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Swot Analysis and Suggestions, Opinion of Respondents on Contract Farming

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Abstract

This article focused on the SWOT analysis and suggestions, opinions of respondents on contract farming. The study was conducted in two districts of Karnataka state viz., Bangalore Rural and Tumakuru. Two taluks each from each district, Tumakuru and Gubbi taluks from Tumakuru district, and Nelamangala and Doddaballapura taluks from Bangalore Rural district were selected. A total of three crops were selected purposively, namely Gherkin, Watermelon, Tomato. The respondents were selected based on simple random sampling techniques; the sample size was Gherkin 35, Tomato 35, Watermelon 10, and noncontract farmers 20 from each taluk of two districts.

Keywords: Facilitators, Technical advice, Pre-determined prices, Market, Management, Production, etc.

Introduction

Contract farming facilitators farmers in getting inputs and technical advice on time and firms involved in contracts earn profit from agriculture production either by lifting the production and supplying to the agro-processing companies or by exporting the product after processing on its own. In the first case, the firms act as a facilitator alone, but in the latter, they enjoy the profits of exports. Contract farming can be defined as “agreement between farmers and processing or marketing companies for the production and supply of farming produces under a forward agreement, generally at predetermined prices.”

The intensity of the written agreement arrangement varies in keeping with the depth and quality of the provisions in every of the subsequent three areas (Minot, N, 1986, Eaton & Shepherd 2001).

Provision of Market: The maker and buyer agree to terms and conditions for the future arrangement and purchase of a yield or domesticated animals thing;

Provision of Resource: related to the promoting courses of action the purchaser consents to supply chosen inputs, including on events arrive planning and specialized exhortation;

Specification of Management: The cultivator consents to pursue suggested creation strategies, inputs administrations and development, and collecting determinations (Minot, N, 1986; Eaton & Shepherd, 2001).

Review of Literature

Tanya Korovkin (1992): conducted a study on the “social implications of contract farming promoted in smallholding in a Chilean community.” The article features the plausible points of interest in contract farming, for example, to hoist the rich workers into the status of laborers business people as opposed to causing the proletarianisation of the worker network. The natural focal points of contract farming (not imperatively the higher comes back from land) seen to have spurred Chilean farmers.

In spite of the fact that the organic product blast enhanced the pay of landless families, alleviating barely their destitution and frailty, the occasional plain nature of the business, and in this way pay, scarcely permitted any extreme change in their monetary status. The main limitation of the study was not focused on other crops and only focused on the chilly crop.

Clapp (1994): study on “the unequal representation of contract farming in Latin America.” This could be a direct result of these legislative issues of portrayal, which is the prime explanation behind the social relations of contract farming. He recommends that an elective portrayal of agreement cultivating, which centers on the inconsistencies of wage work, has a circuitous power over lab our and an unverifiable supply to farmers and that prompt camouflaged proletarianisation. The governmental issues of portrayal can be pardoned through directing ‘the ethical economy of the agreement’ between the organization and laborer network.

Behrooz Morvaridi’s (1995): article on “contract farming and environmental risks: the case of Cyprus” examines in North Cyprus environmental degradation and productivity reduction occasioned under contract farming. The investigation features the adjustments in the terms and states of contract farming achieved by farmer’s entrance to key assets like water and so forth. The paper features the way that just vast agriculturists are in a situation to put resources into the water system to keep up efficiency, however, this pattern was observed to be fleeting and that “corporate benefits are made to the detriment of long haul profitability for farmers.” Water system with saline water has caused many organic product trees to evaporate, rendering substantial zones of land inefficient; the rate of this issue was discovered more on account of minimized ranchers than their more extravagant partners. The limitation of the study was that it only focused on environmental risk, not other risks.

S.S. Hiremath and DR. K.R. Kadam (2012): conducted a study on “Contract Farming in Medicinal Plants: A Case Study.” The objective of the investigation was to consider the financial highlights of coleus cultivators. The strategy of this investigation was essential information was gathered

from Belgaum and Dharwad areas. The significant finding of this investigation was therapeutic contract farming produced positive income of contract farmers. The limitation of this investigation was to asses’ diverse issues identifying with contract farming of a restorative plant Coleus, not for different crops.

D.V. Kolekar, H.R. Meena (2013): conducted an empirical study on “Accessibility Efficiency and Impact of Extension Service Deliveries to Rural Milk Producers under Contract Dairy System.” The objective of this study was that, to assess the openness, effectiveness, and effect of augmentation administrations given by the agreement firm to rural milk producers. The procedure of this investigation was that this examination was attempted on 120 respondents having a place with Satara locale of Maharashtra amid 2010-11. The significant discoveries of this examination were that the enhancement in creature social insurance, feed and grub, and dairy farming practices, after the presentation of agreement framework had brought about enhancement in milk generation were moved forward. The limitation of this examination was, just engaged to rustic drain makers under contract dairy framework, not for urban milk producers.

