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The business model to provide sustainable development of farmer in agriculture sector: Contract farming

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The Government of India's National Agriculture Policy envisages that "Private sector participation will be promoted through contract farming and land leasing arrangements to allow accelerated technology transfer, capital inflow and assured market for crop production, especially of oilseeds, cotton and horticultural crops".

Farming is an age-old means of livelihood for millions of Indians. However, there have been few systems/ models in which farmers are assured of a market for their produce, leave alone a remunerative price. Farmers have on occasion had to throw their produce away for want of buyers. This is one side of the coin. On the other is the agri-based and food industry, which requires timely and adequate inputs of good quality agricultural produce. This underlying paradox of the Indian agricultural scenario has given birth to the concept of contract Farming, which promises to provide a proper linkage between the 'farm and market.' Recognizing the need for and merits of such a linkage with the farming/producing community, several corporates involved in agro-commodity trading, processing, exports, etc. have attempted to establish convenient systems/models that ensure timely and consistent supply of raw material of the desired quality and low cost.

This article discusses a few successful cases of contract farming and a brief note on the bottlenecks and criticisms levelled against this emerging alternative farm business model. Contract Farming (CF) can be traced back to the colonial period when Indian farmers used to cultivate commodities like Indigo for English factories. Seed production is carried out in India since last four decades by way of contract farming. The colonial period saw the introduction of cash crops such as tea, coffee, rubber and poppy in various parts of the country. ITC introduced cultivation of Virginia tobacco in the coastal regions of Andhra Pradesh in the 1920s incorporating most of the factors of fair contract farming details.

The PepsiCo. introduced tomato cultivation in 1990s in Punjab under contract farming to obtain inputs for its paste manufacturing facility established as a pre-requisite to its entry into India. Contract farming is now considered as a corrective to imperfections in the regular farming and crop market. Along with MNCs, governments are also encouraging contract farming now. The Gujarat Government has made special amendments for contract farming in Vibrant Gujarat ,2009. The objectives of this paper are: to design and develop sustainable model for private players in agriculture sector, challenges and opportunities of contract farming in Gujarat region, role of private players as a media to educate and address the issues of agriculture sectors like, scientific agriculture, education, health, finance, market access, and platform for larger issues like global warming and community corporates as alternate players to private corporates.

Well-managed contract farming is an effective way to coordinate and promote production and marketing in agriculture. Nevertheless, it is essentially an agreement between unequal parties: companies, government bodies or individual entrepreneurs on the one hand and economically weaker farmers on the other. It is, however, an approach that can contribute to both increased income for farmers and higher profitability for sponsors. When efficiently organized and managed, contract farming reduces risk and uncertainty for both parties as compared to buying and selling crops on the open market.

Critics of contract farming tend to emphasize the inequality of the relationship and the stronger position of sponsors with respect to that of growers. Contract farming is viewed as essentially benefiting sponsors by enabling them to obtain cheap labour and to transfer risks to growers. However, this view contrasts with the increasing attention that contract farming is receiving in many countries, as evidence indicates that it represents a way of reducing uncertainty for both parties. Furthermore, it will inevitably prove difficult to maintain a relationship where benefits are unfairly distributed between sponsors and growers.

The advantages, disadvantages and problems arising from contract farming will vary according to the physical, social and market environments. More specifically, the

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