

Hindustan Times, Delhi

Monday, 2nd July 2018; Page: 12

Width: 18.32 cms; Height: 26.31 cms; a4r; ID: 17.2018-07-02.77

information and inputs at the right time

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Contract farming can revive India's agriculture

Mutual trust and confidence in farm-firm relationships are important conditions for such arrangements to flourish



Contract farming works informally in the Indian economy. Although it benefits farmers by providing assured market transactions for an acceptable quality of produce, the lack of a written contract adversely affects the interests of farmers, who are vulnerable to exploitation by those with capital in their possession.

For a long time, there was no comprehensive policy to regulate the actions and clauses of agreements in contract farming. It is important for farmers to be more connected to the market (mandis) in order to get proper information and inputs at the right time. E-NAM (National Agriculture Market) has so far been able to enrol just 585 mandis in the country, which leaves out a significant proportion of them. Also, E-auctions are still conducted by commission agents. The government needs to train farmers to auction their produce themselves, for more states to participate in E-NAM.

Mutual trust and confidence in farm-firm relationships are important conditions for contract farming arrangements. The new Contract Farming Model Act aims to create a regulatory body to enforce contracts. Experience shows neither parties want law

enforcement to intervene, with marginal farmers being affected the most. Village level courts, subsidised legal support and minimum prices will ensure a fairer settlement.

Under the current system, the farmer is paid only after the crop has been harvested and sold, leaving him at the mercy of the company's discretion. Instead, there should be a database of companies readily available to farmers for information about backgrounds of the companies they engage with. The imbalances in market power, opportunistic behaviour and other unfair practices have acted as a drag on contract farming. Risk-sharing clauses and transparent contract terms must be enforced to enable better coordination.

The results from several contract farming models show that net profits for contract farmers were more than double those for non-contract farmers. The share of marketing and transactional costs to total cost was much lower for the former.

Contract farming has the potential to revive agriculture if properly implemented. Though the draft Model Contract Farming Act 2018 does address many of these issues, it has not been mandatory for states to adopt it as agriculture is in the concurrent list. Some constitutional change would be desirable in order to implement enabling changes in letter and spirit to solve the problems of farmer distress in keeping with ground realities.

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The views expressed are personal