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   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

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CORPORATE SOCIAL RESPONSIBILITY AND COMMERCIALISATION OF AGRICULTURE IN INDIA: AN OVERVIEW

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ABSTRACT

India is predominantly an agrarian economy. Indian agriculture is characterized by millions of small and marginal farmer with uneconomical landholding facing a myriad of difficulties to sustain their livelihood. The issue of small farmer's empowerment and development as one of the main avenue of poverty reduction remains challenging. The challenge is to ensure that they would participate in and contribute to agricultural and rural growth, by providing them a level playing field. In India, the government as a part of liberalization drive has been encouraging a turn towards the concept of commercialization of farming business through contract/corporate farming like the western countries and made substantive legislative changes to facilitate its proliferation. These farming practices were envisaged as the most efficient with a combination of timely, quality and cost effective delivery of industrial inputs, but it is also true that dealing with small farmers is very susceptible in nature. The experience of contract and corporate farming across the world suggests that, it is not harmful, but how it is being practiced in a given context of the country's situations, is very important. There is a great concern regarding the ability of the small farmers to survive in the changing environment of agri-business as it sounds like a win-win situation for both farmers and companies by creating direct linkages between the farmer and the market through agro-business corporations, thereby eliminating the exploitive middlemen and guaranteeing the farmers, an assured and high income. But the problem is that the vast majority of the rural population is ignorant, they were still not in a position to know what is in their welfare and in such a situation depending on external agencies would prove havoc. So, it is imperative to go through the success and failure of these new ventures in the framework of the "moral economy of commercialization of agriculture" and an increasingly need of corporate social responsibility in Indian agriculture. The concept of sustainability has recently gained attention in the agribusiness sector, due to a widespread discontent with the corporate practices and agricultural sustainability. There emerges, a concept of corporate social responsibility in an agri-business framework as it is heavily needed in the Indian agriculture due to the precarious situations created by large companies in India. Corporate social responsibility (CSR) is a concept whereby companies integrate social and environmental concern in their business operations and in their interaction with stakeholders solely on a voluntary basis. Against this backdrop, the aim of the present paper is to examine the rationale and relevance of the advent of contract and corporate farming for the small farmers in the context of commercialization and globalization.

KEYWORDS

Agriculture; Contract Farming; Corporate Farming; Corporate Social Responsibility; Small Farmers.

1. INTRODUCTION

Agricultural sector is the mainstay of Indian economy, which provides employment to more than 70 percent of the population for which increasing agricultural growth is the top most priority of the government. Indian agriculture has been facing multiple challenges which have resulted into severe agrarian crisis. The complex nature of the history of agriculture in India stems from a variety of circumstances. According to M.S. Swaminathan (Report on National Commission for Farmers, 2006), the major causes of the Indian agrarian crisis are unfinished agenda in land reform, quantity and quality of water technology fatigue, access, adequacy and timeliness of institutional credit and opportunities for assured and remunerative marketing and adverse meteorological factors. The Indian agricultural sector has been facing a dual crisis, one in the form of agricultural development crisis as reflected in the falling agricultural growth rate due to declining productivity and hence profitability, which posed the livelihood of 84.97 percent (2010-11) of small and marginal farmers at the blink of survival risk and another is the agrarian crisis which is the result of high dependence of the population on agriculture and increasing marginalization of land holdings.

Since the new economic policy has already made significant progress in the trade and industrial sectors, the focus is now shifting towards bringing about structural reforms in other sectors especially agriculture in terms of mode of organization of production. This is being attempted in order to bring in better efficiency of input and output markets and promote growth performance of the sector ultimately resulting in rural poverty reduction in India (Singh, S; 2006). Indian agriculture has been moving towards the commercialization of agriculture since economic liberalization which changes the economic circumstances in the last two decades.

Before economic liberalization, government intervention in the agricultural market was considered an important instrument of development as the state generally controls the agricultural market through the implementation of market regulating act known as the Agricultural Produce and Marketing Committee (APMC) Act, fixing and maintenance of minimum prices etc. Overtime, government became unwilling to or in fact failed to go through its earlier role of controlling the agricultural sector. There came, the concept of commercialization of agriculture and contract and corporate farming is the two main steps toward this direction.

