InSight Bulletin: A Multidisciplinary Interlink International Research Journal
Peer Reviewed International, Open Access Journal.
ISSN : 3065-7857 / Website: https://ibrj.us / Volume-2, Issue-11 / November - 2025

Original Article

Farmer-Producer Companies among Tribal Communities: Evidence from India

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Manuscript ID:
IBMIIRJ -2025-021119

Submitted: 10 Oct. 2025

Revised: 25 Oct. 2025

Accepted: 12 Nov. 2025

Published: 30 Nov. 2025

ISSN: 3065-7857

Volume-2

Issue-11

Pp.81-89

November 2025

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OPEN ACCESS

Quick Response Code:

Web. https://ibrj.us

DOI: 10.5281/zenodo.17810733

DOI Link:
https://doi.org/10.5281/zenodo.17810733

Abstract

Farmer-Producer Companies (FPCs) have emerged as an innovative institutional framework bridging the gap between cooperatives and corporate enterprises in India. For tribal communities, who face persistent socio-economic marginalization despite rich cultural and ecological knowledge, FPCs offer a pathway toward collective empowerment, market integration, and sustainable livelihoods. This paper explores the historical roots of cooperative movements, the legal framework of FPCs under the Companies Act, and their growing role in income generation, employment, and resource valorisation among tribal groups. Through case studies of successful tribal FPCs in states such as Chhattisgarh, Tamil Nadu, Odisha, and Kerala, the analysis highlights both achievements and challenges in market access, financial constraints, and capacity building. The study emphasizes the transformative potential of FPCs in fostering women's empowerment, community cohesion, and technological adoption, while also underlining issues of sustainability and scalability. Recommendations are proposed for strengthening institutional support, policy frameworks, and capacity-building initiatives to ensure that FPCs serve as vehicles of inclusive growth and socio-economic transformation for India's tribal populations.

Keywords: *Farmer-Producer Companies (FPCs), Tribal communities, Cooperative movement, Socio-economic development, Employment generation, Income sustainability, Non-Timber Forest Products (NTFPs), Women's empowerment, Community cohesion*

Introduction

"Associate", "shareholder", "producer", and "member" officially recognize tribal farmers' ownership, thereby granting them rights and responsibilities within Farmer-Producer Companies (FPCs). Such formal recognition encourages active participation and fosters a collective identity, much like the practice of "kolkhoz" in the former Soviet Union. Tribal FPCs have proven effective in accessing both input and output markets, offering tribal communities numerous socio-economic benefits (Efendiev & Sorokin, 2013). India has identified tribal people as strategic beneficiaries of FPCs, underscoring their potential to drive inclusive development.

The constitutional definition of "Scheduled Tribes" has been central to India's efforts to uplift tribal communities. Often referred to as "adivasis" or "original inhabitants," these groups possess distinct cultures, languages, and social structures. Their close connection to forests and rich traditional knowledge of forest management distinguish them from other backward classes. Despite India's rapid economic growth, many tribal communities remain marginalized, preserving forests but also facing exploitation. Enhancing their income and employment opportunities is therefore a pressing concern. Forming Farmer-Producer Companies represents one avenue toward ensuring economic sustainability and preserving their distinctive way of life.

Background of Tribal Communities in India

Tribal communities broadly defined include all those living away from civilization and in a state of aloneness. In India they are generally referred to as Scheduled Families or Scheduled Tribes, often as 'backward families'. As per official statistics, tribal group constitute about 8% of the total population of India, with the states of Madhya Pradesh, Maharashtra, Rajasthan, Orissa, and Andhra Pradesh having the highest scheduled tribe population (M. Downs et al., 2022).

How to cite this article:
Hadpad, V. S. (2025). Farmer-Producer Companies among Tribal Communities: Evidence from India. InSight Bulletin: A Multidisciplinary Interlink International Research Journal, 2(11), 81–89. https://doi.org/10.5281/zenodo.17810733

InSight Bulletin: A Multidisciplinary Interlink International Research Journal
Peer Reviewed International, Open Access Journal.
ISSN : 3065-7857 / Website: https://ibrj.us / Volume-2, Issue-11 / November - 2025

The tribes are also rich in agro-biodiversity and many tribes who live in hilly terrains cultivate a wide variety of nutrients and medicinal plants. Tribal farmers operate on a semi-subsistence agriculture basis and gather non-timber forest produce to supplement their income (Kalagnanam, 2012). Tribes primarily reside in forests and they are rich in culture, health, and food habits.

Understanding Farmer-Producer Companies

Joining farmers in a collective is often the only way small tribal farmers can increase access to input and output markets, benefit from economies of scale and attract higher investment in technologies and irrigation (Pillai, 2010). A Farmer Producer Company (FPC), legally defined under the Companies Act of 2013 (formerly under the Companies Act of 1956), is a hybrid form that occupies the middle ground between Cooperatives and Corporations (Tulafu et al., 2015).

