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Q3

In the view of the declining average size of land holdings in India which has made agriculture non - viable for a majority of farmers should contract farming and land leasing be promoted in agriculture? critically evaluate the pros and cons.

UPSC Civil Services Mains 2015 · GS III · 12 marks · Crops, Irrigation and Marketing

Major crops - cropping patterns in various parts of the country; different types of irrigation and irrigation systems; storage, transport and marketing of agricultural produce and issues and related constraints; e-technology in the aid of farmers.

Core demand of the question

- State why shrinking holdings make many farms non-viable
- Evaluate pros and cons of contract farming
- Evaluate pros and cons of legal land leasing
- Conclude with safeguards, not a blanket yes or no

Revision summary

Average holdings near 1.15 hectares make many farms too small to cover cost and risk.

Contract farming can bring price, seed and offtake, as the Model APMC Act 2003 envisaged.

Unequal bargaining, quality rejection and monoculture are the main contract risks.

Legal leasing can assemble scale and open credit while the owner keeps title; informal tenancy already exists.

Both tools need written terms, FPOs and clean records, not a free hand for sponsors.

Introduction

The **Agriculture Census** shows the average operational holding in India is now around **1.15 hectares**, and a majority of farmers are **marginal**. A plot that small cannot always feed a family or repay a machine loan. **Contract farming** and **land leasing** are two ways to restore scale without forcing sale of title. Both help only if the weak party is protected.

Body

Why holdings have become non-viable

- Inheritance splits land; **ceiling and tenancy fears** also keep plots fragmented and unrecorded.
- A tiny plot cannot use a tube well, harvester or warehouse efficiently, so **unit cost** stays high.
- Marketable surplus is small, so the farmer sells in distress and stays out of institutional credit.
- Leaving land idle while the owner works in a city wastes soil that a tenant could crop - if the law allowed a clean lease.

Contract farming: pros and cons

- **Pros:** a written offtake and price, seed and extension from the sponsor, and a door into processing and export that the village trader does not offer.
- The **Model APMC Act, 2003** already asked States to allow contract farming outside the old mandi monopoly.
- **Cons:** the sponsor sets quality specs and can reject produce; bargaining power is unequal; water and soil can be mined for a single crop; and dispute forums are far from the village.
- Without **Farmer Producer Organisations** aggregating small plots, the contract is often with a middleman, not the tiller.

Land leasing: pros and cons

- **Pros:** a legal lease lets a skilled tiller assemble a viable unit; the owner keeps title and can work off-farm; the tenant can then show the lease for **credit and insurance**.
- Informal tenancy is already widespread; hiding it hurts the actual cultivator.
- **Cons:** poorly designed law can enable **reverse tenancy** and pressure on poor owners; some States still fear that tenants will claim occupancy rights, so owners leave land fallow instead.
- Land records must name the cultivator without threatening the owner's title.

Critical balance

- Promote both, with **model contracts**, price and quality transparency, State dispute cells, and a **liberal, recorded lease** that is time-bound and does not transfer ownership.
- Do not treat them as a substitute for public irrigation, extension and MSP where it actually operates.

Flow diagram

Tiny holdings -> Non viable farms

Non viable farms -> Contract farming offtake

Non viable farms -> Legal land leasing scale

Contract farming offtake -> Safeguards FPO disputes

Legal land leasing scale -> Safeguards FPO disputes

Safeguards FPO disputes -> Viable tiller keeps title

Conclusion

Tiny holdings have made many farms non-viable. Contract farming and legal leasing can restore scale and offtake if contracts are fair and leases are recorded without stealing title. Unregulated contracts and hidden tenancy will only shift risk onto the small farmer.

Facts & figures

Average holding

Agriculture Census 2010-11 put India's average operational holding near 1.15 hectares, with most farmers in the marginal class.

Model APMC Act 2003

Union model law that asked States to permit private markets, direct purchase and contract farming.

Contract farming

A pre-harvest agreement on offtake, quality and often price, usually with a processor or organised buyer.

Informal tenancy

Widespread unrecorded leases; the tiller often cannot prove cultivation for bank credit.

FPO

Farmer Producer Organisation: aggregator so smallholders can sign a contract as a group rather than as isolated plots.

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