achieve these quantitative research method was carried out. Quantitative research focused on data collection of different FPOs which are offering services to farmers in Kuttanad. Along with this direct interview was also conducted with farmers in Kuttanad. The data about FPOs were collected by downloading the annual returns and financial statements from the website of Ministry of Corporate Affairs, Govt. of India. A number of services needed for farmers were found out and a list of required services for farmers in Kuttanad were created.

2.2 Sample Group

In the research conducted the sample groups were FPOs that are offering services to the paddy farmers in Kuttanad and the 50 farmers in Kuttanad region. There are only two FPOs that were giving services to farmers in Kuttanad which are Farmertree Producer Company Limited and Kuttanad Agro Producer Company Limited. Only those FPOs providing services to paddy farmers in Kuttanad were selected for this research. Also, these FPOs were supported by National Bank for Agriculture and Rural development (NABARD) and Small Farmers Agribusiness Consortium (SFAC).

2.3 Interview

The interview questions were prepared before the farmers were selected for the direct interview and were centred with the objectives outlined in chapter 1. The interview consisted of 6 questions, out of which 5 questions were mandatory. All the 6 questions were simple and farmers can easily answer all the questions. The interview for the farmers were conducted on 7th and 8th days of July 2020. On 7th July the interview was for paddy farmers in Kainakary village and the interview was started almost by 10 am. On that day 25 paddy farmers were interviewed and 20 paddy farmers participated actively. By 5 pm the interview was finished. On the following day (8th July) the interview was conducted for paddy farmers in Chempumpuram from 9.30 am to 3 pm. In Chempumpuram 25 paddy farmers were interviewed and 22 farmers participated in the interview actively.

2.4 Secondary data analysis

The data of FPOs were collected from the website of Ministry of Corporate Affairs (MCA), Government of India and also from the website of the

companies. The data includes the financial statements of the FPOs that were giving support to paddy farmers in Kuttanad region. Some of the data of FPOs were also collected from the officials of NABCONS, NABARD. MCA regulates corporate affairs in India through the Companies Act, 1956, 2013 and other allied Acts, Bills and Rules.

CHAPTER 3 RESULTS AND DISCUSSION

3.1 Introduction

This chapter discusses the problems faced by the paddy farmers in Kuttanad, details about the FPOs that were working for Kuttanad paddy farmers, services provided by these FPOs and an analysis of performance of these FPOs. From the study conducted there were only two FPOs that were working for paddy farmers in Kuttanad region. The details of study were as follows:

3.2 Problems faced by paddy farmers of Kuttanad

Paddy farmers in Kuttanad are facing a lot of difficulties. They are as follows:

3.2.1 Ecological Problem

The survey identified a factor which were contributed to the ecological problem of Kuttanad was flood. When interviewed on 8 July 2020, Mrs Mariamma Thomas (a farmer in Kainakary) stated that severe flood affect this cultivable land of Kuttanad during the south west monsoon season (June - August) by discharge of the four major rivers Manimala, Meenachil, Pampa and Achankovil. When interviewed on 7 July 2020, Mr Alexander J stated that farmers are afraid to do paddy cultivation during this time of monsoon and some of the farmers are giving their farms for lease to interested farmers due to the fear of flood.

When interviewed on 8 July 2020, Mr Hariharan Nair (a farmer in Chempumpuram) stated that due to heavy use of pesticides and chemical fertilizers the water in the lakes were getting polluted. People in Kuttanad are prone to cancer due to excessive use of pesticides and chemical fertilizers.

3.2.2 THE PROBLEM OF LABOUR SHORTAGE

Mr Ouseph Thomas (a farmer in Kainakary) was interviewed on 7th July 2020 as a part of this study. He mentioned paddy cultivation from farm preparation to harvesting takes about 140 days. To cultivate an acre of land in Kuttanad requires about 35 labour days. There is a severe shortage of farm labourers in this area. The new generation of



Kuttanad are educated and most of them are attracted by technical and white-collar jobs nationally and internationally. The non-remunerative nature of paddy cultivation makes it less attractive both for the farmers and farm labourers. The peculiar nature of Kuttanad land demands specialized mechanization conducive to the land texture and climatic conditions. Failure to adopt proper mechanization increased the labour shortage problem.

