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## Constraints faced by contract farmers in broiler contract farming

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### Abstract

The research was conceived to investigate the constraints encountered by broiler contract farmers in Palladam block of Tiruppur district in Tamil Nadu. A total of 75 broiler contract farmers were randomly selected for the research. A scheduled interview schedule was prepared and administered to the broiler contract farmers. The study's findings revealed that high rearing costs, high labour costs, low prices paid by the company, high input costs, delayed payment, seasonal labour shortages, and delays in chick delivery were viewed as important constraints by broiler contract farmers. Based on the findings the following strategies to overcome the constraints were recommended. They are contract farming should be made legal through appropriate laws; there should be financial support from banks to small and marginal farmers on easy terms, the formation of contract farmers associations or cooperatives at the district/regional level to ensure the smooth operation of contract farming, and organizing regular technical training programmes.

**Keywords:** Broiler, contract farmers, constraints and strategies

### Introduction

Contract farming is an agreement between farmers, processing, and or marketing firms to produce and supply agricultural products. It is under forwarding agreements and predetermined prices for smallholders (Nduwimana, 2022) <sup>[8]</sup>. The contract farming has two major stakeholders viz., farmers and integrators. The integrators or entrepreneurs supply essential inputs for production; farmers produce with their land, labour and management.

Contract farming arrangements seem to be successful, where the integrator and the farmers are locked in asset-specific investment, rewarding the farmers according to their efforts and transparency by the integrator (with regard to price, weight measurement, grading and payment), which builds trust and contributes to the longevity of the contract (Ton *et al.*, 2018) <sup>[9]</sup>. However, the production risk remains with the farmers. (Mishra *et al.*, 2018) <sup>[7]</sup>. In the case of broiler production, the right on the number of batches per annum rested with the integrators so that when the slack in demand was anticipated, farmers are not given the chicks or given lesser number of chicks. This affected the farmer's regular income considerably and many may find it difficult to repay the loan.

The theoretical benefits, notwithstanding, contract farming has been controversial and has been criticised for being exploitative. Between the integrator and the small farmer, bargaining power surely lies with the former. Any factor or factors inhibiting or limiting individuals or groups from adopting intervention or achieving a goal can be defined as constraint. Glover (1987) <sup>[5]</sup> observed that in practice, farmers have encountered problems with respect to manipulation of quality standards, poor technical assistance, sometimes plain cheating and deliberate default. Serious conflicts in policy of the contracts can arise which may sabotage the contract itself. If an integrator really wants to sabotage the contract, it is easy for him to do it. Integrators also face problems such as breaching of contract, inability of farmers to produce up to agencies specification and constraint in making long-term operations. Keeping this in view the present study was formulated with the following objectives

- to study the constraints faced by the broiler contract farmers
- to formulate strategies to overcome the constraints faced by farmers

### Methodology

The present study was carried out by following *ex post facto and exploratory research design* in the Tiruppur district of Tamil Nadu. Palladam block having highest broiler contract farmers constitute the study area.

A sample of 15 broiler contract farming entrepreneurs was deliberately selected from broiler contract farming entrepreneurs. Five farmers under each entrepreneur were randomly selected, thus constituting a sample size of 75.

In consultation with the broiler contract farming entrepreneurs and farmers in the non-sampling area and also referring the earlier researches a list of probable constraints faced by the contract farmers was prepared. The possible constraints faced by the contract farmers were classified under five major headings viz., organisational, financial, technological,

resource and environmental constraints. The intensity of these constraints was assessed over a three point continuum of major constraint, somewhat constraint and not a constraint. The scores assigned were 3, 2 and 1 respectively.

### Results and Discussion

The constraints faced by the farmers in broiler contract farming were analysed and presented under financial, resource, organisational, technological and environmental domains (Table 1).

**Table 1:** Constraints faced by contract farmers in broiler contract farming

S. No.	Nature of constraints	Mean score	Rank	Domain average
<b>A</b>	<b>Financial constraints</b>			
1	High cost of rearing	3.00	I	2.55
2	High labour cost	2.99	II	
3	Low price paid	2.97	III	
4	High input cost	2.91	IV	
5	Delay in payment	2.32	V	
6	Delay in arranging financial assistance	1.13	VI	
<b>B</b>	<b>Resource constraints</b>			
1	Seasonal labour scarcity	2.31	I	1.44
2	Inadequate electricity supply	1.03	II	
3	Inadequate quality water supply	1.00	III	
<b>C</b>	<b>Organisational constraints</b>			
1	Delay in supplying chicks	1.96	I	1.35
2	Delay in arranging inputs	1.69	II	
3	Low bargaining strength	1.37	III	
4	Inadequate field visits	1.27	IV	
5	Frequent changes in staff	1.27	IV	
6	Partiality towards certain familiar persons	1.15	V	
7	Domination by monopolies	1.08	VI	
8	Delay in making contract	1.04	VII	
<b>D</b>	<b>Technological constraints</b>			
1	Low feed-conversion ratio	1.77	I	1.23
2	Recommended technologies are costlier	1.37	II	
3	Mortality of birds	1.03	III	
4	Disease outbreak	1.00	IV	
5	Vaccination	1.00	IV	
<b>E</b>	<b>Environmental constraints</b>			
1	Rain fall	1.00	I	1.00
2	Temperature	1.00	I	

High cost of rearing is the major constraint under financial domain followed by high labour cost, low price paid, high input cost, delay in payment and delay in arranging financial assistance. Getting labourers for broiler farms is a difficult task nowadays because of the lucrative wages paid in nonfarm sector. Cost of rearing broiler chicks is generally high due to labour cost, electricity charges, etc. Kumar *et al.*, (2021) <sup>[6]</sup> observed similar findings

There is always a difference of price between the farm procurement rate and selling price of broiler chicken in open markets, which is usually about Rs. 30 to 40. Hence the farmers could have expressed their discontent over the price offered by the entrepreneurs.