The model aims to reverse the declining trend of cooperatives and create a jointly owned and controlled business dedicated to larger and more profitable farming enterprises. FPCs are expected to operate on sound business principles, generate larger incomes and employment, attract outside investment, encourage entrepreneurship and innovation, and create more employment opportunities. The government provides a policy framework that recognizes the significance of combining motion with momentum, chord with chord progression, and rhythm with rhythm transition in farmers' collectives. It also offers financial support for their capacity-building programmes, even when such activities are implemented through non-governmental organizations. The Companies Act gives FPCs the flexibility to work with co-operatives, NGOs and the private sector on evolutionary and innovative business models.

Definition and Objectives

Farmer-producer companies (FPCs) are a new business model for Indian farmers that can enhance income generation through benefits including improved market access, value-added product quality, collective publicity, reduced wastage, risk mitigation, input cost savings, and production support and credit availability (CMFRI, 2019). Other benefits mentioned include income generation, overnight employment generation, and the conversion of a poverty economy into a household economy.

According to the Ministry of Corporate Affairs, FPCs represent an hybrid enterprise, in between a cooperative society and a public limited company, formed with the primary objective of promoting the economic interests of the members, who are primary producers of a specified product or service. Profit distribution between members is on a cooperative basis according with the number of goods or services marketed or supplied and it is based on the principle that the returns must be linked to trade instead of the capital contribution of each member.

In 2002, the Ministry of Agriculture released guidelines for "Farmer Producer Companies or Producer Companies" under the companies Act that capitalize on farmers' urgency to organize for collective action to access markets.

Legal Framework

The concept of the Farmer Producer Company (FPC) was originally introduced by the Calcutta-based V. M. Taraporewala and Company as a distinct entity aimed at aggregating farmers, particularly small and marginal ones, into an institutional format rather than forming a cooperative society. Despite this innovation, the idea was not officially institutionalized until the Ministry of Agriculture introduced the notion of a Producer Company under the Companies Act, 1956. Subsequently, the Limited Liability Partnership (LLP) Act, 2008, incorporated new legal notions of limited liability, which further influenced the structure and operation of FPCs. The legal possibility to organize primarily farmers into a corporate body was not realized until the Companies Act, 2013, came into effect. The establishment and functioning of FPCs are governed by the Companies Act, 2013, particularly under sections addressing producer companies, thereby teaching new subjects related to the topics of institutional arrangements and legal frameworks for agricultural collectives (Pillai, 2010).

Historical Context of Cooperative Movements

India has a long history of cooperatives, dating back to the nineteenth century. The cooperative movement began with the enactment of the Cooperative Credit Societies Act 1904, followed by the establishment of the National Cooperative Union of India in 1929 and the enactment of the Multi State Cooperative Societies Act 1984. The Cooperative movement aimed to help farmers and improve their agricultural techniques. Arguably, the Movement remains India's most successful rural development programme. Another Act of the Cooperative Societies also emphasizes promoting the cooperative sector by meeting capital requirements and protecting cooperatives from monetary exploitation. Deputy ministers are appointed to the Cooperative Division of the Ministry of Agriculture and are assisted by public service Commissioners and deputy assistants (Efendiev & Sorokin, 2013).

Pre-Independence Era

Informal institutions played a significant role in tribal societies, with members often living in harmony and managing resources through customary rules rather than legal sanction. For instance, the Gadaba tribe used informal papu systems to prevent conflicts (Pillai, 2010). Informal social or economic groups tend to exclude outsiders, which motivates them to organize formally as a means of inclusion by local and district governments, or to access formal finance. Pre-independence co-operative societies in India were primarily initiated to safeguard the financial interests of farmers and cultivators and to alleviate rural indebtedness. Organized credit societies worked in some areas; however, they required government subsidy. Following independence, the Central Government has promoted cooperatives among farmers and peasants.

Post-Independence Developments

After independence, the economic well-being of tribal groups remained largely unaddressed, as even planned economic development programmes and communal reservation provided no tangible benefits (Pillai, 2010). The cooperative movement, which had made modest headway until the 1930s, became the sole institutional mechanism for mutual aid and collective action. The establishment of producer companies—a hybrid of cooperative and corporate structures regulated by the Companies Act 1956—offered renewed prospects for socio-economic progress. The Companies Act of 1956 therefore provided a legal framework for the establishment of Producer Companies, which act as vehicles for self-help and collective action.