3.2.3 UNDER DEVELOPED INFRASTRUCTURE

Under developed infrastructure is one of the main problems that are facing by the paddy farmers in Kuttanad. When interviewed on 7 July 2020, Mr Gopi Erumeli (a farmer in Chempumpuram) stated that lack of proper farm roads, increased the manual labour and denied mechanization. Heavy machines are not suitable for the soil of Kuttanad. Lack of proper canal and buds are allowing the salt intrusion to the paddy field that was badly affected the cultivation. Manual labour was consuming so much money and time of farmers. There is no modern rice mill in Kuttanad and there is also a shortage of warehousing facilities.

3.2.4 PADDY PROCUREMENT & PAYMENT

The Kerala state government has entrusted the Kerala State Civil Supplies Corporation Ltd (popularly non as Supplyco) with the responsibility of procuring paddy from the farmers of Kerala, mainly in the rice producing regions which includes Kuttanad. When interviewed on 7th July 2020, Mr George Joseph (a farmer in Chempumpuram) stated that paddy farmers in Kuttanad need to wait for 3-4 days after harvesting for procurement. During the monsoon seasons, due to lack of drying facilities procuring mills will deduct up to 10% of the produce from farmers. This is a huge burden to paddy farmers in Kuttanad. The mill agents are making huge profit through these deductions and farmers are not getting any benefits.

The farmers have to go through complicated formalities to sell paddy and the payment is always inordinately delayed. Farmers are struggling to make their livelihood because of the delayed payment. They need to take loans and credits to make their livelihood.

3.2.5 Other Factors

When interviewed on 8 July 2020, Mrs Shobha Panicker (a farmer in Chempumpuram) stated that unwieldy size of some padasekharams which amounts to more than 1000 hectares, high acidity of soil, ingress of saline water, high incidence of pests like brown plant hopper, leaf roller, case worm, stem borer, rice bug etc., plant diseases such as sheath blight, blast, sheath rot and stack burn and growing menace of weeds like salvinia, grasses, sedges etc., also adversely affect the per hectare productivity and thereby the profitability of paddy cultivation in Kuttanad region.

3.3 Details & Services of FPO's working for Kuttanad paddy farmers

Currently there are 131 FPOs in Kerala. But only two FPOs are presently working for paddy farmers in Kuttanad region. They are Farmertree Producer Company Limited and Kuttanad Agro Producer Company Limited. Both of these FPOs are located in Alappuzha.

Case study 1: Farmertree Producer Company Limited

Farmertree was established in 2015 by a collective of paddy farmers from Kuttanad region in the state of Kerala, India. The farmer producer company is a spinout of the International Centre for Technological Innovations, initially sponsored by the National Bank for Agriculture and Rural Development under Producers' Organization Development and Upliftment Corpus' Fund (PRODUCE) Scheme. The company now collectivizes producers in several agriculture sectors, especially small and marginal farmers, to address the many challenges of agriculture but most importantly, improved access to investments, technology, inputs and markets (farmertree.com).

The 5 Directors of the FPC are George Joseph, Grace Joseph Mampallil, Aaron Joseph George, Josekutty Antony and Jessy Joji. There are 910 member farmers for this FPC. Paid up share capital of the company is Rs. 10, 00,000.

The main activity of FPC is sale of paddy seeds to the paddy farmers in Kuttanad. In the last financial year paddy seeds were sold to about 2500 farmers in Kuttanad and the revenue was Rs. 1507435. In addition to this FPC also engaged in processing and marketing of agricultural products like rice powder.



