

“Contract Poultry Farming in Nashik District-An Overview”

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Abstract - India is always been known in the world for its Rural Based Economy as nearly 65% of its population is dependent on Agriculture & other rural businesses. Although such a huge dependence is seen till only 12.5% of Indian GDP comes through it.

India is ranked third in the world for the poultry production because of the initiatives taken by private players by signing contract with the farmers. The poultry sector has emerged from entirely unorganized farming practice to commercial production system with State-of the-art technological interventions. Poultry sector, besides providing direct or indirect employment to people, is also a potent tool for subsidiary income generation for many landless and marginal farmers. It also provides nutritional security especially to the rural poor. The growth rates during last two to three years for eggs and poultry meat are averaging at nearly 7-8% and 12-13% annually respectively. Due to ban on killing of cows the demand for poultry meat will increase in the coming future.

Key Words: Contract poultry farming, Vertical Integration.

1. INTRODUCTION TO CONTRACT POULTRY FARMING:-

Contract poultry farming is when a company and a farmer decide to produce breeders, broilers, turkeys, quail or commercial laying hens by signing a contract between them. This arrangement has been successful for over fifty years. Success is achieved when both entities do their part to achieve maximum performance from the birds. The company furnishes the feed that has been formulated by professional nutritionists to satisfy all the performance needs of the birds. A company representative who sorts out problems especially regarding disease visits the farmer daily. According to company accounts, the processor spends time and resources in screening producers for reputation and prior experience.

Da Silva, 2005 defines contract farming as “An intermediate mode of coordination, whereby the conditions of exchange are specifically set among

transaction partners by some form of legally enforceable, binding agreement. The specifications can be more or less detailed, covering provisions regarding production technology, price discovery, risk-sharing and other product and transaction attributes”.

Minot, 2007 states contract farming as “Agricultural production carried out according to a prior agreement in which the farmer commits to producing a given product in a given manner and the buyer commits to purchasing it”.

2. REVIEW OF LITERATURE:-

Padmashree Dr. Banda Vasudev Rao (B.V.Rao) rightly called Father of Indian Poultry Industry was the architect of Indian poultry industry's growth and modernization that created world-class facilities in the country.

Many researchers have tried to examine the impact of contract poultry farming on income, employment and standard of living of the farmers. Few of them are given below.

1. Rasak Bin Majid and Sallahuddin Hassan (2013) in their research paper on “Performance of broiler contract farmers: A case study in Perak, Malaysia” tried to evaluate the economic performance of broiler contract farmers in Perak. Contract broiler farming is one of the ways of increasing the broiler production and has some benefits. The author made an attempt to find the impact of size of farm, feed conversion rate, average body weight, average marketing age, mortality rate and rearing housing system on profit per bird. The findings of the study show with increase in size of farm the profit per bird increases, with increase in feed conversion rate the price per bird decreases, if average marketing age increase by one day and mortality ratio increase by one percent profit per bird declines by about 2.5 to 10 %, closed housing system increases the feed conversion rate but increases the construction cost but shows significant profit per bird.
2. Emine Ikkat Tumer (2013) in his research article on “The Effects of Factors on Death Rate in the Broiler Farms” made an attempt to find out the factors contributing for increasing death rate in the broiler farms and suggested the solutions to the same. According to the author the number of chicks, transportation distance of day old chicks, heating the coops, ventilation in the coops etc are

the factors which affect the death rate and the suggested measures are there should be 14-18 chicks per square meter, a day old chick should not be transported for more than 70 km, also automatic heating of the coop should be implemented in the farm because sudden temperature change causes increase in death rate. Also it was observed that as the budget increases the death rate decreases due to use of modern equipment for managing the broiler farm.

3. Mr. B.Soundararajan and Mr. G.B.Sundararajan (2014) in their company (Saguna) report explained the importance of brooder management and grower and finisher management. The overall broiler performance is dependent on several management practices. Brooder management is one of the important aspects of broiler rearing and management. The early/developmental stage becomes critical for the overall result and growth of the bird. Hence, care should be taken right from day one. Effective brooding management includes providing the chicks with the right temperature, relative humidity, air quality, good quality feed and water.
4. F. Islam¹, M. H. Hossain, A. Akhtar and M. S. Hossain (2014) in their research paper on "Prospect and Challenges in Broiler Farming of Barguna District in Bangladesh" with the objective to study the prospects and the challenges faced by broiler farming in Barguna district of Bangladesh. The findings of the study showed that higher prices of broiler feed and day old chicks as well as the market instability for live broilers are the major challenges faced by the broiler farmers. Also the broiler farming has direct as well as indirect employment generation potential. As farmers are purchasing feed from dealers on credit it shows that the financial condition of farmers are weak and if properly managed the feed price as well as day old chicks price can be reduced.

