

Role of Contract Farming in Increasing Agricultural Sustainability in India: A Quantitative Investigation

RAJNEESH BHARDWAJ , Assistant Professor, Department of Agriculture, Graphic Era Hill University, Dehradun Uttarakhand India 248002 ,

ABSTRACT

A rise in the popularity of processed goods, changes in consumer behaviour, and supportive regulatory environments, farm centred on a partnership among peasants as well as agro-processing and/or marketing corporations is becoming more popular in Indian farming. The rationale for the development of such a type of farming is to boost individual financing of the industry while lowering pricing hazards and post-harvest damages, particularly for commodities like largely priced fruit, greens, and high-risk vegetables. Small holdings might receive a wide range of assistance from the private industry, including input supply, product assembling, and sales. Considering this, the current research looks into the degree to which contract farming will free local farmers in Indian agriculture from their current burdens and aid their escape from the cycle of scarcity. It was noted that although contract farming does have the ability to tackle issues with access to markets (both input and output), modern tech, and economic stability, it additionally has the possibility of worsening issues with traditional knowledge deterioration, soil conditions, and prejudice against big farms. Stronger organizational structure is deemed necessary to increase the sustainability and inclusivity of farming activities. The sample size of the study was 183 respondents. The data analysis was performed with the help of t-test and mean.

Keywords: Contract farming, farmers, agriculture, sustainability, economic stability, production hazard

INTRODUCTION

Agricultural businesses ought to ensure that perhaps the agreement plant or raw material is much more lucrative for growers than that of the trying to compete crop production or commodity markets and that they receive more with contract farming than they would without it. They must also ensure that the advertising and money transfer expenses involved with farm owners' sales of harvest and purchases of components, new tech, and assistance are lesser with farming activities. Secondly, companies that deal with slightly elevated risky commodities should, to the degree possible, combine manufacturing and distribution costs and help farmers

manage production hazards. Thirdly, businesses must avoid the propensity to collect monopolistic and monopolistic rents. To address the issue of increased revenue as well as any other systemic risk issue, businesses must focus its pricing structure on industry trends and offer incentives to growers for increased productivity and quality of products. Fifth, businesses must emphasise promptness in the production process, as well as in the supply of money, supplies, technologies, and service. Sixth, in the interest of making contract farming politically and socially attractive, it is essential that we implement novel strategies like intermediate contracts, farmers' affiliations, self-help organisations, and so forth. to give smallholders the chance to engage in farming activities while also lowering their own transaction fees and supply hazards. Lastly, it's critical for businesses to gain the producers' assurance and through both price and non-price tools to make contract agricultural a sustainable organization (BIRTHAL, 2008).

Farmers involvement in agriculture growth is one of the main challenges in the nation's farming industry since it is thought that capitalist producers have acquired sizable investible balances during the environmental movement regimes which must be provided an avenue for investing. The contract farming paradigm of agricultural change is undoubtedly not serving that goal, since only these businesses benefit from value added surpluses while they do not distribute the additional revenue to the farmers. In truth, the topic of diversity has been approached in a bad way. Variety can refer to performing similar tasks in several ways. Yet in this case, several tasks are carried out in an identical manner, i.e., fresh crops are produced using the same or greater input intensity. Private commercial and international firms have indeed been left to manage and do what the government should really have done in collaboration with other actors. It is crucial to understand that stronger government is required for institutions and organizations to function sustainably as well as for the development and control of business growth (SINGH, 2002).

Gulati, et al. (2008) pointed out that since farmers can avoid a sizeable percentage of the expenditures associated with production and generate larger earnings, contract farmers, according to the study that has already been done, are well equipped. For contractual enterprises to be sustainable and scalable, risk management strategies against supply and pricing problems, nevertheless, have not been given sufficient focus. One of the main forces behind contract farming agreements is reciprocal confidence and trust inside the agricultural connection. There are currently multiple instances in India wherein outsourcing is growing and danger is seemingly being handled fairly. Lawfulness of agreements, the business and the

landowners don't seem eager to use the legal system, which could prove beneficial to help regulate contract violations. Thus the mechanisms for 3rd parties' participation may be present to assist in resolving conflicts outside of the judicial system. Smallholder farmers especially, who frequently find oneself in a weakened negotiating position and must bear an unequal weight of the hazards associated, are thought to be particularly affected by this.

LITERATURE REVIEW

Kumar, (2006) studied a topic that remains in its initial stages because the contract farming method in India is indeed a relatively new phenomenon. In research on tomato farming activities in Haryana, this was found that the approach significantly decreased production ambiguity and fully eliminated pricing confusion between its producers. The analysis revealed that when choosing farmers for contracts, processing companies favoured large farms. Their main recommendation was that the government adopt adequate legal regulations that would make it mandatory for contractual farmers and processing companies to rigorously abide by the conditions of the agreement.

