

Is contract broiler farming exploitative to small farmers?

R K THAMIZHSELVI¹ and S V N RAO²

Rajiv Gandhi College of Veterinary and Animal Sciences, Puducherry 605 009 India

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ABSTRACT

A study of 49 contract broiler farmers under 4 leading integrators in and around Puducherry revealed that the contract is one sided favouring the integrator as the contract stipulates standards for the outputs from the farmer but it does not specify any standards for the inputs the integrator supplies such as weight of the day-old chick, quality standards for feed and medicines. The findings also indicated that the weight of the day-old chicks supplied was less than the standard weight of 40 g, an important cause for low body weight gain as well as high mortality. Although the integrators are bearing the risk of production and marketing, the contract broiler farming is exploitative as the integrators are paying on an average ₹ 4.61/bird, mostly on the basis of production cost. The integrators may do well by bearing the cost of the miscellaneous inputs being provided by the farmers and by taking feed conversion ratio as the basis for payment rather than production cost on which the farmer has very little control.

Key words: Contract broiler farming, Contract farmers, Contract specifications, Integrator's exploitation

The poultry meat industry in India is witnessing the highest growth rate of 15% and above per annum, compared to the overall meat industry growth rate of 5% per annum (Ali *et al.* 2004). Currently, poultry meat constitutes approximately 25% of the total meat production in the country (Vet Helpline India 2005). India stands third and fifth in the world, in egg and poultry meat production, respectively with the total annual egg production of 51 billion in 2006–07 (DAHD 2008) and 1.9 million tonnes of poultry meat in 2005 (Watt Executive Guide 2006). Even though commercialization can yield substantial gains, the transition from subsistence farming to market driven production (in cash crops and livestock) is fraught with perils (Ramaswami *et al.* 2005). The important issues connected with livestock production are: (i) Market volatility which makes the livestock rearing a risky enterprise, (ii) taste shifts of consumer in favour of processed foods and small farmers are too distant from consumers to track their preferences, and (iii) lack of capital and technical expertise among small farmers.

These problems are serious enough that they could effectively choke off participation in markets except the large farmers. One of the approaches getting popularity now is an

institutional arrangement that enables farmers to access markets called as 'Contract farming'.

Contract farming in poultry has been found successful in India due to the presence of strong backward linkages. The nature of contracting has been instrumental in removing grower's risk through buyback guarantee and also provision of coping against production failure. Provision of quality inputs such as chicks, feed and medicine has helped the poultry farmers raise quality chickens. Apparently, balanced contracts that benefit both parties in terms of assured markets, competitive price and guarantee against risk have resulted in the success of poultry contract farming. However, for smaller farmers, while contracting may provide an opportunity to rise above subsistence farming, the risk of diversifying is likely to be higher (Gulati *et al.* 2009).

Of late contract broiler farming (CBF) is witnessing tremendous growth especially in Tamil Nadu. This paper aims at analyzing the functioning of contract broiler farming in Puducherry and nearby Tamil Nadu areas.

MATERIALS AND METHODS

Puducherry region of Pondicherry Union Territory and the near by Tamil Nadu regions (mostly on the east coast) were purposively selected for conducting the study.

There were 8 major players in the contract broiler farming in the study area. Out of these, 3 closed their operations in 2007. Hence, the study was focused on remaining five poultry integrators in Puducherry. There were about 226 CB farms

Present address: ¹Research Scientist, Safety Pharmacology, Advinus Therapeutics Pvt. Ltd, Bangaluru 560 058 (e mail: thamizhrssrvet@gmail.com).

²Professor and Head, Department of Veterinary and Animal Husbandry Extension (e mail: svnrao1953@gmail.com).

Table 1. Number of contract broiler farms operating in the study area

Integrators	No. of farms	No. of farms contacted	% of farms contacted
A	122	79	53.98
B	49	49	21.68
C	30	25	13.27
D	14	10	6.19
E	11	11	4.88
Total	226	174	100.00

Table 2. Categorization of contract broiler farms based on flock size

Integrators	Numbers of farms with flock size per year					Total
	5001 to 10 000	10001 to 20 000	20,001 to 50 000	50,001 to 100 000	More than 1 00 000	
A	1	26	44	8	-	79
B	-	9	28	11	1	49
C	-	4	17	4	-	25
D	-	2	7	1	-	10
E	-	1	7	3	-	11
Total	1	42	103	27	1	174

operating in the study area and out of which 174 were contacted to obtain the preliminary information on the functioning of CBF (Table 1). The integrators were renamed as A,B,C,D and E to maintain confidentiality.

