

The study on Organizational Structure and demographic profile of Farmer Producer Organisations (FPOs): A Case Study from Himachal Pradesh

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This study examines the organizational structure and functioning of Farmer Producer Organizations (FPOs) in Himachal Pradesh, with a focus on their role in improving farmers' market access, profitability, and operational efficiency. The research was conducted in four districts—Shimla, Solan, Sirmour, and Kinnaur—where commercial fruit and vegetable farming is dominant. Seven FPOs were selected based on their engagement in fruit and vegetable cultivation and their resource support agencies, either Small Farmers' Agri-Business Consortium (SFAC) or Himachal Pradesh Horticulture Development Project (HPHDP).

Findings reveal that the FPOs operate within a four-tier organizational structure comprising farmer shareholders, farmers' interest groups, a representative general body, and board members. The key objectives of these FPOs include collective procurement, technological advancement, price enhancement, advisory services, training, and improved access to agricultural inputs and markets. Their primary functions span collective marketing, sorting, grading, packaging, transportation, and exposure visits. While some FPOs actively pursue technological advancements and improved market access, others are confined to specific objectives.

The study suggests strengthening governance mechanisms and providing a simplified administrative framework to enhance the effectiveness of FPOs. Additionally, expanding the research to other districts and states can offer deeper insights for policy formulation and improving the sustainability of FPOs.

Keywords: Farmer Producer Organizations (FPOs), Organizational Structure, Governance, Collective Marketing, Agriculture, Himachal Pradesh

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1. Introduction

Organizational structure is the framework of the relations on jobs, systems, operating process, people and groups making efforts to achieve the goals. Organizational structure is a set of methods dividing the task to determined duties and coordinates them (Monavarian, Asgari, & Ashna, 2007).

The demographic characteristics of the employees play a key role in the formation of organizational culture perceptions (Hofstede et al., 1990; Helms & Stern, 2001). Being aware of the effects of demographic features on the perception of organizational culture, organizing organizational policy, determining competencies and planning manpower leads human resources managers (Sayli et al., 2010).

In order to significantly improve the conditions of smallholder farmers' reach to the market and strengthen their position in value chains in agriculture, it is being seen that if federated, farmers can easily bargain for better prices, both while buying and selling the produce. This has led to the idea of establishing "Farmer Producer Organisations" (FPOs) in India (Raju et al. 2017).

Farmers' Organisations are by definition a member owned business (Nilsson 2001) and they usually focus on issues such as marketing, production or credit (Lele 1981). Historically, they have a good track record of strengthening the position of the farmers in the developed world, and recently they have received renewed interest as a tool to increase market participation and welfare among smallholders in developing countries (Bernard and Spielman 2009; Fischer and Qaim 2012).

The government objective of promoting FPOs is to enhance farmers' competitiveness and increase their advantage in emerging marketing opportunities. The Union Finance Minister, in the Budget Speech for 2013-14, announced two major initiatives to support FPOs, that is support to the equity base of FPOs by providing matching equity grants and credit guarantee support for facilitating collateral free lending to FPOs (Anonymous 2015).

Fruit and vegetable farming is dominant in mid and high hill regions of the state.

Commercial cultivation of fruits and vegetables is practiced mainly by the farming community of Shimla, Solan, Sirmour, Kinnaur, Kullu and Mandi districts. A variety of fruits and vegetables like apple, pear, cherry, almond, walnut, chestnut, hazel- nut and stone fruits like peach, plum, apricot, almond, persimmon, pear, pomegranate, pecan nut, walnut, kiwi fruit, strawberry and vegetables like potato cauliflower, french bean, capsicum, garlic, ginger, peas and tomatoes are in these areas (Anonymous 2016). Due to the established credentials of commercial fruit and vegetable cultivation in Shimla, Solan, Sirmour and Kinnaur districts, 7 FPOs functioning in these areas were selected for the study on Behavioural Issues and Challenges in Management of Farmer Producer Organisation (FPOs) in the state of Himachal Pradesh. These 7 FPOs were engaged in fruit and vegetable cultivation.

2. Need of Study

The present study aimed at Farmer Producer Organisations which are encouraged by the government as these have the potential in bringing remunerative returns to the farmers through collective efforts. These FPOs are interested in the adoption of new farm innovations and effective marketing of the farm products. New avenues of income and employment are generated through successful organisation of FPOs. This movement needs to be further strengthened through management inputs so that the suitable intervention may be made for increased efficiency of FPOs.

3. Study Area

The present study was undertaken in four districts of Himachal Pradesh namely Shimla, Solan, Sirmour and Kinnaur. Owing to well established credentials of commercial cultivation of fruits and vegetables, the Shimla and Kinnaur district deals with fruits and Solan and Sirmour with vegetables cultivation. A total number of 7 FPOs were selected out of which 4 FPOs were established under Small Farmers' Agri-Business Consortium (SFAC) promoted by Department of Agriculture, Cooperation and Farmers Welfare, Government of India under the old program and other 3 FPOs were established under Himachal Pradesh Horticulture Development project (HPHDP) funded by World Bank.

