



Contract Farming and Cane Procurement: Key Insights

(*Naveen Kumar A)

S Thangapazam Agricultural College, Tenkasi, TamilNadu, India

*Corresponding Author's email: naveenagri2002@gmail.com

Sugarcane is the main source of sugar in India. Sugar plays a significant role in economy of India, trade and livelihood. Sugarcane is a major cash crop of India, particularly in UP, Maharashtra, Tamil Nadu, Karnataka, Andhra Pradesh, Bihar, Gujarat, and foot hills of Uttarakhand. Sugar factories in India majorly produces white sugar based on the consumer preference.

Introduction

The Government of India fixed Fair and Remunerative Price (FRP) for sugarcane on the basis of the recommendations of Commission on Agricultural Costs and Prices (CACP) which brought fair remunerative for farmers compared to other crops and the returns from sugarcane cultivation are higher than other crops. Sugar mills are mandated to purchase sugarcane from farmers within a specified radius as per Cane Reservation Area at the FRP.

Contract farming and cane procurement

Nowadays, sugarcane cultivation and procurement became a systematic and well-organised program in sugar factories. The contract farming reduces transaction costs by establishing farmer –processor linkages in addition to existing farmers to consumers linkage. The farmers will be provided advance contract with the sugar factory before the sowing of the crop. The cane procurement is carried out by the Cane operations team headed by well experienced and qualified agriculture professionals. The agriculture professionals ensure to cater the needs of each and every farmer right at their field. They ensure good quality setts for planting and resultant higher productivity for the farmers and better sugar recoveries to the factories.

The process of cane operations in sugar factories involves registration of farmers for contract sugarcane cultivation, providing necessary inputs, organising credit facilities through financial institutions and harvesting good quality canes and supply logistic services to its farmers through extensive outreach programs.

The sugar factories provide inputs and services that includes sugarcane setts (good quality planting material), guide lines to be followed while growing the crop, fertilizers required, pesticides without residual toxicity, transport facilities procurement of cane from farmers to the factories ensuring maximum satisfaction of farmers.

Benefits of Contract farming in cane procurement

- ✓ Predictable supply of canes for sugar production.
- ✓ Companies provide inputs and guidance to the farmers for better cane quality.
- ✓ Farmers receive fixed prices as per contract without considering the market fluctuations.
- ✓ Companies offer expert technical assistance for improving farming practices.
- ✓ Farmers gain access to established markets and buyers.
- ✓ Improved relationships and trust between farmers and companies.

Problems and challenges faced by farmers in contract farming

- ✓ Farmers must meet company-set quality standards.
- ✓ Insufficient financial assistance.
- ✓ Pest and disease incidence.
- ✓ Inadequate availability of resources.
- ✓ Delay in procurement of cane from farmer's field.
- ✓ limited bargaining power

Conclusion

Contract farming in sugarcane ensures uninterrupted supply of cane to the sugar factories. It leverages private investment in smallholder agriculture for sustainable rural economic development. Farmers are benefited with better income irrespective of the price fluctuations in market. The sugar factories must ensure the farmers are benefitted with proper input supply and income so that they can maintain a long term contract.