A REVIEW Asian Sciences (June, 2010) Vol. 5 Issue 1 : 69-75

Globalization and contract farming in India-Advantages and problems

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Key words : Contract farming, Geobalization

Cantract Farming has been in existence for many years as a means of organizing the commercial agricultural production of both large-scale and small-scale farmers. In an age of marketing liberalization, globalization and expanding agri business, there is a danger that small-scale farmers will find difficulty in fully participating in the market economy. The era of glozalization, the concept of 'Contaract Farming can be defined as an agreement between farmers and processing of markeating firms for the production and supply of agricultural products under forward agreements, frequently at predetermined prices."

Contract Farming is essentially an agreement between unequal parties, compaines, Government bodies of individual entrepreneurs on one hand and economically weaker farmer on the other.The main feature of contract farming is that the buyer/contractor supplies al the material inputs and technical advise required for cultivation to the cultivator. This approach is widely used, not only for tree and cash crops but also, for fruits and vegetabales, poultry, pigs, dairy. Characterized by its "enormous diversity" not only with regard to the products but also in relation to many different ways in which it could be carried out.

The advantagaes, disadvantages and problems arising form contract farming varies according to the physical, social and market environments. More specifically, the distribution of risks depend on such factors as the nature of the markets for both the raw material and the processed product, the availability of alternative earning opportunities for farmers, and the extent to which relevant technical information is provided to contracted farmers. These factors are likely to change over time, as with the distribution of risks.

History of contract farming :

Contract Farming can be traced back to colonial period when commodities like collin Indigo were produced by the Indian farmers for Engligh factories. Seed production has been carried out through contract farming by the seed companies quite successfully for more than four decades in the country. The new agricultural policy of 2000 was sought to promote growth of private sector participation in agribusiness through contract farming and land bearing arrangements to accelerate technology transfers, capital inflows and assured maraket for crops.

The colonial period saw the introduction of cash crops such as tea, coffee, and rubber, poppy and indigo in various parts of the country. LIC introduced cultivation of Virginia tobacco in Coastal Andhra Pradesh in the 1929s incorporating most elements of a fair contract farming system and met with good farmer reponse. Organized public and private seed companies, which emerged in the 1960' s under farming to obtain input for its bast manufacaturing facility established as a pre-condition to its entry in India. This was sold to Hindustan Lever in 2000 which had earlier acquired the Kissan Karnataka. Contract Farming was the strategy of choice for almost all food processing projects contemplated in the 1980's and 1990's. Contract Farming is again vogue, and even tried for bulk productionof subsistence crops, such as paddy rice, maize and wheat. Commodity Co-operatives, which emerged in the 1950's provided most services evisaged under ideal contract farming to their members and bought back the supplies offered at contracted prices, although these were not strictly contract arrangements. the succeeded enormously, leading to their replictation and compelling private compaines also to adopt similar approaches. Contract Farming is now considered to be corrective to market imperfections and serving a useful purpose in India in its own limited sphere.provide only seeds and essentiasl agrochemicals. the policies and conditions that control advances are normally described in attachments to contract.

Introduction of appropriate technology:

New techniques are often required to upgrade agricultural commodities for markets that demand high quality standards. New production techniques are often necessary to increase productivity as well as to ensure that the commodity meets market demands. However, smalls-cale farmers are frequently reluctant to adopt new technologies because of the possible risks and costs involved. They are more likely to accept new practices

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