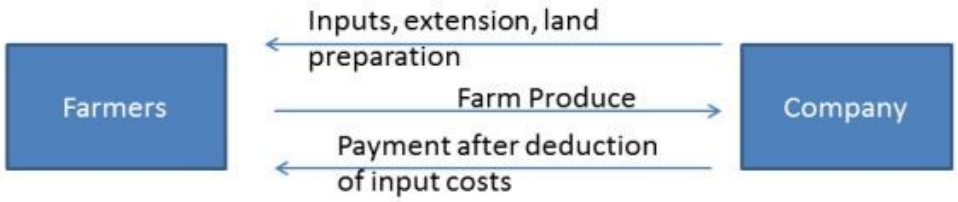
Contract Farming (CF)

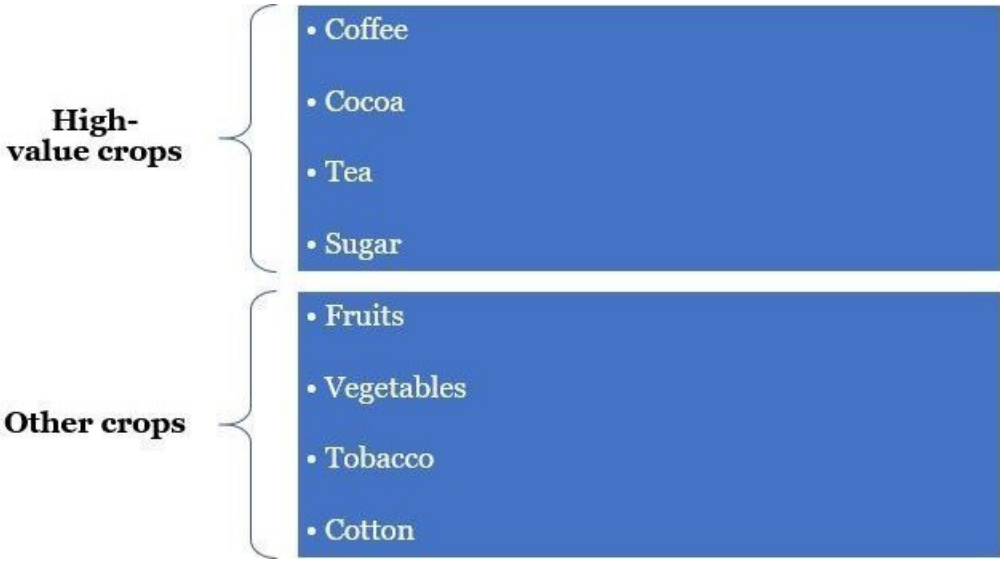
Why in News?

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



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