3. OBJECTIVES OF THE STUDY:-

- To understand the Poultry farming in detail.
- To find out the factors considered by farmers before entering into contract poultry farming in Nashik District.
- To examine the cost and return structure of Contract Poultry Farming in Nashik District.

4. HYPOTHESES OF THE STUDY:-

H1- People of Nasik prefer Contract Poultry Farming as compared to Independent Poultry Farming.

H2- Contract poultry farmers earn more income per unit of family resources compared to independent poultry or non-poultry farmers.

5. RESEARCH METHODOLOGY:-

For the proposed study a descriptive research method will be designed to fulfill the objectives with data collection from farmers who are engaged in poultry farming, through a structured questionnaire. The questions will be so designed to fulfill the objectives of the study.

5.1 DATA COLLECTION:

a) Primary Sources of Data Collection:

Primary data being the latest source of information will be collected through

a) Structured Questionnaire for Poultry Farmers.

b) Interviewing Veterinary Doctors for collecting the list of farmers and the exact number of poultry birds and address of the farmers.

b) Secondary Sources of Data Collection:

Secondary data required for analysis will be collected from various sources like-

- Annual Reports of Animal Husbandry department.
- Journals related to the topic
- Magazines
- Periodicals
- Various internet websites related to the topic.

i. Sample Selection:

Considering the objectives and nature of the study the researcher will select a sample which is a true representative of the population and which will fulfill the requirement of the study. Out of 15 tehsils of Nashik district three tehsils are selected for the study namely Sinner, Niphad and Dindori by convenience sampling method. For the purpose of the study researcher selected in total 100 poultry farmers from different tehsils (That is 80 contract poultry farmers and 20 independent poultry farmers). To study the cost involved, motivating factors for entering into contract etc a sampling frame of all selected poultry farmers is prepared and the Stratified sampling method is followed for the selection of samples. The sample frame will represent poultry farmers of different tehsils of Nashik district.

There are certain limitations also-

a) The study is restricted to only poultry farmers of Nashik district.

b) Time duration in which the researcher has to complete his research work is two to three years, by considering the geographical scope of Nashik district the time duration is very short.

c) The information will be given by the respondents and they may not answer all questions honestly.

d) The information collected will be totally dependent on the judgement and capability of the respondent.

5.2 Significance of the Study:

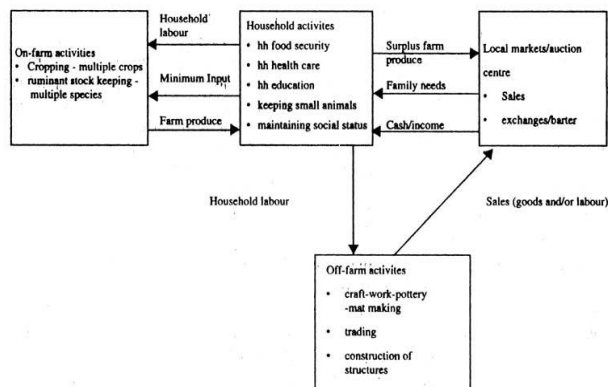
- This research will also help in finding out the problems of Poultry Farming.
- This research will explore the reasons why farmers prefer contract poultry farming.
- This research will help in making decision whether to go for contract poultry farming or independent poultry farmers.

6. DATA ANALYSIS AND INTERPRETATION:-

1. Poultry Farming in Nashik:-

In a poultry contract, hatcheries provide day-old chicks, feed and medicines to contract growers. The contract growers supply land, labour and other variable inputs (like electricity). At the end of the production cycle, the farmer receives a net price (by weight) that is pegged to an industry price set by a group of hatcheries (not the retail price).

