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FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

An assessment of the suitability of contract farming models being implemented in Zimbabwe and their impact on agricultural growth (2010 to December 2014)

A Dissertation submitted to the Midlands State University in partial fulfilment of the requirements of the Master of Commerce Accounting Degree.

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October 2016

DECLARATION

I, **JAMES CHAMAHWINYA** (**R155454G**) do declare that this thesis is my own product through my study and investigation, except to the scope stated in the acknowledgements contained in the body of the research work, and I further confirm that this work has not been submitted in part or in full for any other degree to any other University.

Student Signature **Date**

Dedication

I dedicate this pierce of work to my dear wife Lynia and my beloved two sons, Tawananyansha and Nokutenda for their prayers and support for the success of this study.

Acknowledgements

My acknowledgement goes to my Supervisor Mr. K Mazhindu for his immeasurable support which saw me through all the sections of this study. He guided me exceptionally well. I would like to appreciate the Hurungwe district tobacco farmers who accepted me during data collection.

My special thanks goes to Mr M Buranda and Mr T Mutambisi who were my lead respondents.

May the Lord Almighty richly bless you all!

Abstract

This study was carried in wake of the challenges bedevilling the once lucrative contract farming business where a number of contract farming funders withdrew their arrangements citing side marketing, failure to repay loans while farmers complain about prices offered by funders which are too low for sustainability. It is to be established if the increase in the level of tobacco production is commensurate with beneficiation of both contracting parties. The purpose of this is to assess the suitability of contracting farming models being implemented in Zimbabwe and their impact on agricultural production. The study sought to assess the contract farming models, determine the experience and level of education of farmers, the farmers' understanding of the legal basis of contract farming, to explore conducive conditions for successful contract farming and assess the impact of those models to agricultural production. In this study a population of three thousand contract farmers was used, a sample of one hundred tobacco farmers from Hurungwe district was selected using purposive sampling. Data was collected using self-administered questionnaires and face to face interviews. The collected data was collated and analysed using SPSS and was presented in tables, graphs and charts. The key findings of the study were that contract farming models are not suiting the farmers needs although contract faming has opened new markets for farmers. There are limited contract farming models available to farmers and this has created a monopoly to funders. Farmers are not being involved in the drafting of the contracts to which they will sign. Farmers are experiencing challenges which centre on the way the contracts are drawn and there are untapped opportunities from tobacco contract farming. The researcher recommends that Government of Zimbabwe should play an active role in the management of these contracts to protect farmers. More funders should be registered to break monopoly and farmers should be given choices of models to choose from.

Chapter One

Introduction

1.0 Introduction

This chapter introduces the research topic by defining the background of the study, the problem statement, the main research topic, the study framework, research questions, and the study objectives. The significance, scope and the delimitation of the study are also outlined in this chapter. Chapter one ends with concluding remarks summarising the entire chapter.

1.1 Background of the study

Shepherd, 2013 inferred that an agreement between a buyer and a farmer may be defined as contract farming. Eaton and Sherherd, 2001 also asserted to contract farming as a commercial understanding between parties in an agricultural process with marketing entities for growing and delivery of agricultural goods premised on predetermined outcomes and monetary value.

Shepherd (2013) attenuates that the simplest approach for contract farming is where contractors extend resources and technical know how to the farmer, later recovering extended resources value on disposal of produce. The other approach to contract farming used is where the contractor does not direct deal with distribution of resources but involves third parties or local input dealers.

Shepherd (2013) reiterates that the contractor borrows funds from banks to buy inputs to give to the farmers. In such approaches, the input dealers supply inputs to contract parties, the financial house honours obligations to the input suppliers and the firm clears the loan to the financial institution after sale of product. According to Shepherd, (2001), there are five broad

contract farming models which are by and large dependent on the social and commercial relationship between involved parties- centralised, nucleus ,multipartite, informal and the intermediary (www.fao.org.org).

Companies are interested in contract farming to utilise vast tracks of land available to small holder farmers which the farmers may not be utilising fully due to lack of financial resources. Firms are keen to contract farming with small holder farmers to spread the risks of diseases, pests or drought. In some cases, where the contractor owns large tracks of land, they are keen to lease to small holder farmers to avoid labour costs. Companies also enjoy guarantee of the supply of the product in specified quality, quantity and price through contract farming. Contract farming provides farmers with capital requirements for inputs and the most needed marketing of the final product. It is therefore believed that an efficient contract farming system is a good agent (worker) for the farmer as well as a guarantee of quality product supply to the contractor. (https://zimbabweland.wordpress.com accessed 30/08/2016)

Contract farming is not impermeable to challenges. Farmers may not honour their bargain side through side marketing the produce thereby depriving the contractor. In some cases the farmers may sell the inputs or divert the inputs to other crops or purposes leading to contractors losing out. It may extremely be expensive for contractors in cases where farming contracts have broken down, especially if the contractor does not receive produce from contractees, which may to default on contractual obligations with their buyers. (https://zimbabweland.wordpress.com accessed 30/08/2016)

In Zimbabwe, contract farming has been hailed as a panacea to the challenges bedevilling growth of the agricultural production industry. It has been seen by many as a linchpin of a developing agricultural industry and national economy (Musara, 2015). Contract farming has been more visible in the cotton and tobacco industries with tobacco contributing 10, 7% to the Gross Domestic Product (Https://www.fao.org). The Zimbabwe –Agricultural Income

and Employment Development (Zim-AIED) and Matanuska programme in Chipinge, Manicaland province is one example of a successful contract farming scheme which saw the contracted banana farmers earning a steady income (Fintric, 2014). The programme started in the year 2011 when the net income per farmer from 0.25 hectares of bananas was $ 2825.00 which increased to $4000 per year. As of June 2014, these contract farmers cumulatively sold 6000 tonnes of bananas worth more than $1500 000.00 (Fintrac, 2014).

Tobacco contract farming in Zimbabwe has contributed its share to the growth of the agricultural sector as shown in table 1.1 below;

Table 1.1 Revenue from Contracted and non-contracted tobacco farmers

Year	Total revenue from tobacco sales$ million	Revenue from contracted growers($millions)	Revenue from non-contracted growers($millions)	Tobacco levy at 2.5% from contract farmers($million)
2010	352,580	240,160	110,460	6,004
2011	360,360	217,780	140, 360	5,444
2012	527,040	342,240	186,560	8,556
2013	609,220	422,620	191,160	10,565
2014	684,720	547,800	137,190	13,695

Source: TIMB Annual report-2015.

The Government land reform programme of year 2000 has brought about opportunities for contract farming when it distributed 8 million hectares of land to some 170 000 households. Many of these new land owners mainly the model A2, have been underutilising their land owing to lack of credit, poor access to machinery , limited skills and knowledge of large scale farming, and tenure insecurity.

Contract farming seems to be providing a solution to some of these obstacles facing the new farmers. This is so because contractors in these schemes will provide credit, input, transport and marketing facilities while farmers will provide land and labour. https://zimbabweland.wordpress.com).

These schemes are now being run by new contractors not the usual classic large scale agribusiness operators in tobacco, cotton or paprika contractors. They are the new entrepreneurs with some capital and out to make money. These new contractors are often urban based with jobs in town but with no land or not enough of it. They have small operations, which play price differentials and sell into informal markets at key moments to maximise profits (https://zimbabweland.wordpress.com). A sizeable number of such contractors are former white farmers who know the production systems and the technical requirements of production and trade.