The distribution network dependability of goods produced from farming is being re-examined in light of a shifting weather and worries about agricultural production. Moreover, contract farming may have an impact in mitigating weather and market risks whilst promoting plant variety and water conservation. Considering that a portion of the plants may well be connected to a futures agreement being provided by a purchaser, the dilemma of farmers related with distributing his property between various crops with differing water needs is taken into consideration during this research. We observe that the specifics of the agreement will determine if the farmer chooses contract farming to no contract farming. Because the farmers would be bound to pay a fine in the event of a scarcity, the contractual price should be higher than that of the anticipated market rate. The land that is used for the contract crop is determined by the contract quantity, but still it doesn't seem to be affected by the contract price. Whereas the effect of contract farming on freshwater use varies on the contract's terms, freshwater use rises if watering costs are subsidised (Huh & Lall, 2013).

Mahendra Dev, (2014) found that although contract farming might offer numerous benefits, the sponsored businesses could be untrustworthy, can abuse their monopoly status, and/or may well have ineffective leadership and advertising problems that might give rise to quotas manipulations and non-fulfilment of obligations. India's judicial framework is ineffective, and contract farming is not supported by all of this. The biggest barrier to contract farming's broad

adoption in India is that this is. The judicial framework may be strengthened through legislative proposals such as the standard agreement and standards of conduct, registering of agreements with advertising boards and tribunals for effective, quick, and unaccountable conflict remedies.

Narayanan, (2014) examined the varying effects of contract farming in southern India on involvement in highly valuable farming. An endogenous switching framework is employed to predict net income from involvement utilizing survey results for 474 farmers in 4 product industries: gherkins, papaya, marigold, and broiler. Results imply that median effect sizes differ greatly among contract goods. Contrary to marigold contracts, papaya and broiler contract management give members definite realized gains. Although contracting generally results in net profits for participant producers in the gherkin industry, this is only valid for certain agreements with specific companies. Within the identical product categories, there is heterogeneity in high - margin, as seen by the size of the standard deviations of point estimates of treatment outcomes. Thereby, despite the indication of typical treatment outcomes, contract farming agreements have a variety of impacts on producers' revenue, which may have repercussions for the farmers' continued involvement in highly valuable farming.

Vicol, (2017) stated that contract farming has indeed been suggested as a theoretically fair option for small farmers to direct purchase of property by agri-business investment in the current boom of importance attached to the land grabbing crisis. In response to these assertions, this essay repositions contract farming like an extremely significant method of property management. The research project of contractual potato cultivation in Maharashtra, India, is indeed the primary subject of the essay. Although contract farming as a method of agricultural output in India is nothing new, its impact on agricultural changing patterns is little known. The article utilizes an agricultural ideological economy-informed lifestyle approach, arguing that instead of offering an inclusionary option to land theft, contract farming in the research location reflects some other path that wealth is starting to come to control land in the village parts of India, which has similarly significant implications for agricultural living standards. Although some families have seen an improvement in their standard of living because of their involvement, the contractual system really serves to exacerbate inequalities that currently exists. Particularly, the uneven power dynamics amongst the corporation and the farmers distort the absorption of gains in favor of the business and make contributing families susceptible to debts and diminished authority over property and lifestyle choices.

Mishra, et al. (2018) opined those governmental decisions, particularly in a developing nation like India, can significantly aid in the adoption of CF by Organic Basmati Rice (OBR) farmers. New technology, financing, and solutions for excellent expansion are all things that CF can offer OBR manufacturers, connecting them to global marketplace. Small OBR farmers may see an increase in their income, standard of living, and rates. Accessibility to investment in human capital, technical assistance, and collective participation can all be facilitated by regulators. It is simple for CF to overcome the absence of accessibility to product marketplaces and collection facilities. The implementation of CF as well as its effects on production, costs paid, and the livelihoods of OBR farmers depend in large part on the rapid accessibility of knowledge about climate and insect threats as well as the risk-taking behaviours of OBR farmers. The use of sustainable farming in the cultivation of rice, which is consumed by three-fourths of the worldwide people, may assist advance ecological sustainability, lessen soil erosion, and lessen ecological damage.

