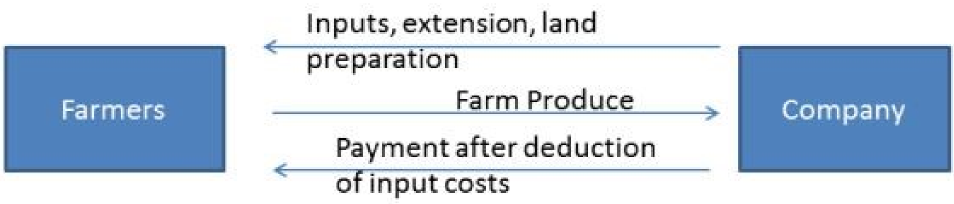
Contract Farming (CF)

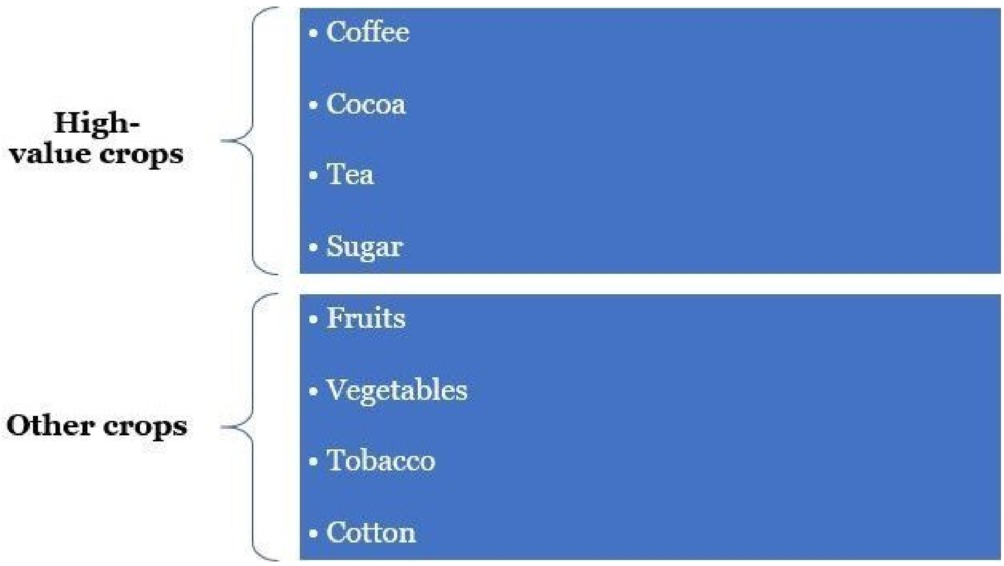
Why in News?

Recently, India turned from an importer to an exporter of frozen French Fries through Contract Farming (CF).

- **Contract Farming (CF)** – It is an ***agreement between farmers (producers) and buyers***, where both agree in advance on the terms and conditions for the production and marketing of farm products.



- **Conditions of CF** – It usually specify the following:
  - Price to be paid to the farmer.
  - Quantity and quality of the product demanded by the buyer.
  - Date for delivery to buyers.
- **Contract** – It includes more detailed information on how the production will be carried out or if inputs such as seeds, fertilizers and technical advice will be provided by the buyer.
- **Products best suited** – There is *no restriction to the types of agriculture products,* but certain products are more suited for contract farming practices than others.



Advantages	Disadvantages
Farmers	
• Easier access to inputs, services and credit. • Improved production and management skills. • Secure market or access new markets. • Reduction of price-related risks. • More stable income: better planning. • Introduction of new technologies.	• Loss of flexibility to sell to alternative buyers when prices increase. • Possible delays in payments and late delivery of inputs. • Risk of indebtedness from loans provided by the buyer. • Environmental risks from growing only one type of crop. • Unequal bargaining power between farmers and buyers.
Buyers	
• Consistent supply of raw materials. • Products conform to quality and safety standards. • Reduced input and labour costs when compared to integrated production on company-owned land. • Better chance to secure products of a consistent quality. • Can help to overcome land constraints. • Production more reliable than open-market purchase.	• High transaction costs from contracting with many small farmers. • Risks of side-selling if farmers decide to break the contract and sell to others. • Potential misuse of inputs if farmers use seeds and fertilizers provided. • By the company for another purpose. • Loss of flexibility to seek alternative supply. • Reputational risks if things go wrong.

> *India has emerged as a major exporter of French Fries (FF), which owes much to companies procuring potato directly from growers and deepening farmer engagement.*

India’s French Fries (FF) Exports

- **India’s Potato production** – Around 60 million tonnes (mt) and is next only to China.
- **Varieties of potato for FF** – Santana, Innovator, Kennebec, Kufri Frysona and Kufri FryoM.
- **Exports** – Are mostly to Southeast Asia (Philippines, Thailand, Malaysia, Indonesia and Vietnam), Middle East (Saudi Arabia, UAE and Oman) and even Japan and Taiwan.

> *India exported 135,877 tons of French Fries (FF) valued at Rs 1,478.73 crore. During April-October 2024, exports were 106,506 tonnes and worth Rs 1,056.92 crore.*

References

1. The Indian Express| India as an Exporter in French Fries (FF)
2. FAO| Contract Farming