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CONTRACT FARMING

Dr. Annasaheb Dnyandeo Shelke
Assistant Professor
Smt. S. K. Gandhi College, Kada, Tal. Ashti, Dist. Beed

INTRODUCTION:

Contract farming can be defined as agricultural production carried out according to an agreement between a buyer and farmers, which establishes conditions for the production and marketing of a farm product or products. Typically, the farmer agrees to provide agreed quantities of a specific agricultural product. These should meet the quality standards of the purchaser and be supplied at the time determined by the purchaser. In turn, the buyer commits to purchase the product and, in some cases, to support production through, for example, the supply of farm inputs, land preparation and the provision of technical advice.

Informal model This model is the most transient and speculative of all contract farming models, with a risk of default by both the promoter and the farmer" (van Gent, n.d., p.5). However, this depends on the situation: interdependence of contract parties or long-term trustful relationships may reduce the risk of opportunistic behaviour. Special features of this CF model are:

- Small firms conclude simple, informal seasonal production contracts with smallholders.
- The success often depends on the availability and quality of external extension services.

ADVANTAGES:

Contract farming is looking towards the benefits both for the farm-producers as well as to the agro-processing firms. Producer/farmer

- Makes small scale farming competitive - small farmers can access technology, credit, marketing channels and information while lowering transaction costs
- Assured market for their produce at their doorsteps, reducing marketing and transaction costs
- It reduces the risk of production, price and marketing costs.
- Contract farming can open up new markets which would otherwise be unavailable to small farmers.
- It also ensures higher production of better quality, financial support in cash and/or kind and technical guidance to the farmers.
- In case of agri-processing level, it ensures consistent supply of agricultural produce with quality, at right time and lesser cost.

AGRI-BASED FIRMS:

- Optimally utilize their installed capacity, infrastructure and manpower, and respond to food safety and quality concerns of the consumers.
- Make direct private investment in agricultural activities.
- The price fixation is done by the negotiation between the producers and firms.
- The farmers enter into contract production with an assured price under term and conditions.

CHALLENGES:

- Contract farming arrangements are often criticized for being biased in favor of firms or large farmers, while exploiting the poor bargaining power of small farmers,
- Problems faced by growers like undue quality cut on produce by firms, delayed deliveries at the factory, delayed payments, low price and pest attack on the contract crop which raised the cost of production.
- Contracting agreements are often verbal or informal in nature, and even written contracts often do not provide the legal protection in India that

may be observed in other countries. Lack of enforceability of contractual provisions can result in breach of contracts by either party.

- Single Buyer - Multiple Sellers (Monopsony).
- Adverse gender effects - Women have less access to contract farming than men.

POLICY SUPPORT:

Agricultural marketing is regulated by the States Agricultural Produce Marketing Regulation (APMR) Acts. In order to regulate and develop practice of contract farming, Government has been actively advocating to the States/ Union Territories (UTs) to reform their agri marketing laws to provide a system of registration of contract farming sponsors, recording of their agreements and proper dispute settlement mechanism for orderly promotion of contract farming in the country. So far, 21 States (Andhra Pradesh, Arunachal Pradesh, Assam, Chhattisgarh, Goa, Gujarat, Haryana, Himachal Pradesh, Jharkhand, Karnataka, Maharashtra, Madhya Pradesh, Mizoram, Nagaland, Odisha, Punjab (separate Act), Rajasthan, Sikkim, Telangana, Tripura and Uttarakhand) have amended their Agricultural Produce Marketing Regulation (APMR) Acts to provide for contract farming and of them, only 13 States (Andhra Pradesh, Chhattisgarh, Goa, Gujarat, Haryana, Himachal Pradesh, Jharkhand, Karnataka, Maharashtra, Madhya Pradesh, Odisha, Rajasthan and Telangana) have notified the rules to implement the provision. provision.

AGRICULTURAL PRODUCE SUITABLE FOR CF:

The various agricultural produce are suitable for practices under contract farming like tomato pulp, organic dyes, poultry, pulpwood, mushrooms, dairy processing, edible oils, exotic vegetables, baby corn cultivation, basmati rice, medicinal plants, potato for making chips and wafers, onions, mandarin oranges, durum wheat, flowers and orchids, etc.

CONCLUSION:

Broadly, the projeet must:

- not result in farmers' overspecialisation in certain crops to the detriment of building resilience and contributing to local food security,
- promote sustainable farming practices and not promote reliance on chemicals or expensive seeds, or lead to excessive debts;
- lead to higher incomes for farmers than they would otherwise earn, and compared to alternative models
- substantially include women farmers and promote their rights;
- promote the land rights of farmers;
- apply free, prior and informed consent of those affected in terms of project design and implementation.

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