



Contract Farming: The Future Farming

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“Everything can wait but not agriculture” J L Nehru

INTRODUCTION

India is a land of farm and farmers. About 62% of the population is dependent on agriculture. This country has seen a drastic change in its agricultural sector starting from food scarce country to self sufficient country i.e. from a ‘ship to mouth’ status to an exporting nation. This was only due to changes brought in the farming system starting from the field of producer to the plate of consumer. Within last two decades India has seen some drastic changes in the agricultural systems from production, storage to marketing. Agriculture is full of risks and uncertainties due to its dependence on natural as well as environmental factors which is beyond control. Weather risk leads to uncertainty of both the yield and price and further influences the willingness of farmers to participate in contract farming and honour the contract (Wang and Sun., 2022). That’s why farmers are looking for options which can assure a good and stable return of their farm produce and they can earn more than their cost of cultivation (seed, chemicals & fertilizers, labour, irrigation costs etc.). So out of all the components, marketing of produce is more in focus these days. These all concerns of the producer lead to the rise of a new concept called ‘*contract farming*’, type of farming in which agriculture production is carried out on the basis of an agreement/contract between both the producer and the buyer with some predefined terms and conditions by both of them.

Model Contract Farming Act, 2018: During 2017-18 budget announcement, then Hon’ble Union Agriculture Minister constituted a Model Contract Farming Act drafting committee under the Chairmanship of Dr. Ashok Dalwai, CEO, NRAA with a aim to integrate farmers with Agro-industries so as to ensure better price realization for their produce, to reduce post harvest losses and to create job opportunities in rural areas.

The other member of the committee are senior officers from Central Government Ministers/ Departments, NITI Ayog and also from states of Maharastra, Karnataka, Odisha, Madhya Pradesh and Punjab. The committee finally drafted a promotional and facilitative Model Contract Farming Act entitled “The.....State /UT Agricultural Produce and Livestock Contract Farming (Promotional & Facilitation) Act, 2018.

Pros and cons of Contract Farming: There are generally three risks faced by farmers or producers in terms of risk of production, price and marketing costs. Contract farming provides new opportunities in the marketing of agricultural produce which would otherwise be unavailable to small farmers. Higher production with better quality is also ensured by giving financial support in cash and /or kind and technical guidance to the farmers. Due to the agreement in contract farming, the farmer gets the stability over the price with guaranteed market even if the demand decreases and in return the buyer gets the continuity of desired commodities to the market. In other words It may help to boosts national economy by industrialization in

agriculture and generating employment. This also leads to the introduction of newer methods and technologies of farming so as to maximize the production for generating more revenue. The various survey results show that the average revenue of a contract farm is about 11 percent higher than an average non-contract farm. The per hectare cost of production in a contract farm is about 13 percent lower and as a result the average profit margin under contract is more than 50 percent above those without contract (Chang *et al.*,2006).

Like two faces of coins this farming system has some inbuilt issues like contractors keep the prices very low to maximize their profit, contract companies have their own voice on the quality of produce and hence can reject it by saying the produce a ‘sub-standard’. This may leads to economical loss of farmer since they have nothing to compare with. A very recent case of pipariya village of Madhya Pradesh where Fortune Rice company rejected the produce by saying it is a sub-standard produce not even giving a lab report of the produce to the farmer.

Table: 1 Successful cases of Contract Farming in India (Source: SPICE: Post Graduate

Sl.No.	Name of the Company	State	Crop
1.	Hindustan Lever Ltd (HLL), Rallis and ICICI	Madhya Pradesh	wheat
2.	Pepsi Foods Ltd. (‘PepsiCo’ hereafter)	Punjab.	tomato
3.	Appachi Cotton Company (ACC)	Tamil Nadu	Cotton
4.	Ugar Sugar Works Ltd	Karnataka	barley

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CONCLUSION

Contract farming has a huge scope in agriculture and can benefit local farmers if channelized in a proper way. An ideal model agreement with prefixed terms and conditions between companies and producers or farmers may help to regulate agricultural production so that no changes can be done to the agreement later on irrespective of any adverse

situation. Intervention of civil court (tribunal formation), if the farmer is not satisfied with the collector’s decision may help the farmer or producer to overcome their loss. To avoid the quality dispute company may appoint an officer who regularly visits and ensures the quality standard of the produce so that company cannot reject it. However Prefixed price as well as flexible price system of price

determination may help farmers to get reasonable price of their produce according to the market. Minimum Support Price (MSP) will help not only farmers but Government also because according to National Food Security Bill Govt. have to ensure adequate quantity of quality food at affordable price to the people of our country. So if they don't procure the produce from the farmers they have to buy this from MNC's at greater prices. So there is a need of framing new rules and regulations in contract farming which will definitely help the farmers to get benefited and uplift their livelihood and will bring a new era of farming.

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