

Contract Farming : Constraints and Limitations

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ABSTRACT

Agriculture is main source of livelihood of the rural population and source of economy of Uttarakhand state. The state has the advantage of producing different off-season vegetables, supply of different kinds of temperate fruits and forest based products. Therefore, to develop the agriculture and to help the farming community, Uttarakhand government has given license to different corporate houses for establishing the agro processing unit and procuring raw materials through contract farming. Presently many companies are involved in contract farming for procuring their raw materials. But contract farmers are facing a lot of constraints while, adopting contract farming. The present study was conducted in two districts of districts of Uttarakhand. i.e. Udham Singh Nagar and Nainital. A total of 150 contract farmers were interviewed from five contract crops viz. Basmati rice, Organic Basmati, Medicinal and Aromatic Plants, Floriculture and Sugarcane. The findings indicated that contract farmers of Uttarakhand faced constraints like small land holding, involvement of greater risk, lack of input available, lack credit,, lack of technical know-how, lack of storage and transportation facility, Lack of crop insurance, lack of printed material, lack of contact person and lack of law to protect farmers.

The role of agriculture in economic development has been reorganized and discussed since the time of Physiocrats. According to Physiocrats, it was only the agricultural sector, which produced the economic surplus over cost of production. Therefore, it played the most strategic role in economic development of the nation (Singh, 1999).

Looking to the above theory Government of India has floated so many schemes and program for the fanners in the past. Government, non-government organization, Research institute, co-operative, financial institutions put their efforts to increase agriculture production, productivity, and to change the fate of farmers & nation. Due to these efforts food gain production was increased to many folds. We moved from Begging bowl to Food bowl and we are now in a position to export agriculture commodities.

But the state of Indian farmers has not been changed. Farmers are going for stress sale, leaving crop' in the field due to non remunerative price, unable to

repay the loan and finally committing suicide. This is mainly due to lack of marketing, storage and processing facilities. Also the fact, that due to presence of long chain of middlemen in marketing network, Indian fanners are exploited by middlemen. It is estimated that 30-35 per cent of the profit was taken by middlemen. It is also estimated that only 2 per cent of the fruits and vegetables are processed and 40% are left behind as wastage. (Mc-Kensey, CII, 1997). Farmers are also lacking the latest technology and information to produce good quality crop (Stitenen, 2006). Thus due to lack of quality material, our share in export market is very negligible.

Looking to the above situation, Government of India drafted the National Policy on Agriculture (2000) which emphasizes that contract farming is the only solution to solve the above problem. Presently farmers of different states are doing contract farming and getting benefit out of it. The Uttarakhand region of the erstwhile state of Uttar Pradesh situated in the Central Himalayan Zone is among the most under developed region of India (Mehta,

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1996). In the year 2000, Uttarakhand carved out from Uttar Pradesh. Agriculture is main source of livelihood of the rural population and main source of economy of Uttarakhand. The state has the advantage of producing different off season vegetables, supply of different kinds of temperate fruits, forest based products and various other important resources. Therefore, to develop the agriculture and to help the farming community, Uttarakhand government has given license to different corporate houses for establishing the agro-processing unit and procuring raw materials through contract farming. Presently many companies are involved in contract farming for procuring their raw materials.

METHODOLOGY

The study has been conducted in two districts out of existing thirteen districts of Uttarakhand. One district from Tarai region and another district from hill region i.e. U.S.Nagar and Nainital were selected respectively. Five commodities/Crops (Basmati, Organic Basmati, Medicinal and Aromatic Plants, Floriculture and Sugarcane) were selected basing on the criteria of Goldsmith (1986). Stratified random sampling is used for selecting 150 contract farmers. A fixed number of respondents (30) were selected from each stratum i.e. Five crops commodities using simple random sampling without replacement. Constraints were categorized into personal, psychological, economic, social, technical, extension, natural and legal. An exploratory research design has been used in the study.

RESULTS AND DISCUSSION

Several constraints have been encountered by contract farmers of Basmati Rice, Organic Basmati, Medicinal & Aromatic Plants, Floriculture and Sugarcane farmers of Uttarakhand which are depicted in Table 1. The degree of importance of each constraint in particular category of individual crop was measured basing upon its rank order, according to percentage score.

