



Avenues of Contract Farming in Gujarat : A study of Potatoes

KEYWORDS

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Indian agriculture had witnessed tremendous change in the last half century or so. The change was brought about not only by technology such as green revolution but also through institutional intervention in delivering appropriate farm inputs and marketing of outputs. One such institution arrangement is "Contract Farming". It is the institutional innovation that is being advanced to accelerate technology transfer, capital inflow and assured marketing of crop production. The New Agriculture Policy (2000) emphasized contract farming to promote the agriculture growth. Several agriculture and horticulture crops are produced under contract farming arrangements in the country and several small players and big corporate houses including multinational are engaged in contract farming.

Objectives:

The present study is undertaken with following objectives:

1. To understand the scenario of contract farming per se.
2. To analyze the need and benefit of contract farming in Indian agriculture and industrial sector.
3. To analyze contract farming in Gujarat state.
4. To focus on contract farming for potatoes in Gujarat.
5. To have in-depth understanding of contract farming in Gujarat via case study.

Methodology:

The present study is based on analysis of secondary data at both national and state level. The comparative study of contract farming across state on India has been undertaken for the detailed understanding and then analysis of contract farming in state of Gujarat has been dealt with. The institution, companies, area covered in contract farming at both national and state level is incorporated in the study. The nitty-gritty of the agreement on contract farming in Gujarat state is discussed in detail. The related statistics about contract farming for potatoes in Gujarat is incorporated. The case studies of McCain's has been annexed for the overall perception of the prevailing scenario.

What is Contract Farming?

Contract farming is a written commitment or an agreement made between the farmer and the buyer for cultivation and sale of specific quality, grade and variety of commodity at predetermined price. The farmer enters into a contract with a processing/marketing firm to supply pre-arranged quantity and quality of produced at a pre-arranged price and time. The contract could be of three types: (1) Procurement contract under which only sale and purchase conditions are specified; (2) Partial contract wherein only some of the inputs are supplied by the contracting firm and produce are bought at pre agreed price. (3) Total contract under which contracting firm supplies and manages all the inputs on the farm and the farmer becomes only the supplier of the land and labor. The relevance of each type varies from product to product and from time to time. However, each type is not mutually exclusive.

Contract Farming Versus Corporate Farming

Contract Farming is the system for the production and sup-

ply of agricultural / horticultural produce under forward contracts between producer / supplier and buyers. It is essential that the commitment of the producer/seller to provide an agricultural/horticultural commodity of a certain type, at a specified time and a price and in the quantity and quality required by a known and committed buyer.

There shall be a pre-agreement (the contract) regarding the price, quality, quantity (or acreage under the crop) and time of delivery of the produce.

The farmer/producer will be required to plant contractor's crop on his land, harvest and deliver a quantum of produce (based on anticipated yield) to the contractor. He shall provide land and labour necessary for this. The contractor shall supply all required inputs for the production of the said crop.

Corporate farming on other hand is land leasing arrangement where allotment of wasteland is made to approve projects submitted for development of such land for cultivation and subsequently for agricultural production. A 20-year lease of such wasteland will be given to big business house and individual able and big farmers. The maximum limit of 2000 acres (810 ha) will be applicable for each allotment. The allotment includes mandatory clause for start of development activity within the first 5 years of allotment, otherwise it will lead to cancellation of the lease. The facility of easy loan shall be provided for expenditure on proposed development of land. The allottee should develop modern micro-irrigation schemes and use techniques like drip irrigation, water harvesting structures etc. The highly subsidized rental rates for the allotted land – free for first 5 years, Rs. 40 per acre for 6-10 years and Rs. 100 per acre beyond 10 years. Moreover, the allotted land can be mortgaged with prior permission of the concerned Collector and with conditions. The allotted land may not be used for non-agricultural use; however, construction work on such land may be carried out with permission from competent authorities.

Contract Framing in India

National Agricultural Policy (NAP) of Govt. of India announced in 2000 envisaged that "Private sector participation in Agriculture shall be promoted through Contract Farming and Land-leasing arrangements (Corporate Farming) to allow accelerated technology transfer, capital flow and assured markets for crop production (with emphasis on oilseeds, cotton and horticultural crops)".

After announcement of policy coupled with the flavor liberalization, there has been a sudden spurt in contract farming in India. Moreover, today more and more established business houses are taking interest in the business of contract farming in India. This has happened as a result of rapid growth of retail industry in India. The growth of retail industry in India has propelled the growth of farm retail in India, which caters fresh vegetables and fruits from the farms to the Indian mass.

