



Constraints and Benefits Perceived by Farmers and Contractors in Contract Goat Farming

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ABSTRACT

A study was conducted to analyze the constraints and benefits perceived by the contract goat farmers and the contractors involved in in-formal contract goat farming taking place in Western Odisha region. Sixty contract goat farmers and thirty contractors were interviewed with semi structured interview schedule within a period of 60 days i.e. January 2013 to March 2013. Study revealed that disease outbreak and loss of animal due to predators were the primary constraints for contract farmers. Very few farmers opined that they should get a greater share than the contractors as they are the key persons to look after the care and management of the animals. Cent percent contract farmers found Contract Goat Farming (C.G.F.) as profitable without any capital investment and also it provides them an easy liquidity of their animals at the time of necessity. From contractors' point of view, communication gap between contractor and farmer which lead to embarrassed situation is the major constraint followed by cheating by farmers at many occasions due to non identification of the contract animals. But, cent per cent contractors agreed that there is easy return from CGF at the end of the year. However, 80% opined that the better linkage with the veterinary professionals and 27% felt no risk of mortality and morbidity so directly benefited in contract goat farming (CGF).

Keywords: Constraints, benefits, contract farming, goat farming

Contract farming can be stated that businesses contract with farmers and contractors to grow a specific crop guaranteeing buy-back of the produce at an agreed price or price range (Kumar, 2011). Two forms of contracts exist: Formal and informal contracts (Costales and Catelo, 2009). Generally, formal contracts are written contracts between contractor and farmer whereas informal contracts are less stringently defined.

The formal contracts are more linked to the large scale farms whereas the informal contracts are more flexible in accommodating farmers of varying scale of operation, mostly includes small farmers. The existence and persistence of informal contract between contractor and farmer is based mainly on social capital and trust, Satisfactory and repeated transactions reduce uncertainty

and build establish rapport between the parties in in-formal contract farming.

As Chen *et al.* (2005) indicate, modern organizational arrangements in agri-food systems might promote the emergence of power imbalances and unfavorable terms of trade in the transactions between smaller-scale chain actors and the larger players which typically exercise the leading coordination role in a managed supply chain. But these perceptions notwithstanding, contract farming is being promoted by governments and development agencies as a coordination mode that can facilitate the integration of small farmers into supply chains (Singh and Asokan, 2005; Singh, 2004; Ahn, 2004; Anon., 2003; Eaton and Shepherd, 2001). This also accounts for the rising interest, earlier pointed out, in the conceptual foundations and



in the practical implications of contracting in food and agriculture.

With the high rise in the population figure, the demand for food is also hiked. The conventional method of production is not enough to meet the requirement. Hence various government initiatives have been taken in past days to increase the production as well as stabilize the socio-economic status of the farmers which has been limited mostly to the middle and large farmers. Small and marginal farmers are barred from these facilities and benefits as they do not have enough land, education and financial soundness to adopt these.

Hence some commercial players in production sector have come up with contract farming ventures where not only large farmers, also small and marginal farmers are included, participated and benefited, although it is always said that the benefits of contract farming were skewed toward large producers mainly due to economies of scale. The key benefits of contract farming for farmers are improved access to local markets, assured markets and prices (lower risks) especially for non-traditional crops, assured and often higher returns, enhanced farmer access to production inputs, mechanization and transport services, and extension advice and also credit facilities may be associated with the contract (Tak and Tak, 2010; Bourque, 2011). The farmers gained better access to various extension aids under contract farming, which were inaccessible or poorly accessible under the prevailing conventional system (Kolekar and Meena, 2013). It was also noted that contracts could slow down reaction to market signals and can introduce elements of rigidity in the commercial relationship (Vavra, 2009). But the matter may be somehow different for contract farming ventures taking place in an informal mode. Contract goat farming models occurring in many rural areas are not of commercial type i.e. without any formal agreement and the mode of operation is quite informal. Hence, the present study was designed to find out the constraints and benefits of contract goat farming (C.G.F) as per the perception of the contract farmers and the contractors involved in CGF.