With the gradual withdrawal of the state from agricultural markets (due to the amendment of the Agricultural Produce Marketing Committee (APMC) Act in 2003 in India, under which private markets can now be set up and contract farming (CF) with and direct purchase from farmers have been made legal) and the emphasis on the role of the private sector for bringing efficiency and growth to the farm sector, space is being provided to corporate and multinational agencies through the opening up of procurement, wholesale trade and retailing (Singh, S; 2012) Being in capitalistic mode of production based on profit maximization, it is doubted that the livelihood security of small and marginal farm holders can get into danger as they may find it difficult to cope up with the resultant volatility in the economy, along with other environmental and social risks due to the malpractices and profit motives. Experiences suggest that overall growth rate of the economy is quite sensitive to the fluctuations in the growth rate of agricultural sector.

Small farmers in both developed and developing countries share certain basic goals. For the most part, they wish to increase the security and income of their families while retaining their independence as owners and operators of a farm enterprise. It has become increasingly difficult to pursue these goals simultaneously (Singh, S K; 2013). In such a situation, it is speculated that the concept of "Corporate Social Responsibility (CSR)" can play a holistic role incompatible with the dynamics of Indian agriculture. CSR in agricultural sector would be the private sector's obligation to safeguard the wellbeing of the

stakeholders like the farmers, surrounding communities, environmental quality and all the economic and social agents linked with these commercial practices and hence, establishing sustainability in agricultural development and poverty reduction.
In this context, the paper examines the need and role of CSR in sustainable agricultural practices in terms of reduction in risk from each and every levels of production processes by the corporate. This paper is divided into four parts as the first part reviews the government's effort towards commercialization of agriculture in India. The second part explains the concept and rationale of contract and corporate farming in India. The third part overviews the problems faced by small farmers in India and the forth part highlights the need and role of CSR in Indian agriculture.

2. OBJECTIVES
The study entitled "Corporate Social Responsibility and Commercialization of Agriculture in India: An Overview" has following objectives:
1. To examine the government's efforts in commercialisation the agricultural sector.
2. To analyze the pros and cons of contract/corporate farming practices in India, and
3. To ascertain the role of corporates responsibility in the context of rapidly changing agricultural scenario in India.

3. REVIEW OF LITERATURE
Chandrasekhar (2013) is of the view that contract farming essentially produces an unequal system where the risks are left with farmers while control over production and marketing is acquired by corporate. Ramakrishnam (2013) has emphasized that the government's aggressive moves to open up the farm sector to corporate control under the PPP model are fraught with danger as they can lead to the worsening of the agrarian crisis and land grabbing practices. Rao has emphasized that the three models tried in Andhra Pradesh to bring small farms into the corporate fold became financially unsound and have had serious results of groundwater depletion, rejection of contract produce, etc. Panwar (2013) is of the view that the price volatility and the alignment of domestic food prices with international food and oil prices are the inherent danger of the corporatization of the farm sector.
Sukhpal (2006) has found that the main issue with the contract farming is that it excludes a small farmer who specially needs the assistance as companies prefer medium and large farmers because of transaction costs and suggested that contract farming can work if there would be collectivization of small farmers so that they could exert better bargaining power. Waswa *et al.* (2009) suggests that to bridge the income gap between farmers and companies, there is a need to institutionalize Corporate Social Responsibility within the daily operations of the company. Patnaik, Usha (2013) is of the view that the entry of corporate in Indian agriculture would leads to a situation where farmers become "debt slaves" and increased suicides rates in the regions and emphasized the need to look for viable and rational alternatives.

