

Contract Farming for Remunerative Prices of Jeera, Isabgol and Pomegranate in Western Rajasthan

D. Kumar, R. S. Mehta, Saren K. and S. C. Meena

Contract farming is an agreement between farmers and processing or marketing firms for the production and supply of agricultural products under predetermined conditions, often including price, quality, and technical support. Farmers commit to providing a specific quantity and quality of produce, while companies support production and purchase the output. This system helps distribute risks between producers and buyers.



Fig. 1: Farmers' interaction meeting

Types of Contract Farming

1. **Market-Specification Contracts:** Pre-harvest agreements specifying price, quality, and timing.
2. **Resource-Providing Contracts:** Companies supply inputs like seeds, fertilizers, machinery, or credit.
3. **Production Management Contracts:** Companies guide production methods and inputs, often combined with marketing agreements.

Benefits for Small Farmers

- Access to quality inputs, technical guidance, and management skills.
- Improved overall farm management and yield.
- Reduced marketing and price risks.

- Legal protection under the Model APMC Act for contract registration, land rights, and dispute resolution.

Success Stories in India

- PepsiCo (potato, tomato, groundnut, chili) in Punjab
- Safflower in Madhya Pradesh
- Oil palm in Andhra Pradesh
- Amul and NDDB (milk procurement)
- Sugarcane cooperatives in Maharashtra
- Prawn aquaculture in Andhra Pradesh

Challenges and Risks

- Breach of contracts by both parties due to market fluctuations.
- Preference for medium and large farmers due to transaction costs; small farmers may need collective agreements.
- Production risks are not always covered; crop failure may not be compensated.
- Contract terms often lack transparency, limiting farmers' bargaining power.

Evolution and Legal Context in India

- Existed since the 1960s for seed production.
- Became widespread in the 1980s–1990s with perishable crops.
- Legal framework strengthened by amendments to the APMC Act, allowing formal recognition of contract farming.

Corporate Farming

- Legally restricted in India; non-farmers cannot own land due to the Land Ceiling Act.
- Attempts to lease land for corporate farming have faced challenges and local opposition.

D. Kumar¹, R. S. Mehta¹, Saren K.¹ and S. C. Meena¹

¹Scientists, ICAR–Central Arid Zone Research Institute, Regional Research Station, Jaisalmer, Rajasthan