Research Gaps

- Most of the studies like Clapp-1994, Tanya Korovkin-1992, Behrooz Morvaridi’s-1995, Sharanesh Jalihal-2009, S.S.Hiremath & Dr.K.R.Kadam-2012, focused on general issues like the nature of relationships among farmer and firm of contract farming and did not focus other important issues like cost and returns of contract farming.
- Most of the studies, like D.V. Kolekar, H.R. Meena-2013, focused on only milk dairy contract farming, not for other activities.

Objectives

- To know the practice of contract farming
- To study SWOT analysis of Contract Farming.
- To study the suggestion and opinion of respondents involved in contract farming.

Data Base

- Primary Data: The field survey has been under taken, and information has been collected through a structured pre-tested questionnaire schedule prepared for the contract farmers with a personal interview method.
- Secondary Data: The study has used secondary data on the status and performance of the contract farming systems at the international, national, and state levels. Information about contract farming is collected from the standard literature, journals, research articles, news papers, magazines and census reports, etc.

Figure: 1 A Contract Farming Framework

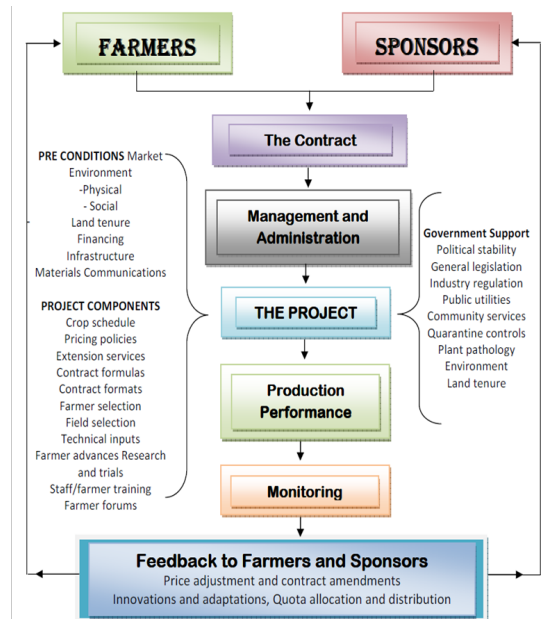


Table 1: Characteristics and Structure of Contract Farming

Structure –Model	Sponsors	General Characteristics
Centralized	Private corporate sector State development agencies	Direct contract farming. Famous in many creating nations for high esteem crops
Nucleus estate	State development agencies Private/public plantations Private corporate sector	Direct contract farming. Prescribed for tree crops, e.g. oil palm. Prevalent for resettlement plans. Promise to give material and the board contributions to farmers
Multipartite	Sponsorship by different association, e.g. State advancement offices State marketing authorities Private corporate sector Farmer cooperatives	Common join venture approach. Except if brilliant coordination between patrons, inside administration troubles. Normally contract responsibility to give material and the executives contributions to agriculturists.
Informal developer	Entrepreneurs Small companies	Not direct farming. Common for short-term crops' i.e new vegetables to wholesalers. Contract on a casual enrollment or verbal premise.
Intermediary	Private corporate sector	Sponsors are for the most part from the private division. Sponsors control of material and specialized information shifts generally. At time supports are unconscious of the training when unlawfully done by substantial agriculturists

Source: Charles Eaton and Andrew W. Shepherd (2001), Contract farming partnership for growth, FAO Agricultural Service Bulletin 145, page no, 49.

Swot Analysis

Successful implementation of contract farming, calls for a thorough understanding of the environment in which it will be applied. This section tries to analyze the strengths and weaknesses, opportunities, and threats that are associated with contract

farming. The analysis is from the perspective of the contract farmer. The major strength, weaknesses, opportunities, and threats are identified in the study by open-ended and multiple response questions. The SWOT analysis is depicted in Table-2.

Table 2: SWOT Analysis of Contract Farming

Indicator	Particulars	Tumakuru		Bangalore Rural		Total		Test Statistics		
		No	%	No	%	No	%	Chi-Square	df	p value
Major Strengths	Fixed price	24	15.00	32	20.00	56	17.50	0.284	1	0.594
	Price security	17	10.63	18	11.25	35	10.94			
Major Weakness	Rejection of Crop	12	7.50	28	17.50	40	12.50	1.167	1	0.28
	No High Support	10	6.25	13	8.13	23	7.19			
Major Opportunities	Job Opportunities	13	8.13	17	10.63	30	9.38	0.098	1	0.754
	Additional Benefits	11	6.88	17	10.63	28	8.75			
Major Threats	No Crop Insurance	11	6.88	19	11.88	30	9.38	2.009	1	0.156
	No Compensation	24	15.00	21	13.13	45	14.06			

Source: Primary Data (Field Survey); **Note:** Multiple responses

About the level of major strengths, it is seen that the majority (17.50 %) of respondents said that fixed price is the major strength of contract farming. The 11.00 percent of respondents have price security is a major strength. It was found that in the study, across two districts are the same strengths. The p 0.594 value obtained by the Chi-square statistics test result indicates that the various strengths of contract farming across districts are independent. It is also evident that the majority (12.50 percent) of respondent's major weakness of contract farming is the rejection of crop, and 7.19 percent of respondent's major weakness of contract farming is no high support from the firm. It is found the same across the two districts. The p 0.28 value obtained by the Chi-square statistics test result indicates that the various weakness of contract farming across districts is independent.