The contracted farmers constituted an average of 62% of the total tobacco farmers during the period from year 2010 to 2014 as shown in Table 1.2 below.

Table 1.2: Zimbabwe Tobacco contract and non- contract growers

Year	Total growers	Contract growers	Non-contract growers	% of contract growers
2010	51 685	2 7 393	24 292	53
2011	56 656	35 693	20 963	63
2012	60 047	40 831	19 216	68
2013	78 756	42 646	36 100	54
2014	86 975	68 882	18 093	70
Yearly Average	65 913	41 006	24 907	62

Source: TIMB annual report 2015

These new farmers succumb to pressure from land audit of underutilisation of these pieces of land. This increases the risk of losing the land, as such they see contracting arrangements as a positive move to secure their plots. It is not clear whether such contracts are viable for both parties. Studies on contract farming by Mujeyi (2013) and Moyo (2014) , in Zimbabwe, Birthal et al (2005) in India, Warning and Key(2002) in Senegal , Simmons et al(2005) in Indonesia , Ramaswami et al(2006) in India shows that contracting parties gain from their participation on contract farming in cotton , tobacco, seed maize, chicken production among others. Few of the case studies cited that contract farming has its own share of challenges stemming from side marketing, arbitrage and the inequality between the contracting parties which is skewed in favour of funders (Dzingirayi, 2003).The Grain millers withdrew funding due administration's inability to enact legal frameworks to protect them from side marketing. In September 2013, AICO Africa limited lost a million dollars because of side marketing leading to the suspension contract agreements.

During September 2013 again, DuPont Pioneer Zimbabwe, suspended its long-running seed maize contract farming scheme after farmers failed to repay loans. (Muza, 2013).

The tobacco farming industry has been viewed as the best performing sector and as such, it has attracted a multitude of vendors who are seeking to make a living along the tobacco value chain in defiance of the established statutes. Twenty five percent of the tobacco crops now determine pricing for seventy five percent of the crop (http: //www.herald.co.zw).

The challenges facing contract farming are stemming from side marketing, arbitrage and the inequality between the contracting parties which is skewed in favour of funders (Dzingirayi, 2003).

Farmers protest regarding unfair pricing of commodities by financial providers which are seen to be inadequate to wean them from contract farming practices and become self-dependant (Muza, 2013). These studies carried on contract farming did not assess the suitability and beneficiation of contract farming models available and their impact on the growth of the agricultural industry, hence the purpose of this study therefore is an analysis of the suitability of contract farming models being implemented in Zimbabwe and their impact on Agricultural growth.

1.2: Problem statement

In Zimbabwe, contract farming has been hailed as a solution to the challenges bedevilling farming operations. It has been accepted by many as a linchpin of a developing agricultural industry and national economy. While the land reform programme in the year 2000, has brought about opportunities for contract farming, many of these new land owners mainly the model A2, have been underutilising their land owing to lack of credit, poor access to machinery, limited skills and knowledge of large scale farming, and tenure insecurity. Contract farming seems to be providing a solution to some of these obstacles facing the new farmers.

The contract farming schemes created is now being run by new contractors who are the former white farmers. In April 2013, the grain millers withdraw their funding citing non protection by Government from side-marketing.

The tobacco farming industry has been viewed as the best performing sector and as such, it has attracted a multitude of vendors who are seeking to make a living along the tobacco value chain in defiance of the established statutes. Twenty five percent of the tobacco crops now determine pricing for seventy five percent of the crop (http: //www.herald.co.zw). The challenges facing contract farming are stemming from side marketing, arbitrage and the inequality between the contracting parties which is skewed in favour of funders (Dzingirayi, 2003). It is to be established in the tobacco farming industry if the increase in the level of tobacco production is commensurate with Agricultural growth. The purpose of this study is therefore an assessment of the suitability of farming models being implemented in Zimbabwe and their impact on Agricultural growth.

1.3: Main topic

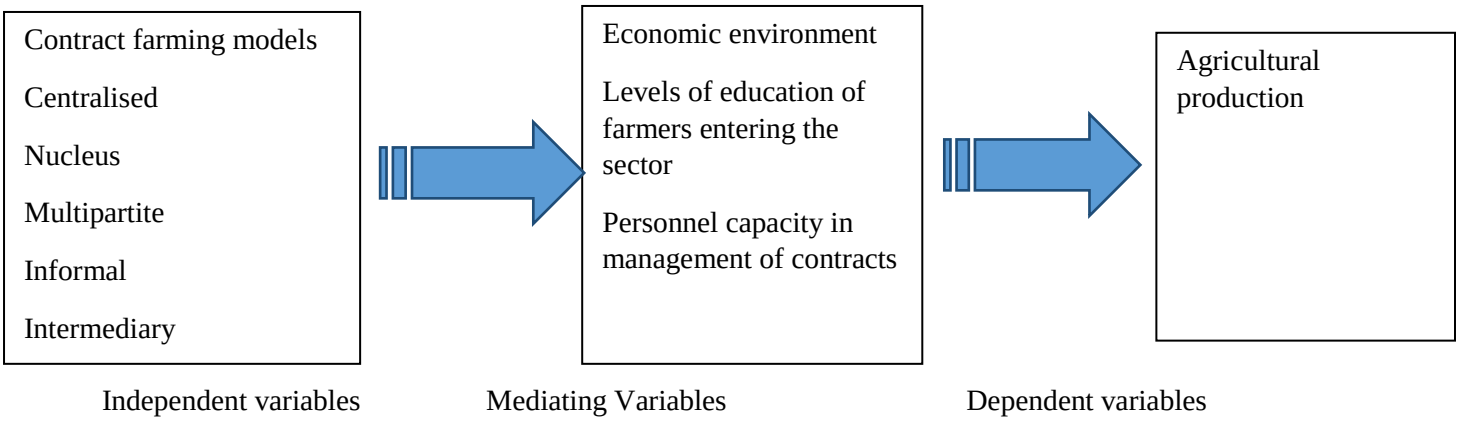
An assessment of the suitability of contract farming models being implemented in Zimbabwe and their impact on Agricultural growth. (2010 to 2014).

1.4: Conceptual framework

The conceptual framework is adopted from existing literature. The model is set to explain the relationship between the contract farming models being implemented in Zimbabwe and their impact on agricultural production. Contract farming operations are enabled by a supportive economic environment. The biggest challenge affecting contract farmers is funding.

The farmers are having problems of securing funding from banks because banks demand collateral which they do not have. The farmers only have offer letters which gives 99 year leases of land from the state (Mzumara, 2012).

The conceptual framework is now shown below;



1.5 Study objectives

The main objectives of this study are to;

i. assess the contract farming models in Zimbabwe agricultural industry

ii. analyse the level of education of contracting parties who are entering the farming industry in Zimbabwe

iii. understand the legal basis of contract farming

iv. explore the conducive economic conditions for contract farming

v. assess the impact of contract farming models being implemented in Zimbabwe on Agricultural production.

vi. explore the best contract farming models that suit Zimbabwe agricultural industry

1.6 Research questions

The research questions are;

i. What are the contract farming models being implemented in Zimbabwe?
ii. What is the level of education of contracting parties entering the farming industry in Zimbabwe?
iii. How are the contract farming documents drawn to legalise the contracts between producers and merchants
iv. What are the economic conditions for successful contract farming?
v. What is the impact of contract farming models being implemented in Zimbabwe on Agricultural production?
vi. What are the best contract farming models for the Zimbabwean Agricultural industry?