1. Constraints as related to Basmati Rice

Table 1, clearly showed that contract farmers of Basmati rice (30%) identified 'small land holding' as the most important constraint in personal category.

On analyzing psychological constraints, eighty per cent farmers identified 'lack of interest' as main constraint followed by 63.3 per cent farmers identified 'Involvement of more risk'.

As far as the economic constraints are concerned, majority of farmers (86.7%) identified 'lack of input availability' as a first constraint followed by high cost of inputs.

As regards to the social constraints, ninety per cent farmers reported 'less adaptation by people' as a number one constraint where as 'lack of latest technical knowhow' is ranked at second place.

All the farmers identified 'lack of printed material in local language' as major difficulties faced by the contract farmers in extension approach. Eighty to ninety per cent farmers reported that lack of contact person, training and lack of guidance are the second, third and fourth constraints respectively.

In natural constraints category 80 per cent farmers identified erratic rainfall as a major hurdle, where as in legal category 90 per cent farmers reported that there is no law to protect contract farmers.

2. Constraints as related to-Organic Basmati

Contract farmers of Organic Basmati rice of Uttarakhand, faced a lot of constraints, while adopting contract farming (Table 1). On analysis of personal constraints, it was found that, majority of farmers (46.7%) identified 'Small land holding' as the main constraint. In case of the psychological constraints, 70 per cent of the farmers expressed 'Involvement of risk' as the major constraint in organic Basmati. As there is no application of inorganic pesticides in Organic Basmati so, there was more infestation of crop by insect and pest. Also, there was greater anticipation of rejection of export consignment, due to presence of foreign elements. As far as economic constraint was concerned 'Lack of availability of input' is the major difficulties followed by 'High cost of input'. On analysis of the social constraints 'Less adaptation by the people' was ranked at first place, followed by social conflict among the farmers.

On perusal of technical constraints majority of farmers (90%) expressed that they lack 'latest technical know-how' followed by no crop insurance provision for organic Basmati

All most all farmers reported that they did not get any printed material on cultivation of Organic Basmati in local language. Lack of contact person and lack of guidance are the problems faced by more than 70 per cent farmer respondents. In the past, due to indiscriminate

application of chemical fertilizer, the condition of soil is degraded. So, 90 per cent farmers expressed lack of good soil as the main constraint. High incidence of pests in Organic Basmati is another major problem faced by contract Basmati farmers.

Similarly, like other contract crops there is no law to protect farmer, if the contracting agency refused to honour the agreement. Eighty per cent farmers reported that they lack information on various schemes of the organic farming.

3. Constraints as related to Medicinal and Aromatic Plants (MAP).

Like other crops contract farmers of MAP faced some constraints, which are briefly presented in Table 1. On analysis of personal constraints, it was found that 'Small land holding' ranked at first place. Like other farmers, MAP Farmers also expressed greater risk involved in cultivation of MAP cultivation because of only few buyers being in the market.

On analyzing the economic constraints, majority of farmers expressed lack of credit as the main constraint followed by less adoption by people as main social constraint. Among the technical constraints, lack of crop insurance was ranked highest followed by lack of storage facilities. Lack of printed material in local language and lack of contact person were ranked first and second constraint in extension approach. Farmers of MAP contract farming identified natural calamities as the main barrier in natural category, where as absence of law to protect farmer, ranked one in legal category. All the farmers expressed lack of information on market price of their produce.

4. Constraints as related to Floriculture

Floriculture is a high value crop, which requires less area and high investment for cultivation. During evaluation the constraints of floriculture, presented in Table 1, it was found that 'small land holding' and 'Involvement of more risk' were ranked first in personal and psychological category respectively. As far as economic constraints are concerned 'High cost of input' was identified by ninety per cent of floriculture farmers. In social category, fifty per cent farmers expressed

floriculture is adopted by less number of people in the society. Flower is highly perishable and sophisticated in nature, which requires immediate transportation to the consumer or required storage. Both these facilities were found to be lacking in Uttarakhand as identified by more than ninety per cent of contract farmers. Similarly, like other crops, 'Lack of printed material in local language', is the major constraint in extension approach followed by, 'Lack of good quality of soil' ranked one in natural constraints. There is no law to protect farmers in Uttarakhand, as expressed by eighty per cent farmers. Market information is essential element in contract farming, which almost all farmers expressed the unavailability of information.

