A study on the consumer preference towards value-added products produced by FPCs in Salem district, Tamil Nadu

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ABSTRACT

In India, small and marginal farmers account for the 85 per cent of landholdings. Major problems faced by small farmers are low prices of the produce, interference of market intermediaries, marketing of produce and low access to technology and information. Setting up of farmer producer organizations (FPOs) provides opportunity for small farmers to participate in the market more effectively by aggregation of produce and helps them in getting better prices thereby enhancing agricultural production, productivity and profitability. The present study focuses on the consumer preference towards value-added products produced by FPOs in Salem district of Tamil Nadu. In total 120 consumers were selected based on purposive sampling technique for the study. The information from the respondents was collected using well-structured questionnaire through direct survey. The results of study indicated that unadulteration of the product and freshness were the main reasons for purchasing the value-added products produced by FPOs. Age, education and monthly income were the main factors that influenced the purchase of value-added products. Availability of the products at selective outlets and their high price `were the main problems faced by the consumers in purchasing the FPC value-added products.

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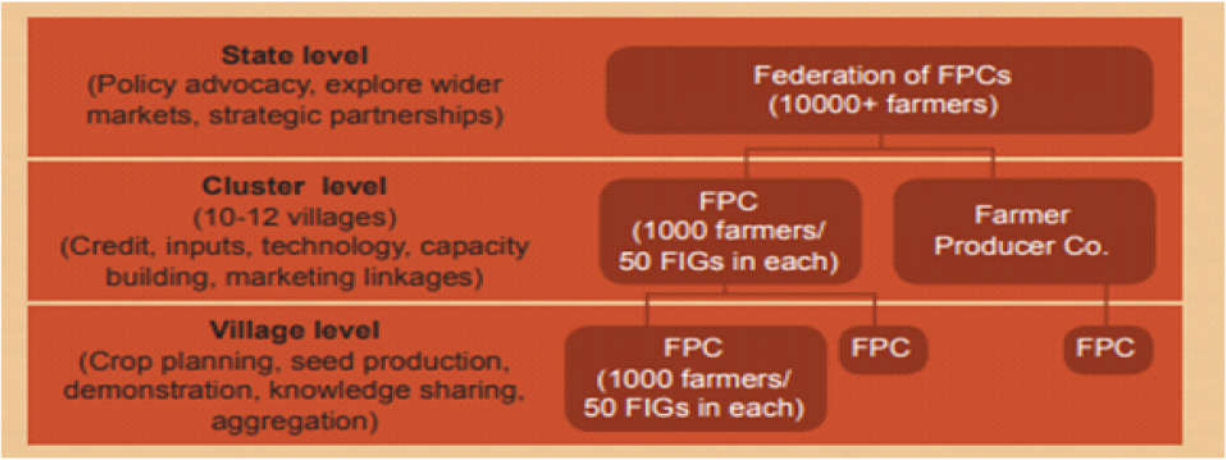
Keywords: FPO; FPC; consumer preference; value-added products

INTRODUCTION

India has 60.4 per cent of agricultural land only second best to United States of America and higher than China. Small and marginal farmers (less than 2 ha) constitute 85 per cent of operational holdings and 44 per cent of operated area. According to the 10th agricultural census (October 2018) farms have got more fragmented between 2010-11 and 2015-16, continue to be inequitably distributed and the number of small and marginal farmers has risen by 9 million during the last 5 years. Singh et al (2009) examined the contribution of various factors in viability of marginal and small farmers in the state of Punjab and suggested that creation of off-farm employment opportunities, public investments to remove regional productivity gap, assuring remunerative prices of output and up-scaling of input supply to promote dairy and other allied activities should be made helpful viable to marginal and small farmers. Singh (2012) indicated that weather uncertainties, uneven access to technologies and natural resources, unreliable input supplies, stressed infrastructure in power and irrigation and uncertain marketing arrangements are the reasons for less bargaining power in input and output marketing of Indian farmers in present economic scenario. The small and marginal farmers face lots of challenges in marketing their produce as they have less bargaining power due to the scale of production and quantity of outputs. In order to achieve economies of scale in production and marketing collectivization models are being promoted. Department of Agriculture and Cooperation under Ministry of Agriculture, Govt of India has identified farmer producer organizations (FPOs) registered under the special provisions of the Companies Act, 1956 in 2003 as the important institutional form around which the mobilization of farmers is to be made for building their capacity to collectively leverage their production and marketing strength. Rondot and Collion (2001) defined the producer organizations as formal rural organizations whose members organized themselves with the



Source: www.sfaccindia.com

Organizational structure of FPCs

objective of improving farm income through improved production, marketing and local processing activities.

Small farmers agribusiness consortium (SFAC) promoted by the Department of Agriculture and Cooperation, Ministry of Agriculture, Government of India, NABARD and Krishi Vigyan Kendras (KVKs) is playing a contributing role in forming, organizing and supporting FPOs. Farmers are mobilized into groups of between 15-20 members at the village level (called farmer interest groups or FIGs) and building up their associations to an appropriate federating point ie farmer producer organizations (FPOs).

FPC acts as a good platform for farmers to get organized and produce their product in a good quality including value addition and processing and sell through direct marketing. FPO helps the producers to get fair prices in the market. Value addition is the process of changing the product's value by changing its current place, time and form characteristics to characteristics more preferred in the market place. FPOs are engaged in producing value-added products for their benefit and also for the people. For every FPO it is mandatory to develop strong forward linkages with wholesalers, retailers and exporters. The aim of this study was to analyze the consumer preference for value-added products produced by selected FPCs in Salem district of Tamil Nadu.