The preliminary information was used to categorize the CB farms based on flock size (Table 2). Maximum number of farms fall in the category of farm size ranged from 20 to 50 thousand (per year), followed by 10 to 20 thousand and 50 to 100 thousand categories. There was only one farm with a flock size of more than 100 thousand chicks per year and similarly there was only one farm with 5001 to 10,000 category. More than 50% of the farms were in the category of 20 to 50 thousand chicks per year. This clearly showed that the integrators prefer to establish farms with medium flock size.

As more number of farms fall in the category of 10 to 50 thousand birds (more than 83%), the sample farms were selected from these categories. The sample farms of 54 were selected by using proportionate stratified random sampling subjected to the condition that at least 5 farms were included from each of the selected integrators. Therefore, from these 145 farms, 54 farms operating under the 5 selected integrators were selected. During the study period, as the integrator E had shifted their branch office from Puducherry to Thindivanam (Tamil Nadu), the 5 samples of integrator E were excluded from the sample, thus making the total sample size as 49 (Table 3). The data were elicited through personally interviewing the sample farmers. The representatives of the

Table 3. Sample contract broiler farms

Integrators	Number of farms with flock size per year		Total	Sample farms
	10 001 to 20 000	20 001 to 50 000		
A	26	44	70	23
B	9	28	37	14
C	4	17	21	7
D	2	7	9	5
Total	41	96	137	49

selected integrators were also interviewed to glean the required information about the functioning of the CB farming. The required secondary data were collected from the records available with the representatives of the integrators.

RESULTS AND DISCUSSION

The findings of the study are presented under the sub-heads, viz. selection of the farmers, supply of inputs, and performance of the CB farms and satisfaction of the CB farmers.

Selection of farmers

Identification and selection of farmers by the integrators:

The integrators first select a place where the number of CB farms were less and then send their representative(s) usually the Line supervisors (LS) to contact the farmers. Three integrators preferred to meet the farmers in person and convince them about the advantages of CB farming. The integrators A and B followed certain criteria like the availability of land, water, electricity and labour while selecting the farmers to make a contract. If the farmer has already in contract with another integrator, the reason(s) for shifting or for terminating the contract with the previous integrator and his earlier performance were enquired before signing the fresh contract. The integrator D did not follow any specific criteria but entered into contract with all the interested farmers. Sometimes the farmers also approach the integrators through other CB farmers.

Profile of the farmers: The profile of the CB farmers selected by the integrators indicated that the respondents were mostly middle aged, studied up to secondary school with an average family size of 5, primary occupation was agriculture and secondary occupation was CB farming and with little or no experience in working with CB farming. Majority of the CB farmers were small investors and CB farming was a secondary occupation to most of the respondents. These results were similar to the observations of Ramaswami *et al.* (2005) who reported that the CB farmers had less experience in poultry farming, and for most of their respondents it was a secondary occupation thereby suggesting that CB farming can only help in supplementing the income from other sources. Kumar and Anand (2007) stated that integrators

prefer to offer contract to the farmers who are inexperienced in poultry production and thus likely to have lower bargaining power. Similarly Singh and Asokan (2004) and Khairnar and Venkat (2005) reported that integrators prefer small and marginal farmers who have lesser power to influence the government or create legal problems in case of a contractual dispute. This is consistent with the results in the determinants of participation where those with better human and physical assets, and with higher scale of operations, were independent producers. Those with lesser means could get into the economic activity with the assistance of contracts, but at a price (Catelo and Costales 2008).