Table 3.3.1 Sales table of Farmertree FPC

YEAR	Sales(in Rs)
2016-2017	44902
2017-2018	1375220
2018-2019	1507435

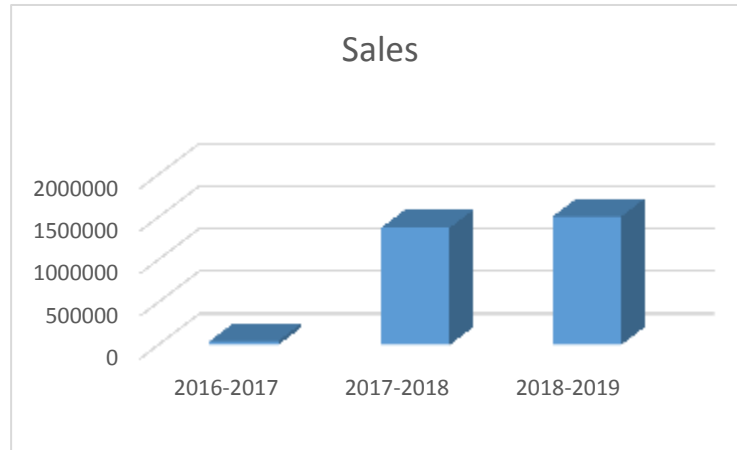


Figure 3.3.1 Sales in the last 3 financial years

Case study 2: Kuttanad Agro Producer Company Limited

Kuttanad Agro Producer Company was incorporated on 24 February 2016. The Kuttanad Agro Producer Company Limited is funded by National Bank for Agriculture and Rural Development (NABARD) under Producers’ Organization Development and Upliftment Corpus’ Fund (PRODUCE) Scheme. The promoting institution of Kuttanad Agro Producer Company is

Force for Rural Empowerment and Economic Development (FREED).

The 5 directors of the FPC are Pandialakkal Joseph Mathew, JishaShaji, Mini, Shyla and Lethika Sunilkumar. There are 394 members in this FPC. Its paid up capital is Rs. 394,000. The main activity of the FPC is sale of rice powder. In the last financial year the sales of FPC was Rs 8, 20,674

Table 3.2 Sales table of Kuttanad Agro FPC

YEAR	Sales (in Rs)
2016-2017	427041
2017-2018	577742
2018-2019	820674

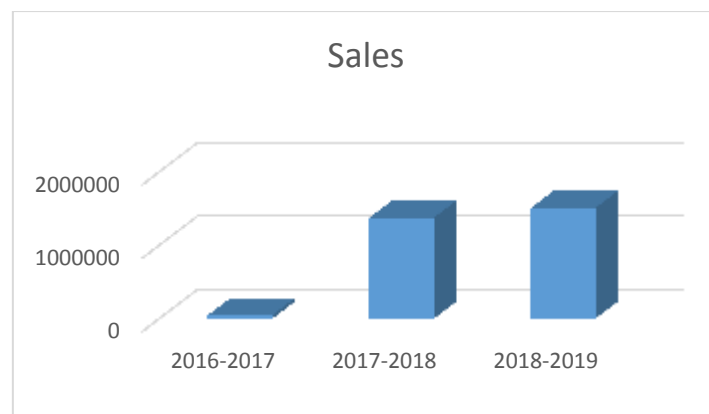


Figure 3.3.2 Sales in the last 3 financial years



3.4 Performance analysis of FPO's working for Kuttanad farmers

Both FPOs are working actively for paddy farmers in Kuttanad. Farmertree FPO mainly focuses on the sale of paddy seeds and Kuttanad Agro FPO mainly focuses on Sale of rice powder. The

performance of both companies in the last 3 financial years are plotted below in the graphs.

The Profit/Loss graph of each companies are illustrated below:

Performance of Kuttanad Agro Producer Company Limited Profit/Loss

Table 3.4.1 Profit/Loss table of Kuttanad Agro FPC

YEAR	Profit/Loss(in Rs)
2016-2017	5454
2017-2018	12741
2018-2019	-19910

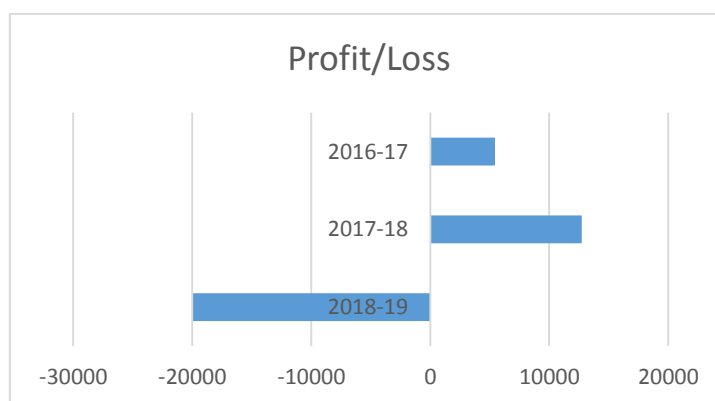


Figure 3.4.1 Profit/Loss Graph of Kuttanad Agro FPC

In the financial year 2018-2019 Kuttanad Agro Producer Company was in loss of Rs 19910 and in