1.7. Significance of the study

The significance of this study is directed to the farming community, the University and the student who is doing the research.

To Farming Community

The value of this study is the provision of recommendations to the Zimbabwean Agricultural industry for consideration.

To Midlands State University

To the academia world, literature will be availed for further studies.

To the Student

The student will benefit from new knowledge gained through research which will enhance the student's in-depth knowledge about the subject matter. The research enables the student to complete current programme.

1.8 Scope of the study

This study covers period 2010 to 2014. The purpose of this study is therefore an assessment of the suitability of contract farming models being implemented in Zimbabwe and their impact on Agricultural growth. (2010 to 2014). The study will cover Mashonaland West province of Zimbabwe and confined to contract tobacco farmers in Hurungwe district.

1.9 Limitations

The limitations to this study are;

- The limited financial resources to conduct the interviews and administer questionnaires .The student budgeted for the study project.
- Time limitation. The researcher worked after hours.
- Access to data from farmers and funders was limited and the researcher sought assistance from Ministry of Lands to have access.
- Data collection through face to face interviews and questionnaires was costly. The student used telephone interviews and also visited the district and camped to collect data.

1.10 Assumptions

It is assumed that access will be granted to administer questionnaires and interviews will be carried out with no glitches. It is further assumed that the producers (farmers) and merchants (firms) will be available during data collection period.

1.11 Abbreviations/Definition of key terms

MOL	Ministry of Lands and Resettlement
TIMB	Tobacco industry and marketing board
Hurungwe	A district in Mashonaland West Province
MSU	Midlands State University
FAO-	Food and Agricultural Organisation
MOFED	Ministry of Finance and Economic Development
RBZ	Reserve Bank of Zimbabwe
ZIMSTAT	Zimbabwe Statistical Agency
FUNDERS	providers of contract farming inputs
PRODUCERS	contracted farmers for tobacco production
SPSS	statistical package for social sciences

1.12 Chapter summary

This chapter introduced the research topic by defining the background of the study, the problem statement, the main research topic, the study framework, research questions, and the study objectives. The significance, scope, limitations of the study and the study assumptions are also outlined in this chapter. The following chapter will focus on literature on the related research that has been carried out by other researchers.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

This chapter gave attention to works of other scholars and researchers in contact farming more specifically tobacco contract farming models. Other relevant literature in the area of study was consulted in the process. The chapter in the main discussed and reviewed related literature guided by thematic areas which include; contract farming models, the level of education of contracting parties who are entering the farming industry, the legal basis of contract farming, sustainable economic conditions for contract farming, the impact of contract farming models on agricultural development and the best contract farming models that suit agricultural development. The chapter was concluded with a summary.

2.1 Farming under contract

According to Bisant (2015) contract farming is a way of sharing risks between the producer and the contractor where the farmer takes the risk of production and the contractor assumes the risk of marketing the product.

2.2 Contract farming Theories

Prowse (2012), discussed seven theories regarding contract farming namely; life cycle theory transaction cost theory, convention theory, contract enforcement theory, value chain governance theory, competency/capability theory and the political economy theory.

2.2.1 Life cycle theory

Rehber (2007) supported by Prowse (2012) argues that life cycle of contract farming reaffirms that firms have a tendency to be more up and down incorporated in the early stages of their expansion. They further argue that after the industry's maturity, vertical integration may be due to product differentiation and traceability requirements.

2.2.2 Transaction cost theory

This approach to contract farming assumes that firms exist to minimise transaction costs of exchange. It suggests that markets are comprised of economic players who are inhibited rationality and are chancers who seek self-regard with treachery (Prowse, 2012).

2.2.3 Contract enforcement theory

This theory of contract enforcement's focus is on public and private incentives for honouring contracts (Klein, 1996). Public incentives include forms of legal redress while private incentives are defined by the match between the contents of the contract and market conditions at the time of exchange.

2.2.4 Convention theory

Affirmations that the conventional theory of contract farming is premised on the products grading at the auction and prices are assumed to reflect all relevant commodity eminence attributes (www.fao.org). Certain quality conventions will help to facilitate exchange if product quality is uncertain.

2.2.5 Value chain governance theory

This theory assumes civic coordination because of superior stipulations for general product grades and less risky as alluded to by Humphrey and Memedovic (2006). They further postulates that entities can influence other players to act in a particular way because of magnitude of gain and the availability of sanctions.

The value chain governance suggest three forms of coordination which are the markets, network and collaborations as a result of the beaurecratic complications leading to information asymmetry

2.2.6 Competency/capability theory

This theory suggests that the ability to create and sustain contract farming operations relies largely on the skills and experience of staff and the competency the firm to capitalize on these skills (Prowse, 2012). Proponents of this theory speculate that organisational based understanding is superior to that obtainable on the market (Hodgson, 1998).

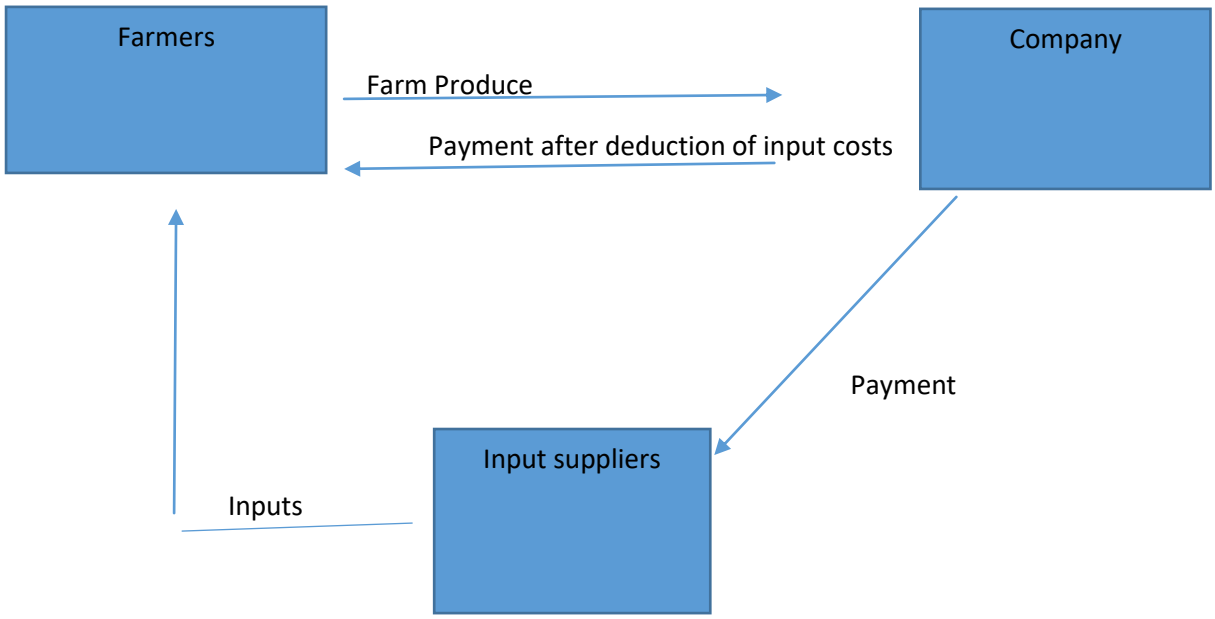
2.2.7 Political economy of agrarian change theory

According to Singh (2002), this theory is based on the following main tenets; contract farming is stop gaps in scenarios were the state fail to meet it obligation to support agricultural production. Contract farming strives when financial providers exploit the farmers often under the threat of relinquishing control of their land; and exposes them to bear all the risks and losses without hope for recovery of the same. The compulsion reduces the farmer to mere peasant labour providers on their own properties and faculties.