A change inside the conversation around "regional development" may be seen in McKinsey's suggestion to promote peasants to engage in contract farming as well as the state govt's positive reaction. Contrary to what is implied by its verbal proposal, contract farming is actually designed to provide shareholders with a greater return on investment. This prerequisite also limits the kind of plants that may be grown, i.e., plants that are more profitable and have a good demand. For instance, West Bengal, McKinsey recommended cultivating prawns, lychees, mangoes, orchids, and fragrant rice in areas with access to saltwater. The regulators' focus and concern is to identify and become experts in individual products (Sarkar, 2014).

Objectives

1. To know the role of Contract Farming on Agricultural sustainability.
2. To ascertain how Contract Farming impacts Agricultural.

Methodology

The nature of study is empirical. 183 participants were included in the study. The questionnaire was structured in nature to collect data. To ascertain result of Mean and t-test applied. Method of sampling was convenience sampling.

Demographic Result

Table 1 displays gender of participants, male is 61.20%, and female are 38.80%. Age of participants is, 28 to 32 years are 27.87%, 32 to 37 years are 34.43%, and Above 37 years are 37.70%. With regards to Region, Semi Urban Regions is 52.46%, and rural region is 47.54%. Education, below graduation is 35.52%, graduate is 25.68%, and post graduate is 38.80%.

Table1. Demographic Details of participants

Variable	No. of participants	%
Gender		
Males	112	61.20%
Females	71	38.80%
Total	183	100 %
Age		
28 - 32 years	51	27.87%
32 – 37 years	63	34.43%
Above 37 years	69	37.70%
Total	183	100 %
Region		
Semi Urban Regions	96	52.46%
Rural Regions	87	47.54%
Total	183	100 %
Education		
Below Graduation	65	35.52%
Graduate	47	25.68%
Post Graduate	71	38.80%
Total	183	100 %

Table 2 shows mean values of the “Role of Contract Farming on Agricultural sustainability” the first statements of T-test is Contract farming help local farmers get free from their current burdens and escape from the cycle of scarcity (mean 4.27), Contract farming helps in tackling issues with access to markets (mean 4.33), Contract farming facilitates modern technology, and economic stability (mean 4.30), It decreased production ambiguity and eliminates pricing

confusion between its producers (mean 4.12), Contract farming makes an impact in mitigating weather and market risks (mean 4.10), It helps in promoting plant variety and water conservation (mean 4.00), Contract farming promotes freshwater use if watering costs are subsidised (mean 3.17), Contract farming is one element of an agrarian plan to increase wages and lessen economic inequality (mean 3.27), Contract farming is designed to provide shareholders with a greater return on investment (mean 3.29), It provides option for small farmers to direct purchase of property by agri-business investment (mean 3.33). T-value of survey statements with regards to Role of Contract Farming on Agricultural sustainability are significant as t-value of statement is positively significant as the value is less than 0.05.

Table 2: Role of Contract Farming on Agricultural sustainability

Sr. No.	Statement of Survey	Mean Values	T-Values	Significance.
1.	Contract farming help local farmers get free from their current burdens and escape from the cycle of scarcity	4.27	17.482	0.000
2.	Contract farming helps in tackling issues with access to markets	4.33	18.425	0.000
3.	Contract farming facilitates modern technology, and economic stability	4.30	18.295	0.000
4.	It decreased production ambiguity and eliminates pricing confusion between its producers	4.12	15.444	0.000
5.	Contract farming makes an impact in mitigating weather and market risks	4.10	15.418	0.000
6.	It helps in promoting plant variety and water conservation	4.00	13.780	0.000
7.	Contract farming promotes freshwater use if watering costs are subsidised	3.17	2.365	0.010
8.	Contract farming is one element of an agrarian plan to increase wages and lessen economic inequality	3.27	3.772	0.000
9.	Contract farming is designed to provide shareholders with a greater return on investment	3.29	4.003	0.000

10.	It provides option for small farmers to direct purchase of property by agri-business investment	3.33	4.635	0.000
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CONCLUSION

Contract farming is anticipated to become more popular in emerging nations as regional cuisines stray away beyond cereals and basic root crops, as marketplaces connect local farmers with quality-conscious consumers in big towns and overseas, as well as the proportion of manufactured farm commodities rises. The above-discussed changes in policy may make it easier for peasants to take advantage of shifting consumer demands by moving into more organised market routes. Contract farming is just one element of an agrarian plan meant to increase wages and lessen economic inequality, though. Contract farming advocacy initiatives must not overshadow financial commitments to infrastructure facilities, agriculture study and extension, market data networks, and social security systems, which all have a significant effect on rural lifestyles. T-value of every statement in the context of Role of Contract Farming on Agricultural sustainability is significant because t-value statements are found to be positive and significance value also less than 0.05.

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