

Organic Crop Production through Contract Farming In India

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Abstract: *In recent years consumers' concerns regarding food safety have led to an increase in demand for organic products. The Global market for organic products has been growing steadily not only in Europe and North America but in Asian countries such as Japan and it is estimated that it will continue to be fastest growing sector in agriculture. Not surprisingly organic food production has increased all over the globe with much of the increase occurring in the developing countries where farmers are being attracted by export benefits and substantial price premiums. In India efforts are being made for organic crop production through contract farming. Experiences have shown that farmers are benefited from technical guidance, supply of quality farm inputs and assured purchases at remunerative price. Organic farming through contract basis would bring about favorable changes in the present conventional agriculture to make it sustainable and commercial and consumers would also get certified organic products at reasonable price. This paper will highlight the present situation and future strategies of organic crop production through contract farming in India.*

I. Introduction

India is one of the agricultural based nation with more than 58% of the population pertaining to agricultural sector. Before 1960, in India only organic farming practice was followed without chemical fertilizers and pesticides. During late 1960 there was threats to food security due to population raise and frequent droughts. Government of India had entered into collaboration with USA for reforming farming practices by adding chemical products for cultivation, diseases and weed management. There was increase in production and productivity in the chemical or conventional farming and our country was able to satisfy partly the food security. After 30-40 years productivity has reduced drastically with abnormal input costs and the farming sector turned to be an unfavorable occupation to all concerned. Excessive use of chemical fertilizers and pesticides, decline in water table, increase in water logging, soil salinity, pollution, unfavorable price and with several natural and manmade issues, conventional farming turned to be unworthy for farmers.

The consequences were felt in the form of stagnation in output, declining farmers' income, declining productivity, environmental degradation and suicides by farmers. These are the issues that have become a cause of concern and need expeditious action. Moreover, in several developed countries demand for organic food and fibre and by products is increasing day by day. This change is mainly due to overuse or misuse of chemicals, particularly synthetic insecticides, fungicides, herbicides, fertilizers, plant growth regulators etc. that resulted in undesirable side effects not only in the agro ecosystems but also on human health and life systems of beneficial fauna and microorganisms.

These recent trends in consumerism have opened a new vista for agricultural production on large scale by adopting contract farming which can transform small farmers in to viable commercial producers by monitoring quality, quantity and cost of crop production and can link production with consumption. This change can help develop markets and bring about changes in the present conventional agriculture. This paper therefore discusses the present situation and future strategies of community cultivation in context of organic crop production.

Potential Benefits of Contract Farming And Organic Agriculture

The existing literature on contract farming identifies several major areas where contract farming can provide benefits. From the point of view of farmers, contract farming can provide access to markets, credit, technology and inputs that they would otherwise be excluded from. Moreover, contract farming can lead to improvements in income while reducing some of the risks they face from production and price fluctuations. From the point of view of purchasers, contract farming provides greater control over volume and quality consistency. To a certain extent it can also lower certain transaction and production costs that purchasers face.

Contract farming likewise affords potential benefits to governments. While the development of market linkages for farmers is traditionally viewed as a public sector responsibility, the establishment of the necessary agricultural services for a large number of small, unorganized farmers requires a considerable amount of public sector resources. On the other hand, contract farming provides market linkages in ways, which do not burden the public sector.

Organic farming is gaining growing importance in the agriculture sector of a number of countries. It is a form of agriculture that relies on techniques such as crop rotation, green manure and compost and biological

est control. It uses fertilizers and pesticides that are considered natural such as bone meal from animals or pyrethrin from flowers. The organic agriculture includes growing of crops by a set of guidelines that strictly excludes or limits the use of various methods including synthetic petrochemical fertilizers and pesticides, plant growth regulators such as hormones, antibiotic use in livestock, genetically modified organism, human sewage sludge and nanomaterials for reasons including sustainability, openness, independence, health and safety. At present this system seems to be an ideal and valid solution to produce food and fibre without chemicals and to protect the environment. Further consumers are becoming conscious and critical about the quality of food and by products that affect their health though toxicity depends to some extent on the type of food consumed. So consumers concerns surrounding food safety have led to an increase in demand for organic product.

Contract Farming and Organic Agriculture -

In recent years, consumers concerns regarding food safety have led to an increase in demand for organic products. The global market for organic products has been growing steadily not only in Europe North America but in Asian countries such as Japan and it is estimated that it will continue to be the fastest growing sector in agriculture. Not surprisingly, organic food production has increased all over the globe, with much of the increase occurring in developing countries where farmers are being attracted by exports benefits and substantial price premiums.

This increase in demand has come with a greater on verifiable evidence of food product quality. This in turn has led to more stringent certification requirements and an influx of food traceability systems. Since chemical residues on food are not generally visible and conducting biochemical tests are costly and impractical, in order to guarantee the quality of products while minimizing transaction costs, certification systems and traceability systems have developed to provide information on products for consumers, notably in developed countries.