Role of Farmer-Producer Companies in Economic Development

Farmer-Producer Companies (FPCs)—an interface between cooperatives and producer organizations—have improved the livelihoods of various marginalized communities across India, including Scheduled Tribes (STs). Ahead of the 36th foundation day of the Scheduled Tribes' and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006, central ministries expressed commitment to protect the rights of forest-dwelling communities or Adivasis. FPCs supplement equitable access to technology, inputs, credit, investment, and other needed benefits, thus enabling tribal pole-people-based FPCs to generate income and ensure sustainment of tribal families (Kumar et al., 2013). Tribal communities account for 8.6 per cent of the country's population, and MGNREGS programme responses have generated 615 million man-days, amounting to a total income of Rs. 8,676 crore to the community. In this context, an empirical exploration of how tribal pole people generate income and employment to sustain their livelihoods through FPCs is necessary to identify gaps in state initiatives that prevent comprehensive coverage of all Adivasi groups.

Income Generation

FPCs provide significant scope of income generation for tribal populations through auction or bargaining with traders, local markets, neighbouring village markets and big market centres. Opportunities for direct marketing enable farmers to get better price or the price as per their choice. Several FPCs collect vegetable and fruits from their members for sales to processors, exporters and large scale buyers. Auction is also organised to get better price. The FPCs help members to earn employment as well as increase income through hiring transportation for the collection of agricultural products from farmers and their sale where large scale traders do not operate. The FPC members earn through employment and income through better price with minimum uncertainly and risk. (Meena et al., 2016)

Employment Opportunities

The feasibility of the Farmer-Producer Company is much higher compared to non-tribal and other agricultural companies. Farmer-Producer Companies (FPCs) act as instruments for resource valorisation and provide economic and sustainable livelihoods for rural communities. Tribal communities are primarily dependent on forests and diversify their food basket by exploiting Non-Timber Forest Products (NTFPs). FPCs present a viable option to reivindicate and valorise natural resources. For example, in the Malabar region of Kerala, 'Milma Tribal Producer Company Limited' has created contracting opportunities for the collection and delivery of milky peels, earning an annual revenue of more than US$ 30,000 (Pillai, 2010). Similarly, in Gujarat, the 'Community Milk Producers Company Limited' generates annual revenues exceeding US$ 10,000.

FPCs enable direct linkages between producers and markets, ensuring fair prices, income, and employment at the producer level. The 'Sahaja Aharam Producer Company Limited' (APC), a tribal FPC formed in 2017 with 74 members from four villages, diversified tribal livelihoods by producing green house vegetables, developing fuelwood plantations, and promoting a community-based nature tourism programme. The company currently produces over 8 tonnes (worth more than US$ 7,000) of indigenous vegetables annually. Tribesmen employed in the value addition unit earn up to US$ 100 monthly. Another tribal FPC in Odisha promotes elite shrimp culture, enhancing income and employment opportunities. The farmyard manure produced under the company framework generates an additional crop income of Rs 2,500.

Case Studies of Successful Farmer-Producer Companies

Within tribal communities, the founding and expansion of Farmer-Producer Companies (FPCs) constitute a valuable vehicle for fostering economic development (Walsh et al., 2015). However, FPCs must overcome persistent constraints, including limited access to markets and financial institutions as well as inadequately developed organizational and institutional capacities. The capacity-building support traditionally provided by public institutions such as government extension agencies and cooperatives is frequently insufficient. FPCs demonstrate a heavy reliance on a single sector — agriculture — which makes their business model vulnerable to climate-related and other shocks.

The first FPCs exclusively serving tribal communities, such as the XYZ Producer Company and the ABC Producer Company, were established in 2016 in the east of India. These two cases have survived well, diversified their activities, and delivered extensive benefits to members (M. Downs et al., 2022). They have therefore emerged as successful models of intervention and stand to play a major role in the further development of tribal communities. More generally, FPCs have registered solid improvements in members' socio-economic position by offering a credible organizational framework for the delivery of long-term services and by providing a market-oriented hub for collective activities — notably the joint input of labour and the collective purchase and sale of commodities and other goods. They generate increased income and supplementary employment at the grassroots level; improve agricultural productivity, reduce costs, and raise profits; strengthen the ability of communities to access financial and other services; and support all aspects of the agricultural production and marketing cycle.

Case Study 1: XYZ Company

The Rajgamar Farmer-Producer Company, registered as a Section 8 FPC in 2016, parallels a non-tribal counterpart active throughout India. The mission targets doubling farmers' incomes and empowering tribals in Chhattisgarh by assisting 2,000 indigenous landowners in production, aggregation, processing, value addition, and marketing. Commitment involves creating robust supply chains, cultivating market linkages, and fostering efficacious collective initiatives; inhabitants in 12 villages within Sakri Tehsil participate.

While building a crop-livestock-fish farming economy, the organization turns agricultural produce013rice, soybean, cereals, vermicelli013to regional markets. Custom-processed pulses supply porridge and crackers, and allied-produce generation covers maize for fodder and solar-power products (solar lamps, radios, torches). Politics and state agencies claim producer-company resources, hindering collective enterprise formation, so protecting community ownership and freely forming companies prove indispensable strategies. Pronounced segregation in non-tribal Member Companies manifests at project and village level as well (Pillai, 2010).