4. Sampling Procedure

In the first stage of sampling, 10 percent of the management functionaries were randomly selected through different strata on the basis of hierarchical positions that are high level management functionaries, mid-level functionaries and base level management functionaries with a total of 50 management functionaries. A total of 50 management functionaries were selected through proportional allocation method. It is distributed as 15, 20 and 15 samples from high level, mid- level and base level management functionaries respectively. In the selected FPOs the following were the number of management functionaries selected.

5. Demographic and Structure Pattern of the Sampled FPOs

The demographic and structural pattern of the sampled FPOs is given in table 1. It can be seen from the table that the FPO namely Dharampur Vegetable Producer Company Ltd. was functioning for the last 8 years since its establishment during the year 2015. The other three FPOs namely Banasar Kisan Samridhi Producer Company Ltd., Solan Sirmour Kisan Samridhi Producer Company and Saindhar Producer Company Ltd. were found to be functioning since 2016. The remaining two FPOs i.e. Bushahr Producer Company and Bushahr Green Valley Producer Company were observed to be functioning for the last three years only. It shows that out of the 7 selected FPOs, five have sufficient experience of functioning from 7 to 8 years, depicting that these FPOs are working effectively. Fruits and vegetables are the major products managed by the selected FPOs.

The major fruit crop was found to be apple while tomato, ginger, garlic, capsicum, cauliflower, beans and potato etc were major vegetable crops. The SFAC was found to be resource support agency for FPOs namely Banasar Kisaan Samridhi, Dharampur Vegetable Producer Company, Solan Sirmour Kisan Samridhi and Saindhar Producer Company while for Kinnaur Kailash Agro Fresh, Bushahr Producer Company and Bushahr Green Valley Producer FPOs, resource support agency was HPHDP. All selected FPOs were operating for small and marginal farmers. The condition of minimum 10 members in board was found to be met by all selected FPOs. Training programmes for capacity building were conducted by all selected FPOs.

It can further be seen from table that incentive schemes were provided by only three selected FPOs: FPO2, FPO5 and FPO7. No gender specific intervention was observed by all selected FPOs. All FPOs were observed to own capital goods. Role of FPOs in Smallholder Agriculture Studies (Birthal et al., 2021) highlight that FPOs play a critical role in improving market access, bargaining power, and profitability for small and marginal farmers. Impact of Resource Support Agencies: Research by Singh & Singh (2020) indicates that organizations like SFAC and state-level horticulture projects provide essential financial and technical support to FPOs, enhancing their long-term viability. Governance and Membership in FPOs: According to Mukherjee (2019), maintaining a minimum number of board members ensures effective decision-making, transparency, and accountability in FPOs. This essentially highlights both strengths and gaps in selected FPOs, indicating areas that require policy interventions, particularly in financial incentives and gender inclusion.

Table 1: Demographic and structure pattern of the sampled FPOs

Names of FPOs	Banasar Kisaan Samridhi Producer Company Ltd.	Kinnaur Kailash Agro Fresh Producer Company Ltd.	Dharampur Vegetable Producer Company Ltd.	Solan Sirmour Kisaan Samridhi Producer Company Ltd.	Bushahr Farmer Producer Company Ltd.	Saindhar Producer Company Ltd.	Bushahr Green Valley Producer Company Ltd.
	FPO1	FPO2	FPO3	FPO4	FPO5	FPO6	FPO7
Year of registration	2016	2021	2015	2016	2019	2016	2021
Location	Solan	Kinnaur	Solan	Solan	Shimla	Sirmour	Shimla
Major work	Vegetables (Tomato, Capsicum, Beans, Potatoes etc.)	Fruits (Apples)	Vegetables (Tomato, Cauliflower, Cabbage, Beans etc.)	Vegetables (Tomato, Bottle gourd, Beans etc.)	Fruits (Apples)	Vegetables (Ginger, Garlic, Chillis, Tomato, Beans etc.)	Fruits (Apples)

Resource support Agency	SFAC	HPHDP	SFAC	SFAC	HPHDP	SFAC	HPHDP
Farmer categories (Small and marginal)	✓	✓	✓	✓	✓	✓	✓
No. of Board members. (Minimum 10 members)	✓	✓	✓	✓	✓	✓	✓
Training Programme for capacity building	✓	✓	✓	✓	✓	✓	✓
Incentive schemes	x		x	x		x	
Gender specific policy intervention	x	x	x	x	x	x	x
Office building rented	x	x	x	x	x	x	x
Other camp offices	✓	✓	✓	✓	✓	✓	✓
Capital goods owned	✓	✓	✓	✓	✓	✓	✓

6. Structure Pattern of the Sampled FPOs

Farmer Producer Organisation has its own Organisational structure and according to hierarchy, there are different jobs and responsibilities. In the study the general Organisation structure of selected FPOs was composed of farmer shareholders, farmers’ interest groups, representative general body, leaders and board members. It was a four-tier structure with farmer beneficiaries at bottom level.