Contract agreement: The contract agreement must be in local language and copies must be with both the integrator and CB farmer. But the findings of this study indicated that only the integrators maintain a copy of the contract agreement signed by both the CB farmer and the integrator, and that too in English but not in local language. The details of the contract agreement of three integrators were almost similar. The contract specifies clearly that the integrator will supply inputs like chicks, feed, medicine and technical advice and the CB farmer is a mere guardian of all these inputs supplied by the integrator; the CB farmer has to provide inputs like land, labour, water, electricity and rear the birds as per the technical advice provided by the integrator and will sell back the birds at an approximate age of 40 – 42 days to the same integrator at a fixed rate. There is a provision for terminating the contract at the end of any batch (cycle), even though the contract is for a fixed period ranging from one to three years depending upon the integrator. The payment details are also given in the contract of integrators A and B, whereas it was silent in case of the other two integrators.

Supply of inputs: The integrators after entering into agreement and satisfied with the condition of the shed, supply the inputs specified in the agreement. But the number of batches (cycles) of chicks they supply, and the gap between two successive batches (cycles) of chicks supplied, rests with the respective integrator and the CB farmers have no say on this aspect. Similarly, the time of lifting of birds from the CB farms vary from integrator to integrator.

Chicks: Three integrators have their own hatcheries in different places other than Puducherry. Even though the integrators produce chicks in their own hatcheries, they supply the chicks to the CB farmers @ ranging from ₹ 11.50 to ₹ 13/chick. The integrators usually take 15 days to supply the chicks to the CB farmers. A similar finding was reported by Ramaswamy *et al.* (2005) on the basis of a study conducted with one leading integrator in Andhra Pradesh indicated that the cost of the day-old chick was high in case of contract farmer (₹ 11.85) compared to that of ₹ 10.19 for the non-contract farmer thereby indicating that the integrators were charging more for the day-old chicks (₹ 1.67) compared to non contract farmers. In fact the cost of chick should have been less for the contract farmer as the integrators produce

chicks in their own hatcheries and will be in a position to supply the chicks at a lower cost to their CB farmers than the private hatcheries supplying chicks to the non-contract farmers. The argument that the “integrators supply quality chicks” will not hold water as reported earlier.

The integrators supplied chicks weighing 30 to 38 g at day one, vaccinated against Infectious Bronchitis and Mareks’ diseases. All the integrators supplied chicks of under- weight i.e. less than 40 g. The same was appeared in the press reports in Maharashtra that “at times, companies supply chicks weighing only 25–30 g, though the ideal weight is 40 g. But farmers can do little about it, as the contract does not specify standards for the quality of chicks supplied by the companies.” The weight of the day-old chick influences the mortality rate as well as growth rate which ultimately result in lesser returns to the farmer although it is the integrator who is responsible for supplying chicks of lower body weight than recommended.

Ideally 6 batches of chicks could be reared in 1 year. This helps in better utilization of space, labour and equipment which are being contributed by the CB farmer. But on an average the contractors were supplying only five batches of chicks in a year. The number of chicks supplied and the numbers of batches to be reared entirely rests with the integrator and the CB farmer has no say on this.

Feed: All the integrators have their own feed mills. These mills are located in places away from Puducherry and as a result the transportation cost on feed from the feed mill to the CB farms will be high and will be passed on to the CB farmers. Although they manufacture feed at a highly competitive price, the benefit will not be passed on to the farmers and they are supplying feed to the CB farmers at a cost ranging from ₹ 11.50 to 14.00/kg feed. They usually supply feed 5 days before the supply of chicks and later on at weekly intervals. The CB farmers have no say on the quality of the feed they receive from the integrators. The companies don’t even specify the minimum protein and energy level in the feed supply. All these affect the production cost as well as FCR on the basis of which the farmers will be paid by the integrator.

Medicines: The integrators supply the required medicines and majority of the CB farmers were satisfied with the quality of medicines supplied. However, the CB farmers have no idea about the cost incurred by the integrator on the medicines.

Technical advice: There are no veterinarians working in the Branch office of any of the integrators. The line supervisors, graduates with a formal or informal training for a period of 3 to 6 months are the people involved in providing technical advice to the CB farmers. The line supervisors visit the CB farms regularly almost daily except on weekends. This showed that the technical advice is usually not provided by qualified veterinarians. All the integrators are involved in facilitating bank loans to their CB farmers. In addition to

this, integrator 'A' appreciates the best performing CB farmers in every batch by rewarding with a Gold coin.