The following figure shows the poultry farming in Nashik district:-



2. Motivating Factors encouraging entering into contract poultry farming:-

Sr.No	Factors	Response	%
1	Less Capital Required	80	25
2	Credit Facility	50	15.62
3	Less Risk	60	18.75
4	Better access to information	20	6.25
5	Assured returns	70	21.87
6	Better access to technology	10	3.12
7	Good quality of inputs(DOC, Feeds, Equipments etc)	10	3.12
8	Services (Health, insurance, medicine, distribution)	20	6.25
	Total	320	100

Interpretation:- It is observed from the above chart that the motivating factors for preferring contract farming is less capital required, assured returns and less risk is

involved under contract poultry farming. Capital requirement is huge when one starts independent poultry hence every contract poultry farmer prefer contract farming because of the same.

3. Cost and Return Structure of Poultry Farming:-

To understand why farmers go for contract farming rather than independent farming, we have attempted to examine the cost and returns of contract and independent broiler farming. The average size of the batch of contract farmers is less than non-contract farmers (i.e. contract farmers is 6940 and non-contract farmers is 7620). The details of the same are given in table number 2

Table 2: Cost Structure of Contract and Independent Farming

Sr. No.	Particulars	Contract	Non-contract
1	Cost of feed	0.00 (0.00)	555018.67 (78.46)
2	Cost of DOC's	0.00 (0.00)	111100.00 (15.70)
3	Cost of Medicine and Vaccines	1266.67 (9.09)	22220.00 (3.14)
4	Cost of Litter Material	1273.33 (9.13)	1397.73 (0.19)
5	Cost of Supplements (Feed)	163.33 (1.17)	1505.00 (0.21)
6	Hired labour charges	6100.13 (43.78)	9050.00 (1.27)
7	Water charges	1200.00 (8.61)	1400.00 (1.19)
8	Electricity charges	1706.67 (12.24)	1613.33 (0.22)
9	Repair and Maintenance charges	820.00 (5.88)	723.33 (0.10)

10	Transportation charges	0.00 (0.00)	2533.33 (0.35)
11	Cost of Disinfectants	536.67 (3.85)	756.67 (0.10)
12	Other Cost	866.67 (6.22)	33.33 (0.00)
Total Cost		13933.50 (100.00)	707351.33 (100.00)

Interpretation:- Above table shows that average variable cost of contract farmers is only 13,933.50 per batch, whereas for independent farming it is 7,07,351.33 per batch. It is mainly due to difference in cost of feed, Day Old Chicks (DOC's) and medicines & vaccine. For independent growers cost of Feed and DOC's consists nearly 94per cent of the total variable cost on the other hand for contract growers it is zero. Integrators provide feed and DOC's and other inputs to contract growers and because of that it remains zero in case of contract growers. This is why farmers go with contract broiler farming rather than independent one. Variable cost in independent farming remains nearly five times more than the contract farming. More over open market broiler prices are subject to uncertainty and volatility. Sometimes price goes down and farmers lose their entire capital and become bankrupt. In contract farming broiler contract growers shifts their risk towards integrator and whatever may be the market price they get assured returns from the company.

As far as returns are concern, they are very less in contract farming. Open market prices of broiler are ranging from 60 to 90 per Kg where contract growers get only 3.50 per KG, known as growing charges. But in case of contract growers these prices are assured and as explained earlier with this price farmers try to minimize the risk rather than maximizing the profit.

7. FINDINGS:-

- The Contract Poultry farming is one of the mostly preferred allied Agri-business in Nashik District.
- The motivating factors influencing farmers to prefer contract poultry farming are less capital required, assured returns and less risk.
- Variable cost in independent farming remains nearly five times more than the contract farming it is mainly due to difference in cost of feed, Day Old Chicks (DOC's) and medicines & vaccine.

8. CONCLUSION:

Globalization has already affected the agriculture sector of India in many adverse ways. Due to reduced subsidy and

trade liberalization input costs are rising with falling output prices and agriculture is becoming economically unviable to the farmers. As a result of number of intermediaries and lack of market information, farmers are unable to take the full advantage of their production. In such a situation contract farming is arising as key solution to solve the problem. Well-designed contract farming model leads to betterment of both integrator as well as the farmer.

With the self-employment, contract farming is also generating some indirect employment for landless agricultural labourers and for them it is the only source of survival. Large scale broiler contract farmers can generate nearly 1100 days employment for the agricultural labourers. In the study area majority of the farmers are adopting contract broiler farming as their primary occupation and most of their income is coming through this source. Contract farming is helping the farmers in improving their level of income and standard of living. In brief we can say that contract farming provides self-employment opportunities with variable capital, reduced risk and assured prices, which further helps the farmers and agricultural labourers in increasing their income and standard of living.

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