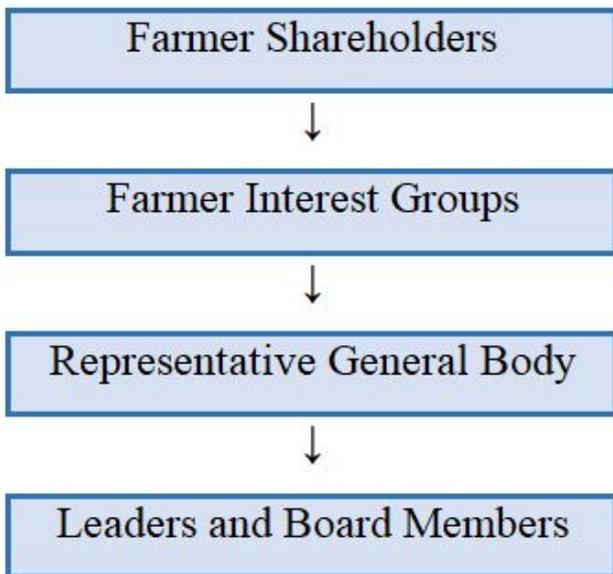


Figure 1: General Structure of Sampled FPOs

It was further found that all the farmers were eligible to become members of FPO. All the selected FPOs were found to have the same Organisational structure.

The General Body of the FPOs conduct an annual general meeting once in a year with all the board members and other FPO members to discuss the purpose, future plans and the issues faced by the members. The chairman appoints the chief operating officer, who is the chief functionary of the FPO. The Board of Directors or board members performing activities like directing and controlling. Each FPO has a varied number of board members, but a minimum of 5 board members were found in each FPO. The board has legal, moral and fiduciary responsibility for the Organisation. The FPO staff is responsible for performing all suggested work on field level with the help of local resource persons. Trebbin&Hassler (2012) indicates that FPOs generally follow a hierarchical structure to ensure effective decision-making and operational efficiency. Studies by Chand et al. (2021) highlight that structured governance with a Board of Directors is essential for FPO sustainability. NABARD (2018) Report suggests that FIGs within an FPO help in collective decision-making, better bargaining power, and efficient knowledge sharing.

Research by Markelova et al. (2009) states that AGMs enhance participatory governance, where farmers collectively decide on resource allocation, pricing strategies, and financial planning. Thealso explains the governance framework of FPOs, ensuring transparency, accountability, and effective operations. The four-tier structure facilitates participatory decision-making, while board members and AGMs ensure strategic direction. Previous research validates the significance of structured governance in enhancing the economic viability and sustainability of FPOs.

Table 2: Objectives and functions of the sampled FPOs

	Names of FPOs	Banasar Kisaan	Kinnaur Kailash	Dharampur	Solan Sirmour	Bushahr	Saindhar	Bushahr
		Samridhi	Agro Fresh	Vegetable	Kisaan Samridhi	Farmer	Producer	Green Valley
		Producer	Producer	Producer	Producer	Producer	Company	Producer
		Company Ltd.	Company Ltd.	Company Ltd.	Company Ltd.	Company Ltd.	Ltd.	Company Ltd.
		FPO1	FPO2	FPO3	FPO4	FPO5	FPO6	FPO7
Objectives	Collective procurement	√	√	√	√	√	√	√
	Technological advancement in farming techniques	X	√	√	X	X	√	√
	Better Prices	√	√	√	√	√	√	√
	Advisory services	√	√	√	√	X	√	X
	Training and development	√	√	√	√	X	√	√
	Improved access to product and services	X	√	√	X	X	√	X
	Improving livelihood	√	X	√	√	√	√	√
Functions/	Collective Marketing	√	√	√	√	√	√	√
Activities	Supply Agri Inputs	√	√	√	X	X	√	X
	Conducting exposure visits	X	√	√	X	√	√	X
	Selling	√	√	√	√	√	√	√
	Sorting	X	√	X	X	√	X	√
	Grading	X	√	X	X	√	√	√
	Packaging	X	√	X	X	√	√	√
	Processing	X	√	X	√	√	X	√
	Field visits	√	√	√	X	√	X	X
	Transportation	X	√	X	X	√	X	√

The objectives and functions of the sampled FPOs are shown in table 2. Different FPOs were constituted with different objectives and functional activities. The major objectives for the formation of the FPOs were collective procurement, technological advancement in farming techniques, better prices, advisory services, training and development, improved access to product and services and improving livelihood. Similarly, the functional activities of different selected FPOs were collective marketing, supply agri inputs conducting exposure visits, selling, sorting, grading, packaging processing, field visits and transportation.

