Comparison of Contract and Noncontract Farming in Poultry Value Chain of Ranga Reddy and Mahabubnagar Districts of Telengana State, India

Korabandi Suhasini1,*, Shakuntala Devi1, and Desta Wirnas2

1 Professor Jayashankar Telangana State Agricultural University, India
2 Department of Agriculture, India

*Correspondence
Department of Agricultural Economics, College of Agriculture, Professor Jayashankar Telangana State Agricultural University, Rajendranagar, Hyderabad, India 500030
E hasinik2003@yahoo.co.in

Keywords
contract farming, European efficiency ratio, feed conversion ratio, integrators, performance efficiency factor

Abstract
Poultry is one of the fastest growing sectors (>10% per annum) in Telangana State, India. Contract farming emerged in the poultry value chain to mitigate price risk and solve the problem of hatcheries in selling their day-old chicks. Hatcheries (integrators) supplied day-old broiler chicks, feed, and medicines for free to farmers who have infrastructure, procured back, grown birds paying predetermined growing charges. Study focused on variables such as cost of infrastructure, production, rate of return, returns, and feed efficiency, etc., among small, medium, and large farms under contract and not under contract in the study area. The total sample size was 60, with 30 each for contract and noncontract farming and 10 each for small-, medium-, and large-sized farms. Mean production cost per bird was INR 46 in the noncontract farms without size variation. Cost was almost one-tenth of the above in contracts and was highest in small farms (INR 4.94) showing an inverse relationship. Return per rupee of investment is 1:0.48 for small farms under contract compared to 1:0.13 in noncontract farms. Feed conversion ratio (FCR), which is feed required to produce 1 kg of bird’s live weight, was 1.84, 1.83, and 1.90 for all three size farms under contract, and 2.10, 2.14, and 2.09 under noncontract. Other FCRs such as PEF (performance efficiency factor) was at 102.13 and EEF (European efficiency ratio) was at 259.28, 237.79, and 219.56 for all three sizes under contract. But net returns obtained were INR 1.92 per bird by contract, less than noncontract, due to low production cost per bird. This was the major problem faced by contract farmers, and we recommend that the farmer groups should bargain and enforce their legal status.