4. COMMERCIALIZATION OF AGRICULTURE IN INDIA
The small, marginal and resource farmers were caught in the vicious circle of low investment, low productivity, high cost and low income. The situation calls for a Schultzian intervention to induce a break away from this low level equilibrium. The challenge is to empower them with appropriate steps on policy, technology and institutional fronts so as to enable them to release these constraints (Deshpande, 2008). Commercialization of agriculture refers to aligning the farm management decision to the market signal. It may, thus, get reflected on the output front through increased share of marketed surplus, introduction of new crops/activities, growing commercial crops (*ibid*, 2008). Contract and corporate farming are the two basic modes of commercialization of agriculture. As contract farming has been in India since the British rule when commodities like Collin Indigo were produced by the Indian farmers for British companies and in 1960's in the seed production but in reality, the crux of contract farming starts with the green revolution by the government of India in collaboration with state governments, Indian Council for Agricultural Research and state agricultural universities. Therefore, contract farming as a nomenclature may be of recent origin, but the concept of contract farming has been in operation for long in the country. But after the advent of economic liberalization, contract farming became the common, first starting with the Pepsi (now Pepsico) in Punjab in tomatoes and potatoes in the mid-1990, later on Unilever, ITC, Cargil, Reliance, Essar, Bharti Enterprises Del Monte Pacific Ltd, the Adani Group, Marico, Tata Chemicals and Nestle etc. largely supported by states like Punjab, Maharashtra, Andhra Pradesh, Karnataka and Gujrat etc.
In the neoliberal era, the interest in corporate/contract farming is policy induced. The promotion of contract farming through deregulations has been partly argued by the government that it is a way of introducing better and more farming practices into a slowly growing agricultural sector as large buyers /companies would provide modern inputs and potent farming practices. The private sector was accorded an increasingly equal stage in agriculture marketing in the Tenth Plan (2002-2007), which focuses on inclusive growth in the agricultural sector, the government made a commitment that "as some large farms may lease land and even employ the small owner on his own farm to grow specific crops under supervision" as a solution to the problems of agrarian crisis, showed the pro-corporate attitude of the government.
With the liberalisation and globalisation of food and fibre markets in the developing world including India, there is renewed corporate business interest in agriculture in the form of corporate involvement in food processing, agro-exports and retailing as it is seen as unattended sector by those with capital, technological and managerial resources. With the gradual withdrawal of the state from agricultural markets (due to the Amendment of the Agricultural Produce Marketing Committee (APMC) Act in 2003 in India under which now private markets can be set up, and contract farming (henceforth CF) with and direct purchase from farmers are legal) and emphasis on the role of private sector for bringing efficiency and growth to the sector, space is being provided to corporate and multinational agencies in the form of opening up of procurement, wholesale trade, and retailing. The mechanisms being allowed and promoted are CF, public private partnerships, retailing and wholesaling. It is argued that the sources of trouble in the farm sector are in the supply chains of the sector which can be improved by corporate involvement and investments. In this policy environment and in the context of low growth of the farm sector and the prevalence of farmer distress in large parts of India, domestic corporate have made forays into the retail sector and in perishable produce CF in the last decade and many foreign supermarket retailers (Metro, Wal-Mart, Tesco, Carrefour) have entered wholesale cash & carry sector (permitted since 1997) (Singh, 2011).
This made contract farming legal which led to its widespread adoption across crops, regions and companies. Major Indian corporate entered agribusiness in different forms during 2000-10 on the assumptions that working with corporate under the framework of commercialization of Indian agriculture through contract/corporate farming practices means tapping into the most advanced technology and being inserted into value chains with a global reach by offering opportunities for entrepreneurship including horticulture, dairy farming, livestock etc. with world class agro-equipment and support services.
The National Policy on agriculture declares that the private sector will be promoted through contract farming and land leasing arrangements (corporate farming) to allow accelerated technology transfer, capital inflow and assured market for crop production. Over the past few years, section of the political parties, technocrats and ministries at the Centre as well as at the State levels have moved to support through their policies for public-private partnership (PPP) in agriculture, which transfers paramount role in corporate sector in production and to retail marketing as a subsidiary initiatives along with the key initiatives of land reforms and institutional credit. Several states came forward and promote the setting up of PPP ventures. They proclaimed that it is a move towards second green revolution through PPP. The government of India through its ministry of agriculture devised so many frameworks and schemes to facilitate large scale integrated projects led by private companies in agriculture and allied sectors with a motive of aggregating and integrating farmers with the financial assistance through the Rashtriya Krishi Vikas Yojana (RKVY) under the support and supervision of state governments and various national level agencies.
The policy makers assures that it is a collaborative effort between government, farmers and corporates in agricultural sector with an aim to raise the rate of agricultural GDP growth and hence directly impacting rural poverty, as now-a-days, more than 70 percent of the agricultural GDP is heavily weighted in favour of high value produce. The government has initiated to formalize the role of the Small Farmers Agribusiness Consortium (SFAC) as the national nodal agency for advancing PPP initiatives which would provide technical support and facilities states and corporations.
The PPP in agricultural development (PPPIAD) has been conceived of as an alternative mode of implementation under the RKVP, using the technical and managerial capabilities of the private sector in combination with the public funding, to achieve integrated and sustainable outcomes, as also to achieve value chain integration and additional private investment in agriculture (Ramakrishnan, V; 2013). Corporate would have given complete flexibility in designing schemes