The objectives of collective procurement, better prices, advisory services and training and development were followed by all the selected FPOs for the present study. The objective of technological advancement in farming techniques was followed by 4 FPOs only out of the total selected 7 FPOs. The FPOS namely FPO2, FPO3, FPO6 and FPO7 were found to be engaged in technological advancement. The objective of improved access to the product and services were followed by FPO2, FPO3 and FPO6. The objective of improved livelihood was followed by all the selected FPOs except by the FPO2.

It can further be observed from table that the functional activities of collective marketing and selling were met by all the selected FPOs. Supply of agricultural inputs is an important functional activity of FPOs. It was observed that out of the total 7 FPOs, only 4 FPOs, that is FPO1, FPO2, FPO3 and FPO6 were engaged in the supply of agriculture inputs. The important activities of grading, packaging were functioned by FPO2, FPO6 and FPO7. Similar responses were followed for other functions / activities of processing, field visit and transportation. Thus, it can be concluded that the selected FPOs were meeting most of the anticipated objectives and functions. Few were more actively engaged while others were confined to specific objectives and functions.

Studies by (Singh & Kumar, 2020) indicate that FPOs have varied objectives based on local agricultural conditions and member needs. Research by Trebbin (2014) emphasizes that collective procurement and better prices are the most common motivations behind FPO formation. Chand et al. (2021) found that not all FPOs adopt advanced farming technologies, as it depends on access to training, resources, and external support.

Kumar & Reddy (2019) state that technological interventions are often limited to well-supported Forereach (Markelova et al., 2009) highlights that FPOs engaged in collective marketing, grading, and packaging experience higher profitability.

NABARD (2018) Report states that supply of agricultural inputs is critical for FPO sustainability but is not uniformly practiced across all FPOs.

The study underscores the diversity in FPO objectives and operations, confirming that while all FPOs focus on key collective functions, their engagement in technological advancements, input supply, and value addition differs. Previous research supports this variation, indicating that resource availability, training, and policy support influence the extent of FPOs' activities.

7. Findings

The findings focus on the demographic and structural pattern of seven selected Farmer Producer Organizations (FPOs) in India. The FPO Dharampur Vegetable Producer Company Ltd. has been functioning for the last 8 years since its establishment in 2015. Other three FPOs, Banasar Kisan Samridhi Producer Company Ltd., Solan Sirmour Kisan Samridhi Producer Company, and Saindhar Producer Company Ltd., have been functioning since 2016. The remaining two FPOs, Bushahr Producer Company and Bushahr Green Valley Producer Company, were observed to be functioning for the last three years only.

The major work of the selected FPOs is managing vegetables and fruits, with apple being the major fruit crop. The resource support agency for these FPOs is SFAC, while the resource support agency for Kinnaur Kailash Agro Fresh, Bushahr Producer Company, and Bushahr Green Valley Producer FPOs is HPHDP. All the selected FPOs operate for small and marginal farmers, and all have a minimum of 10 board members. Training programs for capacity building are conducted by all selected FPOs.

The structure of the selected FPOs is a four-tier structure with farmer shareholders, farmers' interest groups, representative general body, leaders, and board members. The general organization structure of the selected FPOs is composed of farmer shareholders, farmers' interest groups, representative general body, leaders, and board members.

The FPOs have objectives such as collective procurement, technological advancement in farming techniques, better prices, advisory services, training and development, improved access to product and services, and improving livelihood. The functional activities of different selected FPOs include collective marketing, supply Agri inputs, conducting exposure visits, selling, sorting, grading, packaging processing, field visits, and transportation. The major objectives for the formation of the FPOs were collective procurement, better prices, advisory services, training and development, improved access to product and services, and improving livelihood.

In conclusion, the study highlights the effectiveness of the selected FPOs in managing vegetables and fruits, as well as their organizational structure and objectives. The FPOs' objectives and functions are based on their objectives and functional activities, which are followed by all selected FPOs.

8. Suggestions

An effective enterprise encourages more members to join the FPOs which will in turn improve the business performance of the FPOs. A bad performance of the enterprise could lead to member disengagement and result in dysfunctionality of the enterprise. It is important to understand that better business performance will not occur in the absence of effective mechanisms. Hence, one of the suggestions will be to ensure better governance which will lead to better business performance.

An easy and accessible administrative framework could help the FPOs' management functionaries to understand the formation, registration and functioning of FPOs in a better way, ensuring that the legal structure allows for democratic governance and accountability. So, in order to ensure that FPOs are functioning to the fullest of their potential, the focus should be on governance of FPOs.

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