

vi. ***Contract farming- better design for small farmers***

Commercialisation of agriculture helps in ensuring optimum utilization of resources like land and capital, increasing productivity of crops which in turn helps in capital formation and provision of quality raw material to industries for processing. Above all, it helps in increasing export potential of agricultural products of Assam. In different parts of the country, the corporates have taken up agriculture as one of their main business ventures and market the high value products [processed] both within the country and export to various countries. In Punjab, multi-crop multi-year contract farming has been adopted in a number of agricultural activities. The state has brought about an ever-green revolution by

- switching over from high volume crops to high value crops;
- food crops to industrial crops;
- national markets to international markets;
- cereal dominated systems to cereal-oilseed-pulse systems;
- eco-damaging crops to eco-friendly crops.

Moving ahead with advanced technical improvisations, the sustainable production system is proving to be highly beneficial for their farmers. Similarly, in Karnataka, AP, Tamil Nadu and other states, contract farming system has been successfully introduced for production of high value, more labour intensive crops. As mentioned earlier, a beginning has been made by NABARD in Assam with bamboo farmers who are encouraged to grow specific bamboo with contractual arrangements from the Cachar Paper Mill and Nagoan Paper Mill. Assam offers tremendous scope for cultivation of ginger, pineapple and various horticulture crops. It also offers scope for animal husbandry to grow through contract farming.

With a large segment of small and marginal farmers it would be advantageous to adopt contract farming among the farmers who go for cash crops \ commercial crops. Given the present constraints, contract farming models could be viewed as a **win-win situation** for the farmers and the processors/exporters.

Contract farming or its variants offer two big advantages. First, they allow exploitation of full potential of land. No farmer-industry relationship is perfect, but anything which in an economic sense offers some economies of scale by bringing together tiny, by-themselves-unviable farm holdings in some way or other should be welcome. Second, they try to build some kind of a smooth linkage through the value chain- linking the farmers directly with the processors and the marketers. With improvements in technology that the industrial partner may bring the efficiency in processing will increase giving further benefits to the farmers. In Assam, in order to encourage adoption of contract farming, the Government should develop suitable policy measures and increase the confidence level of farmers. As the state has been identified for development of ginger by APEDA and bamboo by the National Bamboo Mission, it would be necessary for the Government to come out with specific policy measures for use of contract farming for these crops.

Contract Farming

Contract farming is a mechanism in which a grower of crops on the one side and a processor or an exporter on the other side enter into an arrangement to maximize return on investment for both of them by reducing market risks. This is an ideal situation expected out of the contractual arrangements they may be entering into.

*On the other extreme, contact farming might resemble a situation propounded under the game theory model of 'prisoner's dilemma'. It highlights a possibility where both the parties making strategic decisions in **non-cooperative manner** end up with an outcome that impoverishes both of them. But, in reality, **a variety of combinations** of contractual arrangements exist with varying degrees of positive and not so positive results. But, in the wake of economic liberalization, the concept of contract farming has gained importance in which national and international companies enter into contracts for marketing of the horticultural produce and also provide technologies and capital to contract farmers.*