MATERIAL AND METHODS

The study was purposively conducted in the western part of Odisha which is a rain fed area where about half of the total land area is covered under forest and people are

more engaged in animal husbandry. Contract farming in livestock especially goat has been evolved in the area for quite sometimes. Considering the goat population and availability of contract farming practices, Balangir district was selected among top 5 districts in goat population from western part of Odisha. Again, considering the same criteria i.e. goat population and availability of contract farming practices, 5 blocks out of 14 blocks namely Titilagarh, Turakela, Saintala, Muribahal and Bangomunda were randomly selected for data collection. From each block 12 numbers of contract goat farmers and 12 numbers of non-contract goat farmers were selected randomly. In all, 60 contract goat farmers (C.G.F farmers) and 60 non-contract goat farmers (Non-C.G.F farmers) and 30 contractors associated with the selected contract goat farmers were randomly selected and interviewed with semi-structured open ended questions to gather information on their perception about the contract goat farming, its constraints and benefits. The opinions and preferences of respondents were recorded for final analysis.

RESULTS AND DISCUSSION

As per the opinion of key informants, Contract goat farming (C.G.F) was originated in this area 30-40 years back (around 1980) with two primary causes i.e. migration of some farmers to urban cities for employment and inability of some farmers to rear their goats in their own house. Although initially no sharing of kids were practiced, but 10-15 years back a commercial mind set aroused by contractors to get share and in recent years this has taken a commercial form although the form of agreement persists as before (purely in-formal, no written agreement was signed between the two parties). Locally, this system was popularly called '*ADHUADI*' which had originated from the word '*adha*' which according to local language means 50% share out of a whole amount (each party get 50% share of the total kids born).

The contractors were the local farmers, service holders or business personnel's whereas the contract goat farmers were the farmers mostly the lower strata farmers and labourer's who may or may not have goats of their own and provided with contract goats by the contractors. The contractors provide all the inputs i.e. animals, treatment and vaccination and other health care services along with some sort of social and financial support to the contract

Table 1: Constraints in Contract goat farming as perceived by contract goat farmers and contractors

Sl. No.	Constraint	Respondents	Percentage	Rank
Contract goat farmers (N=60)				
1	Disease outbreak although affects less, still persists	46	76.66	1 st
2	Loss of animals due to predators, dogs	34	56.66	2 nd
3	Sharing is 50:50 which is less in comparison to labour	09	15.00	3 rd
Contractors (N=30)				
1	Communication gap between contractor and farmer leads to embarrassed situations	23	76.66	1 st
2	As there is no identification of the animals, hence more prone to cheating by the C.G.F farmer	18	60.00	2 nd
3	Time management is a great constraint in C.G.F	16	53.33	3 rd
4	There is a greater chance of cheating by the C.G.F farmer	12	40.00	4 th

Table 2: Benefits of Contract goat farming as perceived by Contract goat farmers and contractors

Sl. No.	Benefits	Respondents	Percentage	Rank
Contract goat farmers (N=60)				
1	No capital investment, but profitable business	60	100.00	1 st
2	Liquidity of asset (sale of kids at urgent need to the contractor and customers)	60	100.00	2 nd
3	Linkage with the veterinary personnels increased	44	73.33	3 rd
4	Social and financial support by contractor	42	70.00	4 th
5	Marketing became easy as facilitated by contractor	38	63.33	5 th
Contractors (N=30)				
1	Only capital investment and supervision and getting easy return at the end of the year	30	100.00	1 st
2	Linkage with the veterinary personnel increased	24	80.00	2 nd
3	The total flock of goats are distributed to a number of farmers, hence reduces risks	08	26.66	3 rd
4	Many times marketing is done by farmer himself and no need to spend your own time	05	16.66	4 th

farmer at the time of need. In return, the contract farmer has to look after the care and management of the animals at their premises. The kids born are equally distributed among both the parties. Majority of the contract farmers were supplied with small number of goats and were associated with a single contractor. Majority of the farmers and contractors were involved in this business very recently (3-5 yrs). The risk such as death of animals and benefits such as triplet born are shared by contractor.

