

## **Perception of Farmers and other Stakeholders about Merits and Demerits of Contract Farming**

**Arnab Biswas<sup>1</sup>, Baldeo Singh<sup>2</sup> and Premlata Singh<sup>3</sup>**

### **ABSTRACT**

The study was conducted on potato contract farming under Pepsi Co. in Burdwan district of West Bengal. Two villages were selected randomly from Memari I block of Burdwan district. Twenty five contract farmers were selected randomly from each of the two villages. Another 20 major stakeholders which included 10 Pepsi Co. staffs and 10 development officers were selected randomly for the study. A majority of the respondents in the study perceived that the contract farming provided assured price to the farmers. The extension specialists of the company provided reliable technical guidance to the farmers. Except seed, the firm did not help the farmer to get other inputs for potato cultivation but it helped the farmers to get institutional credit easily. Contract farming removes the role of middleman from the markets. The contracting company introduces various new technologies for the farmers which make the farmers more skilled and technologically sound in potato cultivation.

**Key words :** Contract farming, perception, stakeholders.

### **INTRODUCTION**

Farming is an age-old means of livelihood for millions of Indians. However, there have been few systems or models in which farmers are assured of a market for their produce and can get a remunerative price. Farmers some time do not sell their products to the buyers as they do not get assured price of their product. On the other hand, the agri-based and food industry requires timely and adequate inputs of good quality agricultural produce. This underlying paradox of the Indian agricultural scenario has given birth to the concept of contract farming, which promises to provide a proper linkage between the 'farm and market'. In our country the farmers face the problems of traditional technology and management practices, little bargaining power with input suppliers and produce markets, inadequate infrastructure and market information, lack of post-harvest management expertise, poor package of produce and inadequate capital to grow a quality crop. Contract farming can help small farmers to overcome these situations and also encourages them to participate in the production of high value crops which will increase their real income. Kumar *et al.* (2008) reported in their study the effect of contract farming on income and employment generation. Both income and employment generation have been found higher on contract farms than non contract farms.

Despite all these advantages offered by contract farming and the efforts of Government to promote it,

contract farming is in controversy. Though it is argued that contract farming reduces risk, it is also argued that it is not clear whether total risk for the farmer is reduced or not. Moreover, the contracting procedures are not so clear to the farmers and they do not get satisfactory price for their produce in time. So it is essential to assess the perception of the stakeholders about merits and demerits of contract farming.

### **METHODOLOGY**

The present study was conducted on potato contract farming under Pepsi Co. in West Bengal as potato is one of the major crops in West Bengal and it is the second largest producer of potato in the country. The potato contract farming model of Pepsi Co. in West Bengal is running quite successfully. So the present study on contract farming was designed to conduct under Pepsi Co. in West Bengal.

The company has extended its contract farming system in six districts of West Bengal, namely Bankura, Burdwan, Hoogly, Midnapur, Howrah and Birbhum. From these six districts, Burdwan district was selected purposively for the study as it is the largest producer of potato in West Bengal. From Burdwan district Memari I block was selected randomly for the study. Two villages were selected randomly from the block. Twenty five villagers from each of the two villages were randomly selected. Another twenty major stakeholders including ten company staff and ten development officers from the

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<sup>1</sup>Ph. D. Scholar, <sup>2</sup>Former Joint Director (Extension), <sup>3</sup>Principal Scientist, IARI, New Delhi 110012.

block and village levels were selected randomly for the study. Thus total respondents for the study were 70 (50 contract farmers and 20 major stakeholders).

To assess the perception of the respondents a Likert type scale was used with 17 statements. The statements were screened, modified and prepared based on Masuku *et al.* (2003) and Kumar (2008). The items were rated in five point response categories ranging from 'strongly agree' to 'strongly disagree'. There were 11 positive items and 6 negative items in the scale. The scoring pattern for positive items was strongly agree -5, agree -4, undecided -3, disagree -2 and strongly disagree -1. For the negative items the reverse way of scoring was followed.

The level of perception of the respondents about merits of contract farming was measured with the help of mean and standard deviation and categorized as low, medium and high as follows:

Low = below (mean -1 standard deviation)

Medium = Between mean  $\pm$  1 standard deviation

High = above (mean + 1 standard deviation)

## RESULTS AND DISCUSSION

The perception about merits and demerits of contract farming was measured in terms of the degree of agreement/disagreement for the statements of the scale. The results are described below.