Risk coverage in accidents: The integrators share the risk of production losses due to disease outbreaks. However, the integrators do not cover the risk arisen out of fire accidents, poisoning or natural calamities.

This study clearly brought out that the contract is one sided and favours the integrator. Quality standards are specified in the contract for the output (chicken) and the farmer has to pay a penalty for short fall in the standards. These standards are in terms of mortality rate, body weight etc. But unfortunately no standards were specified for the inputs supplied by the integrators i.e. weight of the day-old chick (at least 40 g), quality of feed (minimum levels of protein and energy), medicines, vaccines etc. The CB farmers are paid on the basis of production cost or FCR and the present study indicated that majority of the CB farmers (69%) were ignorant of the production cost and FCR which depend upon the weight of the day-old chick, quality of the feed and medicines supplied by the integrator in addition to the quality of management of the farm.

These results were in agreement with the observations of Singh and Asokan (2004) who reported that the clauses of fixing the prices and selling their produce to the integrators are in favour of the integrators. The farmers being small anyhow were not in a position to enhance any contractual obligations against a mighty contractor (Meeta and Rajivlochan 2008). It was reported by the poultry farmers of Maharashtra that most of the farmers enter into contract out of desperation as the contract is in favour of integrators and the farmers could do little if the contractors violate the contract as happened in the past that the integrators refused to buy the birds by declaring hatchery holidays and the farmers suffered huge losses. The report states "The problem with the present model of contract farming is that the farmers can actually do little if companies violate their contracts. Most farmers opt for contracts out of desperation and given a choice, all the poultry farmers would like to do open farming".

The earlier reports of Roth (1992), Vara Prasad *et al.* (2005) and Ramaswami *et al.* (2005) indicated that one of the important problems the CB farmers were encountering was that the chicks supplied by the integrators usually will not meet the standard of 40 g and this underweight will have its impact on the final weight gain. Similarly the revelations of Catelo and Costales (2008), argued that the perceptions by formal contract growers of the inequity of terms were confirmed in the case studies on broiler contracts in India and Thailand, and fixed-fee contracts in industrial-type pig production in Northern Vietnam. They reported a shift in Thailand, toward guaranteed forward-price contracts in broiler production owing to the dissatisfaction with the fixed fee contracts. In all cases, however, contract growers indicated preference for continued engagement in formal

contracts, *albeit* with more favourable terms.

A similar argument was put forth by Singh (2005) based on a study on poultry CF in India. His study revealed that the cost of production of contract growers was higher and the net income of contract growers not much different from that of non-contract growers because processors chose only those contract growers whose skills, experience and access to credit were relatively poor and the processors captured most of the surplus from contract production. The contracting agencies also manipulated provisions of the contracts in practice like picking up birds before due date or delaying it which meant losses for contract growers. But, growers were locked into these contracts due to the buyer specific fixed investments they had made.

Performance of the CB Farms

The performance of the farms was assessed on the basis of mortality of the chicks and income obtained by the farmers from the integrators.

Mortality in the last batch: Mortality of chicks is an important indicator of the health of birds and managerial efficiency of the farm and it forms a basis for calculating payment by the integrator to the CB farmer. The maximum permissible limit allowed by the integrators is 5%, above which the CB farmers have to pay the penalty.

The information pertaining to mortality (Table 4) showed that the mortality varies across the integrators from 6.36 to 21.7% in the last batch the CB farmers reared. It also varied from farm to farm and season to season which is attributed to the management of the farm by the CB farmer. The mortality was found to be more than 11% in case of 24.5% of the CB farms. High mortality of chicks in these farms might be due to the low body weight of the chicks supplied by the integrators and or the poor management of the farm by the CB farmer but irrespective of the reason for mortality the CB farmers ought to pay the penalty for it. This is also pointing to the fact that most of the CB farmers had less education and very low experience in poultry farming which could play a role in management of the farm. Neither the CB farmer insists on training prior to the establishment of the farm nor did the integrator provide such training even after the farm is established. The only source of technical guidance to the CB farmer is the line supervisors (who are not qualified veterinarians) who keep visiting the farms regularly.