and programmes, structure and their parameters along with enjoying a myriad of privileges and concessions. The government initiated SFAC to set up Farmer Producer Companies (FPC) all over the country by facilitating the registration of more and more FPC, which got a significant response from the majority of states. The government promotes crop diversification of high value export crops, allowing free leasing of land, boosting agro-processing and developing post-harvest and marketing infrastructure. Hence, in this changed situation, it is clear that the private corporate sector becomes the leading agent.

5. CONCEPT AND RATIONALE OF CONTRACT/CORPORATE FARMING

The modern contract farming has been developed in the United States where corporatization of agriculture is now the most advanced process as multinationals has come to dominate the entire chain of agricultural production and distribution.

Contract farming is a system of cultivation and supply of agricultural commodities that is based on forward contracts between producers and buyers. It is a system in which agricultural production is carried out through an agreement between farmers and buyers (typically a large company) that specifies a combination of features such as price, quantity and quality to be supplied and date of delivery which farmers as supplier are expected to fulfill their promise to acquire those supplies at the pre-specified price. A contract reduces price risk for a farmer and can be terminated at reasonably short notice. Contracts can be a source of new technology for farmers as generally new crops with modern technology or existing crops with new seeds and other inputs are promoted under such arrangements. On the other hand, food processors can minimize their overhead costs per unit of production by operating their plants at or near full capacity. They, therefore, need assured and stable supplies of raw materials from farms. In procuring the supplies, the prime requirements of the agribusiness firm are that each supplier must be in a position to guarantee a large volume, continuity of supply and a standardized quality. To the extent that these requirements cannot be met by purchasing through traditional open market channels, more direct links with large producers and producer's organizations are built up. The contracts are more flexible in face of market uncertainty, make smaller demands on scarce capital resources and impose less burdens on management. Contracting can give a positive image to the company as it may be perceived as progressive especially if it works with small farmers. From an institutional economic perspective, contract farming could be looked upon as a way of creating positive externalities which can result in overall rural development (Singh, S; 2013). However, the terms and nature of the contract differ according to variations in the nature of crops to be grown, agencies, farmers, and technologies and the context in which they are practiced.

For example, contract farming in wheat is being practiced in Madhya Pradesh by Hindustan Lever Ltd (HLL), Rallis and ICICI. Under the system, Rallis supplies agri-inputs and know-how, and ICICI finances (farm credit) the farmers. HLL, the processing company, which requires the farm produce as raw material for its food processing industry, provides the buyback arrangement for the farm output. In this arrangement, farmers benefit through the assured market for their produce in addition to timely, adequate and quality input supply including free technical know-how; HLL benefits through supply-chain efficiency; while Rallis and ICICI benefit through assured clientele for their products and services. The consortium is also planning to rope in other specialist partners including insurance, equipment and storage companies. Another example is of pepsico, launching its agro-business in India with special focus on exports of value added processed foods, pepsi foods Ltd ('Pepsico' hereafter) entered in India in 1989 by installing a Rs 22 crore state-of-the-art tomato processing plant at Zahura in Hoshiarpur district of Punjab. The company intended to produce a aseptically packed pastes and purees for the international market. However, before long, the company recognized that investment in agro-processing plants would not be viable unless the yields and quality of agricultural produce to be processed were up to international standards. At that point of time, tomato had never been cultivated in Punjab for its solid content, with a focus on high yields and other desirable processing characteristics such as colour, viscosity and water binding properties (NIAEM, GOI; 2003).

