

Factors influencing the farmers to enter into contract farming

R. AGILA, M. MANOHARAN AND M. ASOKHAN

Department of Agrl. Extension & Rural Sociology, TNAU, Coimbatore.

Abstract : The research study was conducted in Madukkarai and Kinathukadavu blocks of Coimbatore district for cotton crop and Attur and Gangavalli blocks were selected in Salem district for coleus crop, with a sample of 100 contract farmers for each crop. To avail assured price, to get quality seeds, to get inputs in time, to get effective buy back arrangements, to avail institutional credit, and to avail assured market facility were the major motivating forces that made the respondents to opt contract farming.

Key words: Contract farming, performance, motivating factors, coleus, cotton.

Introduction

In India, by the contractual arrangements several crops, viz., Tomato, Turmeric, Mango, Gherkins, Papaya, Basmathi rice, Baby corn, Chilly, Garlic, Onion, Potato and Cotton have been introduced. Recently medicinal plants also enter to this list due to vast export potential opportunities and international market demand.

Private involvement by way of contact farming has wide scope. The new introduction will have advantages to farmers. Simultaneously there will be new problems created by this system of farming. To make this new system advantageous to both the farmers and traders adequate social researches are required. Vast agro-climatic diversity, production potential, cheap farm labour availability, domestic and overseas market potential provide opportunity for private sector participation (Shaji, 2001). National Agricultural Policy of India also kick starts to promote the participation of private sector through arrangements in contract farming (Anonymous, 2000).

Keeping the above facts in mind, the present study on factors influencing the farmers to enter in to contract farming on cotton and coleus crop was attempted with the objective to identify the factors that motivated farmers to enter into contract farming.

Materials and Methods

In Tamil Nadu state different crops are grown under contract farming. Cotton and Coleus crops were more popular and widely grown under contract farming system. Hence, these two crops were selected for the study. The study was conducted in Madukkarai and Kinathukadavu blocks of Coimbatore district for cotton crop and Attur and Gangavalli blocks were selected in Salem district for Coleus crop, with a sample of 100 contract farmers for each crop. The data were collected with a well structured and pre-tested interview schedule. The data were analysed with suitable statistical tools.

Table 1. Rank order of factors motivating the respondents to enter into cotton contract farming**(n=100)**

S.No.	Motivating factor	Mean score	Garret ranking
1.	To avail assured price	76.42	I
2.	To get quality seeds	65.64	II
3.	To get inputs in time	61.01	III
4.	To get effective buy back	55.99	IV
5.	To avail institutional credit	51.34	V
6.	To avail assured market	50.80	VI
7.	To reduce risk	44.62	VII
8.	To get viable technologies	42.51	VIII
9.	To avail transport facilities	41.67	IX
10.	To have better standard of living	25.09	X
11.	To gain social respect	19.25	XI

Table 2. Rank order of factors motivating the respondents to enter into coleus contract farming**(n=100)**

S.No.	Motivating factor	Mean score	Garret ranking
1.	To avail assured price	73.02	I
2.	To reduce risk	64.19	II
3.	To get effective buy-back	62.14	IV
4.	To get quality planting material	57.97	IV
5.	To avail institutional credit	56.31	V
6.	To get inputs in time	54.85	VI
7.	To avail assured market	54.38	VII
8.	To get viable technologies	47.94	VIII
9.	To avail crop insurance	40.31	IX
10.	To avail transport facilities	36.80	X
11.	To have better standard of living	27.43	XI
12.	To gain social respect	18.43	XII

Results and Discussion

Factors contributing to prefer contract farming in cotton

The factors responsible for cotton farmers to enter into contract farming were studied. The Table 1 indicates that to avail assured price (76.42), to get quality seeds (65.64), to get inputs in time (61.01), to get effective buy back (55.99), to avail institutional credit (51.34) and to avail assured market (50.80) were the major motivating forces for cotton farmers to enter into contract farming. The factors, to reduce risk (44.62), to get viable technology (42.51) and to avail transport facilities (41.67) were found as factors that were moderately responsible for making the cotton farmers to enter into contract farming. The influence by the factors to have better standard of living (25.09) and to gain social respect (19.25) also served as factors but with less intensity.

From the results it could be concluded that to market assistance, sale assistance and to get quality inputs and credits were considered as important motivating factors. Usually, majority farmers sell their produce to the village traders because of certain known advantages. Only few farmers sell their produce through regulated markets. Local traders usually fix low price and do not pay the farmers based on the prevailing market prices quoting the reasons of quality non-organic etc. But in contract farming, farmers receive the price based on the day to day market rate. Availability of inputs in time favour the farmers to carry out farming activities without any delay. Buy back arrangements with assured price helps the farmers to continue farming. All these reasons might have influenced to get the above results.

Factors contributing to prefer contract farming in Coleus

The factors that were responsible for Coleus farmers to prefer the contract farming were also studied. Data in Table 2 reveals that to avail assured price (73.02), to reduce risk (64.19), to get effective buy back arrangements (62.14), to get quality planting material (57.97), to avail institutional credit, to get quality inputs in time (54.85) and to avail assured market (54.38) were the major factors responsible to make the coleus farmers to enter into contract farming. To avail viable technologies (47.94), to avail crop insurance (40.31) and to avail transport facilities (36.80) were the other influential factors. The least influential factors were to have better standard of living (27.43) and to gain social respect (18.43).

From the findings it could be inferred that assured price, reduced risk, effective buy back arrangements, supply of quality planting materials, institutional credit, availability of inputs in time and availing assured market were the influential factors for coleus farmers to enter into contract farming. Arrangements are made to, buy the entire produce at agreed rate. So far, coleus farmers sold their product only to the local merchants, since there was no market avenues for coleus crop other than the local merchant. Farmers could not get reasonable price for their produce from local merchants. Contract farming system has eliminated this problem.

The Contracting company provided major inputs like pre-treated planting material, bio-fertilizers, bio-fungicides and bio-pesticides at nominal cost. Credits are arranged by the company from the financial institutions, company also arranges for crop insurance. All these

reasons would have influenced the coleus farmers to prefer the contract farming.

Cotton: To avail assured price, to get quality seeds, to get inputs in time, to get effective buy back arrangements, to avail institutional credit and to avail assured market for farm produces were the major motivating forces for cotton farmers to enter into contract farming. The factors *viz.*, to reduce risk, to get viable technology and to avail transport facilities were also found as factors that were moderately responsible for making the cotton farmers to enter into contract farming.

Coleus: The factors, to avail assured price, to reduce risk, to get effective buy back

arrangements, to get quality plant materials, to avail institutional credit, to get quality inputs in time and to avail assured market were the identified major factors responsible to make the coleus farmers to enter into the contract farming. To avail viable technologies, to avail crop insurance and to avail transport facilities were the other influential factors.

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