5. Constraints as related to sugarcane crop

Table 1 revealed that thirty percent farmers small landholdings as a major hurdles for adoption of contract farming in personal category, where as, 53.3 per cent farmers reported 'lack of interest' as major constraint in psychological aspects. On analyzing economics constraint in contract farming, 56.6 per cent farmers mentioned that more investment is a major barrier in contract farming where as in social constraints, 23.3 per cent farmers reported that they face difficulty in adopting contract farming due to social conflict. Lack of latest technical knowledge is the major technical constraint followed by lack of storage facility in sugar cane farming. Lack of printed material is a constraint found in extension approach majority of farmers (56.6%) mentioned 'erratic rain fall' as natural constraint seventy per cent farmers reported that there is no law to protect farmers of contract farming in the legal category.

All the above findings are in accordance with result of different researches on contract farming conducted by scientist Ayako and Glover (1989), Minot et al (1993), Schulz et al (1994), Kumar and Singh (2002), Asokan and Singh (2003), Sivakumar (2003), Ozkan et al (2003), Manjunath et al (2004), Ponnuswamy and Gupta (2005), Prasad et al (2005), and Rajendran (2005) where they reported that contract farmers were facing constraints of lack of inputs, services and information. Lack of physical, social and institutional infrastructures are also major barrier in contract farming.

Table 1: Constraints faced by farmers of different contract crops.

Sl.No.	Constraints	Basmati Rice		Organic Basmati		Medicinal & Aromatic plants		Floriculture		Sugarcane	
		1	2	3	4	5	f	Rank	f	Rank	
A. Personal											
1.	Illiteracy	0		0		0		0		7	III
				(0)		(0)		(0)		(23.3)	
2.	Family problem	4	II	5	II	3	II	11	II	8	II
		(13.3)		(16.6)		(10.0)		(36.6)		(26.6)	
3.	Small land holding	9	I	14	I	11	I	20	I	9	I
		(30)		(46.6)		(36.6)		(66.6)		(30.0)	
B. Psychological											
1.	Lack of interest	24	I	9	III	5	III	5	III	16	I
		(80)		(30.0)		(16.6)		(16.6)		(53.3)	
2.	More risk involved	19	II	21	I	19	I	25	I	4	III
		(63.3)		(70.0)		(63.3)		(83.3)		(13.3)	
3.	Lack of proper motivation	7	III	16	II	17	II	7	II	7	II
		(23.3)		(53.3)		(56.6)		(23.3)		(23.3)	
4.	Lack of awareness	0		0		0		0		3	IV
		(0)		(0)		(0)		(0)		(10.0)	
C. Economic											
1.	More investment	13	III	3	IV	4	IV	26	II	17	I
		(43.3)		(10.0)		(13.3)		(86.6)		(56.6)	
2.	Lack of credit	8	IV	18	III	17	I	6	III	11	III
		(26.7)		(60.0)		(56.6)		(20.0)		(36.6)	
3.	High cost of input	22	II	19	II	9	III	28	I	15	II
		(73.3)		(63.3)		(30.0)		(93.3)		(50.0)	
4.	Lack of input available	26	I	23	I	11	II	8		9	IV
		(86.7)		(76.6)		(36.6)		(26.6)		(30.0)	
D. Social											
1.	Social conflict	7	II	18	II	8	II	9	II	7	I
		(23.3)		(60.0)		(26.6)		(30.0)		(23.3)	
2.	Less adoption by people	27	I	27	I	19	I	14	I	4	II
		(90)		(90.0)		(63.3)		(46.6)		(13.3)	
3.	Grazing problem	0		5	III	3	III	3	III	0	
		(0)		(16.6)		(10.0)		(10.0)		(0)	
E. Technical											
1.	Lack of latest technical know how	27	I	28	I	9	IV	2	V	26	I
		(90)		(93.3)		(30.0)		(6.6)		(86.6)	
2.	Lack of irrigation facility	7	IV	6	V	6	V	21	III	11	V
		(23.3)		(20.0)		(20.0)		(70.0)		(36.6)	
3.	Lack of storage facility	11	III	8	IV	24	II	28	I	19	II
		(36.7)		(26.6)		(80.0)		(93.3)		(63.3)	
4.	Lack of transport facility	0		16	III	18	III	27	II	17	III
				(53.3)		(60.0)		(90.0)		(56.6)	

