INDIAN INSTITUTE OF TECHNOLOGY GUWAHATI
SHORT ABSTRACT OF THESIS

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Thesis Title: **Impact of Contract Farming on Small Farmers: A Comparative Study of Contract and Non-Contract Potato Farmers from West Bengal**

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Thesis Submitted to the Department/ Center	:	Dept of Humanities and Social Sciences (HSS)
Date of completion of Thesis Viva-Voce Exam	:	11/12/2024
Key words for description of Thesis Work	:	Contract farming, small farmers, potato farmers, social relations, fairness, power dynamics, West Bengal

SHORT ABSTRACT

The recent farmer protests and policy debates in India have reignited interest in contract farming (CF henceforth) within critical agrarian studies. CF permeates various regions of India, and the prevailing literature often provokes ideological debates that tend to oversimplify the narrative into "win-win" or "win-lose" scenarios. Between the two extremes, the critical perspective on CF raises many concerns, such as unequal power dynamics, the monopsony position of firms, and exploitative practices. Prominent microeconomic studies on CF in India propose various approaches to resolving market failures, aiming to benefit farmers through enhanced production, income, and employment prospects. Despite several studies over the past couple of decades and recent policy debates, the implication of CF on smallholders due to the complex interplay of social relations of production and capitalist tendencies of corporate firms is understudied in India.

This thesis aims to address the existing gap in CF literature through a critical examination of potato CF under PepsiCo in West Bengal. This thesis focuses on the benefits and burdens faced by smallholders, as well as its impacts on broader agrarian relations in the study villages. The central research questions guiding this thesis are: What model of potato CF is employed, and what roles do intermediaries play in the input-output markets? Does CF enhance the value chain for smallholders, and is it an equitable practice? Lastly, is CF more financially viable for smallholders?

The major findings of the thesis diverge significantly from the leading previous studies on CF in India. Previous studies claimed that CF often restricts smallholder farmers and is biased towards resource-rich farmers. First, the thesis demonstrates that CF promotes 'adverse inclusivity' regarding production scale and social dynamics. Small and marginal farmers, mainly from socially disadvantaged castes, often opt for CF to confront the challenges of cultivating high-value crops in India. However, despite notable

changes in social order and the political involvement of smallholders and marginalised caste populations facilitated by successful land reforms and the Panchayati system under the long-standing Left government in the state, the prevailing social hierarchy continues to favour socially advantaged castes, enabling them to assume roles as commission agents and secure livelihood opportunities within the CF framework. This leads to an intermediary model of CF that enables PepsiCo to have indirect control over land, family labour, and production of smallholders through an intermediary, ultimately reducing transaction costs and smoothing the supply of quality raw materials.

Secondly, the thesis contests the efficacy of fixed-price contracts, commonly perceived as creating a "win-win" scenario, yet failing to yield better returns for contract farmers in the event of production losses. Through a comparative analysis of costs and profits, I argue that a fixed price contract may not be a viable option for smallholders at all times. In study villages, non-contract farmers benefitted from the open market price fluctuations during production losses, whereas contract farmers faced relative economic losses. Thus, I argue that CF may guarantee fixed returns under normal circumstances. However, during production loss and upwardly fluctuating market price situations, it fails to give market-based returns to farmers. Therefore, I made some recommendations that, along with fixed prices, there should be a compensation mechanism for farmers to protect them from farm business losses at lower production or upward price movements.

Thirdly, the section explored the motives that lead farmers to cultivate under CF and the fairness of such arrangements. Secure minimum income, input support, and market access are the primary reasons small and marginal farmers cultivate under CF to avoid open market risks. They cannot afford to lose because they live so close to the margins. The thesis contends that while CF has facilitated increased access for smallholders to input and output markets, the value chain structure within this practice remains inherently unfair. CF addresses two critical constraints smallholders face: credit support, market access (information and price), and technological knowledge, which hinder their participation in high-value crop cultivation. The political economy and critical approach perspectives conceptualise CF as a manifestation of unequal power dynamics and exploitative practices. Within this framework, smallholders forfeit their autonomy over production processes and decision-making. However, there is a lack of an adequate framework that could explain such unequal relations, exploitation, and unfair everyday acts in CF. To address these issues, this study develops a novel composite conceptual framework to understand the benefits, burdens, and unfairness inherent in the CF value chain.