Consumer preference towards farmer producer company (FPC) value-added products in Namakkal district, Tamil Nadu

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ABSTRACT

Marketing of agricultural produce is highly complex in India. Without accessing the market the farmers are selling their produce to the intermediaries in the market. Thus the profit margin of the farmers is reduced and their farming business becomes a non-viable one. Farmer producer organization (FPO) provides space for small farmers to participate in the market more effectively and help to enhance agricultural production, productivity and profitability. The present study focuses on the consumer preference towards farmer producer company (FPC) value-added products in Namakkal district of Tamil Nadu. Totally 90 consumers were selected based on purposive sampling. It was observed that most of the sample respondents preferred FPC value-added products for their good quality and higher health benefits. Most of the respondents became aware of the FPC products through their friends and relatives followed by self-decision. It was found that no proper advertisement and high price of the products were the major constraints in the purchase of FPC value-added products.

Keywords: Consumer preference; FPC; perception; value-added products, constraints

INTRODUCTION

In order to significantly improve the terms of smallholder farmers' access to the market and strengthen their position in agri-value chains it is gradually being realized that if federated small farmers can easily bargain for better prices both while buying inputs and selling their produce. This belief has led to the concept of establishing farmers producer organizations (FPOs) (Raju et al 2017). FPOs consist of grouping of producers especially small and marginal farmers so as to form an effective alliance to collectively address many challenges of agriculture such as improved access to investment, technology, inputs and markets (http://www.cardindia.net).

FPO strengthens support service for small and marginal farmers by developing link between farmers and purchaser of agriculture produce. Farmer organizations provide space for small and marginal farmers to participate in the market more effectively and collectively; they are in a better position to reduce transaction costs of accessing inputs and outputs, obtaining the necessary market information, securing access to new technologies and to tap into high value markets allowing them to compete with larger farmers and agribusinesses (Stockbridge et al 2003). It is mobilizing farmers into groups of 15-20 members at the village level called farmer interest groups (FIGs) and building up their associations to an appropriate federating point ie farmer producer organization.

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) are playing a contributing role in forming, organizing and supporting farmer producer organizations. 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.

FPO is engaged in producing value-added products for their benefit and also for the people. Innovative value-added activities developed on farms or at agricultural experiment stations are sources of national growth through changes either in the kind of product or in the technology of production (http://www.agmrc.org). FPOs provide space for small farmers to participate in the market more effectively and help to enhance agricultural production, productivity and profitability (Stockbridge et al 2003). FPO helps the producers to get fair prices in the market. For every FPO it is mandatory to develop strong forward linkages with wholesalers, retailers and exporters.

Farmer producer companies (FPCs) are registered under companies act, 2013. Producer companies can help small farmers participate in emerging high-value markets such as the export market and the unfolding modern retail sector in India. 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.

The aim of this study was to analyze the consumer preference for value-added products from the identified FPO in Namakkal district of Tamil Nadu. In addition to this it was also an aim to identify the constraints faced by consumers in using FPO value-added products.

METHODOLOGY

The study was empirical in nature as it was aimed at finding out the consumer preference towards FPC value-added products. The study was carried out with a survey through a structured-questionnaire. Primary data were collected through the face to face interview. The structured-questionnaire included the demographic factors of the respondents, the consumer perception towards the value-added products and reasons for preferring FPC value-added products by the consumers.

The sample size considered for the study was 90. To draw meaningful conclusion statistical tools like percentage analysis. Garrett's ranking technique and logistic regression were used. Garrett's ranking technique was adopted to identify the major reason for purchasing FPC value-added products and also to analyze the constraints in purchasing FPC value-added products. To identify the rank for each factor per cent position was calculated by using the following formula:

$$\text{Per cent position} = \frac{100\,(R_{ij} - 0.5)}{N_j}$$

where R_{ij}= Rank given for the i^{th} factor by j^{th} individual, N_j= Number of factors ranked by j^{th} individual

This was converted into scores by referring to the table given by Garrett. Thus for each factor the scores of the various respondents were added and the mean value was estimated. The attribute with the highest mean value was considered as the most important one and accordingly rank was assigned and the others were followed in order. Logistic regression is a form of regression model which is used to find out the major factors that influence the consumer for purchase of millet-based products. The logistic regression model was analysed using the following formula:

$$\text{Logit}(p) = \ln(p/1 - p) = \hat{a}_0 + \hat{a}_1 X_1 + \hat{a}_2 X_2 + \hat{a}_3 X_3 + \hat{a}_4 X_4 + \hat{a}_5 X_5$$

where X_1, X_2, X_3, X_4 and X_5= Age, gender, education level, annual income and family type of the respondents respectively, p= Purchase of millet-based value-added products

SPSS software was used where X_1, X_2, X_3, X_4 and X_5 were considered as independent variables and p as dependent variable.