the financial years 2017-18, 2016-17 the company was in a profit of Rs 12741 and Rs 5454 respectively.

MEMBERSHIP Growth

YEAR	No. of Members
2016-17	247
2017-18	345
2018-19	394

Table 3.4.2 Members Table of Kuttanad Agro FPC

The members amounted to 247,345 and 394 in the financial years 2016-17, 2017-18 and 2018-19.

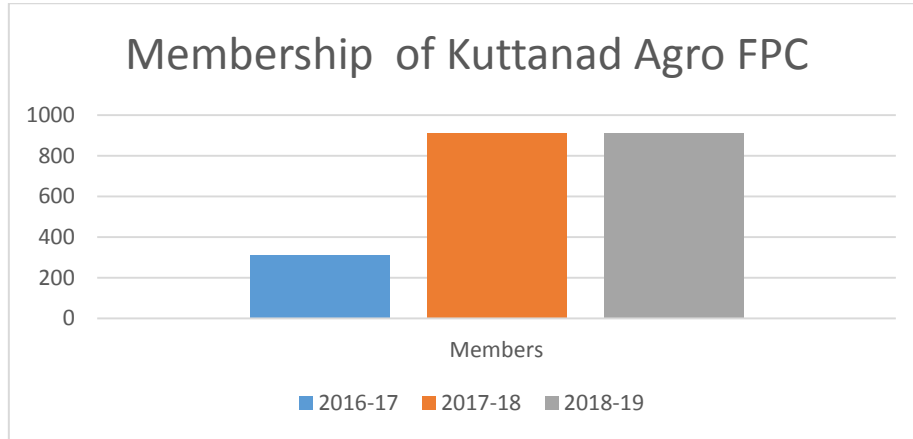


Figure 3.4.2 Members Graph of Kuttanad Agro FPC

Performance of Farmertree Producer Company Limited

Table 3.4.3 Profit/Loss table of Farmertree FPC

YEAR	Profit/Loss(in Rs)
2016-17	-50842
2017-18	20100
2018-19	20000

The Farmertree FPC was in a loss of Rs 50842 in the financial year 2016-17. But in the financial years 2017-18, 2018-19 the company was in a profit of Rs 20100 and Rs 20000.