The resource constraints, seasonal labour scarcity were the only major constraint identified. Labourers prefer to work in the non-farm sector because of lucrative wages offered to them might be the reason.

Main organisational constraint was delay in supply of chicks. The other constraints were delay in arranging inputs followed by low bargaining strength, frequent changes in staff, inadequate field visits, partiality towards certain familiar persons, domination by monopolies and delay in making contract. Similar results were documented by Ebsa *et al.*, (2019) <sup>[4]</sup>

Even though there is an agreement made between the integrator and the farmer, the integrator usually supplies broiler chicks to the farmers only when there is market demand and based on season. Thus the delayed supply of chicks could curb the regular income of the farmers. Delay in arranging the inputs to the farmers especially medicines, vaccines and technical services during the time of crisis would upset the farmers psychologically and also lead to economic loss to the farmers. The price offered to broilers was not revived for more than five years. As per the terms and conditions of contract, predetermined rates are paid to the farmers leading to low bargaining strength.

In case of technological constraints, low feed conversion ratio was perceived as an important constraint followed by costly technologies. Disease outbreak, vaccination and mortality of birds were perceived not serious constraints by the respondents. Low feed conversion ratio occur due to several factors viz., feed intake, quality of feed, health status of birds, lighting, climate etc. There is a feeling among broiler farmer that the companies/integrators recommended mostly costly technologies which are not viable in field conditions. No factors regarding environment were considered as constraints by the respondents. Abdelnour *et al.*, (2018) <sup>[1]</sup> recorded similar constraint.

On the overall analysis it could be concluded that high cost of rearing, high labour cost, low price paid by companies, high input cost, delayed payment, seasonal labour scarcity and delay in chicks' supply were perceived as major constraints by the broiler contract farmers.

### Strategies to overcome the constraints faced by broiler contract farmers

Strategies mean planning of operations. From the findings of the study, the actions required to overcome the constraints in contract farming were analysed. These strategies would help the contract farmers as well as the entrepreneurs to improve the functioning of contract farming. The scientists and administrators would also get some relevant insights to plan for their further activities

Generally, the entrepreneurs or integrators select the farmers who are willing to carry out broiler farming on contract basis. While selecting the farmers for contract farming, if the company gives priority to certain characteristics of the farmers like high economic motivation, high risk orientation, experience in broiler farming, high knowledge about contract farming and broiler farming alone as their occupation the probability of success would be more. This would solve the administrative problems faced by the entrepreneurs to an extent. Organising orientation training programmes on broiler contract farming after selection of the farmer would also reduce the administrative constraints.

The seasonal consumption pattern of the consumers is the major reason for low price for broilers, which in turn reduce the profit margin of entrepreneurs. Direct marketing by retail sales and value addition of broiler meat would overcome the market constraints. The broiler contract farming system has been operating only in certain pockets of Tamil Nadu. Newer areas may be explored to extend the operation that would ultimately overcome the other market constraints. To overcome the feed related issues, the cultivation area of feed ingredients especially maize should be increased and contract farming for the same may be encouraged. Since the cost of labour is high, new inventions of low cost farm implements would reduce the problem.

More market intelligence related studies would help the contract farming system to fix reasonable price for broilers. This would solve the problem of flexible and low broiler prices in the market. The contractor should revise the price every couple of years considering the market situation so as to enthuse confidence in the minds of the farmers would develop a favourable attitude towards contract farming.

In general, the companies deferred the payment 30 days or more. If the companies give importance to immediate payment it would sustain the farmers' interest in the system and encourage them to participate actively. The broiler contract farmers were pleased with the system of contract farming. The reduction of risk and assured payment received farmers' appreciation. This feedback may be popularised among non-contract farmers to motivate them to develop a favourable attitude towards contract farming.

The following strategies are worth considering for effective performance of broiler contract farming in near future:

- Both the central and state governments have to create a consistent and effective policy measures to promote broiler contract farming.
- The contract farming should be made legal. Suitable laws are required to mediate and settle the dispute between the farmers as well as the company, in case of any violation

of contract if arise.

- There should be bank finance to small and marginal farmers on easy terms. As the payment for contractual produce is made through the bank, the recovery of such loans would be easier.
- There should be a contract farmers association or co-operatives at the district/regional level which will improve their bargaining power with the company and promote equality of partnership for ensuring smooth functioning of contract farming arrangement.
- An assured market for the broiler could motivate a farmer to enter contract with a company, a similar market prospect should exist for the value added broiler meat products of the company which would motivate the entrepreneurs to extent their area of operation.
- Apart from the existing area of broiler contract farming newer areas should be explored and assistance should be given to the entrepreneurs and farmers to take this system of farming to far and near.
- Regular technical training programmes on broiler farming are to be organised for the benefit of farmers by the companies to educate about the latest technologies to reduce the cost of production in broiler farming.

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