

RESEARCH ARTICLE :

Perception of Sathgudi orange growers on contract farming

■ VINOD ANAVRAT AND MAMTA MOKDE

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SUMMARY : The present study was carried out during 2015-16 in the Nalgonda and Anantpur districts of Telangana and Andhra Pradesh, respectively. It aimed at ascertaining the Sathgudi orange growers' perception towards contract farming and find out the issues governing profitability. The total sample of 100 was derived from four talukas in the two districts using simple random sampling. The data collected through a structured interview schedule were analyzed using the t-test of significance of difference between sample and population means. The study revealed that education, social participation and communication behaviour showed non-significant relationship whereas occupation ($t=-0.962$), land holding ($t=-0.484$) and per hectare productivity ($t=-1.901$) showed negative relationship. It implies that, the Sathgudi orange growers are averse to the concept of contract farming. However, access to improved/appropriate technology was perceived as the main prospective reason which appealed to the maximum respondents (RBQ=69.75). It discerns that, for want of appropriate technology they are incurring monetary loss which otherwise would have been minimized. Lack of or inadequate cold storage facilities in the market premises (RBQ=98) has been rated as the issue of prime concern that govern profitability.

KEY WORDS :

Sathgudi orange,
Contract farming,
Perception

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BACKGROUND AND OBJECTIVES

Contract farming is a system for the production and supply of agricultural commodities and horticultural produce under advance contract, which involve a commitment to provide an agricultural commodity of a type (variety or quality), at a time and a price and in the quantity required by a known buyer (Singh, 2000). Sathgudi orange (*Citrus sinensis* Osbeck) is an important fruit crop of Andhra Pradesh and Telangana. Being a remunerative crop, its area

has been increasing every year. Many progressive Sathgudi orange growers regularly harvest 25-30 tons/ha. The crop productivity is affected by knowledge and input gap, whereas profitability is affected due to marketing constraints. As the previous experience in direct marketing has not been very encouraging, more than 90 per cent of the Sathgudi orange growers' sale their produce to pre-harvest contractors, reducing thereby the producer's share in consumer rupee. Moreover, due to vested interests the established market lobby also do not want the

Author for correspondence :

VINOD ANAVRAT

ICAR-Central Citrus
Research Institute,
NAGPUR (M.S.) INDIA
Email:vinodanavrat@
gmail.com

See end of the article for
authors' affiliations

State	District	Taluka	Villages		
Telangana	Nalgonda	Nalgonda	Velgupally	Musdampally	Rassulpuram
		Kangal	G Channaram	Dareshpuram	Dorupally
Andhra	Anantpur	Singanmala	West Narsapuram	Chamaralu	Peravali
Pradesh		Garladinne	Budhed	Krishnapur	Sanjeevapuram

producers to sale of their produce directly. This issue could be resolved if there is insulation from market risk that would encourage them to shift from price to productivity concerns. Contract farming removes the role of middlemen from the markets, wherein companies engaged in processing and or marketing of agricultural/ horticultural produce enters into contract with the farmers. It enables the farmers to be more skilled and technologically sound. Most of the companies do the job of capacity building and skills transfer besides supplying the latest technology package to the farmers. Hence, to ascertain the prospects of contract farming in Sathgudi orange and find out the issues governing profitability this study was undertaken.

RESOURCES AND METHODS

The sample comprised Sathgudi orange growers (100) in the total four taluqs Nalgonda and Anantapur districts of Telangana and Andhra Pradesh, respectively. The respondents having past experience of marketing their produce were selected. For collection of data, a structured interview schedule based on the objectives of the study was administered to the sample farmers. Three villages in each taluka covering large acreage under Sathgudi orange were selected. The statements to ascertain feasibility of contract farming were measured

on four-point continuum namely, feel strongly, feel moderately, feel neutral and not feeling with the score 'four', 'three', 'two' and 'one', respectively. The eight issues governing profitability were enlisted and against it the responses were elicited on three point grading scale with appropriate coding. The rank based quotient for each aspect was worked out and the rank order was decided (Table A).

