

International Journal of Agriculture Extension and Social Development

Volume 7; Issue 8; August 2024; Page No. 191-192

Received: 03-06-2024
Accepted: 14-07-2024

Indexed Journal
Peer Reviewed Journal

A study on constraints faced by farmers under contract farming in Kumaon division of Uttarakhand

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DOI: <https://doi.org/10.33545/26180723.2024.v7.i8c.901>

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Abstract

Contract farming is a method in which a corporation that processes or exports agricultural products purchases the harvest output from farmers and sets up pre-direct purchasing agreements. It was important to know that how and to what extent contract farming has affected the farming community. Thus a study was conducted to assess the constraints faced by farmers under contract farming system in which, two blocks each from the districts of Udham Singh Nagar and Nainital were specifically chosen from the state of Uttarakhand. A total of 200 respondents were selected for the investigation. The majority of respondents, 71.00%, named insects, pests, and diseases as their top concern. This was followed by 67.50% who rated a shortage of water for irrigation and 61.00% who ranked a shortage of labour during peak hours.

Keywords: Contract farming, constraints, agricultural products

Introduction

Baumann (2000) ^[7] defined contract farming as a system where an agricultural processing or exporting company procure the harvest production from the farmers and the agreement of buying are arranged in pre direct contracts. The terms of the contract vary and generally determine how much produce the contractor will purchase and what price they will pay for it. The contractor rapidly provides credit for inputs and skill development. In essence, contracting is a means of allocating risk between producer and processor; the former assumes production risk, while the latter bears marketing risk.

Farmers are open to raising their standard of living. Small farmers in particular can participate in the production of high-value goods like fruits, vegetables, flowers, medicinal and aromatic plants, and so forth and profit from commercial under contract farming. The farmers' profit margin will be maximised through contract farming.

Contract farming is necessary to maintain price stability, adopt new innovations, deliver high-quality produce on time, handle and market produce after harvest, and so on.

The problems are confronted under contract farming system, when a corporation makes inaccurate projections about the size or price range of the market, there may be market hazards. The introduction of advanced machinery could lead to the overcapitalization of contract farmers and the loss of local jobs. Corruption persists and problems occurs when

staff is responsible for issuing contracts and buying crops by taking undue advantages of their position which may result in collapse of trust and communication between the contracted parties. In a large contract, the sponsors can be dishonest or corrupt, "fly-by-night" companies who have seen the opportunity for a quick profit. Therefore, in every case farmers who make investments in production and primary processing facilities run the risk of losing everything.

The government should ensure to strengthen the farmers by building a robust, competitive, and efficient ecosystem in which contracting enterprises and farmers interact freely and are motivated by mutual gain.

Materials and Methods

The Kumaon Division of Uttarakhand state serves as the study's universe. The districts of Udham Singh Nagar and Nainital were specifically chosen due to the high number of farmers who work under contract to produce crops, and the creation of several integrating businesses with a sophisticated network of contract farming systems for a range of commodities.

As a result, 200 respondents in all were chosen for interview based on a variety of predetermined criteria in accordance with the study's goals. Descriptive research design, comprising several forms of fact-finding enquiries and surveys, was chosen for this study.

Results and Discussion

Table 1: Distribution on the basis of constraints faced by farmer's under contract farming system (n=200)

S. No.	Constraints	Frequency	Percentage	Rank
1.	Problem of insect, pest and diseases	142	71	I
2.	Scarcity of water for irrigation	135	67.5	II
3.	Scarcity of labour during peak periods	122	61	III
4.	Non-availability of storage facility	121	60.5	IV
5.	Uncertainty in crop yield	112	56	V
6.	Adverse climatic conditions	89	44.5	VI
7.	Provision of inputs at higher price	60	30	VII
8.	Lack of quality inputs	56	28	VIII
9.	Non availability of credit	46	23	IX
10.	Inadequate extension advisory services	45	22.5	X
11.	Lack of training on time	42	21	XI
12.	Lower price for crop produce	40	20	XII
13.	Delayed payment of crop produce	35	17.5	XIII
14.	Delay in procurement of produce	30	15	XIV
15.	Lack of government control	15	7.5	XV
16.	Poor service delivery by firms	12	7	XVI
17.	Rejection based on minor quality defects	6	3	XVII
18.	Market price fluctuation	5	2.5	XVIII

The majority of respondents (71.00%) identified diseases, pests, and insects as their main concern, ranking them first. Sixty-five per cent reported a shortage of water for irrigation, sixty per cent reported a labour shortage during peak hours (61.00%), ranking third, and 60.50% reported the absence of storage facilities which was ranked IV. In terms of crop yield uncertainty, 56.00% was ranked V, adverse climatic conditions 44.50% was ranked VI, provision of inputs at higher prices 30.00% was ranked VII, lack of quality inputs 28.00% ranked VIII, non-availability of credit 23.00% ranked IX, lack of training on time 21.00% was ranked X, inadequate extension advisory services 22.50% was ranked XI, lower price for agricultural yield 20.00% was categorised as XII, delayed payment of crop produce XIII, ranking at 17.50%, delay in procurement of produce 15.00% ranked as XIV, lack of government control 7.50% ranked as XV, poor service delivery by firms 7.00% ranked as XVI, rejection based on minor quality defects 3.0% ranked as XVII, market price fluctuation. 2.50% was ranked as XVIII.

Summary and Conclusion

A system for producing and supplying agricultural products under contract is known as contract farming. A contract of this kind essentially commits parties to supply agricultural produce at a predetermined location, cost, quantity, quality, and delivery time. The respondents' two main sources of financial hardship under the contract farming system were fluctuating market prices and reduced agricultural produce prices. Their decision to choose contract farming was influenced by support service-related limitations, such as the higher cost of inputs, low quality of inputs, the lack of credit availability, delayed payment of crop produce, delay in produce procurement, absence of government control, the poor service provided by businesses, rejection of applications due to small quality flaws, lack of adequate extension advisory services, and the delayed training. Among the limitations connected to management, shortage water for irrigation, scarcity of labour during peak period and non-availability of storage facility affected their choice

in undertaking contract farming. Natural constraint such as problem of insect, pest and diseases, uncertainty of crop yield and adverse climatic condition were major constraints faced by them under contract farming system.

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