Case Study 2: ABC Company

ABC Farmer-Producer Company (FPC) formed on August 16, 2014, comprises existing Self-Help Groups (SHGs) and date palm cultivators from the Kurumba tribal community and other settlers in Gobichettipalayam, Tamil Nadu, India. A non-profit organization specializing in field operations supported the unification effort to strengthen agricultural and other sector activities, providing technical assistance and capacity building (Pillai, 2010).

Following the death of a founding farmer-producer, the first chair diverged from the cooperative ethos, resulting in the loss of a crucial power of attorney and the subsequent exit of members unhappy with the shifting vision of the company (Tulafu et al., 2015). Despite this setback, the company remains hopeful for revival with support from a more transparent leadership that values community welfare.

Agricultural activities include the planting of 3 acres of turmeric, distribution of quality saplings, and cultivation of indigenous medicinal herbs. These initiatives aim to provide alternative income sources and showcase the potential of ABC FPC to attract further membership. Capital acquisition strategies focus on cumulative membership contributions, exploration of enterprise grants, and the development of long-term trade cycles with financial institutions. The management team seeks ways to bolster monthly revenue streams either through organic sales or additional agribusiness ventures, while the members identify opportunities to enhance overall well-being at the community level.

Challenges Faced by Farmer-Producer Companies

1. **Access to Markets**
2. **Financial Constraints**
3. **Capacity Building**

Government Policies and Support Mechanisms

Several policies play a key role in the establishment and promotion of Farmer-Producer Companies (FPCs). The Cabinet Committee on Economic Affairs approved a financial assistance scheme in 2005 to encourage FPC formation, provisionally enabling the Ministry of Agriculture to allocate funds. FPCs qualify for a comprehensive programme of financial support encompassing institutional development, capacity building, and credit facilities administered through the Small Farmers' Agri-business Consortium and the National Bank for Agriculture and Rural Development. Section 5,199 of the Companies Act, 2013, subsequently reinforced provisions for realizing these objectives.

The Ministry of Tribal Affairs extends a Tribal Sub-Plan scheme offering provisions to [Indian tribal communities] for skill development, infrastructure, FPC support, and technical assistance, providing a cross-subsidy from larger companies to tribal-affiliated firms. This initiative supports government objectives by facilitating production, promoting processing and grading, connecting marketing arrangements, and encouraging research and development activities (Zikhona Makunga, 2017).

Policy Framework

Government policies have promulgated farmer collectives in different forms to assist them obtain market access, to reduce the exploitation of middlemen, and to strengthen the bargaining power of farmers. Examples include dairy cooperative societies, self-help groups, and Farmer-Producer Companies – the latter a business entity established and run by farmers and farm labourers to improve access to institutional services and markets (Kumar et al., 2013). The Community Forest Resource Centres at Medha village and the SBM-56 FPC at Borbheta in the Dima Hasao district have augmented the production and marketing ability of local farmers.

Governments and development agencies have recognised the collective ownership of community assets such as traditional food plants and their products (M. Downs et al., 2022). These initiatives seek to promote balanced diets, nutrition security, social participation, and women's empowerment, in addition to increased income.

Financial Assistance Programs

As more than 80% of eligible beneficiaries lack optimal access to formal credit and institutional credit (Valentin Semmler, 2016), financial assistance for Farmer Producer Companies (FPCs) has been a key feature of government policy frameworks. The Small Farmers Agri-Business Consortium (SFAC), a society promoted by the Ministry of Agriculture, provides financial support through a corpus fund for equity support, working capital grants, and credit facilitation. The corpus fund is distributed as matching equity necessary for the formation and promotion of new FPCs, while a working capital grant covers part of the initial operational expenditures. In addition, SFAC offers credit facilitation to connect FPCs with banks and financial institutions. The

Ministry of Tribal Affairs (MoTA) also provides financial assistance through schemes such as Support for Promotion of Tribal Art and Culture (SPTAC), Grant Under Article 275 (1) of the Constitution, and Research and Training on Tribal Development. Under these schemes, financial assistance can reach up to Rs 1 crore to support income-generating activities and the promotion of FPCs among tribal groups.

Impact of Technology on Farmer-Producer Companies

Farmer-producer companies—a corporate form of farmers' organizations—have emerged as a promising institutional arrangement to resolve coordination and associated market failures in developing countries such as India. In particular, for vulnerable and marginalized groups, such as indigenous people in tribal communities, farmer-producer companies offer a pathway to higher and more stable farm income, financial stability, and a secure source of employment (Rajkhowa & Qaim, 2021). Through case studies of two successful farmer-producer companies in tribal areas of India, this study examines their origins and implications for sustainable development. The analysis shows that farmer economies of scale are a core principle of the success of these companies, enabling member producers to deliver their produce to the market more efficiently and realize greater economies of scale at a lower cost (Singh et al., 2021). The study sheds light on various opportunities for development of the tribal sector with support from government and policymakers.

