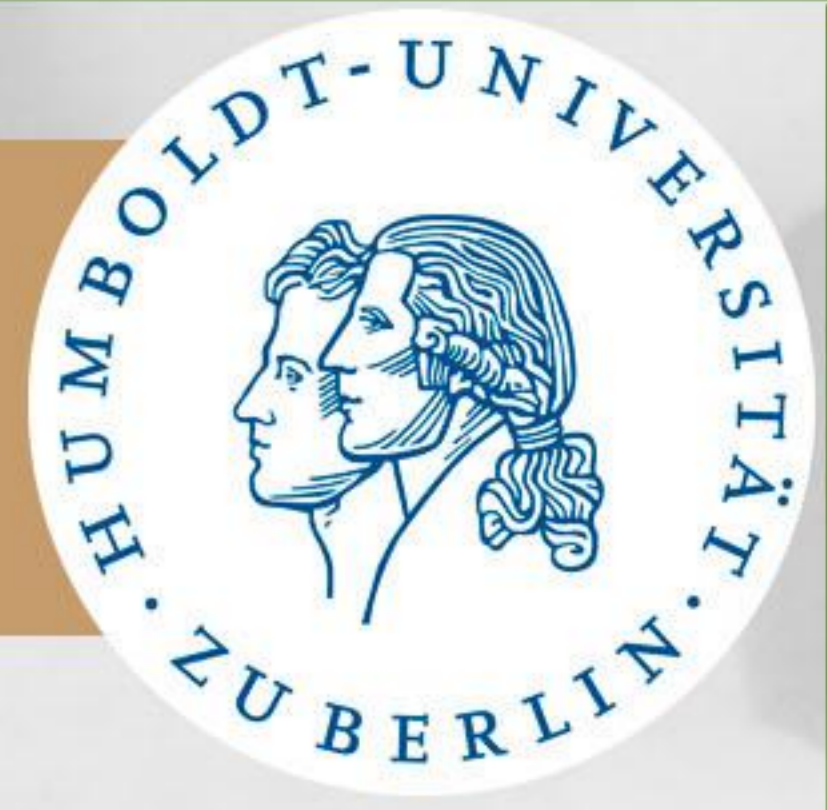


Contract Farming as a Concept for Rural Agricultural Development: Evidence from potato seed culture in Punjab, Northern-India



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Background

- A large portion of India's rural population is dependent on agriculture and allied activities.
- A lack of access to agricultural technologies and traditional, extensive ways of land use are widespread in rural India
- Market imperfection is regarded amongst the most impeding factors for rural farmers to improve their livelihood.
- Contract farming has been widely discussed as an institutional arrangement to overcome these problems.
- Punjab occupies an important place in India as it is one of the highly productive state and the largest grain producer in the country
- The present study is investigating the economic feasibility of contract farming schemes for potato seed culture in Punjab region in Northern India.

Methodology

- The data was collected from the contract and noncontract potato farmers in Ludhiana district of Punjab, using some tools of Rapid Rural Appraisal, including semi structured group and personal interviews and direct observations at the field.
- Cost and returns are analysed for both contract and non-contract farming schemes using gross margin analysis
- In addition, the opinions about contract farming and the problems faced by the contract farmers through discussion with the individual farmers, as well as group discussions, were organized so as to obtain reasonable results.

Results

- Farmers obtained higher yields and returns in contract farming than in non-contract farming.
- In contrast to non-contract farmers, results confirmed that farmers involved in contract farming have regular access to both seeds as well as technical support by the contracting firm.
- Economic analysis indicated a linkage between contract farming and productivity increase.
- However, results show that contract farming schemes tend to exclude small-scale farmers in the region.

Conclusions

- Contract farming could be considered as a possible livelihood strategy so as to attain improved livelihood outcomes.
- High degree of price fluctuations were found for the crop in the study area for the past five year period
- The state government has a crucial role to support the formation of groups, associations and cooperatives to improve the situation of smallholders.
- Considerable potential exists for contract farming as a concept for rural agricultural development, yet the elaboration of approaches to ease smallholders` access to contract schemes remains a prerequisite.

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Gross Margins (INR)

Particulars	CF	NCF
TOTAL REVENUE	55392	12299
Variable costs		
- Seeds	0	0
- Fertilizers & plant protection	3594	3650
- Cleaning, packing, loading-unloading	2000	2692
- Transportation	0	450
Total Variable Costs	5594	6792
GROSS MARGIN I	49798	5507
Cost of irrigation, machinery & labour	6619	7925
Fixed cost	15367	15367
Total	21986	23292
GROSS MARGIN II	27812	-17785

Comparison of returns

Particulars	NCF (Rs 150)	CF (Rs 450)	NCF (Rs 550)
Gross returns (Rs)	12299	55392	45098
Net returns (Rs)	-17785	27812	15014
Cost of production (per Kg)	3.84	2.75	3.84