### Merits and demerits of contract farming

Table 1 describes the response of the contract farmers for the statements of the scale.

**Table 1: Response of the contract farmers**

Statements						n=50
	Strongly agree	Agree	Undecided	Disagree	Strongly disagree	Total n=50 (%)
Contracting firm takes advantages of farmers.	0 (0.00)	0 (0.00)	3 (6.00)	41 (82.00)	6 (12.00)	50 (100.00)
Terms and conditions of the company are not clear to the farmers	0 (0.00)	7 (14.00)	0 (0.00)	41 (82.00)	2 (4.00)	50 (100.00)
Firm only concerns for its target and benefits.	0 (0.00)	2 (4.00)	18 (36.00)	27 (54.00)	3 (6.00)	50 (100.00)

Technical guidance provided by the contracting firm is reliable.	28 (56.00)	21 (42.00)	0 (0.00)	1 (2.00)	0 (0.00)	50 (100.00)
Inputs are readily available to the farmers when they are engaged in contract farming.	4 (8.00)	16 (32.00)	0 (0.00)	23 (46.00)	7 (14.00)	50 (100.00)
Contracting company has true concern about the farmers' field.	16 (32.00)	29 (58.00)	5 (10.00)	0 (0.00)	0 (0.00)	50 (100.00)
Contracting firm helps the farmers to get institutional credit easily.	38 (76.00)	12 (24.00)	0 (0.00)	0 (0.00)	0 (0.00)	50 (100.00)
Contract farming reduces the credit burden of the farmers.	0 (0.00)	25 (50.00)	4 (8.00)	16 (32.00)	5 (10.00)	50 (100.00)
Contract farming helps to get the assured price.	44 (88.00)	6 (12.00)	0 (0.00)	0 (0.00)	0 (0.00)	50 (100.00)
Achieving coordination between the firm and farmers is very difficult.	0 (0.00)	7 (14.00)	3 (6.00)	37 (74.00)	3 (6.00)	50 (100.00)
It removes the role of middleman.	48 (96.00)	2 (4.00)	0 (0.00)	0 (0.00)	0 (0.00)	50 (100.00)
Contract acceptable for both firm and farmers is formulated.	27 (54.00)	18 (36.00)	2 (4.00)	3 (6.00)	0 (0.00)	50 (100.00)
It is a boon to marginal and small farmers.	6 (12.00)	36 (72.00)	2 (4.00)	6 (12.00)	0 (0.00)	50 (100.00)
Over use of chemical, fertilizers is being advocated by the contracting company.	0 (0.00)	0 (0.00)	2 (4.00)	4 (8.00)	44 (88.00)	50 (100.00)
Contracting company has introduced various appropriate technologies to the farmers for potato production.	33 (66.00)	12 (24.00)	0 (0.00)	5 (10.00)	0 (0.00)	50 (100.00)

Farmers become more skilled and technologically sound in potato production.	7 (14.00)	43 (86.00)	0 (0.00)	0 (0.00)	0 (0.00)	50 (100.00)
Farmers have a tendency to sell their contracting product other than the contracting firm.	0 (0.00)	0 (0.00)	0 (0.00)	2 (4.00)	48 (96.00)	50 (100.00)

The Table 1 clearly shows that large majority of the contract farmers (82%) disagreed to the statement that contracting firm takes the advantages of the farmers. This indicates that the contracting firm taken for the study was not cheating the farmers by making contracts with the farmers and giving false promises. It is evident from the table that the terms and conditions of the company were also clear to the farmers. In case of third statement, more than half of the contract farmers disagreed that contracting firm was only concerned for its target and benefits. This indicates that the contracting firm taken for the study has concern for the farmers. From the Table it is observed that the 56 per cent of the contract farmers strongly agreed that the technical guidance provided by the contracting firms is reliable which indicates that the farmers have trust on the extension specialists of the contracting company. This finding is similar to the finding of the study conducted by Kumar (2007). He found that 50 per cent of the contract farmer respondents perceived that the advice provided by the contracting company was highly useful for them. Maximum of "the contract farmers (43%) disagreed to the statement that the inputs are readily available to the farmers when they are engaged in contract farming". They just get only seeds from the company directly. For the sixth statement, 58 per cent of the contract farmers agreed that the company had true concern for the farmers' field. More than three fourth of the contract farmers were strongly agreed that the firm helps them to get institutional credit easily. The company itself arranges institutional credit for the farmers from the respective agencies. Half of them agreed that the contract farming reduces the credit burden of the farmers. In case of the statement that the firm helps them to get assured price, 88 per cent of the contract farmers completely agreed to it. Three fourth of the farmers believed that achieving coordination between them and the firm is not a difficult job. The statement "Contract farming removes the role of middleman" was almost polarized towards complete agreements. About all of the respondents (96 %) strongly agreed that there is no or very little scope for the middlemen to enter in the farm related activities of the farmers. More than half of the contract farmers strongly