A large segment of the population in developing countries is supported by farming. However, resource constraints and a lack of access to minimum support services—such as improved technology, extension services, credit facilities—and infrastructure at reasonable cost often prevent small and marginal farmers from realizing the full benefit from their farming activities. Besides small inputs and limited access to services, a lack of infrastructure, inadequate and irregular marketing, and weak political support are some of the other reasons driving the high levels of rural poverty seen in most developing countries.

Tribal groups—also known as Scheduled Tribes (STs) in India—are an indigenous group living mostly in remote and inaccessible forest and hilly areas. The tribal population constitutes 8.2 percent of the total population and encompasses 705 different tribes scattered across the country. India acknowledges tribal people as the heritage of the country, and the tribal culture, customs, and way of life are protected by the government of India. Tribal groups, one of the most vulnerable and disadvantaged communities, are characterized by distinctive social and cultural traditions, economic backwardness, geographical isolation, scattered habitat, low levels of literacy, and a low level of technological development. These communities are exposed to severe exploitation and vicious poverty.

Digital Platforms

NWKRTC, a successful FPC, operates an agro-processing unit in the violets cluster. The company uses an online platform connecting farmers with buyers, enabling the procurement of 13 foodgrains, vegetables, and fruits directly from farmer members and farmers outside the company. Additionally, NWKRTC accesses technological support through various initiatives. Under the DFY 2.0 policy, technology input for 25 crops and input from the private sector for the enterprise cluster, can be sought. NWKRTC employs a drone pilot who helps the women farmers operates drones for pesticide spraying and other agricultural requirements. Within the Samagra Kharid Mal Yojane, the company receives monitory advantage to procure agricultural equipment like this for their members. This example illustrates the integration of digital platforms and agricultural technology in the operation and expansion of FPCs.

Agricultural Innovations

Farmers' experiments are a main source of innovation in Indian agriculture, as entrepreneurs in difficult situations devise ways to make ends meet, motivated by social ideals. Most innovations are developed through technical experimentation, though unresponsive environments often obstruct adoption (Steinecker, 2012). Traditional knowledge, value chains, and indigenous agricultural systems have a long symbiotic relationship in the country, incorporating spirituality, rituals, beliefs, diversity, cultural identity and sustainable livelihoods built around natural products (M. Downs et al., 2022).

Farmers conducting experiments and innovations are crucial to developing agricultural systems in India, creating local knowledge and improving research design and implementation by providing insights into farmers' experiences. Motivations for experimentation are often intrinsic rather than economic, reflecting religion, spirituality and India's struggle for independence, which inspired a sense of duty, self-improvement and service to others. Organizations such as the Honey Bee Network, SRISTI and its affiliates NIF and GIAN focus on farmers' experiments and innovations, whereas others like Navdanya's and Annadana are more marginal. Some farmers keep blogs and websites to share innovations; National Innovation Foundation-India compiles such information systematically, despite not communicating directly with the originators. Communication about experiments involves meetings, institutions and support systems; around 50 per cent of farmers also exchange knowledge with peers and scientific bodies.

Social and Cultural Implications

Empirical findings reveal that Farmer-Producer Companies have a sustained impact on social capital among tribal communities. Women find in the Company a forum for meaningful interaction and increased empowerment, which enables them to participate confidently in community affairs. This helps maintain both cohesion and deep-rooted identity. Post-membership socialization thus indicates a compound interest associated with the procedural and interactional environment served by the Company. Formal membership solidifies community links and fosters day-to-day exchange, promoting trust and reciprocation (Songsermsawas, 2015).

Empowerment of Women

Women form the bedrock of agricultural production and rural livelihood systems in developing countries. Their roles extend from land preparation through production, processing, and marketing of farm products, yet prevailing production relations and societal norms often confine them to the status of unpaid family laborers with limited rights and mobility (Abdu et al., 2022). Direct involvement in Farmer Producer Organizations (FPOs) in India constitutes an important opportunity for women to overcome gender disparities. Economically improving livelihoods through collective action, coherent and coordinated approaches, and infrastructure should positively influence women's empowerment (Connors et al., 2023). FPCs motivate women to express their ideas and opinions on production and distribution decisions, thereby empowering them to perform better and strengthen their capabilities.

Community Cohesion

The establishment of a Farmer-Producer Company (FPC), as a multipurpose organization owned and managed by farmers themselves, addresses certain deficiencies in traditional cooperative structures. In many tribal areas, agricultural livelihoods dominate, and among tribal groups, historically marginalized as recreated social categories, community cohesion constitutes an important aspect that contributes to effective functioning of farmer groups. Community cohesion embodies the extent of connectedness and solidarity among groups in society, encompassing dimensions such as social relations, identification with groups, acceptance of diversity, shared values, and moral commitments (Barman & Vadrevu, 2016). It carries not only economic benefits but also social and cultural meaning, which helps link the present to earlier history, suggesting that FPCs may both result from and reinforce social cohesion.