2.3 Contract farming types/approaches

Baumann (2000) says that there are three types of contract farming which are; the market specification, resource providing and the production management contracts. According to Baumann (2000), contracts promote arrangement for the farmer with a ready market for their general standards merchandise. A financial contract provides the appropriate resources. Production management contracts are a combination of the market specification and resource based contracts.

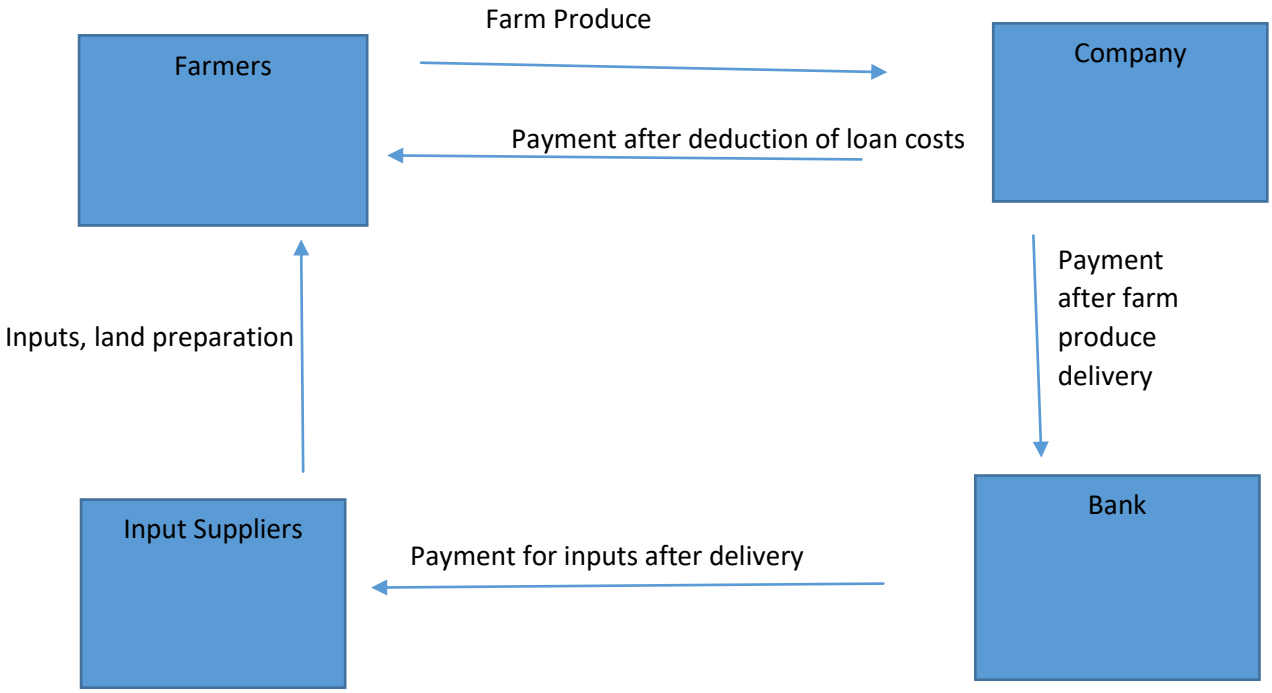
Fig 2.1: Contract farming approaches



Source: Shepherd, (2007)

Shepherd (2013) says the other approach to contract farming used is where the contractor is not physically embroiled in the distribution of materials but assigns local input dealers. The contractor can elect to extent other services or outsource the same to private players. Shepherd (2013), further asserts that in some cases the contractor may have to borrow funds from banks to buy inputs to give to the farmers. In such approaches, the input dealers supply inputs to contractees, while payment is honoured by the finance house in an arrangement where the loan is recoverable after harvesting, delivery and selling of the product.

Fig 2.2: Contract farming approaches



Source: Shepherd, (2007)

2.3.1 Contract farming models

Shepherd, (2013), Will (2013), and Bijman (2008) agrees that there are five broad contract farming models which dependent on the artefacts, wealth of the sponsor and the concentration of the relationship between parties. The Business Innovation Facility (2012) also agrees that the five contract farming models are; the nucleus estate, centralised, multipartite, the informal and the intermediary.

2.3.1(i) Centralised model

The centralised model involves a centralised processor buying from a large number of small farmers. This is usually used for tree crops, annual crops, poultry and dairy. Products often require a high degree of processing such as tea or vegetables for canning or freezing. This model is vertically coordinated with quota allocation and tight quality control.

The contractor's involvement in production is varied from minimal input provision to the divergent settings where the contractor joysticks the whole production facets according to Shepherd, (2013). Contracting firms provides inputs to farmers, purchases 100%, processes, packages and markets the product (http://businessinnovationfacility.org). According to Will (2013), www.fao.org, (2012) vertical co-ordination is high in this model which is normally characterised by formal contracts that specify production and quality demands; that involves a number of farmers contracted by a processer.

2.3.1(ii) Nucleus model

This is a direct form of contract farming common in developed countries where the funder provides all material and management inputs and also manages the estate or plantation (http://businessinnovationfacility.org).

Shepherd (2013), agrees that in the nucleus estate model the contractor administers means of production that guarantee output for the processing plant. The central estate may be a research, or resettlement or breeding centre

2.3.1(iii) Multipartite model

Will (2013),Shepherd (2013) and Koranteng, (2010) concurs that the multipartite model entails the contractor involving different types of organisations which mainly includes statutory bodies. This model involves the organisation of farmers into co-operatives or involving financial institutions, government or statutory bodies, financial intermediaries, agribusiness and farmers.

2.3.1(iv) Informal model

The approach is characterised by personal enterprises or firms. Informal seasonal production contracts are formed for this purpose. This requires government support services like research and extension.

The informal contract farming model assumes greater risk of extra-contractual marketing. Typical products are fruits and vegetables that require minimal processing or packaging. (www.fao.org).

2.3.1(v) Intermediary model

The fifth model is the intermediary where the contractor subcontracts or links farmers to intermediaries. Will (2013) and Bijman (2008), concur that the model comprises of three parties; the buyer, middleman and the grower.

This model exposes the contractor by losing control of production and quality control as well as pricing of the product. (www.fao.org.org).This model sometimes involves the sponsor who provides linkages between farmer and funders where contracts are established between the funder, intermediary and farmers (http://businessinnovationfacility.org).

2.4 Advantages of contract farming to farmers

According to Shepherd (2013) and Birjman (2008) concurring with FAO (2002), contract farming affords to farmers; better access to inputs and production services as these are often supplied by the sponsor through credit facilities. Contract farming often introduces new technology and new skills to the farmer and the farmer price risk is often reduced as many contracts specify prices in advance. Contract farming can open up new markets which would otherwise not be available to small farmers and reduces production and marketing risk, amplified yield, crop variety and enhanced earnings and welfare.