The PepsiCo model of contract farming, measured in terms of new options for farmers, productivity increases, and the introduction of modern technology, has been an unparalleled success. The company focused on developing region- and desired produce-specific research, and extensive extension services. It was thus successful in bringing about a drastic change in the Punjab farmers' production system towards its objective of ensuring supply of right produce at the right time in required quantities to its processing plant. Encouraged by the sweeping success of contract farming in tomato in several districts of Punjab, PepsiCo has been successfully emulating the model in food grains (Basmati rice), spices (chillies) and oilseeds (groundnut) as well, apart from other vegetable crops like potato (*ibid*). There are other examples of Kuppam project of Andhra Pradesh, projects in Karnataka, Maharashtra etc. Hence, Contract farming sounds like a great story where there is a win-win situation for both farmers and company and thus, enhances the agricultural productivity and efficiency of poor farmers.

Corporate farming refers to direct ownership or leasing in of farmland by business organizations in order to produce for their captive processing requirements or for the open market. When it is done for captive purposes, it is referred to as captive farming as well, though most of the time, the two terms are interchangeably used (Singh, 2006). This demands the possession of large tracts of land by corporates, which is constrained by state government's land ceiling laws. So, the thrust of the post-1991 policies has been to remove the land ceiling limit to allow corporates for the cultivation of unlimited areas. Many states like Karnataka, Maharashtra, and Gujarat etc. have already introduced these amendments. They want to give subsidies to these companies and hence, aiding the initiatives of corporate farming.

The Field Fresh: A 50:50 venture by Bharti Enterprises and Rothschild is one of the case of corporate farming in India. With the idea of establishing a R&D enabled farm, Bharti Enterprises in partnership with Rothschild acquired around 300 acres of land in Punjab. The focus is on growing fruits and vegetables using the latest technology. Distribution of fresh fruits and vegetables is done to the European Union, Eastern Europe, South East Asia, Middle East and the CIS countries. It has already sent the first consignment of vegetables to the UK included okra, bitter gourd and chilli. This venture has helped the local farmers raise their monthly income. If we take the case of a family with two acres of land leased out to Field Fresh, the rent from the lease is Rs 30,000 per year (Rs 15,000 per year per acre). Suppose two members from the family work for the company, their income will be Rs 57,600 (at Rs 80 per day per worker). Thus the overall income of the family works out to be Rs 87,600. In the absence of such a farming model the average gross output of such a farm in Punjab is Rs 50,000 (without any cost deduction) (*ibid*).

6. PROBLEMS OF SMALL FARMERS

The advent of globalisation and liberalisation has intensified the role of the agribusiness firms who are entering into contract with primary producers and farmers for supplying raw materials. There are diverse views on the merits and demerits of contract farming. Many argue that since the primary producers or the farmers lack the bargaining capacity to negotiate the contract, they often end up on the losing side by entering into contracts that are detrimental to their interests. There are also arguments to suggest that if contract farming is rooted in appropriate policy, statutory and institutional framework, it has tremendous potential to help the agricultural community in general and the small and marginal farmers in particular (Singh, S; 2005). The cases of Pepsico and Fresh field are one side of the story, the other side is very dark as the "experience of the contract farming system is not very encouraging in different parts of the country, mainly because of corporate tactics such as post-facto lowering of prices; delays in payments; defaults on contracts in a glut situation, as done by Pepsi in Punjab and wineries in Maharashtra; and improper legislation. The contract system has certain structural characteristics; for instance, the farmer bears the risk even when the decision regarding the choice of crop, input, quality and quantity of crop, and schedule of payment rests with the corporate. Moreover, contract farming has a strong bias towards large landowners as they have surplus to invest and can supply the required quantity, a prerequisite for economies of scale (Panwar, S; 2013).