OBSERVATIONS AND ANALYSIS

The results obtained from the present study as well as discussions have been summarized under following heads:

Perceived acceptability of contract farming :

The data in Table 1 showed non-significant relationship between education, social participation, communication behaviour and perceived acceptability of contract farming. The occupation, land holding and average per hectare productivity showed negative relationship. It signifies that, the Sathgudi orange growers are averse to the concept of contract farming. Moreover, those having more land holding and higher average productivity, feel no need to go for contract farming since they are already getting remunerative price which the contract farming cannot offer.

Sr. No.	Variables	Mean	Std. Deviation	't' value
1.	Education	3.24	1.407	1.745
2.	Social participation	1.44	0.608	0.186
3.	Occupation	2.99	0.1	-0.962
4.	Communication behaviour	11.68	2.502	0.241
5.	Land holding	4.122	3.601	-0.484
6.	Irrigated land holding	2.57	1.967	0.065
7.	Annual income from citrus	1244710	1051271	0.127
8.	Average productivity	3.51	0.937	-1.901

Education: Primary=1, Middle School=2, High School=3, College=4, Graduate=5, Post Graduate=6

Social Participation: President/vice president=4, Secretary=3, Member=2, Non-member=1

Occupation: Farming only=3, Farming + Govt. service=2, Farming + business=1

Communication behaviour : Regularly=3, Occasionally=2, Rarely=1

Average productivity: 0-5 tns=1, 5-10 tns=2, 10-15 tns=3, 15-20 tns=4, 20-25 tns=5

Risk factors in Sathgudi orange farming :

The data in Table 2 enlists the risks factors in citrus farming and the questions were asked on three point grading scale. The rank order shows the prioritization of

risk factors perceived by the growers. Incidence of viral diseases, mite and inadequate water for irrigation were the first three risk factors in Sathgudi orange farming. Price uncertainty, *Phytophthora* induced diseases like

Table 2 : Risk factors in Sathgudi orange farming (PMS) =300 (n = 100)

Sr. No.	Risk factors	High 3	Medium 2	Low 1	Total score	Mean score	Rank order
1.	Hailstorm	6	25	69	137	45.66	IX
2.	Price uncertainty	19	65	14	201	67	IV
3.	Inadequate water for irrigation	29	41	30	199	66.33	III
4.	Fruit sucking moth/fruit fly	15	18	67	148	49.33	VIII
5.	Bumper production and fewer prices (Distress Sale)	20	60	20	180	60	VII
6.	Incidence of <i>Phytophthora</i> induced diseases like gummosis	35	25	40	195	65	V
7.	Excessive fruit drop due to unseasonal stormy weather and rains	12	35	30	124	41.33	X
8.	Any other	84	130	84	596	198.66	
	Monkey menace	30	30	40	190	63.33	VI
	Viral diseases	25	59	14	207	69	I
	Mite(Mangu)	7	58	73	210	70	II

*Possible maximum score

Table 3 : Perceived advantages of contract farming (n=100)

Sr. No.	Aspects of perceived advantages	Feel strongly 4	Feel moderately 3	Feel neutral 2	Not feeling 1	Total score	RBQ	Rank Order
1.	Provision of production management services	20	39	13	28	251	62.75	III
2.	Access to credit/credit linked input supply	10	32	85	15	221	55.25	VIII
3.	Access to improved/appropriate technology	07	65	28	--	279	69.75	I
4.	Skill transfer	13	25	52	10	234	58.5	V
5.	Guaranteed and fixed pricing structures	14	35	40	41	152	38	X
6.	Reduction in pre and post harvest losses due to monitoring and advice of the contract farming firm	12	30	43	15	239	59.75	IV
7.	Reduced transaction cost	03	18	79	--	224	56.0	VI
8.	Better quality produce	09	53	38	--	271	67.75	II
9.	Insurance based contract	12	30	45	13	241	60.25	VII
10.	Shield against market fluctuations	06	09	68	17	204	51	IX

Table 4 : Perception on issues governing profitability (n = 100)