2.5 Disadvantages of contract farming to famers

Shepherd (2013) and Birjman (2008) concurring with FAO (2002), set down the following as disadvantages of contract farming to farmers. Farmers are faced with the risk of market failure and production failure for new crops. Funders may be undependable or exploit a domination arrangement disadvantaging the farmer. Incompetent management or distribution

challenges may manipulate contracted production. Staff of funding firms may be dishonest mainly in the allotment of quota. Poor quality conformity and intentionally non-transparent pricing mechanisms may lead to funders to reject produce.

Funders may manipulate product prices by setting delivery schedules especially when prices are volatile. Farmers do not have power over and suppleness in deciding production mix so as to prop up market opportunities.

2.6 Advantages of contract farming to funders

FAO (2002) and Shepherd (2013) and Birjman (2008)), avow the following advantages of contract farming to funders. Small-holder producers are exposed to social, institutional and political dominations, accept government interventions to control the farmers and protect the contractors.The firm enjoys reduced transaction costs when dealing with a few farmers. The firm when working with small farmers overcomes land constraints. Production is more reliable than open market purchases and funding firms faces less risk by not being responsible for production. More consistent quality can be obtained than if purchases were made on the open market and sufficient supply is guaranteed at the right time, and guaranteed product uniformity. Firms have access to cheap family labour. Companies are interested in contract farming to utilise vast tracks of land available to small holder farmers which the farmers may not be utilising fully due to lack of financial resources. Firms are keen to contract farming with small holder farmers to spread the risks of diseases, pests or drought. In some cases, where the contractor owns large tracks of land, they are keen to lease to small holder farmers to avoid labour costs. Companies also enjoy guarantee of the supply of the product in specified quality, quantity and price through contract farming. Contract farming provides farmers with capital requirements for inputs and the most needed marketing of the final product.

It is therefore believed that an efficient contract farming system is a good agent (worker) for the farmer as well as a guarantee of quality product supply to the contractor. (https://zimbabweland.wordpress.com accessed 30/08/2016).

2.7 Disadvantages of contract farming to funders

FAO (2002) and Shepherd (2013), affirms the disadvantages of contract farming to funders being vulnerable to farmers loss of land due to lack of security of tenure. Social and cultural constraints may affect the farmers' ability to produce to contract's specifications. Poor management and lack of consultation with farmers may lead to farmer discontent. Farmers may sell outside the contract thereby reducing factory throughput. Farmers may divert inputs supplied on credit to other purposes thereby reducing yields. High transaction costs in dealing with large numbers of farmers. Firms incur high costs of support services.

Proponents of contract farming argue that it links smallholder farmers to lucrative markets and solves a number of problems these farmers face in diversifying into high value commodities.

Opponents of contract farming argue that the imbalance in power between the contractor and the farmer, leads to an agreement which is not favourable to the farmer (Minot, 2007).

2.8 Impact of contract farming on small holder farmers

According to Minot (2007), research on the impact of contract farming was carried in Sub Saharan Africa by Little and Watts in 1994. Various studies focused on the evolution and context of contract farming, conflicts involving farmers and contractors, disparity of influence between parties to an arrangement. In summary, findings were that income from farming under contract improved by 40% to a peak of 60%. Porter and Phillips-Howard (1997) alluded that producers welfare improved thereof. Birthal et al (2005) studied on milk and vegetable production in India and found out that contract farmers received prices which were 8% higher than those of noncontract farmers.

A study by Warning and Key (2002) in Senegal's groundnuts, Simmons et al (2005) in Indonesia's poultry, seedmaize, seed rice, revealed that contract farming revenue increased. A study by Morrison, Murray and Ngidang (2006) in Malaysia concluded that contract farming assisted in raising the incomes and purchasing power and productivity of participants. Swain (2009) concluded that the contractual arrangement had increased the income level of farmers and the level farmers and the overall employment level in rural economy.

2.9 Contract farming framework

According to Eaton and Shepherd (2001), the legislative structure of contract farming depends on the character of the type of produce, the primary dispensation required, and market forces. Settlement requirements are influenced by product value, the intensity of organization the funder wants to exercise over the production process, and the degree to which the parties capitalised the contract and/or the destination of the produce.

Although firms, government agencies and farmers are responsible for drawing up the contract, farmers have got to be given the occasion to have a say to the drafting of the agreement and the phrasing of contract element/stipulation in the language that producers can comprehend (Eaton and Shepherd, 2001). Contractors must make sure that the engagements are implicit. It is imperative to take cognisant of local practices and societal attitudes towards contractual obligations.

The different contract farming models currently in practice can operate under a variety of arrangements and design for a specific situation. Generally contracts are drawn to cover key factors which are market, resource, management, income specifications or land ownership and land tenure specifications. (McGregor and Eaton, 1989).

2.10 Conditions for successful contract farming

Minot (2007) discussed three conditions under which contract farming can be beneficial to both producers and buyers which are; the type of buyer (firm), commodity type and the type of destination market. This was espoused by Birthal (2006) who says the buyer, commodity type and the seller are key conditions for a successful contract farming setup. Birthal (2006) further notes that the socio-economic environment surrounding farmers is also a key factor for the success of contract farming. Tschirley et al (2008), says the key factor to ensure success of contract farming is the ability to make contract farming work which depends fundamentally on the assurance that the buyer has the ability to purchase all the produce of the farmer he is supporting.

If the buyer is unable then he risks failure to recover the input credit that would have been extended to farmers.

Birthal (2006), further added that contract farming works if the advantages outweigh the disadvantages for both the agribusiness firms and the farmer and both feel better off with contract than without. Summarily, success of contract farming depends on factors that address sources of potential disadvantages that countervail the synergy between firms and farmers.

2.10.3 Type of destination market

The more quality sensitive, the final market and the more demand there is for food safety, the more incentive there is for vertical coordination to increase control over the production process. In the United Kingdom, tighter food safety standards are creating incentives for horticultural exporters in Kenya to switch from small scale contract farmers to large scale contractors. (Minot ,2007),

2.11 Skills levels of contracting parties

According to Hodgson (1998) and Prowse (2012) the ability to create and sustain contract farming operations relies largely on the skills and experience of staff and the ability of the firm to maximise these skills. They further affirm that firm based knowledge is necessarily superior than market based knowledge.

The results of a survey which was carried out in Ghana by Oduro in 2014, shows that the level of education of farmers has a positive effect on agricultural productivity. This was also confirmed by the World Bank survey of 1992 which was measuring the relationship between farmers' education and their agricultural efficiency in low income countries which found out that farmers with basic education were 8% more productive than farmers with no education.

Studies by Appleton&Balihuta (1996), Asfaw&Admassie (2004), Assadullar&Rahman (2005) and others in North America, India and Africa have confirmed that the level of education of the farmer has a positive impact on the farmer's productivity.

Studies on contract farming by scholars in Zimbabwe, India, Senegal, and Indonesia, shows that contracting parties gain from their participation on contract farming in cotton, tobacco, seed maize, chicken production among others. Few of the case studies cited that contract farming has its own share of challenges stemming from side marketing, arbitrage and the inequality between the contracting parties which is skewed in favour of funders. These scholars agree that contract farming has positive impact on the growth of agricultural production. These studies came clear on the positive impact of contract farming to funders but did not cover much on the challenges being faced by farmers. The few reviewed literature points that farmers are having challenges with contract farming which includes exploitation, manipulation of contracts among others. The reviewed literature points that there is inequality between farmers and funders as a result of the arrangements which are skewed in favour of funders.

