



Risk orientation of the farmers and their reactions towards contract farming

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ABSTRACT

Farmers entering new contract farming ventures should be prepared to balance the prospect of higher returns with the possibility of greater risk. In present study, the reaction of the farmers employed the favourable / unfavourable value attached to different aspects of agreement under contract farming and risk orientation was measured as the degree to which an individual was oriented towards risk and uncertainty and had the courage to face the problems in contract farming. The Likert method or method of summated ratings of scale construction was adopted for construction of risk orientation scale. The farmers complained about grading based pricing used by the agencies. Majority of the farmers agreed with inputs provided and their quantity. Majority of them disagreed with payment for purchase at right time. There was mixed reactions about technical know-how and extension services. Majority of them were having average and above average risk orientation score. The farmers' reactions towards inputs provided, marketing support, extension services and payment of the produce were associated with their risk orientation scores.

INTRODUCTION

Contract farming is defined as a system for the production and supply of agricultural / horticultural produces under forward contracts between producers/suppliers and buyers. The essence of such arrangement is the commitment of the producer / seller to provide an agricultural commodity of a certain type at a predetermined time and price as for the quantity required by a known and committed buyer. The contract farming stands on the commitment from both the parties involved, wherein the farmer provides a specific quantity and quality of the commodity and the purchaser, on behalf of the company, supports the farmer's production and commits to buy the commodity produced. To give boost to the diversification of agriculture in Punjab, the Government of Punjab has also started contract farming scheme from *Rabi* season 2002-2003 through Punjab Agro Foodgrains Corporation Limited. Under this scheme, the area is being shifted from rice and wheat to other high valued crops like winter maize, sarson (hyola), sunflower, mentha, basmati, etc. Farmers entering new contract farming ventures should be prepared to balance the prospect of higher returns

with the possibility of greater risk. Such risk is more likely, when agri-business venture is introducing a new crop to the area. There may be production risks particularly where, prior field tests are inadequate, resulting in lower than expected yields for the farmers. Market risks may occur, when the company's forecasts of market size or price levels are not accurate. Keeping in view the above facts, the present study was under taken with following specific objectives to find out the risk orientation of the contract farmers, to study the farmers' reactions regarding different aspects of contract farming, to study the relationship between the farmers' reactions and their risk orientation scores.

METHODS

The reactions of farmers employed the favourable/ unfavourable value attached to different aspects of agreement under contract farming. Farmers' reactions were measured in terms of agreement, partial agreement and disagreement, and the scores of 2, 1 and 0 were assigned, respectively. The data were collected through personal interview method from selected farmers. Risk orientation was understood as the degree to which