

How Many Farmer Producer Companies Are There in India?

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On July 5, 2019, the Centre announced a plan to promote 10,000 new farmer producer companies over the next five years.

India already has many such companies, which have been registered since they were introduced in 2002 through an amendment to the Companies Act. While registered under that Act, they have several restrictions in line with principles of mutual cooperation: for example, they can have only producers as shareholders, with voting rights based on one-member-one-vote.

Academics, policy-makers and social sector organisations across the spectrum view these companies as critical components of interventions designed to improve the livelihoods of India's farmers.

However, nobody seems to know how many such companies have been registered in the country. The Ministry of Corporate Affairs has not yet released disaggregated data on producer companies separately from other types of private limited companies. Many policy-makers cite NABARD figures of around 2,000 farmer producer organisations, covering only those organisations which have been supported by NABARD, and which may be registered as producer companies, cooperatives, or societies.

Researchers also put the number of producer companies in a similar range. Social sector organisations working on promoting producer companies too do not have a clear measure of the scale or spread of these companies.

Given the increased policy and intervention focus on producer companies (PCs), it becomes imperative to understand how many PCs there are, their spread across states, their activities, number of shareholders, total share capital raised and other such details.

As an attempt in this direction, we analysed data available from multiple sources such as Ministry of Corporate Affairs, NABARD, Small Farmers' Agri-business Consortium (SFAC) and others to put together a robust database of producer companies in India.

As of March 31, 2019, a total of 7,374 have been registered in the country. Almost all states and union territories have registered producer companies. However, a large number of companies are concentrated in some states: Maharashtra alone accounts for more than one quarter of all producer companies in India.

The top four states, Maharashtra, Uttar Pradesh, Tamil Nadu and Madhya Pradesh, account for 50% of producer companies registered in India (Table 1).

Table 1: States with the most number of producer companies (Top 10)

State	PCs registered	Percent of total
Maharashtra	1940	26%
Uttar Pradesh	750	10%
Tamil Nadu	528	7%
Madhya Pradesh	458	6%
Telangana	420	6%
Rajasthan	373	5%
Karnataka	367	5%
Odisha	363	5%
Bihar	303	4%
Haryana	300	4%
Other states	1571	21%
Total	7374	100%

Very few producer companies were registered in the first few years after notification of the producer companies act. From FY'04 through FY13 i.e. in the first ten years of the act, only 445 companies were registered. The following year (FY'14), 497 PCs were registered, which was more than the previous 10 years

combined. In the past three financial years (FY'17, FY'18, FY'19), 4190 PCs were registered (Table 2).

Most producer companies have been started in recent years, partly driven by various incentives and schemes offered by central and state governments. In recent years, producer companies have been registered at the rate of 3-4 companies per day.

Table 2: Number of producer companies registered

Year	PCs registered	Percent of total
Until FY13	445	6%
FY14	497	7%
FY15	551	7%
FY16	1691	23%
FY17	1477	20%
FY18	909	12%
FY19	1804	24%
Total	7374	100%

[Percentages do not add up to 100% due to rounding](#)

The Ministry of Corporate Affairs has 'struck-off' or is in the process of striking-off 445 producer companies for failure to commence or maintain business operations or act according to principles of mutual assistance specified in the Companies Act. In addition, 3 companies have been designated as having 'dormant' status. Therefore, out of 7374 producer companies registered, 6926 have 'active status'.

Out of these, 6391 producer companies are working on agriculture and allied activities, such as cultivation, plantations, dairies, non-timber forest produce, fish, poultry, etc.

Of these 210 are milk producer companies (dairies). Only 75 companies are engaged in non-farm activities: weaving and apparel-making (30 PCs), handicraft production (19 PCs), the rest in food processing (making juices, jams, etc.), making incense sticks, footwear, etc.

Most companies have several hundred producer-shareholders, who contribute share capital. The 7374 registered producer companies have a combined Paid-Up Capital (PUC) of about Rs. 860 crore. There are a few companies with very large PUC and a large number of companies with very small PUC.

For example, the PUC of top 100 companies (Rs 587 crore) accounts for more than two thirds of the total PUC of all companies and at the other end, there are 189 companies with just Rs. 1000 or less PUC each. The median PUC is Rs. 1.06 lakh for all registered companies and Rs. 1.10 lakh for companies with registration status as 'active'.

Table 3 shows the distribution of PCs by paid-up capital. 86% of 'active' PCs are very small, with less than Rs. 10 lakh of paid-up capital. Only 2.6% of active companies have PUC greater than Rs. 25 lakh.

Table 3: Number of PCs by paid-up capital (active status companies only)

PUC category	No. of 'active' PCs	Percentage
PUC >=50 lakh	90	1.3%
PUC >=25 and <50 lakh	87	1.3%
PUC >=10 and <25 lakh	767	11.1%
PUC < 10 lakh	5982	86.4%
All categories	6926	100.0%

Percentages do not add up to 100% due to rounding

Low PUC limits their ability to undertake business activities, as significant funds are required to trade in agricultural commodities. One of the main reasons for promoting producer companies is that if a large number of small producers pool their resources, they can undertake commodity trading and processing activities. However, the majority of companies are under-capitalised and therefore unable to do so.

A large number of producer companies are being formed every year; and with the new Union budget announcement, more will continue to be formed. These companies require substantial support in starting and managing business operations, and improving incomes and reducing risk for their members. An estimated 4.3 million shareholders (most of whom are small and marginal farmers) are counting on it.

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