The purpose of this study is therefore an assessment of the beneficiation of parties from the contract farming models being implemented in tobacco industry and their impact on agricultural growth (2010 to 2014). Are the parties equally benefitting from the arrangements?

2.12 Chapter Summary

The chapter has presented contract farming types, models and theories. It also discussed reward and sanctions of contract farming equally to all parties. Contract farming legal frame work and impact of contract farming on small holder farmers was also analysed as well as the conditions for the success of contract farming. The following chapter looks into research methods.

CHAPTER THREE

RESEARCH METHODOLGY

3.0 INTRODUCTION

The chapter discusses the research methods and procedure employed in carrying out the research. It focussed on the research design, philosophy and approaches, the study population, study sample and size, sampling techniques, research instruments, data collection procedures and data analysis.

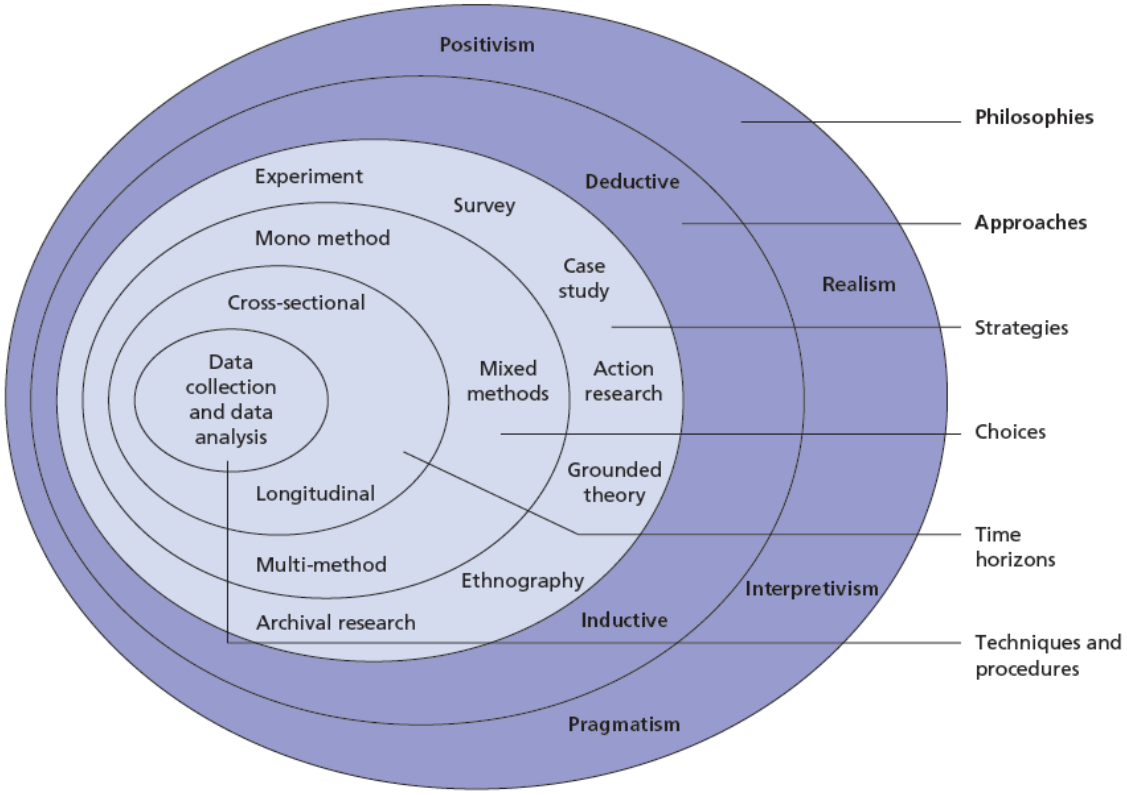
3.1 Research Design

The research design is the overall strategy that you choose to integrate the different components of the study in a coherent and logical way, thereby, ensuring that you will effectively address the research problem; it constitutes the blueprint for the collection, measurement, and analysis of data. (libguides.usc.edu). Parahoo (1997) avers that a research design is a plan that describes how, when and where data are to be collected and analysed. Burns and Grove, (2003) defined a research design as a blue print for conducting a study with maximum control over factors that may interfere with the validity of the findings.This study adopted a survey of Hurungwe contract farmers to investigate the research problem and used questionnaires and interviews to collect data.

3.2 Research Philosophy

Research philosophy refers to the development and nature of knowledge. It is guided by a research paradigm-which is the basic belief system or world view that guides the investigation (Saunders et al. 2008). It is the first layer of the 'research onion'. A research philosophy is a belief about the way in which data about a phenomenon should be gathered, analysed and used. This defines exactly what you are doing when you embark on research that is developing knowledge in a particular field.

Fig 3.1. The research onion



Source: Saunders et al, (2009).

According to Saunders et al (2009), the research philosophy adopted contains some important assumptions made by the research about the researcher's view of the world. These assumptions reinforce the research strategy and methods chosen by the researcher.

The philosophy adopted will be influenced by practical considerations which include the researcher's particular view of the relationships between knowledge and the process of developing the knowledge.

There are two major philosophies which have been identified that is the positivism and interpretivism (Galliers, 1991). Saunders et al, (2009), agrees with Galliers (1991) as they added that research philosophy relates to the development of knowledge and the nature of that knowledge.

3.2.1 Positivism

Levin (1988), says positivists believe that reality is stable and can be observed and described from an objective view. It is observed without interfering with the phenomena being studied. Positivists agree that the subject of study should be isolated and the observations should be repeated. Predictions can be made on the basis for the previously observed and explained realities and their inter-relationships. Carson et al (2001) stresses that positivist researchers remain detached from the participants of the research by creating a distance, which is important in remaining emotionally neutral to make clear distinctions between reason and feeling. They also maintain a clear distinction between science and personal experience and fact and value judgment. Statistical and mathematical techniques are central to positivist research, which adheres to specifically structured research techniques to uncover single and objective reality.

Guba and Lincoln (2005) asserts that the positivists research paradigm underpins quantitative methods, that requires a research method which is objective whose emphasis is on measuring variables and testing hypothesis linked to general causal explanations.

Neuman(2003) supported by Saranakos(2005) posits that positivism uses experiments to measure effects and its data collection techniques focus on gathering hard data in the form of numbers to enable evidence to be presented in quantitative form.

Saunders et al, (2009) argues that positivism is frequently supported that the researcher will be likely to use a highly structured approach to enable replication. The emphasis will be on quantifiable observations leading to statistical analysis. (Saunders et al, 2009).

3.2.2 Interpretivist

Proponents of interpretivist contend that only through subjective interpretation of and intervention in reality can be fully understood.

They further say that the study of phenomena in their natural environment is key to the interpretivist philosophy. Interpretivism advocates that it is necessary for the researcher to understand differences between humans in our role as social actors. (Saunders et al, 2009).

