

## CONTRACT FARMING IN MEDICINAL PLANTS OF COLEUS : A CASE STUDY

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### ABSTRACT

Contract farming can be described as a half way house between independent farm production and corporate farming. Contract farming involves a contractual relationship between farmers and a central processing or exporting units/firms. The results in respect of Socio-economic characteristics of the sample farmers in education level is concerned, hardly 35.00 per cent of the farmers were illiterate and remaining 65.00 percent were literate. Annual income was Rs. 56,950 per family. Cent percent of farmers faced major constraints of non availability of labors for work. Manipulation of norms by firms (85.71%), delayed payments (81.71%) and less price for the produce (75.71) were the major constraints in contract farming. Cent percent respondents suggested for immediate and regular payments for the produce. Provision of supportive price for their products (76.66%), government intervention for enforced strict laws (44.16%) and guidance over pests and diseases management (18.33%), were also given importance.

### INTRODUCTION

Contract farming is defined as a system of production and supply of agricultural and horticultural produce by farmers under forward contracts. Such arrangements are being a commitment to provide agricultural and horticultural produce of a type, at a specified price and in a specified quantity to a known buyer. Contract farming can indeed be a vehicle for the modernization of agriculture in India. The agro-based industries require timely and adequate inputs for 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 farm and market.

There is no standard and homogenous method in contract farming in agriculture. Generally, there are three types of contract in agriculture viz.,

- i) Procurement contracts, under which only sale and purchase conditions are specified
- ii) Partial contracts, wherein only the contracting firms supply some of the inputs and produce is bought at pre-agreed prices and
- iii) Total contracts, under which the contracting firm supplies and manages all the inputs on

the farm and farmer is just a supplier of land and labour. The relevance and importance of each type varies from product to product and these types are not mutually exclusive (Hill and Ingersent, 1982 and Key and Runsten, 1999).

Contracts are generally signed prior to planting and specify how much produce the company will buy at what price. Often the firm provides credit, inputs, farm machinery rentals, technical advice and retains the rights to reject the substandard produce (Glover, 1990).

#### Importance of medicinal plants

In case of medicinal plants China and India are two major production centers having more than 40 percent of global diversity. International market of medicinal plants is over US \$60 billion per year, which is growing at the rate of 7 percent. China besides meeting its domestic requirement, is earning US \$ 5 billion per year from herbal trade. India at present exports herbal material and medicines to the tune of Rs. 446.3 crores, (Source: Planning commission, GOI, March 2000).

The present study is an attempt to assess different issues relating to contract farming of an important medicinal plant Coleus. As this is a new

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thrust area, the information generated may help farmers and private firms for entering into contract system. The study also tries to explore problems and lacuna faced in contract farming.

#### Objectives of the study

- i. To study the socio-economic features of coleus growers.
- ii. To analyze the costs and returns and resource use efficiency in production of coleus crop.
- iii. To know the factors influencing farmers about contract farming.

### RESEARCH METHODOLOGY

Belgaum and Dharwad districts of north Karnataka were selected for the study where the medicinal plants cultivation is done under contract farming. To evaluate the objectives of the study, all farmers who adopted contract farming were selected from each village in consultation with the contracting companies and also necessary data relating to contract farming were obtained from the selected farmers with the help of pre-tested schedule.

### RESULTS AND DISCUSSION

Cent percentage of farmers faced major constraint of non availability of labours for work. Manipulation of norms by firm (85.71%), followed by delayed payments (81.71%), less price for the produce (75.71%), high rejection rate (73.57%), problem of pest and diseases (66.42%) were also the problems faced by the contracting farmers (Table 1).

Cent per cent respondents suggested for immediate and regular payments for the produce. Provision of supportive price for their products (76.66%), followed by government intervention for enforcing strict laws (44.16%) and guidance over pests and diseases management (18.33%) were the other suggestions expressed by the contract farming farmers Table 2 indicated. It is also observed from the study that all the contract farming farmers were influenced due to assured market value for medicinal plants followed by good irrigation sources for taking up of medicinal plants production, higher returns (83.33%), timely supply of inputs (79.16%) low risk i.e. market fluctuation and assured returns (75%). Finally, with regard to the rapport of contract firm in the locality only 16.66% and for diversity 13.33% were observed as the least influencing factors with regard to contract farming.

Based on the findings of the study, the following implications are suggested.

1. In view of delayed payment, manipulation of norms in procurement and breach of contract by following different practices and strategies by the companies in contract farming activities, the contract farming activities should be regulated by bringing under legal framework.
2. As expressed by the respondents, it was found that the contracting firms try to breach the legal contracts to increase their profits. Hence, it is necessary to bring in strict legislative measures by the government so as to protect the interests of both the farmers and the company.

**Table 1. Problems faced in contract farming system**

(n=120)

S. No.	Problems	Frequency	Percentage	Rank
1.	Manipulation of norms by firms	110	91.66	II
2.	Delayed payments	103	85.83	III
3.	High rejection rate	93	77.50	V
4.	Low contract price	96	80.00	IV
5.	Labour problem	120	100.00	I
6.	Pest and Disease	83	69.16	VI

**Table 2. Suggestions expressed by participants for success of contract farming system**

(n=120)				
S. No.	Suggestions	Frequency	Percentage	Rank
1.	Government intervention for making strict laws to make legal contact	53	44.16	III
2.	Technical advice to control pest and disease	22	18.33	IV
3.	Regular payment for produce	120	100.00	I
4.	Provide good price to their produce	92	76.66	II

**CONCLUSION**

From the study, it was concluded that manipulation of norms by firms, delayed payments, high rejection rate, low contract price, labour problem and problem of pest and disease were the major problems faced by the farmers engaged in contract farming of medicinal plant of Cloeus.

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