Most 10.00 percent of respondents, major opportunities of contract farming, are job opportunities. The 8.75 percent of respondents, major opportunities of contract farming, are additional benefits. It is true in both districts. The p

0.28 value obtained by the Chi-square statistics test result indicates that the various opportunities for contract farming across districts are independent. A majority (14.06 %) of respondents, major threats of contract farming, is no compensation for their crops, while any risks happened. 10.00 percent of respondents, major threats of contract farming are no crop insurance. It was found the same result in both districts. The p 0.156 value obtained by the Chi-square statistics test result indicates that the various threats of contract farming across districts are independent.

Suggestions

In this section, suggestions to improve contract farming discussed. The respondents gave various suggestions concerning their opinion. The majority of respondents suggested timely payment. Other suggestions are timely payment, providing drip irrigation facilities, timely and regular visits of the technical person of the firms. The suggestions to improve contract farming are shown in Table-3.

Table 3: Suggestions to Improve Contract Farming

Particulars	Tumakuru		Bangalore Rural		Total		Test Statistics		
	No	%	No	%	No	%	Chi-Square	df	p value
Timely payment	71	44.38	77	48.13	148	46.25	0.757	2	0.685
Drip irrigation facility	22	13.75	18	11.25	40	12.50			
Company have to provide labour services	7	4.38	5	3.13	12	3.75			
Incentives must be provided	1	0.63	2	1.25	3	0.94			

Source: Primary Data (Field Survey); **Note:** Multiple responses

Table-3 indicates that almost 46.25 percent of respondents suggested improving contract farming is timely payment. It was in the Tumakuru district is 44.38 percent, and Bangalore rural district is 48.13 percent. Many times contract firms delaying the payment of contract farmers. It is found in the field survey. It is true in both districts. The 12.50 percent of farmers suggested to improve contract farming is a drip irrigation facility. Farmers have required drip irrigation facilities for their crops, and many times, farmers are faced with the problem of shortage of water from various sources of irrigation. Drip irrigation is suitable for contract crops; it saves water and reduces the problem of irrigation in farm activity. The 3.75 percent of respondents gave

suggestion is the company have to provide labor service, and nearly 1.00 percent is incentive must be provided. The p 0.685 value obtained by the Chi-square statistics test result indicates that Suggestions to improve contract farming are independent of districts.

Opinion of Contract Farming

The contract farmers are given different opinions on contract farming practice. In this regard, various questions asked to respondents like, very dissatisfied, dissatisfied, neither satisfied nor dissatisfied, satisfied, and very satisfied. The majority of the contract farmer's opinion is satisfied. The opinion of contract farming is depicted from Table-4.

Table 4: The opinion of Contract Farming

Particulars	Tumakuru		Bangalore Rural		Total		Test Statistics		
	No	%	No	%	No	%	Chi-Square	df	p value
Dissatisfied	7	4.38	13	8.13	20	6.25	3.854	2	0.146
Satisfied	151	94.38	147	91.88	298	93.13			
Very Satisfied	2	1.25	0	0.00	2	0.63			

Source: Primary Data (Field Survey)

Table 4 indicates that the majority (93.13 percent) of respondents; the opinion of contract farming is satisfied. It is true across both the district. In the Tumakuru district majority (94.38 percent) and Bangalore rural district (91.88 percent) of the respondent's opinion of contract farming is satisfied. The 6.25 percent of respondents, opinion is dissatisfied. Only two respondents opinion is very satisfied. The p 0.146 value obtained by the Chi-square statistics test result indicates that the opinion of contract farming based on experience is independent of districts. It indicates that the contract farming across both districts is successful.

There is a significant difference in health care expenditure by the farmer before and after contract farming, but this due to other factors like change in life style and increase income, etc. Precautionary measures adopted by the contract farmers after contract farming has improved significantly due to awareness about the health care services.

There is an improvement in participation in public function after contract farming. Possession of draft animals, power tiller, and tractor after contract farming has improved drastically due to change in

technology. The material possession of movable and immovable has increased after contract farming. Extension contact and participation also increased after joining the contract farming of respondents. Fixed price and price stability are the major strengths, and no cropping insurance and compensation is a major threat of contract farming. Major suggestions from farmers were timely payment and drip irrigation facilities. Almost contract farmers satisfied contract farming.

Conclusion

In the practice of contract farming, this farming has its own strength, weakness, opportunities, and threats. Compared to weaknesses and threats, strength is maximum based on the results. The maximum percent of respondents suggested to improve contract farming are timely payment. Most of the respondent's opinion of contract farming is satisfied.

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