According to Carson et al.,(2001), interpretivists avoid rigid structural frameworks such as in positivist research and adopt a more personal and flexible research structures which are receptive to capturing meanings in human interaction and make sense of what is perceived as reality (Black, 2006). Interpretists believe that the researcher and his informants are interdependent and mutually interactive (Hudson and Ozanne, 1988). Intrepretivists further believes that the researcher remains open to new knowledge throughout the study and lets the study develop with the help of subjects. Summarily, the goal of interpretivist research is to understand and interpret the meanings in human behaviour as opposed to generalize and predict causes and effects (Neuman, 2000).

In positivism philosophy, the researcher is affected by the society while in the interpretivist philosophy, the research is not affected by the society. The focus of the interpretivist philosophy is to gain in-depth insights into lives of the research subjects as opposed to the positivists who focus on uncovering laws of human behaviour. Quantitative methods are preferred by positivists while interpretivists would prefer qualitative methods. While interpretivists are subjective and interactive with empathy and feelings about the subject matter, positivists are objective and detached from the subjects and uses trends, comparisons and correlation in their analysis of findings. The researcher adopted the positivism philosophy in this research study because of its suitability.

3.3 Research strategies

Saunders et al (2009), lists different research strategies which are used by research in their quests to bring answers to research problems. Each strategy can be used for descriptive or explanatory research, a view which is shared by Yin (2003). The research strategies alluded to by Saunders et al(2009) includes, the survey, case study, action research, grounded theory, ethnography and research.

3.3.1 Descriptive Survey method

The survey method is usually associated with the deductive approach. It is a popular and common strategy in business and management research and is most frequently used to answer who, what, where, how questions (Saunders et al, 2009).

3.3.1(i) Advantages of a descriptive survey method

A study allows the researcher to collect quantitative data which the researcher can analyse quantitatively using descriptive and inferential statistics.

The respondents are contacted through the telephone or through the mail and gives the researcher more control over the research process. When sampling is used, it is possible to generate findings that are representative of the whole population at a lower cost than collecting the data for the whole population (Saunders et al, 2009).

3.3.1(ii) Disadvantages of a descriptive survey method

The researcher need to spend time ensuring that the sample is representative, designing and plotting data collection instruments and trying to ensure a good response rate.

3.3.2 Case study method

A case study is a research strategy for researches which involves empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence (Saunders et al, 2009). Yin (2003) added that within a case study, the boundaries between study subjects and context within which it is being studied are not clearly evident.

3.3.2(i) Advantages of case study

The case study method has considerable ability to generate answers to questions why, what, and how. They are good sources of ideas about behavior, good opportunity for innovation, good method to study rare phenomena. A case study is a good method to challenge theoretical assumptions; case study is mostly used in explanatory and exploratory research.

Data collection techniques employed in this research approach includes; interviews, observation, documentary analysis and questionnaires. Case study approaches may require the use of triangulate multiple sources of data. (Yin, 2003).

3.3.2(ii) Disadvantages of case study

Case studies are hard to draw definite causal effects conclusions and are also hard to generalize from a single case. Case studies have possible biases in data collection and interpretation.

3.3.3 Action research

It is a process of identifying the context and purpose of research followed by diagnosing, planning, take action and then evaluating. Action research as opposed to traditional research is concerned with improvement, development , perspectives (as opposed to experimentation) and local (as opposed to universal), (Schumuck, 2009).

3.3.4 Grounded theory

A theory building strategy involving both induction and deduction. Data are collected without the formation of an initial theoretical framework. Theory is developed from data collected and analysed. According to Goulding (2002), a helpful to predict and explain behaviour emphasising on the development and building of theory. Data collection starts without the formation of an initial theoretical framework, theory is then developed from data generated by a series of observations.

3.3.5 Ethnography

According to Saunders et al (2009), it is an inductive research approach which emanates from the field of anthropology. Its purpose is to describe and explain social world. This research type is time consuming because it takes place over an extended time period as the researcher needs to immerse in the social world being researched as completely as possible. The research process needs to be flexible and responsive to change since the researcher will constantly be developing new patterns of thought about what is being observed. (Saunders et al, 2009). It may be very appropriate to gain insights about a particular context and better understand and interpret the situation from the perspective of those involved.

The researcher adopted the survey research design over the case study and other methods because it is suitable for quantitative data collection. The survey method could answer most of the research questions easily. It allowed the researcher in this study to collect a large amount of data from sizeable population in a highly economical way.

The surveys allowed the researcher to collect quantitative data which the researcher could analyse quantitatively using descriptive and inferential statistics. The research topic suites data collection through interviews and questionnaires.

3.4 Population

The study population comprised of 3000 small scale tobacco farmers in Hurungwe district of Mashonaland West province. Mashonaland west has the highest number of registered tobacco farmers in Zimbabwe and Hurungwe district is chosen for its type of soils and arable pieces of land which are suitable for tobacco growing according to the TIMB Annual report of 2015.

3.4.1 Sample

A sample is a selected representative part of a population for the purpose of determining the parameters and characteristics of the whole population. (Saunders, et al, 2009).

3.4.2 Sample size

The larger your sample's size the lower the likely error in generalising to the population, (Saunders et al. 2009). Statisticians have also shown that a sample size of 30 or more will be closer to a normal distribution.The sample size for this study was 100 small scale tobacco contract farmers from the ten wards of Hurungwe district which were selected using purposive sampling. Purposive sampling was used because these farmers are registered contract tobacco farmers and access to them was easy through their contractors and farmer organisations. Purposive samples are surveys that are looking to evaluate the characteristics of a large target population. This is because it often isn't representative of the larger population. Often times, purposive samples are referred to as a snowball sample. The best way to gain insight into other members of the target sample is by asking the current person the researcher may be interviewing, creating a snowball effect with the number of targets.

3.5 Sampling techniques

Kothari (2004) supports Yin (2003) saying data for every research work could be collected through census or sample. Yin (2003) and Kothari (2004) agrees that there are several sampling methods.

3.5.1 Systematic sampling

Systematic sampling requires selection of decided interval entry on a roll. This introduces an aspect of volatility by using random numbers to pick up the unit with which to start. This method is convenient because it is more evenly over the entire population. It is easier and less cost and can best suit large populations (Kothari, 2004). Its major drawback is that if there is a hidden prediocity, in the population, it will prove to be ineffective.

3.5.2 Stratified sampling

The other sampling method is called stratified sampling where the people is alienated into numerous groups homogenous to total population from which items are selected from each strata to make up a representative sample.

3.5.3 Cluster sampling

Yin (2003) alluded to cluster sampling as division of population into a number of smaller areas which are non-overlapping and randomly selected.

3.5.4 Multistage sampling

Multi-stage sampling: is a further modification of the cluster sampling. It is used in large enquiries that extend to a considerable large geographical area like the whole country. This method is easy to administer because sampling frame of this method is developed in partial units. A large number of units can be sampled for a given cost because of sequential clustering.

3.5.5 Purposive sampling

Purposive samples are surveys that are looking to evaluate the characteristics of a large target population. This is because it often is not representative of the larger population. Often times, purposive samples are referred to as a snowball sample or chain sample or referral sample. The best way to gain insight into other members of the target sample is by asking the current

person the researcher may be interviewing, creating a snowball effect with the number of targets. (www.aiu.edu).

The researcher used purposive sampling to select the farmers from Hurungwe district who are contract tobacco farmers. The researcher then picked twenty farmers from each ward of Hurungwe district using availability sampling to get the respondents for questionnaire and interview administration.