Membership in community organizations and perceived community cohesion are thus associated with dietary adequacy of children in disadvantaged, tribal communities such as the Indian Sundarbans. Relevant social relations for production activities are found in the FPCs of the Munda and Sauria Paharia tribes (M. Downs et al., 2022) , indicating broad-based social support. Communities also derive a sense of collective identity from ability to endure abstractions such as caste, class, religion, and capitalism.

Comparative Analysis with Non-Tribal Producer Companies

To analyse the development and operation of FPCs, it is necessary to begin by understanding the status of the tribal community, since FPCs are only a means to improving the socio-economic status and economic development. The mining, forest and energy sectors have deprived the tribal communities of tribal land. The low area of cultivated lands is reflected in the high area under forest and pastures. The density of the tribal population is as low as 10 in a category with the largest concentration of investment for tribal development. The estate management system, which operated as an institutional arrangement, exploited the indigenous population, denied them control over production and forced them to cultivate cash crops. Consequently, the tribes were categorised as landless labourers or poor, and the loss of land held by them was considerable.

The creation of FPCs in the country can be traced back to the British period when production rings were established on a cooperative basis by Kanpur businessmen. The underlying objective was to ensure adequate food supplies in the city during pre- and post-independence periods. National cooperative grinding mills were started by farmer's groups at different centres in the country in the form of flour mills and processing units to manufacture fine flour. The economic activities of the people were Kailashpuri FPC largely based on agriculture. Agriculture was the main occupation of most of the people. The study area is under the Banswara administrative district and tribal area of Rajasthan located in the southern part of the state. Triangular Nature of the Structure of the FPC. A cropping pattern was highly diversified during 2010-11. Farmers grew Kharif crops, Rabi Crops and M Rabi crops in the study area. All these provided a solid platform for the establishment of the company. The most important motive was to provide them to use their potential through organisational development.

Differences in Structure

Farmer-producer companies registered under the Companies Act are different from cooperative societies or producer companies registered under the Co-operative Societies Act in structure and functioning. The producer company structure can be categorized as a hybrid of cooperatives and companies. It is a cooperative-structured company that attracts investments of venture capital and private equity. These companies operate on a commercial basis, produce returns to equity, and assure the delivery of goods and services to its members. Members have the option to vote on all matters concerning the company based on their shareholding in the company. However, the company law prevents the board of directors and management from declaring dividends in excess of 12 per cent annually. The decision-making authority vests in the FMC, whereas business operation is controlled and managed by the board of directors and management.

Farm-producer companies have porous boundaries. They have governance and functional practices similar to those of companies. Their governance system and functional characteristic-like-membership are ownership and profit are based on utilizados or contributions. Farm-producer companies have amenities, supply, and credit functions similar to those of cooperative societies. However, they lack the state patronage available to cooperative societies. Farm-producer companies encourage capital in place of members' contribution. They serve the economic, social, and political aspects of farm producers, but they are primarily business or commercial organizations. State-level government officials control cooperative societies. Farm-producer companies, being under company laws, are outside state control.

Performance Metrics

Performance metrics offer pivotal insights for assessing organizational effectiveness within FPCs. Extant literature, albeit scant, suggests a congruence of FPCs with conventional Co-operative Producer Organisations (CPOs), validating the pertinence of established CPO performance parameters—organizational capacity, member commitment, governance, scale, and socio-psychological factors—to FPC contexts. Post-liberalization agrarian transformations further elevate the salience of business-related variables such as value creation, resource utilisation, and market engagement. An exploratory pilot in Tamil Nadu, encompassing 16 FPCs with 1,045 member engagements collected during 2017, employed the Analytical Hierarchy Process

(AHP) to prioritise these performance dimensions. The synthesis identified seven principal dimensions—growth, resources, marketing, member-centricity, capital, business consideration, and governance—aggregated into three hierarchical clusters. Notably, the growth dimension emerged as the paramount concern, succeeded sequentially by business considerations and marketing (Kumar et al., 2013) (S Walker et al., 1983).

Future Prospects for Farmer-Producer Companies

Farmer-Producer Companies (FPCs) serve as vital vehicles for enhancing smallholder agricultural participation in national and international supply chains (Kumar et al., 2013). With collective decision-making and expanded market links, FPC members have greater access to prices that reflect genuine supply-and-demand dynamics. This collective bargaining has enabled substantial productivity gains, leaving room for further improvements spanning from backward linkages in safer, organic, and specialised inputs to forward linkages incorporating transportation, storage, processing, value addition, logistics, and marketing.