Sr. No.	Issues governing profitability	Main f	Secondary f	Tertiary f	Total score	RBQ	Rank
1.	Selling the produce without proper grading and packing.	27	52	21	285	95	III
2.	Lack of government support / assistance in marketing the produce.	8	43	49	210	70	IV
3.	Middlemen, deciding the price of the produce.	7	38	55	197	66	V
4.	Lack of growers co-operative organizations to support group marketing.	24	60	16	292	97	II
5.	Lack of or inadequate cold storage facilities in the market premises.	30	52	18	294	98	I
6.	Distress sale to pre-harvest contractors (due to immediate need of money and tradition).	0	14	86	128	43	VII
7.	Over production and less market price	2	23	75	152	51	VI
8.	Unfair price	2	5	93	116	39	VIII

gummosis, monkey menace and fruit sucking moth/fruit fly ranked as fourth, fifth and sixth in order of gravity of the problem. Distress sale, inadequate water for irrigation, hailstorm and excessive fruit drop due to unseasonal stormy weather/rains were considered to be the least important risk factors relegated to subsequently lower position.

Perceived advantages of contract farming :

Table 3 specifies the prioritizations of perceived advantages of contract farming by Sathgudi orange growers. The access to improved/appropriate technology was perceived to be the main advantage which attracted the attention of maximum respondents (RBQ=69.75) followed by better quality produce (RBQ=67.75). It discerns that, for want of appropriate technology they are incurring monetary loss which otherwise would have been minimized. The provision of production management services (RBQ=62.75), reduction in pre and post harvest losses due to monitoring and advice of the contract farming firm (RBQ=59.75), skill transfer (RBQ=58.5), ranked third, fourth and fifth in order of preference. Reduced transaction cost (RBQ=56), insurance based contract (RBQ=60.25), access to credit/credit linked input supply (RBQ=55.25), ranked sixth, seventh and eighth rank, respectively. Shield against market fluctuations (RBQ=51.00) and guaranteed and fixed pricing structures (RBQ=38.00) were rated to be ninth and tenth in order of preference. It indicates their primary concern for increasing the volume of quality fruits for obtaining optimum price to their produce. The findings are in conformity with Kalamkar (2010) who reported that theoretically farmers stand to gain from contractual agreements that provide lower transaction costs, assured markets and better allocation of risks. Agila *et al.* (2008) also reported that minimum risk in farming, assured price for the harvested produce, reduction in price risk, introduction of new crop varieties, elimination of middlemen, assured income, good co-ordination between farmers and purchaser, good co-ordination among farmers, assured market, technical guidance received from the company, availability of adequate financial support, timely availability of quality inputs, and awareness about appropriate technology were the major effective factors for better performance of the coleus contract farming system.

Perception on issues governing profitability :

Although the overall profit margin is governed by the market rate at the time of sale, there are various interlinked factors that decide the profitability. Table 4 delineates all such issues of cardinal importance. Lack of or inadequate cold storage facilities in the market premises (RBQ=98) followed by lack of growers co-operative organizations to support group marketing. (RBQ=97) and selling the produce without proper grading/packing (RBQ=95) has been ranked as the first three important issues of priority concern. Navadkar *et al.* (2010) reported that the contract boiler farmers had experienced no marketing problems, because of spot lifting. Lack of government support / assistance in marketing the produce (RBQ=70) has been rated as the fourth important issue and the middlemen deciding the price of the produce (RBQ=66) as fifth. Over production and less market price (RBQ=51), distress sale to pre-harvest contractors (due to immediate need of money) and tradition (RBQ=43) as seventh and unfair price (RBQ=39) relegated to the last option.

Conclusion :

On the basis of the above mentioned results and the discussion, it can be concluded that the Sathgudi orange growers are not willing to go for contract farming as it cannot offer the remunerative price that they are presently getting. The Sathgudi growers in Telangana and Andhra Pradesh mostly opt for *hasta* bahar that fetches highest price as compared to *mrig* and *ambia* bahar. However, the prospective reason showing inclination towards contract farming owing to appropriate technology access discerns that, they still expect better profit margin which otherwise would have been made possible. Another issue that had bearing on profitability was lack of or inadequate cold storage facilities in the market premises. Hence, if such facilities are made available, the farmers expect to obtain more share in consumer rupee. However, presently the issue of government's intervention in creating such facilities for safeguarding the interests of Sathgudi growers is not clear.

Authors' affiliations :

MAMTA MOKDE, ICAR-Central Citrus Research Institute, NAGPUR (M.S.) INDIA

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