A comparative study on the efficiency of contract and non-contract poultry farmers conducted by Ramaswamy *et al.* (2005) also reported that the mortality rate was high (4.73) in case of contract poultry farmers compared to non-contract farmers (4.39). This was the case when the average cost on medicines per bird and average veterinary fee per production cycle was high for contract poultry farmers compared to their counterpart non-contract poultry farmers. They also reported that CBF was more efficient in terms of FCR 2.15 as against 1.88 in case of non CB farms although the average body

Table 4. Economics of CB farmers in Puducherry N = 49

Particulars	A (23)	B (14)	C (7)	D (5)
Basis of payment	Average production cost of the branch (varies from batch to batch)	Fixed ₹ 29 per kg live weight	Fixed ₹ 32 per kg live weight	FCR
No. of chicks received by CB farmers from integrators	94,336	64,547	34,535	21,070
No. of birds supplied to integrators by CB farmers	84,106	60,445	31,310	16,507
% Mortality	10.8	6.36	9.33	21.7
Expenditure on hired labour # in ₹	1,01,372	63,710	27,380	32,250
Expenditure on farmers' inputs in ₹	1,45,351	82,562	37,148	30,504
Expenditure on farmers' inputs per bird in ₹	1.73	1.36	1.19	1.85
Total expenditure incurred by farmer! in ₹ (05 +06)	2,46,723	1,46,272	64,528	62,754
Income through birds – integrator's payment in ₹	4,34,700	2,21,500	1,19,667	1,11,000
Income through sale of empty feed bags in ₹	24,193	14,050	9,200	5,714
Total income in ₹ (08+09) @	4,58,893	2,35,550	1,28,867	1,16,714
Total income – total expenditure in ₹ (10/07)	2,12,170	89,278	64,339	53,960
Profit per bird in ₹ (11/03)	2.52	1.48	2.05	3.27
Payment per bird by the integrator (08/03)	5.17	3.66	3.82	6.72

Expenditure on family labour is not included; ! Excluding interest on investment on shed, bore well and equipments and maintenance of the shed and equipments; @ income through sale of manure is not included.

weight was 1.84 kg in both the cases. Similarly a study conducted by Begum (2005) indicated that although the independent farmer was able to take advantage of the increase in the price of broilers in the market, resulting in a higher price per bird as compared with the contract farmers, the contract farmers were still better off in their net return or profit.

Economics of CB farming

The whole farm economics of the CB farms could not be calculated because (i) the cost incurred by the integrators on supply of chicks, feed, medicines etc. is not known to the CB farmers, (ii) the cost on shed and equipments and land rent etc. were not collected by the investigator. The performance of the farms hence could be assessed based on the details on expenditure items like labour, inputs like litter materials, electricity, coal and other miscellaneous items collected from the respondent farmers as well as secondary information provided by the integrators. As stated earlier, the CB farmer in addition to labour was incurring expenditure on other miscellaneous items which include litter materials (paddy husk or coconut coir), electricity, coal, pulses, curd, sugar, oil cakes etc.

The basis of payment made by the integrators to the CB farmers for raising the birds varies from integrator to integrator. Three integrators (A,B and C) make the payment based on the production cost and one integrator (D) on the basis of FCR. The production cost is the cost incurred by the integrator in supplying chicks, feed, medicines, and technical advice to the CB farmer in addition to lifting charges.

Integrator "A" makes payment on the basis of the average production cost of the branch which varies again from one branch to the other under the same integrator. Whereas, the integrators "B" and "C" make payment on the basis of predetermined fixed cost of ₹ 29 and ₹ 32/kg of live weight of chicken, respectively.

The CB farmers incur expenditure in rearing the chicks on items which include (i) interest on investment (shed, bore well and equipments), (ii) maintenance of the shed and equipment, (iii) hired labour (except two farms the rest were depending on hired labour) and (iv) the inputs provided by them (other than provided by the integrator) on the advice of the line supervisors. In this study data on items (iii) and (iv) were collected from the CB farmers and the same were used for ascertaining the expenditure on rearing the chicks.