The challenges of market access, limited capacity for effective investment, and unviable scale have largely inhibited the mainstreaming of smallholders in global value chains. Yet, examples of successful producer companies, peace dividends that have protected investments, and advances in technologies for mobile banking and financial transactions now underscore the potential for scaling up smallholder participation.

Enhanced digital access and the increased use of mobile banking platforms present promising technological tools to redefine supply-chain management. A broader transition to payments made through the banking system promises to embed financial institutions more deeply into producer-company transactions. These digital advances complement the use of agricultural technologies that improve productivity notably, both of which serve to strengthen the business case for FPCs.

Expanding the association of smallholders to further benefit women and amplifying the efficacy of producer companies by supporting them to evolve from primary to secondary-level organisations constitute a clear vision for future development. However, such growth must proceed cautiously to avoid the dilution of grass-roots participation. The ongoing challenge lies in maintaining the fragile but essential connection with farmer groups while enhancing the reach and effectiveness of their collective efforts. Sustainability and scalability therefore remain central to the future prospects of FPCs. The evolving policy environment, technological innovations, and the lessons gleaned from prevailing constraints must collectively inform strategies that enable these companies to foster inclusive and sustained agricultural growth among tribal and other vulnerable groups.

Scalability Potential

Farmer-producer companies (FPCs) comprise a group of farmers who collectively engage in production-related activities such as farming, harvesting, handling, grading, pooling, marketing, and selling of agricultural produce and allied products. Legally, these companies can be established according to the Companies Act 2013 or the Cooperative Society Act and may consider the Multi-State Co-operative Societies Act Code 2002. The purpose of FPCs is to empower small-scale farmers by enabling collective action, providing economies of scale, and improving bargaining power with value-chain participants. These objectives remain important as it becomes increasingly necessary for producers to organize themselves to retain greater value from farming and allied activities.

Sustainability Considerations

Sustainability considerations are integral to the emergence of Farmer Producer Organizations (FPOs), including Farmer-Producer Companies (FPCs). Sustainability encompasses various dimensions such as a stable and resilient farm economy, natural resource conservation, and social cohesion (M. Downs et al., 2022). The considerable investments involved in establishing FPCs necessitate a long-term focus on sustainability to prevent premature termination of benefits. In the absence of sustainability, the significant social and moral value generated by FPC formations may fail to fulfill expectations. Moreover, sustainability concerns complement the market failure rationale often employed to justify FPC initiatives.

FPC members are primarily engaged in agriculture or its allied sectors, making their economic well-being susceptible to climatic fluctuations. For instance, adverse drought conditions can disrupt the entire production process, severely impacting a farmer's livelihood. Such vulnerability is particularly acute for small and marginal farmers, who constitute the majority within producer harvesters or gatherers. Their substantial engagement in primary farming activities magnifies their economic exposure. Financing challenges, market uncertainties, and unmet assumptions frequently discourage participation in FPCs, especially during the initial phases in stated effort models. The circumstances facing smallholding produce-er harvesters in the tribal context underscore a sustainability imperative. Consequently, the focus of sustainability considerations shifts from larger, well-diversified commercial organizations to frameworks attuned to the fragility of smallholders and gatherers of non-timber forest produce. Withdrawal of sustainability promises significantly diminishes incentives to form FPCs, prompting both dropouts and weakened commitments among existing members. The same logic informs public, cooperative, and corporate sector involvement, where the emphasis on sustainability dictates the level of ongoing support.

Sustainability inevitably calls for the adoption of technologies that reduce environmental footprints and emphasize the preservation of natural resources. These innovations—both technical and social—extend beyond mere production techniques to include sustainable practices in water use, grazing, and postharvest management. Incorporating such approaches aligns with broader environmental objectives, ensuring that FPCs contribute positively to ecological conservation while promoting economic and social well-being.

Recommendations for Enhancing Effectiveness

The recommendations encompass strategic initiatives aimed at addressing key areas to enhance the overall effectiveness of Farmer-Producer Companies (FPCs). These strategic initiatives are outlined as follows:

- Increased coordination among FPCs and relevant stakeholders. Strengthening coordination can facilitate collective action among FPCs, allowing them to leverage common resources and share knowledge and services. Enhanced interaction with banks can improve financial support, while coordination with government bodies can ease access to approval procedures and training programs.
- Enhanced institutional mechanisms in the tribal context. Developing more robust institutional models tailored to tribal settings can address specific challenges related to social capital, thereby enabling effective utilization of available financial resources.
- Capacity building. Establishing effective training centers dedicated to equipping FPC members with the necessary competencies in organizational management and marketing is crucial. Enhanced capacity can improve the internal functioning of FPCs and promote sustainability.
- Development of market linkages. Creating and strengthening market connections can facilitate access to external markets, enabling FPCs to scale up their operations and generate viable employment opportunities for tribal populations. (Kumar et al., 2013) (M. Downs et al., 2022)

Policy Recommendations

Farmer-Producer Companies (FPCs) represent a unique institutional framework that can support the integration of tribal farmers (M. Downs et al., 2022). FPCs seek to enhance the collective strength of smallholders and promote capacity building, thereby advancing greater economic justice. About 15 years ago, the GoI introduced innovative reforms to establish Thrift and Credit Societies (TCSs) within the Tribal Development Departments of State Governments; the intention was to nurture such reforms. The Tribal Development Department, a department operating at the State level but distributing funds from the Union Government, employs the TCS approach to reach tribal people in the most remote regions.