Commercial farming means risk, additional to the natural phenomena which are intrinsic risks of farming everywhere: the risk of output prices that fluctuate, of input prices that may not be commensurate with increased output, of increased vulnerability to pests and so forth. A sudden drop in international prices can drive already poor and indebted farmers off the land over the short term. There is plenty of distress among farmers both in agriculturally grown as well as backward regions manifested in farmer suicides. A large number of suicide cases are reported from marginal and small category of farmers. Most of the suicide cases have been reported from Andhra Pradesh, Karnataka, Maharashtra, Haryana and Punjab (Singh, S). These are the states which welcomed the contract and corporate farming models and are the areas which achieved greater level of modernization and commercialization of agriculture but ironically, have high suicide rate by farmers and agricultural labourers as one of the reason behind this trend would be inability to cope with the costs of commercial modern farming which are too high for marginal and small farmers. These farming practices increases regional disparities in India as "it is not incidental that most of the CF projects are in the states of Punjab, Haryana, Gujarat, Maharashtra, Karnataka and Tamil Nadu which are agriculturally developed states. On the other hand, vast areas of India such as Bihar, Jharkhand, Chhattisgarh, Orissa, West Bengal, the entire north-east India and areas of Uttarakhand, Himachal Pradesh, Kerala and Jammu and Kashmir have been bypassed by CF projects. Does it mean that these areas and farmers would not benefit from commercialization and vertical co-ordination of agriculture? These are areas with highest concentration of small and marginal farmers. This essentially means that contracting companies do not encourage participation of those who need to be helped to participate, as risk preference and innovativeness require not just attitude but also resources and risk taking capability to undertake risky crops and ventures (Singh, 2011).

Retail chain linkage is selective not only in terms of regions reached by the program, but also in terms of the crops covered which are only those that are of corporate interest. Further, it is selective in terms of farmers that are selected (size of farms, literacy, access to mobile phones, and irrigation facilities). Thus, those whose needs are most urgent, i.e. the marginal and the small farmers, farmers lacking irrigation facilities and basic education, or farmers in more remote regions, are excluded (*ibid*). These practices adversely affect the need of the locally produced labour-intensive commodities and services. The problem of cartelization and monopoly practices of corporates, where farmers are forced to use the seeds, fertilizers, insecticides and credit of a particular company, which decreases the farmer's autonomy. The large quantum of contract farming is based on oral "contracts" and not on registered documents. Even international corporate involved in contract farming in India reportedly take recourse to an informal contract system often through intermediaries. On the one hand, the writing of contracts in India involves no participation of the farmers which is not justiciable, in spite of the fact that whether farmers understand the specific commitments or not.

In Punjab, ecological survival and sustaining natural resources such as water and soil is one of the arguments of rationale for adopting CF/corporate farming, but the recent corporate interest has been basmati rice which is one of the water-guzzlers. In India, irrigation intensity of contract crops, i.e. tomato, potato and chilly, was more than that of wheat in Punjab during the late 1990s under Pepsi Foods (a Pepsico subsidiary) CF. For example, potato required 8-12 irrigations compared with only 5-6 for wheat and other crops. Pesticides and fertilizers were also used at much higher levels than in the traditional crops. Potato cultivation required 108 kg of NPK (inorganic fertiliser) per acre as against only 78 kg for wheat and 60 kg each of phosphorus and potassium per acre (Singh, 2002). However, far from being dumped as an exploitive model, corporate agriculture continued to enjoy the same status. The best example is that of Monsanto-Mahyco's BT cotton where corporatization may not see on the farm or in a company taking over land and farmers becoming shareholders. Corporatization of farming has to be understood in the broader context of corporatization of the supply chain where profit nodes are privatized and loss-making nodes are left to farmers" (Venkateshwarlu; 2013). Hence, on the assumptions that these corporate practices eliminate market imperfections, promotes low cost produce, market access etc. and finally create inclusive growth but the result is only capitalist penetration of agriculture for capital accumulation and still poverty in rural India.

7. NEED OF CORPORATE SOCIAL RESPONSIBILITY (CSR) IN INDIAN AGRICULTURE

The Industry "…should regard themselves as trustees and servants of the poor…"- **Ghandhi Ji**

Socially responsible initiatives by companies and enterprises have a long tradition. The concept of social responsibility of business, though might appear to be a phenomenon of recent times, has been in practice since ancient times. Philosophers like Kautilya from India and pre-Christian era philosophers in the west preached and promoted ethical principles and controlled greed while doing business. The emerging perspective on CSR focuses on responsibility toward stakeholders rather than maximization of profits. CSR can be defined as a concept whereby companies voluntarily decide to respect and protect the interest of a broad range of stakeholders and contribute to a cleaner environment and a better society through active interaction with all (Patil & Sharma; 2009).