For export agents in developing countries, the ability to fulfill the traceability or certification requirements will determine their success in the export market for agricultural products. In particular, high value products such as organic products. Since such products have to meet strict quality requirements that are typically difficult to meet in spot markets, firms are utilizing contract farming to gain better control of inputs, achieve more uniform product attributes and to reduce the cost of measuring quality, grading and sorting of products. Due to higher management costs of a food traceability system and the requirement for organic farming to be grown in areas free from chemicals, exports are likely to engage farmers in marginal areas, where the cost of labor is lower and where use of agrochemicals is minimal. For farmers, contract farming provides access to information and markets. For purchasers, contract farming provides control over inputs throughout all stages of production and processing, making it easier to implement traceability systems. For the government contract farming facilitates the production of high value agro products that are consistent with international standards for food safety and traceability.

Beyond issues of establishing the requisite certification standards and traceability systems to promote exports, there are broader benefits from promoting contract farming for organic agriculture for poverty reduction. Over the years, it has become increasingly clear to farmers, non-governmental organization (NGOs), government and international development agencies alike that the conventional practice of farming under the banner of the green revolution has by-passed the poor in marginal areas while benefited the richer farmers in fertile areas. There is also increasing evidence that high external input agriculture is unsustainable. The unsustainable nature of conventional agriculture is manifesting itself in terms of stagnant or declining yields, increasing ecological degradation and worsening rural socio-economic conditions. Increasingly, countries have started to look at organic agriculture as a means of reversing these negative effects.

Since 1990, the market for organic and other food products has grown rapidly reaching \$ 63 billion worldwide in 2012. This demand has driven a similar increase in organically managed farmland which has grown over the years 2001-2011 at a compounding rate of 8.9% per annum. Chellapa mentioned 4-15% growth for organic products in the domestic market also. India being one of the signatories for the world trade organization liberalization, privatization and globalization has opened new grounds for agricultural marketing. The national programme for organic production of the commerce industry and the state governments are actively promoting investments in support of promising ventures in organic agriculture. The national agricultural policy also aimed to strengthen the national economic growth through efficient marketing to accelerate foreign exports by establishing a green export zones for various crops in major crop growing areas where technical know-how and facilities for export will be provided. These facilities are provided by the Agricultural Processed Food Products Export Development Agency (APEDA), National Bank for Agriculture and Rural Development (NABARD), national board for commodities like spices, tea, cashewnuts, coffee etc. international federation for organic agricultural movement and regional or state marketing federations. Additionally commercial banks have initiated such banking for facilitating loans. In fact Utrakhand, Madhya Pradesh and Kerala have been declared as organic states and state bank of India has announced Rs.101 crore for contract farming in Maharashtra and Goa.

While the benefits of implementing organic farming on contract basis may be diverse, but there are some challenges also-

1. Organic farming on contract basis requires a long term approach as it is based on the trust of farmers, for which grass-root invention is critical for its success.
2. If it is not profitable to both parties, the written agreement becomes a useless effort. Thus responsibility of both parties should be fulfilled. The agreement differ according to the commodity produced by contracting farmers. Generally farmers may not take cognizance at the time of signing of the clauses that might be exploitative in short or long term. Such agreements can jeopardize investments and interests, for example, the company changes norms of quality during the crop season and farmers get lower price than the predetermine rate. The purchaser has a right to outright reject the produce. Due to deterioration in quality and insufficient quantity, purchasing may be delayed or avoided. Further, farmers have no option for crop varieties, pesticides and fertilizers and purchasing from particular company/ distributor is often made compulsory.
3. Although 44% of country's GDP comes from retailing, retail market of organic food is limited compared to other countries e.g. 85% in USA, 40% in Thailand, 35% in Brazil, 20% in China and only 2% in India.
4. Convincing farmers about the economic benefits of contract farming through field demonstrations should be taken up urgently. This may consist of educating farmers about new farming techniques, marketing skills for organic food and fibre, seeking cooperation from business communities and firms, informing consumers about the ill effects of chemicals etc. Sufficient number of the trained staff for such extension work in villages is a pre-requisite for the success of contract farming.
5. Certification cost for organic produce is comparatively high and needs to be reduced drastically.
6. Facilities for storing and verification of quality of agricultural commodities at village level are lacking.
7. Participation of processing firms/purchasers is limited, as they are not aware of the long term benefits and they also need large areas which is difficult in regions where small and fragmented land holdings are common.
8. Banks are ready to finance contract farming in organic agriculture to only those farmers who are not defaulters.
9. Under unfavorable climatic conditions, quality of farm produce cannot be maintained or the whole crop may fail. Crop insurance initiated by the government needs to be implemented on a large scale. Also future liabilities of each party in event of unforeseen circumstances are not included in such contracts and the committee for redressal of disputes has not been set up at regional or state level.

II. Conclusion

To conclude we can say that organic crop production through contract farming is found to be fit and important in all respects of agriculture so it should be encouraged for growth immediately in India by all stakeholders, as unless the government takes initiative farmers would not come forward to adopt such methods in their fields. Government agencies should therefore review and formulate strategies with appropriate steps to promote the ventures in future while considering supportive prices and establishing remunerative marketing links for encouraging organic cultivation for export and to enhance local food security.

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