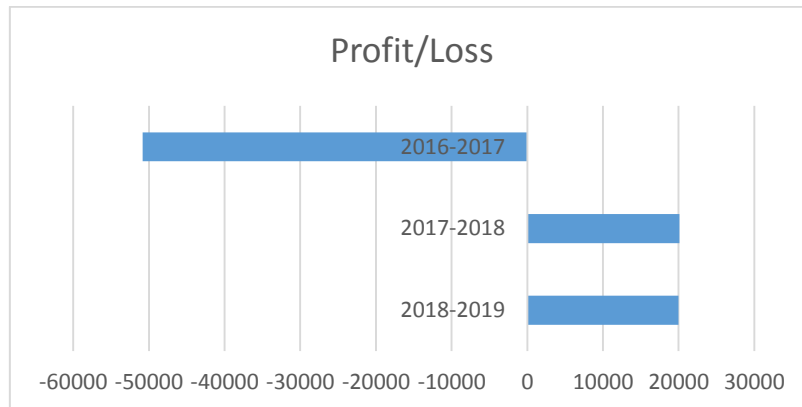


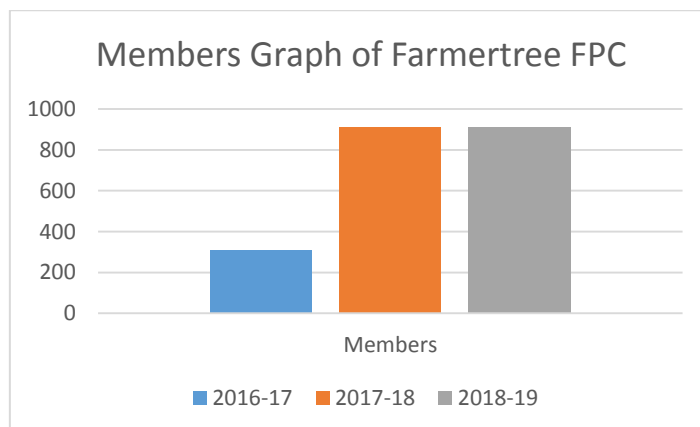
Figure 3.4.3 Profit/Loss Graph of Farmertree FPC

MEMBERS GROWTH

YEAR	No. of Members
2016-17	350
2017-18	910
2018-19	910

Table 3.4.4 Members table of Farmertree FPC

The membership was 350 in the financial year 2016-17 and 910 members were there in the financial years 2017-18 and 2018-19.

**Figure 3.4.4 Members Graph of Farmertree FPC**

CHAPTER-4 CONCLUSION & ACKNOWLEDGEMENT

To put it in a nutshell, this study mainly focused on finding out which are the FPOs working for Kuttanad paddy farmers and problems of paddy farmers in Kuttanad region. The chapter 1 figure out about the details of Kuttanad and agriculture methods in Kuttanad. Chapter 2 explains the method of interview that was conducted for this study and the source of data collected for the study. Chapter 3 comprises the outcome of the study.

In my opinion the FPOs in Kuttanad region should come forward to provide following support to paddy farmers in Kuttanad.

1. **Financial Services:** The FPOs should provide loans for crops, purchase of tractors, pump sets, construction of wells, laying of pipelines.
2. **Input Supply Services:** The FPOs should provide low cost and high quality inputs to paddy farmers. It will supply fertilizers, pesticides, seeds, sprayers, pump sets, accessories and pipelines.
3. **Procurement and Packaging Services:** The FPOs should procure agriculture produce from the paddy farmers in Kuttanad; do the storage, value addition and packaging.
4. **Marketing Services:** The FPOs should do the direct marketing after procurement of agricultural produce. This will enable paddy farmers to save in terms of time, transaction costs, weight loss, distress sales, price fluctuations, transportation, quality maintenance etc.
5. **Insurance Services:** The FPOs should provide various insurance like Crop

Insurance, Electric Motors Insurance and Life Insurance to paddy farmers in Kuttanad.

6. **Technical Services:** FPO should promote best practices of farming, maintain marketing information system, diversifying and raising levels of knowledge and skills in agricultural production and post-harvest processing that adds value to products.
7. **Networking Services:** FPOs should make channels of information (e.g. about product specifications, market prices) and other business services accessible to rural producers; facilitating linkages with financial institutions, building linkages of producers, processors, traders and consumers, facilitating linkages with government programmes to paddy farmers in Kuttanad.

Interview questions for farmers

1. How many acres of land have you cultivate paddy?
2. Have you been doing the paddy farming in own farm or for lease?
3. Have you took an insurance for your paddy farming?
4. What about your paddy farming is it profit/loss?
5. Please tell me about the paddy procurement and payment of sold paddy?
6. What are your present problems in paddy farming?

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GLOSSARY

Farmer Producer Organisation- It is one type of PO where the members are farmers. A Farmer Producer Organization (FPO) is typically a society/company consisting of only practicing farmers who are also actual producers of a specified commodity/ commodities, and is formed under the Companies Act.

National Bank for Agricultural and Rural Development- is an apex development financial institution in India, headquartered at Mumbai with branches all over India. The Bank has been entrusted with matters concerning policy, planning and operations in the field of credit for agriculture and other economic activities in rural areas in India.

Small Farmers' Agribusiness Consortium-SFAC is an exclusive Society focused on increasing incomes of small and marginal farmers through aggregation and development of agribusiness.

The Food and Agriculture Organization of the United Nations - is a specialized agency of the United Nations that leads international efforts to defeat hunger and improve nutrition and food security.