CSR is a key element of business strategy. Strategy strives to provide the business with a source of sustainable competitive advantage. For any competitive advantage to be sustainable, however, the strategy must be acceptable to the wider environment in which the firm competes. The term corporate social responsibility suggests that such behavior is the responsibility of corporations. But, where does the motivation for socially responsible behavior comes from? Archie Carrol, University of Georgia, was one of the first academics to make a distinction between different kinds of organizational responsibilities. He referred to this distinction as a firm's "pyramid of corporate social responsibility".

- Fundamentally, a firm's economic responsibility to produce an acceptable return on its owner's investment.
- An important component of pursuing economic gain within a law-based society, however, is legal responsibility- a duty to act within the legal framework drawn up by the government and judiciary.
- Taken one step further, a firm has an ethical responsibility to do no harm to its stakeholders and within its operating environment.
- Finally, firms have a discretionary responsibility, which represents more proactive, strategic behavior that can benefit the firm and society, or both (Werther and Chandler; 2011). These given responsibility parameters are needed to link with corporate activities to achieve sustainability in Indian agriculture.

Milton Friedman, as one of the proponent defends the idea that the corporation is instituted as a voluntary contract between corporate executives and the stockholders, who are the owners of the corporations. Corporations ought to only concern themselves solely with making profits for their stockholders within the bound of law and should not directly involve with the social benefit aspects of corporations and hence, CSR is meaningless. It is a fact that corporate relationships were based on equal relationship between two parties but in India, farmers community were characterized as resource starved small and marginal. Small farmers in India are not in a situation where they enjoy formal contracts due to their illiteracy and deprivations. There are vast sections of society that are still not in a position to know, what is in their welfare and mostly dependent on external or third party to exist.

Although recognizing that profits are necessary for any business to survive, for profit organizations are able to obtain those profits only because of the society in which they operate. CSR emerges from this interaction and the interdependent relationship between for profits and the society. Thus, to what extent is a business obliged to repay the debt it owes to society for its continued business success? CSR represents an argument for a firm's economic interests, where satisfying stakeholder needs become central to retaining societal legitimacy (and therefore, financial viability) over the long term *(ibid)*. The agribusiness practices explained in the third section which focused on the malpractices which were totally unethical and hence, require the adoption of CSR by the agricultural corporates of India.

To address these problems, farmer provided the following entry points, which could also form the building blocks or framework for a corporate social responsibility policy for the company: There is need for the company to honor its contract with regard to harvesting time. Delays in harvesting lead to reduced incomes to farmers due to natural degeneration of the crop. Such a cost must be incurred by the company itself. Input costs should be reduced as a special subsidy to farmers. The company should establish and implement some loan schemes for its contract farmers to particularly help them meet fees requirements for their children in time. There is need to strengthen farmers' associations to enhance their bargaining power (Waswa; 2009). The grabbing of land and property of farmers by corporate firms has been a recurring story from time to time requires CSR practices, unless would derail the very agenda of globalizing the Indian economy.

Farmers are made to believe that rights to the land that is so dear to them still rest with them either in the form of direct possession or in the form of shares even after the actual transfer of the land, in virtual form, to the company's management. They are also made to believe that they will continue to be involved in farming operations and will be assured of income by way of a share in profits, depending upon the extent of land contributed by them and through their work on the farm, which will be at the discretion of the company (Rao, 2013). Contract farming, most of the time, uses labour saving technologies which destroy the government's attempt to generate employment opportunities through globalization as generation of employment opportunities to more than 70 percent of rural population can't be materialized. Overexploitation of natural resources and application of inappropriate technologies were also the major issues of climate change as evident of depletion of ground water, not only affects farm production but also results into shortage of water in neighborhoods.

Production costs in contract farming are higher as the standard expected is higher. No company offers protection for crop failure. No crop insurance is given and thus production risk is not covered most of the time destroys the logic behind contract farming (Singh, 2013). Practices of price manipulation were against the company's contractual norm as high yields and fixed prices are the basic rationale for contract farming. Many companies take advantage of the clauses in the contract in case the harvest does not meet their requirement; they tend to buy it at a lower price or reject it altogether. Thus, market risk is not covered (*ibid*). Lack of written contracts, absence of contract in local languages and hence, hidden terms and conditions destroy the transparency and legal protection norm of companies as unless the contract documents is not fair, how would the company's practices be fair? There is a need of CSR in all these spheres of corporate practices.

