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ELEMENTS INFLUENCING THE FARMER'S INVOLVEMENT IN CONTRACT FARMING.

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ABSTRACT

Those who advocate for contract farming have the goal of lifting farmers out of poverty by providing them with improved services and via the establishment of connections to markets. In the Indian state of Bihar, this study uses a survey to identify the factors that attract farmers to join in cooperative-led contract farming and the degree of their engagement. The survey was administered to 350 households who were under contract and 250 families that were not under contract. According to the Logistic model for farmer's option to engage in contract farming, the key drivers of participation in contracts are the size of the landholding, the area that is irrigated, the availability of home labour, and the distance to the market. Contrary to what one would expect, contract farming is more prevalent in families where there are a significant number of men. On the other hand, the opposite is true when looking at households where there are a significant number of females. Over the course of the last fifteen years, the terms "small farmer" and "contract farming" have become more commonplace in the realms of government and academia. One of the most significant challenges is determining whether or not small farmers would benefit from contract farming. By virtue of the fact that businesses are the ones that initiate the contract, it is quite possible that the criteria established by the company, rather than the choice made by the farmer, are the ones that decide whether or not the farmer participates in contract farming. Another point to consider is that farmers that have bigger families are more likely to engage in contract production than other farms. It is possible that the preponderance of contract farming in this scenario would result in an agricultural sector that is unequally distributed. The establishment of more robust institutional structures is necessary in order to make contract farming more broadly available. Contract farming (CF) has been used extensively by both industrialised countries and developing nations in order to implement the integration of the complete value chain. The more farmers who join CF, the higher their revenue and the higher their production.

keywords : *Contract Farming, Landholding, Irrigation*

INTRODUCTION

Contract farming is defined as "a method of organising agricultural production in which farmers are obligated to supply their produce to agro-enterprises in accordance with conditions specified in written or oral agreement." This definition is based on the concept of contract farming. It is via this explanation that the practice of contract farming is defined. A growing number of people are engaging in the practice of contract farming, which is becoming more common in every part of the globe. Beginnings of the practice may be traced back to a wide variety of locations and times around the world. This hybrid system has been aggressively advocated for by a number of organisations in the developing world owing to the fact that it is both efficient (small holder engagement) and equitable (coordination and quality control in a vertical structure). This is because of the fact that it has both of these characteristics. Contract farming agreements are based on the net profit of the project, which takes into account both the amounts of money spent on the transaction and the amount of money produced.

For the purpose of lowering the costs associated with manufacturing and transactions, as well as ensuring that they will have access to raw materials of a good quality, a corporation will engage into a contract. On the other hand, farmers and producers sign into contracts in order to guarantee that they will get a steady income and that they will have access to a market that is guaranteed. As a result of this, it is widely acknowledged that both parties will benefit from the experience of the other. Because there is such a vast diversity of crop varieties and local organisations, the terms of the contracts that are used are also somewhat variable. Furthermore, the terms and conditions of the contract differ from one specific firm to another. The majority of the time, businesses are the ones that initiate the contracting process. Farmers do not have the ability to choose whether or not they will participate; rather, their involvement is mostly determined by the conditions that are imposed by businesses. There is a possibility that the local economy, in addition to the kind of crop that a farmer cultivates, will have an effect on their involvement in contract farming. Companies are more likely to search for agricultural families that are able to offer them with adequate workers when it comes to the cultivation of commodities that need a substantial amount of physical effort. This is because these commodity cultivations require a significant quantity of labour. The degree to which farmers are involved in contracts is impacted by a variety of variables, such as the size of the enterprise, the aims of the farmers, and the ownership of the farmers.

Private agencies, on the other hand, are willing to engage into contracts with farmers regardless of the size of the farmer's holdings or the farmer's current financial situation. Companies that handle goods from other countries seek to collaborate with large-scale farmers because it allows them to maximise their revenues. When it comes to doing business, processing companies would rather do business with producers that are much larger than those who are extremely tiny. Processing companies, on the other hand, do not want to enter into contracts with small farmers because of the significant transaction costs that are involved in the process of providing inputs, loans, extension services, product collection, and grading. These costs are incurred in the process of performing these activities.

It is common practice to pick large farms since they often own a greater number of resources and skills. This is done with the intention of reducing the likelihood of default. The amount of engagement that farmers have in this kind of contract arrangement is determined by the level of interest that they have in the arrangement. This is the case in other situations, such as when farmers form a cooperative and the cooperative purchases and sells the product to agro processing firms on their behalf through the cooperative. In 1989, Pepsi Foods Ltd., which shall be referred to as PepsiCo from this point on, entered the Indian market by opening a tomato processing factory in Zahura, which is situated in the Hoshiarpur district of Punjab. PepsiCo thereafter became the dominant beverage company in India. This particular tragedy served as the catalyst for the present wave of contract farming that is occurring throughout the country. Rallis India's efforts in subsequent years included the cultivation of Basmati rice in the states of Madhya Pradesh, Maharashtra, Karnataka, and Haryana as part of many initiatives.