RESULTS and DISCUSSION

The socio-economic characteristics of the sample respondents

The data given in Table 1 show that majority of the respondents (56.66%) were female and 43.30 per cent were male. Majority fell in the age group of 31-40 years (44.44%) followed by 41-50 years (38.89%). They were mainly graduates (42.22%) or secondary pass (40.00%). Majority of them were employed (41.11%) and earning Rs 150001-200000 annually (47.77%). Most of the respondents came to know about the FPC value-added products from friends and relatives (38.88%) whereas for 33.33 per cent it was their own decision. About one-fifth (22.22%) of the respondents got the information from displays in the shops (Table 2).

Table 1. Demographic details of sample respondents (n= 90)

Characteristic	Category	Respondents	
		Number	Percentage
Gender	Male	39	43.34
	Female	51	56.66
Age (in years)	Up to 30	6	6.67
	31-40	40	44.44
	41-50	35	38.89
	>50	9	10.00
Education	Illiterate	6	6.67
	Primary	10	11.11
	Secondary	36	40.00
	Graduate	38	42.22
Occupation	Business	16	17.77
	Employee	37	41.11
	Farmer	14	15.56
	Homemaker	23	25.56
Annual income (Rs)	Up to 50000	-	0.00
	50000-100000	6	6.67
	100000-150000	32	35.55
	150001-200000	43	47.77
	>200001	9	10.00

Table 2. Source of information about FPC value-added products (n= 90)

Source	Respondents	
	Number	Percentage
Pamphlets/leaflets	2	2.22
Weekly magazines	3	3.33
Friends and relatives	35	38.88
Displays in shops	20	22.22
Self-decision	30	33.33
Total	90	100.00

The reasons for purchasing of FPC value-added products were ranked by using Garrett's ranking technique. Table 3 depicts that quality (67.47%) was the main factor for buying the FPC value-added products followed by health benefits (66.19%), no food additives (59.37%), satisfaction (58.41%) and high nutritional value (56.01%). Thus FPC should develop design of the packing and do more on advertisements about FPC products. It will create awareness about FPC and FPC value-added products benefits to attract more number of people.

Table 3. Reasons for purchasing FPC value-added products (n= 90)

Reason	Garrett's score	Rank
Quality	67.47	I
Health benefits	66.19	II
No food additives	59.37	III
Satisfaction	58.41	IV
High nutritional value	56.01	V
Availability	51.12	VI
Freshness	43.16	VII
Taste	41.97	VIII
Packaging design	34.92	IX
To support FPC (farmers)	33.09	X
Advertisements	28.18	XI

The data given in Table 4 show that purchase of millet-based products was influenced by age and education at 1 per cent level of significance. This may be due to the fact that young and educated people were more aware about the value of millet-based products. Monthly income also influenced the purchase of millet-based products at 5 per cent level of significance. Normally the price of millet-based value-added products is higher as compared to normal products. However there was no effect of gender and family type on the purchase of millet-based products.

The constraints faced by the respondents in the purchase of FPC products are enumerated in Table

Table 4. Factors influencing the purchase of millet-based products

Factor	Coefficient	SE	Significance	Exp (B)
Age	4.055	1.198	0.001**	57.661
Gender	1.503	0.980	0.125^{NS}	4.494
Education	2.079	0.706	0.003**	7.998
Monthly income	1.123	0.513	0.029*	3.074
Family type	0.395	0.923	0.669^{NS}	1.484

R^2= 0.801, **Significant at 1% level, *Significant at 5% level, NS: Non-significant, SE: Standard error, Exp B= Exponentiation of the B coefficient

Table 5. Constraints faced by the consumers in purchasing FPC value-added products

Constraint	Garrett's score	Rank
No proper advertisement	64.07	I
More expensive	61.26	II
Store accessibility	58.91	III
Unavailability of preferred package size	57.59	IV
No credit facilities	51.59	V
Limited storage period	40.79	VI
Long distance	38.71	VII
Poor packing	34.95	VIII

5. Lack of proper advertisement with Garrett's score of 64.07 ranked first followed by higher price (61.26) and store accessibility (58.91) whereas poor packing (34.95) followed by long distance (38.71) were the least important constraints.

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