The Indian institutes engaged for marketing agricultural products under contract marketing are as follows It would be interesting to know various institutions involved across states in contract farming.

- Karnataka State Agricultural Marketing Board
- Krishi Maratavahini
- Madhya Pradesh State Agricultural Marketing Board
- Maharashtra State Agricultural Marketing Board, Pune
- Meghalaya State Agricultural Marketing Board
- Orissa State Agricultural Marketing Board, Bhubaneswar
- Punjab State Marketing Board
- Rajasthan State Marketing Board
- AP Agricultural Marketing Board
- Domestic & Export Market Intelligence Cell
- Tamil Nadu Agricultural University and Agri Marketing Board
- HP State Agricultural Marketing Board

The main agricultural products of India under contract farming

Food Grain	Rice, Wheat, Pulses, Cereals, Corn, Maize, Rice Bran Extractions, Sorghum, Soy meal, Suji, Parnal, Lentils, Jowar, Bajra, Chick pea
Fruits	Bananas, Beans, Cherry, Cucumbers, Dried Fruits, Dried Truffles, Carrots, Lemon, Mandarins, Mango, Meslin, Shallots, Apples, Asparagus, Grapes, Oranges, Gherkins, Turnips, Oranges, Papaya, Pineapple
Nuts	Cashew Kernels, Cashew Nut, Cashews, Almonds, Roasted Dry Fruits, Peanuts, Groundnut, Walnut Kernels, Walnuts, Indian Peanuts, HPS Groundnuts
Vegetables	Potatoes, Bitter gourd, Stripe Gourd, Pumpkin, cauliflower, Cabbage, Tomato, Onion, Green Pepper, Drum Sticks, Lady's finger, Banana, Papaya, Spinach, Cucumber, Mushroom, Mushroom Spawn, Radiata, Seeds, Buds, Plantation & Related Products - Basil Seed, Cumin seeds, Dill Seed, Buds, Celery Seed, Hybrid Seeds, Sesame Seeds, Sesbania Seed, Sunflower Seeds, Mustard Seeds, Oil Seeds, Plant Products, Plantation, Plants, Psyllium Seed, Fennel Seed, Fenugreek Seed, Herb Seeds, Tamarind Seed, Vegetable Seed
Spices	Black Pepper, Chilly, Cinnamon, Cloves, Coriander Powder, Cumin, Dry Ginger, Dry Red Chilly, Cardamom, Anise, Salt, Pepper, Fenugreek, Clove, Ginger, Turmeric, Turmeric Powder
Tea & Coffee	Black Tea, Coffee, Coffee Beans, Darjeeling Teas, Assam Teas, Instant Coffee, Leaf Coffee, Leaf Tea, Packaged Tea, Green Tea, CTC Teas
Tobacco & Tobacco products	Betel nut Leaves, Betel nut, Bidi Leaves, Chewing Tobacco, Arecanut, Snuff, Opium, Pan, Jute, Tobacco, Rubber etc

Contract Farming in Gujarat

In order to facilitate industries to procure specific quality of agro-commodity directly from the farmers the state government, keeping in tune with the reforms has adopted contract farming scheme from 31/3/2005. While adopting contract farming, the prime focus of the Gujarat government was dual. Firstly farmers of Gujarat can get benefit of latest farming technology, improve quality and quantity of produce, get price security and diversify in other crops. On other hand the processors can get quality and variety of commodity as per their market requirement at specific stable price, quantity and quality.

Gujarat Government issued Govt. Resolutions (GRs) on April 11 2005 on Contract Farming is on the same lines as suggested by Govt. of India but with some modifications. The latter relates to the refusal of the Gujarat Govt. to break the monopoly control of all private traders in Agricultural Produce by the 225 Agricultural Produce Marketing Committees (APMCs) operating in almost all talukas in the State. This GR allows tripartite seasonal, annual or long-term (3-5 years) contractual agreement between a farmer, a contract sponsor and the APMC of a particular region and with the sanction of the Gujarat State Agriculture Marketing Board the apex body controlling the state APMCs. A Model tripartite agreement on Contract Farming has been appended to this GR.

Feature of contract farming agreement in Gujarat

Tripartite Agreement: Three parties viz. Contract Sponsor,

Farmer and concerned Market committee shall be signing the Agreement to ensure that all the parties adhere to the terms and conditions of the contract.