These five states are located in the Indian state of Haryana. The fast expansion of chicken enterprises in the states of West Bengal, Tamil Nadu, Maharashtra, Andhra Pradesh, and Punjab is yet another illustration of this phenomenon. Gherkins are grown in the states of Andhra Pradesh and Karnataka by Global Green Company, which is responsible for their cultivation.

There are some positive elements of contract farming in India, such as increased revenue, improved access to inputs, and the introduction of new technology; nevertheless, there are also some negative effects associated with this kind of farming. There are certainly some beneficial aspects associated with contract farming in India. Companies would rather have a contract with a substantial farmer than deal with a large number of small farmers. This is because the former scenario is more favourable. The fact that only a relatively small fraction of farmers are able to engage as a consequence of this institutional framework is one of the factors that leads to the continued buildup of economic inequities. In addition, there have been studies that have been conducted to investigate the issue of monopolistic scenarios that may occur in a contract between two companies. it is often the case that the amount and quality of the insecticides and fertilisers that are supplied by these corporations are not sufficient for use in agricultural settings.

It would seem, on the basis of the debate that was provided earlier, that a number of studies have been conducted on the subject of contract farming and the advantages that it provides to the agricultural sector in a number of states. On the other hand, the bulk of these studies have focused their attention on certain states, such as Punjab, Haryana, Karnataka, Gujarat, Andhra Pradesh, and Maharashtra. In terms of methodology, methodology, and geographical emphasis, it was shown that the present study is unique from previous studies in the same field. A very little amount of research has been carried out on the practice of contract farming in Eastern India, and much less research has been carried out on the advantages and effectiveness of contract farming in the production of the several key crops that are grown in Bihar. In spite of the fact that contract farming is becoming more and more popularity, this is the condition. As a result, after the second green revolution in eastern India, particularly in the state of Bihar, it is of the utmost importance to explore the role that contract farming plays in that area.

DEFINITION OF CONTRACT FARMING

Contract farming is defined as "an agreement, oral or written, between farmer or farmer groups and processing and/or marketing firms, commercial or otherwise, for the production and supply of agricultural products under pre-specified conditions, frequently at predetermined prices." We have derived this definition from the ones that were presented before. The buyer may also be expected to give specific production help as part of the agreement. This assistance may include the delivery of inputs or the provision of technical advice. Therefore, the beginning of these types of agreements is the farmer making a commitment to produce a certain commodity or service in quantities and of a particular quality level that is defined by the buyer, and the company making a commitment to support the farmer's output and purchase the good or service. This definition does not include sharecropping, which is a kind of farming in which annual tenants are provided with the resources necessary to cultivate a crop on the land of the farm's owners.

HISTORY OF CONTRACT FARMING

Field or horticultural crops, animals, or animal products may all be part of the agricultural goods covered by the contract. A processor, exporter, marketing business, input supplier, or service provider is the typical buyer in contract farming. The practice of cultivating agricultural crops under contract has been around for quite some time. All around the globe, farmers often engage in contractual production and sales. In the second part of the nineteenth century, contract farming became common in India as a method of cultivating certain crops. The East India Company was responsible for introducing several plantation products, including indigo, poppy, rubber, tea, coffee, tobacco, and more. During the middle of the twentieth century, nations in Northern, Central, and Africa increasingly turned to contract farming as a means of acquiring goods and cattle with a near-term expiration date. Globally, contract farming became an essential component of the food and fibre sector by the late 20th century. The percentage of agricultural output valued by contracts in the United States increased from 12% in 1969 to 36% at the turn of the millennium.

CHANGES IN INDIAN AGRICULTURE

The Government of India, have shed light on the transformation that has taken place in the agricultural sector of India. As a consequence of a transformation in the structure of agriculture, horticulture, cattle livestock, and fisheries have all become more significant components of the sector. In contrast, the area under cultivation for cash crops and pulses, such as soyabean, cotton, and sugarcane, increased significantly between the years 2001 and 2011, while the area under cultivation for all of the major cereals, with the exception of maize, decreased. Horticulture, livestock, and fisheries were responsible for 39% of all agricultural and allied sector output in the Triennium Ending (TE) 1990–91 (at prices from 2004–05) in the Triennium Ending (TE) 2009–10, but currently they account for 50% of all production.