The loss of welfare to the farmer as a group is real, consistent and perpetual. If continued unabated, it will cripple the rural economy beyond redemption. In a broader economic perspective, the farmers who are enthusiastic entrepreneurs and adopt new ventures are likely to be discouraged, whereas, those on the margins may leave the sector, swelling the group of urban poor (Deshpande; 2008) causes heavy consequences on socio-economic and environmental sustainability of the country. It is feared that the companies could gain greater control over land, manpower and local resources, besides shifting farmers away from producing food crops. Hence, there is an urgent need of CSR in corporate practices in a given context of country's situations. Some initiates in the wake of CSR practices, has been taken up by many companies like Alstom Foundation is actively involved in restoring the soil to increase agricultural productivity in remote areas of Gujarat, which suffered years of erosion from monsoons. The Pepsi Co India, in an attempt towards CSR has been involved in trials of direct seeding versus conventional transplantation in rice fields. The direct seeding methodology has shown the potential to reduce water consumption significantly. But, it is also speculated that these attempts of CSR might be an act of manipulations over government regulations for CSR for their company's reputation or political leverages etc. There is a need of true CSR that focuses on doing good for those who are affected by a corporation's actual line of business. Realistic solutions to these problems would require innovative approaches and strategies through a participatory decision making process involving the farmers, corporate and the government. It needs a long term role by government and civil society for enforcement and setting up a "trust based" contract farming with the small and marginal farmers.

The new companies bill 2013 mandates that every company having a net worth of Rs 500 crore or more, or a turnover of Rs 1000 crore or more, or a net profit of Rs 5 crore or more during any financial year must constitute a CSR Committee constituting of three or more directors, with at least one independent director. This Committee will formulate a CSR policy for the company and recommend the expenditure to be incurred on CSR activities, At least 2 percent of the average net profit of the company made during three previous financial years must be spent on CSR activities. CSR is a "positive, forward looking, reform-oriented and investor- friendly" (Sachin Pilot, Corporate Affairs Minister, 2013).

This is a very new concept and India perhaps is the first country in the world to have CSR in statute. The other countries that have any of these CSR legislations in a very loose format are Indonesia and France. But, India is being the first country to put CSR into statute (Gupta, S; 2013).

CSR must take into account the way corporations interact with the society and work according to the situations prevailing in India. So, companies must exercise CSR in their business practices for which, contracts need to be transparent and require frequent and independent scrutiny. Wide publicity of contractual terms and conditions can help to stimulate competition and improving pricing mechanisms. It is a trust between farmers and processors that is important for the continuity of production chains.

8. CONCLUSION

Maintaining a reasonable rate of growth, food security and employment to millions of poor below poverty line along with participating in the process of commercialisation of Indian agriculture are the major challenges before agricultural sector. While contract farming can be effective in introducing new technologies and providing external input to farmers, danger lies in firms extending technologies that bring financial benefits in the short run, but results in a long run destruction of the economic viability and sustainability of farmers and various other health and environmental impacts. But the problem lies due to the inherent characteristics of Indian agriculture which is not in a position to take the benefit generated by these initiatives. They simply don't satisfy the condition of contract based on equality and most of the time cheated due to their weak position. A concept of social responsibility among corporations can provide them with a standing base and support them to come out of these weaknesses. It should not be doubted that these agro-based companies have the potential to contribute to the development process by involving millions of people to develop their socio-economic profile. In India, where agricultural sector is a major source of GDP growth, the corporate/contract farming is of critical importance in reducing poverty and achieving progress towards the Millennium Development Goals. The emergence of CSR has played a significant role in enhancing the boundaries of action of corporate towards these objectives. For which, corporate must promote sustainable development through their supply chains by influencing peasants to adopt more environmentally and socially responsible practices. Therefore, corporations and government must ensure that contract farming is inclusive of smallholders and the production systems in which they have comparative advantages should be promoted. There is a need to focus on the role of government to initiate collectivization of farmer group for their better bargaining power along with the CSR.

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