agreed that the contract acceptable for them and the firm is formulated. For the statement that contract farming is a boon to small and marginal farmers, 72 per cent of the farmers were strongly agreed to it. The response of 88 per cent of the contract farmers strongly denied that the company advocate them to over use of chemicals, fertilizers etc. More than half of the respondents strongly agreed that the company has introduced various appropriate technologies for the farmers. It is also clear from the table that the farmers become more skilled and technologically sounds due to engage in contract farming. About all of the respondents (96%) strongly disagreed to the statement that they sell their contracting

### Level of effectiveness of contract farming as perceived by contract farmers

The effectiveness was measured in terms of degree of agreement/disagreement for the statements relating to the merits and demerits of contract farming. The level of effectiveness of contract farming as perceived by contract farmers is presented in Table 2.

**Table 2: Level of effectiveness of contract farming as perceived by contract farmers**

n=50		
Level of effectiveness	Frequency (f)	Percentage (%)
Low	9	18.00
Medium	33	66.00
High	8	16.00
<b>Total (N)</b>	50	100.00
<b>Mean</b>		<b>76.44</b>
<b>Standard deviation</b>		<b>4.65</b>

The mean score of the contract farmers in this regard was 76.44 out of 85. The contract farming was perceived to be ness is of medium effective, in case of 66 per cent of respondent. Whereas,16 per cent of contract farmers felt that it was highly effective.

### Level of effectiveness of contract farming as perceived by company staff

The level of effectiveness of contract farming as perceived by the company staff is presented in Table. 3. From the Table it is clearly observed that the mean score of effectiveness of contract farming as perceived by the company staff was greater than the contract farmers.

**Table 3: Level of effectiveness of contract farming as perceived by company staff**

n=10		
Level of effectiveness	Frequency (f)	Percentage (%)
Low	1	10.00
Medium	7	70.00
High	2	20.00
<b>Total (N)</b>	10	100.00
<b>Mean</b>		<b>82.78</b>
<b>Standard deviation</b>		<b>1.99</b>

### Level of effectiveness of contract farming as perceived by development officers:

The level of effectiveness of contract farming as perceived by the development officers is presented in Table. 4. The mean score of the development officers about the effectiveness of the contract farming is lower than the contract farmers and the company staff.

**Table 4: Level of effectiveness of contract farming as perceived by development officers**

n=10		
Level of effectiveness	Frequency (f)	Percentage (%)
Low	2	20.00
Medium	7	70.00
High	1	10.00
<b>Total (N)</b>	10	100.00
<b>Mean</b>		<b>75.7</b>
<b>Standard deviation</b>		<b>4.37</b>

### CONCLUSION

From the present study it can be concluded that the contracting firm taken for the present study was not cheating with the farmers. Terms and conditions of the company are also understandable to the farmers, but the contract should be acceptable for the farmers. So there is a need for legal support and government intervention for the poor and illiterate farmers. Though the firm has care about its contracted farmers, it does not arrange all the inputs for the farmers. Contract farming removes the role of middleman from the market, thus helps the farmers to get actual price for their product. The extension specialists of the company provide reliable and valuable guidance to the contracted farmers. Beside the arrangement of institutional credit for the farmers it also introduces various new technologies suitable for the farmers. This intervention of the company makes the farmers more skilled and technologically sound in potato production. The effectiveness of contract farming as perceived by development officers was low which indicates that a proper Government policy should be there to control the total arrangement of contract.

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