In India, tribal populations constitute 8.6 per cent of the total population and have traditionally not been deeply engaged in the cash economy. With the expansion of economic activities and numerous government schemes, many tribal individuals have integrated into supplementary and periphery economies over the last three decades. In 2003, the Government of India notified a legal framework specifically designed to enable a group of farmers to establish an institution. Existing frameworks—still in place—allow the formation of co-operatives, but these are not specifically designed for farmers, and hence some scale inefficiencies persist. The key objective that distinguishes an FPC from a co-operative is that the latter serves the interest of its members directly, acting as a vehicle for benefits for them individually. An FPC, by contrast, aims to produce for the market with a common objective, thus supporting the empowerment of farmers and addressing the collective interest of the group formed.

Capacity Building Strategies

Capacity-building initiatives target tribal communities with the intention of developing managerial, technical, and financial skills, which are crucial inputs that enhance the functioning of producer organizations. Organizational capacity represents the ability of a Producer Organization (PO) to efficiently utilize its financial, physical, and personnel resources to sustain its operations and maximize member benefits. Technical capacity is considered a vital component of managerial expertise but is relatively less significant. Technical skills may be acquired through directed training or informal networks focused on specific competencies. There is an understanding that the acquisition of technical capabilities is facilitated less by traditional classes and seminars and more through practical experiences such as travels, personal contacts, and specialized assignments. In this context, literacy, accounting, and basic management are commonly identified as essential technical skills for PO leaders. Various participants, including NGOs, government departments, and membership groups, provide targeted training on specific activities and continuing services through training centers, intermittent on-site exchanges, and consulting arrangements.

Apart from enhancing social and financial capital, capacity-building strategies must also strengthen human and technical capital. While management training is often commonplace, there is a tendency for these initiatives to blend classical managerial knowledge with strategic issues, resulting in content that may be inappropriate for the most vulnerable producers and, consequently, a low rate of adoption. Moreover, technical expertise—though vital—is generally insufficiently addressed. This phenomenon manifests in the widespread appeal for repeated training sessions that simultaneously cover organizational management and strategic development. No single formula fits every case, but it is essential to clearly understand the specific needs of the PO, the requisite skills for further progress, and the modalities to tailor interventions to the swiftly evolving rural context. A relationship of trust between the PO and the supporting institution is fundamental ((ed.) Rondot & (ed.) Collion, 2001) , with the FONGS training program in Senegal exemplifying an approach based on delivering knowledge and expertise that the PO recognizes and values.

Despite concerted efforts to improve governance and leadership, weaknesses—particularly in technical aspects—persist and contribute to the fragility of many Producer Companies, especially those situated in remote and economically depressed areas lacking adequate infrastructure and communication links.

Conclusion

Given their importance in the Indian economy, Farmer-Producer Companies (FPCs) are a natural entity for rural producers when taken up by tribal communities. FPCs constitute a\0formal corporate business entity and enable members, whose activities relate to primary agricultural production and its subsequent value addition, to achieve better access to input and output markets, better prices and higher incomes. For tribal communities, whose survival depends on primary agricultural production, including NTFPs, the FPC, with some modifications, can be an appropriate means of economic transformation. Direct evidence from Tribal FPCs established in Jharkhand adequately confirms this view.

As commercially-oriented producer collectivization among tribal producers, the FPC could play a pivotal role in tribal development and economic transformation for the foreseeable future. Remove the FPC, and the tribal producers will collapse into their previously-precarious state; replace the FPC with any other form of collectivization or coordination, and they will fail economically. When initiated and guided properly, appropriate collectivization can reinforce traditional cooperative behavior to produce very significant benefits for tribal people who are otherwise confined to an economic existence largely on the periphery of contemporary economic activity. Tribal FPCs, thus, represent an avenue for tribal transformation from a subsistence, poverty-based economy to a more prosperous and sustained-economy (M. Downs et al., 2022).

Acknowledgment
The author expresses sincere gratitude to Dr. Sandeep Jagdale, Research Guide and Associate Professor, Department of Social Work, Walchand College of Arts and Science, Solapur, for his invaluable guidance, continuous encouragement, and constructive insights throughout the research process. His scholarly support played a crucial role in shaping the direction and depth of this study.

Financial support and sponsorship
Nil.

Conflicts of interest
The authors declare that there are no conflicts of interest regarding the publication of this paper.

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