METHODOLOGY

The study was carried out with a survey through a structured questionnaire. Primary data were collected through the direct survey using questionnaire. The structured-questionnaire included the demographic features of the respondents, the consumer perception towards the value-added products and reasons for preferring FPC value-added products. Three FPCs functioning in Salem district were selected for the study. Forty consumers from each FPC were selected. The sample size for the study was 120. To draw meaningful conclusion statistical tools like percentage analysis, Garrett's ranking technique (Garrett and Woodworth 1969) and logistic regression were used. Garrett's ranking technique was adopted to identify the major reasons for purchasing FPC value-added products and also to analyze the constraints in purchasing FPC value-added products. Logistic regression method was used to find out the major factors that influence the consumer for purchase of value-added products. Age, gender, education level, annual income and family members were considered as independent variables and purchase of value-added products as dependent variable.

RESULTS and DISCUSSION

Table 1 shows that among respondents majority were males (64.16%); mainly in the age group of 41-50 years (35.83%); educated up to secondary level (32.50%); were farmers (35.83%) having annual income of Rs 1,00,001 -2,50,000 (43.33%).

The main source of information for the respondents about the FPC value-added products was words of mouth (40.00%) followed by friends and peers (36.66%) and displays in shops (17.50%) and the least

Table 1. Demographic details of sample respondents (n= 120)

Characteristic	Category	Respondents	
		Number	Percentage
Gender	Male	77	64.16
	Female	43	35.83
Age (years)	<30	20	16.66
	30-40	32	26.66
	41-50	43	35.83
	>50	25	20.83
Education level	Illiterate	12	10.00
	Primary	32	26.66
	Secondary	39	32.50
	Graduation	37	30.83
Occupation	Public sector	24	20.00
	Private sector	33	27.50
	Farmer	43	35.83
	Homemaker	20	16.67
Annual income (Rs)	Up to 1,00,000	15	12.50
	1,00,001 -2,50,000	52	43.33
	2,50,001 -5,00,000	45	37.50
	Above 5,00,000	8	6.67

Table 2. Source of awareness about FPC value-added products (n= 120)

Source of information	Respondents	
	Number	Percentage
Words of mouth	48	40.00
Friends and peers	44	36.66
Displays in shops	21	17.50
Pamphlets/leaflets	7	5.83

important source was pamphlets/leaflets (5.83%) (Table 2). Hence new offers may be given to the consumers. Necessary steps might be taken to increase the displays and pamphlets may be distributed to attract more consumers.

Garrett's ranking technique was used to identify the reasons for purchasing of FPC value-added products and the results are given in the Table 3. The data show that the FPC value-added products being unadulterated was the main reason (Garrett's score 61.98) followed by freshness of the product (Garrett's score 52.34) whereas support to farmers (Garrett's score 42.78) was the least important reason.

Table 3. Reasons for purchasing FPC value-added products (n= 120)

Reason	Garrett's score	Rank
Unadulterated	61.98	I
Freshness of the product	52.34	II
Taste	48.92	III
Nutritional value (good for health)	45.65	IV
Support to farmers	42.78	V

Table 4. Factors influencing the purchasing of FPC value-added products (n= 120)

Factor	Coefficient	Standard error	Level of significance
Age	0.221**	0.07	0.002
Gender	0.02^{NS}	0.05	0.558
Education	0.238**	0.06	0.001
Annual income	0.122*	0.05	0.025
Family type	-0.03^{NS}	0.07	0.621

Pseudo $R^2 = 0.7174$, **Significant at 1% level, *Significant at 5%, NS: Non-significant, n= 120 (sample size)

Table 4 indicates that coefficient of multiple determination (R^2) was 0.71 showing that the logistic regression model was a good fit.

The independent variables age and education influenced the purchase of value-added products at 1 per cent and monthly income at 5 per cent level of significance. This inferred that an increase in the age of the sample respondents by 1 unit would increase the purchase of the value-added products by 0.22 units. The education and annual income were positively significant indicating that if there was an increase in educational status and annual income by 1 unit the purchase of the value-added products would increase by 0.23 and 0.12 units respectively. There was no significant relation of purchase with gender and family size.

The data in Table 5 show that the availability of goods at selective outlets was the main constraint faced by the respondents. The second major constraint was that FPC products were expensive as compared to the general products. The farmer producer companies sold the value-added products to the retailers and rarely directly to the consumers. Hence the

Table 5. Constraints faced in purchasing of FPC value-added products (n= 120)

Constraint	Garrett's score	Rank
Availability only at selective outlets	64.17	I
More expensive	53.24	II
Unavailability of preferred package size	48.38	III
Limited storage period	37.59	IV
Poor packing and labeling	27.76	V

processors should try to reduce the products price by selling products directly to consumers without any intermediaries. Unavailability of preferred package size was the third constraint. The other constraints faced by the sample respondents were limited storage period and poor packing.

CONCLUSION

The results of the study revealed that there was a huge scope for promoting the value-added products produced by the FPCs. It is suggested that to enhance the sales of the products the FPCs should make the value-added products availability in preferred pack sizes and also explore the opportunities to sell the value-added products through branded retailers. FPCs can also develop competitive market promotion measures to create awareness to the consumers about the value-added products.

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