APMC as a Facilitator: APMCs having long standing relationship of trust with local farmers shall play the facilitative role in mobilizing farmers, make them understand the concept and explain the clauses of the Agreement. APMCs in Gujarat are very strong, having multi facilities at the yard. As a local body they have better knowledge of local farmers, terrain, soil, climate, irrigation & other agriculture scenario of the surrounding area

Period of contract: The period of contract can be seasonal, 1 year or upto 5 yrs. In case of Long-term crops, it can extend for more years as mutually agreed between farmer and purchaser, surrounding area.

Technical and Financial support: The farmers can get advantage of technical research done by sponsor and may also get financial support in form of seeds, fertilizer, including harvesting techniques.

Details of Commodity: For the smooth transaction of the deal and preventing future decent, the agreement contains all-important details like type & quality of commodity, crop insurance, payment terms, etc.

Dispute Redressal system: All Disputes to be settled only through "Arbitration". Judgment on dispute between farmer and purchaser is to be given within 1 month. The Managing Director of Gujarat State Agricultural Marketing Board shall act as an "Arbitrator".

Companies, Area under contract farming in Gujarat

Name of the Company	Area covered/proposed	District/region	Crop	Benefit to farmer
Agrocell Corporation Ltd	5000 acre	Kutch & Surendranagar	Organic cotton & Sesame	7-8% rise in price
Atreyas Agro Organic Pvt. Ltd	50,000 acres proposed	NA	Jetrophs Curcas	
Godrej Agrovet Ltd.	Proposed	South Gujarat	Oil Palm	tissue culture plants and farming technology to
Pepsi India, Arvind mills, Jjoba Oil Industries Ltd	Proposed	Not decided	Not decided	Not Decided

Contract Farming for potatoes in Gujarat

Gujarat emerged as the hub of contact farming for potatoes in India. The potato chips that we munch are predominantly procured through contract farming technique. The special breed called "Shepody", an oblong variety jumbo potato was cultivated in Mehasana Gujarat as this breed required wet wintry weather. Mehasana, enjoy prolonged winter season. Even the other breed called "Santana" is also considered now. Even districts like Deesa, Vijapur, Palanpur, Himmatnagar in north Gujarat and Anand in central Gujarat have emerged as India's hubs of new breeds of potato

The special seed required to grow huge oblong variety of potato were provided to the farmers. The special seed called Lahul Spiti was developed in Himachal Pradesh. The farmers were convinced about the profitability of growing new breeds of potato without forsaking the cultivation of traditional varieties, consumed in millions of homes. Presently, Gujarat growing approximately 2,000 tonnes of new breed of potatoes

Case Study of McCains Food :

McCains Food India (MFI) a subsidiary of US multinational McCains Food The Indian subsidiary processes and supplies frozen potato products from its swanky \$14.6 million plant

on the National Highway number 8 that connects Delhi and Mumbai. The plant is located 60 km away from Ahmedabad, enroute to Mehsana.

The plant, has a capacity to process 40,000 tonnes of potato a year, went on stream in June 2007. McCain's journey to success began in 1997 when it made its entry into India with a proposal to invest Rs.1 billion (\$25 million) in potato fry business.

The country manager of MFI Mr Mukherjee said "We were determined to stay in India and make a success of the venture," He said after a thorough study, the company concluded that Indian potato was not the ideal for the business. Potatoes, which were larger in size and had less water content, were required, so it was necessary to develop the seed in cold climate. A team of researchers then took up the task of developing the seed at Lahul Spiti in Himachal Pradesh.

After developing the seed the company started a search for the best area for growing the new breeds. That search ended at Mehsana in north Gujarat, as the region was blessed with a stretched wintry condition, which was vital for potato growth.

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And since the plant was also coming up in Mehsana, logistics demanded that the potato be grown in nearby areas.

Mukherjee said MFI worked closely with farmers and encouraged them to share the new agronomy practices like relying on quality seed, drip and sprinkler irrigation systems, new planting techniques and adopting contemporary methods of potato storing.

The joint endeavor bore fruit and Shepody, the new jumbo variety of potato, was born in India, oblong in shape and huge in size. And now Santana, another new breed is on the anvil. Presently districts of North Gujarat have emerged as the hub for contract farming in Gujarat.

Mukherjee claimed that farmers in north Gujarat were now convinced about the profitability of growing new breeds of potato without forsaking the cultivation of traditional varieties, consumed in millions of homes.