Many factors have led to a change in Indian eating patterns towards higher-value commodities and processed meals. These factors include rising earnings, more urbanisation, and the consistent growth in the number of women who are employed. As a result of the expansion of supermarkets and the growing demand for high-value items, farmers now have the opportunity to extend their operations into enterprises that generate more income. Only two percent of the food that is produced in India is actually processed, despite the fact that India is the second largest producer of food in the world Inefficient and uncompetitive markets are created by a lack of public and private investment in infrastructure, logistics, information, and technology, This lack of investment is one of the primary impediments that stands in the way of enhancing our agricultural exports.

It is of the utmost importance to see agriculture as an integrated agri-food system that includes farming, logistics, wholesaling, storage, processing, and retailing. In order to achieve structural inclusiveness, it is necessary for all of the players participating in and surrounding agri-markets to collaborate with one another. As a consequence of the multiplier effect, an increase in the processing of agricultural products may be able to stimulate development in other sectors of the economy. Furthermore, it has the potential to provide job possibilities in industries that are not directly linked to agriculture and processing, such as transportation, distribution, retail, and other related fields. Providing primary farmers with inputs, financing, and other services is one of the ways that agro-industries contribute to the creation of backward linkages.

This is in addition to the fact that they process and sell agricultural products. In light of this, it is of the utmost importance to strengthen the connections between farms and enterprises in order to minimise post-harvest losses and enhance value-added. The "back end" operations of production agriculture have remained continuously fragmented, which is a major concern for Indian farmers. This is despite the fact that the "front end" operations of the Indian agri-food system, which include processing, logistics, and retailing, are expanding and consolidating at a rapid pace. Raw material shortages and inadequate supply have been recognised for a long time as a key problem for large agro-processing complexes, which subsequently leads to a considerable underutilization of capacity. It was pointed out by Srivastava and Seetaraman that the lack of sugarcane that occurred in the late 1980s was a significant factor that contributed to the failure of sugar factories in the state of Maharashtra. Due to the uncertainty of the market, private processing companies entered into partnerships with farmers in order to ensure that they would have sufficient supply. Some of the prominent examples of such kind of backward integration found in academic literature are: (a) diary and sugar co-operatives in Gujarat and Maharashtra respectively during the 1950's; (b) Wimcopoplar programme during 1970's, where the company imported the poplar clones and raised the nurseries to introduce poplar cultivation in India; (c) PepsiCo had developed seeds for tomatoes, basmati rice, chilies, groundnut, chip-grade potatoes, citrus cultivation in India for contract farming; (c) Jain Irrigation Systems (I) Pvt. Ltd. (JISL) developed seeds for white onion contract farming.

It is anticipated that the situation would be far more severe in other regions of India. "Vertical coordination" is the term that is used to describe this approach of working backwards in order to purchase crops and other agricultural products. The umbrella term "vertical coordination" encompasses all of the many strategies that are used to synchronise the various vertical processes of production and marketing. The phases of production, grading, packaging, shipping, processing, storage, and distribution come together to create a "vertical" chain that is where this coordination takes place. Increasing the farm-firm ties and resolving the defects that are now present in the market may be accomplished via the use of contract farming (Gulati et al., 2008). Contract farming is advantageous for both the farmer and the corporate. The farmer benefits from contract farming because it gives them access to high-quality inputs, extension services, and a guaranteed market for their output. The business benefits from contract farming because it assures a continuing supply of raw materials. Farmers and businesses may be able to enjoy the advantages of increased efficiency via the use of contracts that link the input and output markets.

OBJECTIVES

1. To study about the influencing the farmer's involvement in contract farming
2. To study about Indian agriculture.

CONCLUSION

In order to assess whether or not a farmer engages in contract farming, many factors are taken into consideration. These factors include landholdings, family labour, access to funding, technology, and other factors. Businesses that engage in contract farming may provide farmers with access to a variety of benefits, including technological advancements, financial resources, a specialist input market, a new market for their output, and a reduction in price fluctuations. Farmers are drawn to the contractor method of production because it provides them with access to the facilities that need their participation. The research found that the most important factors that determine whether or not a household is involved in a contract are the size of the landholding, the area that is irrigated, the availability of household labour, and the distance to the market.

It is interesting to note that families with a larger number of men are less likely to participate in contract farming, but households with a higher proportion of females are associated with a higher likelihood of contract farming. In terms of education, production assets possessed, production strategy used, and market access, contract farmers beat non-contract farmers when comparing farm and farmer characteristics. Contract farmers also have a higher education level. It has been observed that, in compared to large farms, small farms are allotting a disproportionately large quantity of land for the cultivation of contract crops. Better facilities are available via contract farming, which means that smaller farmers who have more education may participate more actively.

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