Similarly, the CB farmers get income from the (i) integrator as rearing charges (based on production cost or FCR), (ii) sale of empty feed bags, and (iii) sale of manure. The income to the CB farmers was arrived at by considering the first 2 components. The accurate information on the sale of manure from the respondents could not be arrived as CB farmers disposed off the manure by enriching their fields, or sold to other farmers or given as gratis to other farmers. Hence the income through sale of manure is not included in the calculations.

The expenditure on farmers' inputs is quite considerable and many times this item is ignored while calculating the economics of CB farming (Table 4). The expenditure on this item alone accounts for more than ₹ 1/bird (range ₹ 1.19 to 1.85). The payment made by the integrator to the CB farmers

is projected and it will be erroneous to conclude that the CB farmers are very well compensated by the integrators. This study showed that the payment made by the integrators to the CB farmers varied from ₹ 3.66 to 6.72/bird (average ₹ 4.61) and on the face value this appears quite attractive. But if the expenditure incurred by the CB farmer on hired labour and other inputs provided by them is taken into account, the profit per bird varied from 1.48 to 3.27 across the integrators. This profit excludes expenditure on land rent, interest on fixed investment in addition to the reward for his family labour. It is clear from these figures that the contract broiler farming is not attractive to the CB farmers when hired labour was used for various operations on the farm, although CB farming is intended to utilize the family labour as a supplementary source of income to the CB farmers.

It is interesting to note that the CB farmers under integrator "D" received higher profit per bird even though the mortality was highest in these farms compared to the farms under other three integrators. This reveals that the payment on the basis of FCR is beneficial to the CB farmers when compared to either unknown or fixed production cost.

An IFPRI study conducted on one prominent hatchery in India showed that contracting helped farmers, reduce costs of rearing chicks and earn higher profits compared with non-contract farmers (Birthal *et al.* 2005). It revealed that net profits for contract farmers were 13% higher compared to non-contract farmers. The cost of inputs such as chicks, medicines, and feed that are provided by the integrators account for about 75% of total production costs. Also, with the contract firms bearing a mortality risk of 5% and acquiring all output, the poultry integrators bear the bulk of both production and marketing risk. But usually the studies conducted on CBF do not take into consideration the miscellaneous inputs to be provided by the CB farmer on the advice of the line supervisors while calculating the economics of the contract broiler farming. These items include litter materials (paddy husk or coconut coir), coal, pulses, curd, sugar, oil cakes etc. which are to be provided as advised by the technical staff of the integrator and the cost towards procuring these materials is substantial.

However, the observations of IFPRI study were not in consonance with the findings of Mehta *et al.* (2003). A study on 159 broiler growers sampled in India, conducted by them showed that smallholder independents have more substantial profits of ₹ 13.1/bird compared to smallholder contract growers whose profit is only ₹ 1/bird. Similarly, large-scale independents have higher profit at ₹ 10.9/bird than contract growers having profited ₹ 3.2/bird. Based on these results they concluded that these differences are wide and significant enough to say that independent growers are more profitable than contract growers. The direction of the relationship did not change when family labour was considered at market wage rates, but the magnitude of the average profit per bird decreased. Similarly, a comparative study conducted by

Catelo and Costales (2008) revealed that there were more instances where the net returns per unit of output were more in case of independent producers in broiler chicken compared to contract farmers in India.

Satisfaction of CB farmers: The perceptions of CB farmers revealed that most of them were dissatisfied with the cost of chicks and feed, the weight of the chicks, the quality of the feed supplied and the payment (Thamizhselvi and Rao 2009). Similarly majority of the CB farmers consider the payment they receive from the respective integrators as non remunerative. Most of the farmers are unhappy with the payment and for this reason shifting of CB farmers from one integrator to the other is a very common phenomenon noticed in this study. About 41% of CB farmers shifted their loyalty at least once from one integrator to other integrators in the last few years thereby indicating their dissatisfaction with the previous integrator. There were instances where the CB farmers shifted their loyalty three times in the last few years indicating thereby that all is not well with contract Broiler farming. The integrators usually make the farmers happy in rearing the first one or two batches of chicks and later on delay the supply of chicks resulting in less number of batches in a year.