Contd

Sl.No.	Constraints	Basmati Rice		Organic Basmati		Medicinal & Aromatic plants		Floriculture		Sugarcane	
		1		2		3		4		5	
		f	Rank	f	Rank	f	Rank	f	Rank	f	Rank
5.	No crop insurance	26 (86.7)	II	25 (83.3)	II	27 (90.0)	I	20 (66.6)	IV	14 (46.6)	IV
F. Extension Approach											
1.	Lock of Training	26 (86.7)	III	5 (16.6)	IV	7 (23.3)	IV	4 (13.3)	IV	18 (60.0)	III
2.	Lack of Guidance	25 (83.3)	IV	20 (66.6)	III	19 (63.3)	III	6 (20)	III	19 (63.3)	II
3.	Lack of Contact Person	29 (96.7)	II	25 (83.3)	II	24 (80)	II	8 (26.6)	II	7 (23.3)	IV
4.	Lack of Printing Material in local language	30 (100)	I	28 (93.3)	I	25 (83.3)	I	27 (90.0)	I	27 (90.0)	I
G. Natural											
1.	Soil is not good	18 (60.0)	II	28 (93.3)	I	4 (13.3)	IV	26 (86.6)	I	8 (26.6)	IV
2.	Erratic rainfall	23 (76.6)	I	20 (66.6)	III	7 (23.3)	II	19 (63.3)	II	17 (56.6)	I
3.	High incidence of pest	18 (60.0)	II	21 (70.0)	II	6 (20.0)	III	17 (56.6)	III	10 (33.3)	III
4.	Water stagnation	5 (16.6)	IV	5 (16.6)	V	4 (13.3)	IV	0 (0)		8 (26.6)	IV
5.	Unleveled field	0 (0)		3 (10.0)	VI	0 (0)		14 (46.6)	IV	6 (20.0)	V
6.	Natural calamities	13 (43.3)	I	14 (46.6)	IV	13 (43.3)	I	17 (56.6)	III	11 (36.6)	II
H. Legal											
1.	No law to protect farmers	27 (90.0)	I	28 (93.3)	I	26 (86.6)	I	23 (76.6)	I	21 (70.0)	I
2.	Complex paperwork	7 (23.3)	II	7 (23.3)	II	4 (13.3)	II	17 (56.6)	II	7 (23.3)	II
I. Any other											
1.	Lack of information	18 (60.0)	I	24 (80.0)	I	30 (100.0)	I	29 (96.6)	I	16 (53.3)	I

CONCLUSION

By analyzing the above stated constraints of contract farming of all five crops i.e., Basmati rice, Organic Basmati, MAP, Floriculture and Sugarcane, it can be concluded that ‘small land holding’ in personal category, ‘involvement of greater risk’ as psychological constraints, ‘lack of input available’ and ‘lack of credit’ as economic constraints, ‘less adaptation by people’ as social constraints, lack of technical know-how, lack of storage and transportation facility emerged as constraints. Lack of crop insurance is identified as important constraints in contract farming of Uttarakhand.

Extension is an essential element in promotion of contract farming in Uttarakhand, but ‘lack of printed material’ and ‘lack of contact person’ were found to be a major obstacle faced by contract farmers. Erratic rainfall followed by natural calamities makes the farmers harder to adopt contract farming. There is no law to protect farmers as stated by maximum farmers of all the crops. Information which is very essential in contract farming which was not listed by investigator, but it was identified as major constraints by the contract farmers of Uttarakhand in “Others” category.

The findings of the investigation throws opportunities and challenges for the corporate houses, exporters, consultants, development planner, policy makers and administrators to look these constraints seriously and prepare a strategy to overcome for smooth adoption of contract farming by farmers.

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