

# Contract Farming Application Review Paper

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**Abstract:** *Contract Farming is an Agreement between Farmers and buyers for the Production Of the Agriculture goods and Supply the goods Under the Predefined Agreements and Fixed Price. As per report 60% to 70% population is directly & indirectly Depends On Agriculture but now a days farmers are facing a new problem of accessing the market and fully achieving profitability. To reduce this issue contract farming was introduced in the market ,in order to maintain the profit balance for farmers and buyer it is the a Partnership contract between farmers and buyers, where the farmers are required to supply the Quantity and the Quality of the crops in the Specific Time period.*

**Keywords:** Contract Farming, Contract, Farmer, buyer supply.

## I. INTRODUCTION

Contract Farming was introduced in Taiwan for the first time in 1895 by the Government of Japan. Contract farming can be defined as agricultural production carried out according to an agreement between a buyer and farmers, which establishes conditions for the production and marketing of a farm product or products. Typically, the farmer agrees to provide agreed quantities of a specific agricultural product. These should meet the quality standards of the purchaser and be supplied at the time determined by the purchaser. Contract farming is one of the different governance mechanisms for transactions in agri-food chains. The use of contracts (either formal or informal) has become attractive to many agricultural producers worldwide because of benefits such as the assured market and access to support services. It is also a system of interest to buyers who are looking for assured supplies of produce for sale or for processing. Processors are among the most important users of contracts, as they wish to assure full utilization of their plant processing capacity.

### 1.1 Contract

Farming Contract Agreement is an agreement between farmer and Buyer: both partners agree in advance on the terms and conditions for the production and marketing of farm products. Third parties like farm services provider and aggregators may also join such agreement.

Basic Formula of the good contract is Agreed Quantity

Quality And Assured Price.

Quality- the quality level of the product farmer will produce for the Buyer.

Quantity- Specifying the amount of product that is to delivered by farmers.

Price- the fixed amount of price for the corps to be paid by the Buyer

## II. CONTRACT FARMING MODELS

### 2.1 Centralized Model

In a Centralized model, a sponsor (a processor/packer) buys from large number of small farmer. The quantity that will be bought is usually predetermined at the beginning of the sowing season and quality standards are strictly monitored and enforced.

### 2.2 Nucleus Estate Model

Company owns and manages as estate plantation to ensure the limited guarantee of required output. This model of contract farming is extremely used for tree crops such as palm oil etc.

**2.3 Multi-Partite Model**

The multipartite model may involve a variety of organizations frequently including statutory bodies. Each entity may be responsible for providing different goods and services such as credit, inputs, machineries, equipments, transport, processing and marketing facilities.

**2.4 Intermediary Mode**

Under this model companies make formal sub-contract with intermediaries (like agents, farmers groups or NGOs) for production of crops. The intermediaries normally enter into informal contracts with farmers to meet the obligations beneath formal contracts with corporate.

**2.5 Informal Model**

The informal model is characterized by individual entrepreneurs or small companies. It involves informal production contracts, usually on a seasonal basis (Prasad, 2013).

**III. OBJECTIVE OF CONTRACT FARMING**

To increase the private sector investment and the creation of new markets. To generate a permanent source of income for the farmer. To ensure quality standards of the product and achieve diversification in terms of size, shape, and colour. To allow entry of modern technology and regular supply. To reduce migration from rural to urban areas and generate employment. This brings price stability for the farmer, as the company cannot change the price of the product after harvesting. It may also provide the security of sharing risk in case of any problem.

**IV. ADVANTAGES OF THE CONTRACT FARMING****4.1 Advance Technology**

It allows the farmers to have access to the new technologies, strategies or techniques that are necessary to increase productivity, which they have remained unknown due to lack of credit, higher interest on the loan or the possible risk running with it.

**4.2 Reduce Migration**

It helps to strengthen the rural areas and thereby reduce the migration from rural to urban areas

**4.3 Regular Supply**

This allows the regular supply of product and raw material, according to the size, type and quality as decided by the company.

**4.4 Long Term Supplier Base**

This helps the cooperates to have diversification in the product growth and also allows to have a long-term and dedicated supplier base.

**4.5 Promotion of Farm Input**

As most of the farmers remain unknown with the different inputs of agriculture like; fertilizers, seeds, modern technology, the company/buyer provides these to the farmers for better production.

**4.6 Assured Product Price**

Farmer get the assured price of the product as per contract Agreement



V. FIGURES AND TABLES

5.1 Data Flow Diagram (Level 0)

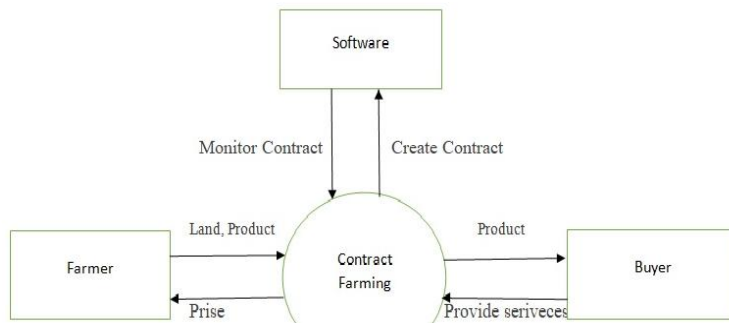
5.2 Use case diagram of Contract Farming:

The Use case diagram is used to identify the interaction between system and actors. Our system has 3 actor such as Farmer, Software, Buyer.

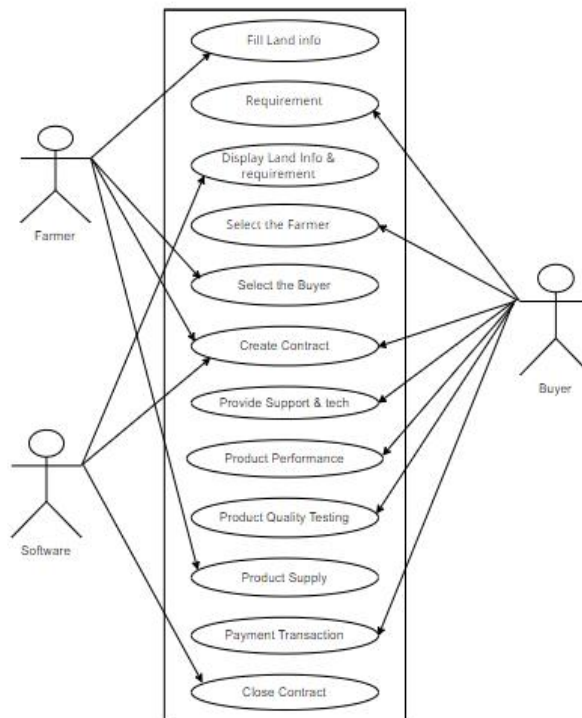
These three interact with their own use-cases.

Below mention is use-case diagram:-

Data Flow Diagram (Level 0)



Use Case Diagram of Contract Farming:



VI. ACKNOWLEDGMENT

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