The market price of chicken during the study period was very high (above ₹ 65/kg live weight) and it appears that none of the integrators had passed on this benefit to the CB farmers. This could be one of the reasons why some of the researchers consider this contract farming itself as exploitative (Little and Watts 1994).

Foreclosure of the contract

Although there is a provision for the CB farmer to foreclose the contract, it is very difficult for him to come out of it because of the heavy expenditure incurred by him on construction of shed, bore well and in creating other infrastructure facilities (₹ 1 to 3 lakh) which can not be used for purposes other than poultry. Another important reason was the fear of losing social status in the village in case of winding up the business. The findings of the study also indicated that 51% of the sample CB farmers maintained the same flock size whereas 29% reduced their flock size and the remaining 20% increased their flock size over a period of time. A majority of the CB farmers are neither able to increase the flock size (possible in case it is profitable to the farmer) nor wind up the farm. It is like a debt trap and the farmers keep on hoping that the loss could be recovered in rearing the next batch of birds. However, there were instances of early termination of contract of the farmers reported due to various reasons like manipulation of inputs by integrators, decrease in the profit margin to the farmers over a period of time, delayed payment, farmers sometimes forced to rear the birds (even if it is a liability) for fear of retaliatory foreclosure by the integrator (Singh and Asokan 2004).

The silver line in the contract farming is that the CB farmer

will be getting assured price and the integrator will be bearing the investment and market risk which a small farmer cannot afford to take. Another advantage for the CB farmer is the scope for utilizing his family labour to supplement his income from other sources. This is the reason why the contract is one sided and is in favour of the integrator. Although the integrators have invested in establishing the hatcheries, feed mills, pharmaceutical units etc. and in employing a large number of people, it may be worth considering sharing a little bit of their profit to the CB farmers to improve the confidence of the later and also in converting the physical contract into a formidable and long lasting psychological contract between the CB farmers and integrators.

Similar views were expressed by Gulati *et al.* (2009) after reviewing the contract farming in agriculture including poultry in India. They suggested that “contract farming can be perceived as an institutional arrangement that can help address many existing market imperfections and facilitate firm-farm linkages, but not as a panacea for all ills. It will likely be important for contract farming to move beyond a limited buyer-seller relationship and to gradually bring in the elements of backward linkage. This could be instrumental in providing the farmers much more than assured markets and fair prices, but also support in the form of risk mitigation, access to information on cultivation, post-harvest technology, and markets, and access to credit and other inputs”.

SUMMARY

The study title started with a hypothesis that ‘is contract farming exploitative to small farmers?’ The findings conclusively proved this hypothesis that the integrators are selecting small farmers who are socio-economically weak, possessing less experience in poultry farming and have a little or no bargaining power. The contract agreement (in English only) of the integrators is one sided favouring only the integrators. The contract is silent on the standards of the inputs supplied by the integrator and as such the CB farmer has no control over the quality of the inputs like chicks (especially the body weight of day-old chicks), feed, medicines and technical advice given by the integrator which affect the final body weight gain (FCR) by the broilers, production cost and ultimately the payment received by the CB farmers.

The payment for a batch of broilers was made by three integrators based on the production cost and one integrator on the basis of FCR. The positive aspect of this contract broiler farming is that the CB Farmer is assured of getting a minimum amount (ranging from ₹ 3.66 to 6.72/bird). But the CB farmers is in fact receiving a benefit ranging from ₹ 1.48 to 3.27/bird if the expenditure on hired labour and other inputs provided by the CB farmer is taken into consideration. Hence, most of the CB farmers felt that the payment given to them was not remunerative compared to the expenses they are incurring on shed, bedding, labour, electricity, water and

all other miscellaneous items for rearing a batch of birds.

It is true that for most of the small farmers setting up a broiler farm is almost unthinkable because of high investment and hence look for entering into a contract with an integrator who is bearing both production and market risks. It is clear that making payment on the basis of FCR rather than production cost is in favour of the CB farmer but it is being followed by only one out of the three integrators. It is for the integrators to make CB farming a win-win situation by making it attractive to the CB farmers for instance by bearing the cost of miscellaneous inputs being provided by them. Otherwise the opt repeated slogan that “the markets will be booming and demand for livestock products including chicken will be raising but these benefits will not reach the small farmers” will remain.

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