The socio-economic status of the contractors was found to be higher in comparison to that of the contract goat farmers and they are mostly the local people who have faith and trust on the truthfulness and loyalty of the contract farmers. The constraints and benefits of CGF as per the perception of the contractors and the contract farmers are as follows.

Constraints in contract goat farming as perceived by contract goat farmers

Majority 76.66% contract farmers said that diseases outbreak although affected less, but still persists which hampered the production and gave top priority by the farmers followed by 56.66% farmers who opined that there was a great chance of loss of animals due to the predators and dogs. Only 15% contract farmers opined that sharing pattern in C.G.F (50:50) is less than the labour they had utilized in the contract farming. They had an aspiration for greater share from the business, but had to be satisfied with the share of 50:50 as it was an agreement of C.G.F followed by all the farmers and contractors in that area (Table 1). Studies revealed that delay in payment of produce followed by lack of credit for crop production are the major constraints of contract farming as per the



opinion of contract farmers (Kumar and Kumar, 2008; Kolekar, 2011).

Constraints in contract goat farming as perceived by the contractors

Communication gap between contractors and the concerned contract farmers led to embarrassed situations very often and ranked first as majority (76.66%) contractors perceived it as the common most constraint. About 60% contractors said that as they did not adopt any system for identification of the contract animals, it got messed up with that of the contract farmers and hence there was always a chance of cheating by the contract farmers. Contractors have their own business to do and hence time management to look after this business and keep regular contact with the contract farmers was also a limitation as perceived by about 53.33% contractors. Although in this informal business, faithfulness and trustworthiness between the parties is the key factor for success, still then the chances of cheating by the contract farmers cannot be avoided as opined with 40% of contractors. A farm level study revealed that violation of terms and conditions by the contract farmers are the major constraints as opined by the contract agencies conducted (Kumar and Kumar, 2008) whereas contracting firm opined that input diversion by farmers and farmer's negligence in maintaining quality are the key constraints (Kolekar, 2011).

Benefits of contract goat farming as perceived by contract goat farmers

Cent percent farmers opined that the first benefit they got from C.G.F was that there was no capital investment in the business although they had equal share in the profit. Cent percent farmers said that C.G.F had a very good liquidity of their assets i.e. they sold kids to the contractors at urgent need. About 73.33% C.G.F farmers opined that due to C.G.F, linkage with veterinary professionals increased. About 70% farmers opined that they had got social and financial support from contractors and about 63.33% contract farmers had said that marketing became easy as facilitated by contractors (Table 2). However, contracts provide extension services and risk mitigation which helped producers to improve production efficiency; develop commercial culture and augment income and employment (Ramaswami *et al.*, 2006)

Benefits of contract goat farming as perceived by contractors

The first and foremost benefit as perceived by cent percent contractors was there was only capital investment and supervision in the business which gave an easy return at the end of the year which is ranked first. The second benefit as perceived by 80% contractors was increase in the linkage with veterinary personnel. Third benefit as per 26.66% contractors was that total flock of goat were distributed to a number of farmers, hence there was reduced risk of cheating and also disease occurrence. Around 16.66% contractors opined that many times marketing was done by the contract farmer himself and hence in these instances they did not have to spend their own time. Eaton and Shepherd, (2001) also opined that sponsors /contractors find it easier for production and marketing.

CONCLUSION

Contract goat farming has proved to be profitable for poor goat farmers. Irrespective of some constraints, the beneficial aspect of CGF has convinced the contract farmers to keep up this business for number of years. It has provided needful socio-economic and technical assistance to the contract farmers so that they can rely on goat rearing to avoid dreadful results of agricultural crop failure. It has improved their purchasing power. Hence, CGF can be successfully promoted as an entrepreneurship generation venture by the government and non-government organisations with necessary modifications for involving the small, marginal and landless farmers and unemployed rural youth to address the problem of poverty, unemployment and rural to urban migration in the country.

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