3.6 Data Sources

This researcher used both primary and secondary data.

3.6.1 Primary Data

Kumar (2005) and White (2010), concurred that primary data is information collected by a researcher specifically for a research assignment and is acquired at that instant. In this research, primary data was collected through self-administered questionnaires distributed to research participants and interviews.

3.6.1(i) Advantages of Primary data

. The major strength of primary data is that it is current, and can give a realistic view to the researcher about the research topic (Saunders et al, 2009).

3.6.1(ii) Disadvantages of Primary data

The collection of primary data from respondents scattered in wider geographical areas through interviews is limited due to costs (Saunders et al, 2009).

3.6.2 Secondary data

Saunders et al.. (2009) and Yin,(2003) defined secondary data as information available to the researcher in written, typed or electronic forms and includes both raw data and published summaries collected by a party not related to the research study even if the data was for some other purposes and at different time in the past. In this study secondary data was collected through review of articles in journals, publications, annual reports, regulatory reports, and text books.

3.6.2(i) Advantages of Secondary Data

According to Saunders et al (2009), secondary data usage saves time and other resources as well as adding value of research today.

3.6.2(ii) Disadvantages of Secondary Data

The use of secondary data has its own share of draw backs according to Kumar (2005). Where data have been collected for commercial reasons, gaining access may be difficult or costly. Secondary data may become outmoded owing to time factor.

3.7 Research Instruments

The research instruments used in the study were questionnaires and structured interviews

3.7.1 Questionnaires

The design of a questionnaire differs according to how it is administered and, in particular, the amount of contact the research have with the respondents. Self-administered questionnaires are usually completed by the respondents.

Such questionnaires are administered electronically using the Internet (Internet-mediated questionnaires) or intranet (intranet-mediated questionnaires), posted to respondents who return them by post after completion (postal or mail questionnaires), or delivered by hand to respondent and collected later (delivery and collection questionnaires). Responses to interviewer-administered questionnaires are recorded by the interviewer on the basis of each respondent's answers.

Questionnaires that are administered using the telephone are known as telephone questionnaires. The final category, structured interviews (sometimes known as interview schedules), refers to those questionnaires where interviewers physically meet respondents and ask the questions face to face. They are different from semi structured and unstructured (in-depth) interviews, as there are a defined schedule of questions, from which interviewers should not deviate. (Saunders et al, 2009).

3.7.2 Interviews

Structured interviews use questionnaires based on a predetermined and standardised set of questions. These are also called interviewer-administered questionnaires.

The researcher reads out each question and then record the response on a standardised schedule, usually with pre-coded answers. While there is social interaction between the researcher and the participant, such as the preliminary explanations that is needed to be provided, the researcher should read out the questions exactly as written and in the same tone of voice so that there is no indication of any bias. (Saunders et al, 2009).

3.8 Types of Questions

The construction of questionnaires and or interview guides is premised on the use of open ended or closed questions for primary data collection.

3.8.1 Open ended

According to Saunders et al, (2009), these are types of questions that permit respondents to answer in their own words. Open ended questions play important roles in survey studies. Answers to open questions are analysed easily, if they are be grouped into a relatively small number of categories or themes.

The researcher is therefore required to develop a coding scheme, its application by more than one person and the attainment of a high level of agreement between coders.

The answer themes to open questions about amounts are understood in the question, so no coding is required, and no special burden is placed on interviewers. Moreover, offering respondents a set of closed quantity categories (e.g. less than 40, 40-50, or more than 50) can produce errors. Researchers avoid open ended questions owing to the costs of procedures, coupled with both the difficulties interviewers confront in recording open answers and the longer interview time taken by open questions.

3.8.2 Closed Questions

Yin (2003) defines closed questions as questions requiring respondents to select an answer from a set of choices. A closed categorical question can be used only if its answer choices are comprehensive. In some cases, identifying these categories will require a large-scale pre-test of an open version of the question.

Even though the majority of study questions are closed, in measuring categorical judgments where the options represent diverse items, as opposed to points along a single range, researchers sometimes try to combine open and closed formats by including an ‘‘other’’ response alternative in addition to specifying a set of substantive choices.

Closed questions will generally suffer more than open questions from correct guessing, though statistical adjustments to multi-item tests can correct for this.

Consistent with this logic, review of student testing studies indicates that open items provide more reliable and valid measurement than do closed items. In this study the researcher used both open and closed questions to collect data.

3.9 Measurement and Scaling Techniques

According to Kumar, (2005) and Saunders et al (2009) scaling defines the events of assigning statistics to various degrees of opinion, position and erstwhile concept. Questionnaire is constructed by postulating individuals' opinions on given point of discussion placing it directly on a scale that has been pre-defined in terms of constructions reduced to a score of individual's responses between these two extreme points.

3.9.1 Likert-type Scales

Kothari, (2004) alluded to that the likert type scale is the most used measuring scale. The scale could be a range that consists of the highest point- strongly agrees and the lowest points strongly disagree, along with several intermediate points. The scale is developed by utilizing the item analysis approach where a particular research opinion item is evaluated on the basis of how well it discriminates between those persons whose total score is high and those whose score is low.

The Likert-type scale according to Kothari, (2004) is relatively easy to construct when compared to other measurement scales because it can be performed without a panel of judges. Likert-type scale is considered more reliable because its respondents answer each statement included in the instrument. Each statement included in the Likert-type scale is given an empirical test for discriminating ability and as such can easily be used in respondent-centred studies. Likert-type scale takes much less time to construct; it is frequently used by the students of opinion research.

3:10 Data validation

The data validation strategies used in this study included triangulation and member checking. According to Patton and Cochran (2002) supported by Saunders et al,(2009), triangulation involves seeking evidence from a wide range of sources and comparing findings from those different sources. Specifically triangulation can be used to compare findings from data collection instruments used. If the researcher has carried personal interviews and group focus interviews, findings from personal interviews will be compared to findings from focus interviews. If the findings coincide then, this strengthens our faith in having identified important issues. Patton and Cochran (2002) says member checking is the other data validation strategy involving feeding findings of the analysis back to the participants and assessing how far they are viewed from the perspective of the participants.

The researcher adopted triangulation to validate data in this study, were comparisons were drawn between questionnaire findings and interview findings.

3:11 Data Analysis

After collecting the data it was edited, coded, classified and checked to ensure quality, accuracy and completeness. The data collected was organized and analyzed in tables, excel spread sheets and SPSS to enable analyses and presentation.

3.12 Data Presentation

The data collected was then presented in bar charts, bar graphs and pie charts.

3.13 Ethical issues and Reflections

Bryman, (2008) attenuates that the desire to protect the respondents from possible risks associated with the environment and individual reputation compounds researchers to uphold confidentiality and privacy as virtues.

The study recognized the plethora diverse harms which may result in loss of trust in administering the questionnaires, as well as respondent's different occupational activities. The research brought the issues and need to maintain neutrality confidentiality and researcher bias to the respondents and promised to uphold the same.

3:14 Chapter Summary

In this chapter, research procedures have been spelt out giving an outline of the research design. The research designs used in this study is a survey. The population for the study is Hurungwe district tobacco contract farmers with a sample of one hundred contract farmers which was taken from ten wards of the district. Purposeful sampling was adopted to choose the sample. Questionnaires, face to face interviews and telephone interviews were adopted as instruments for data collection. Ethical issues and reflections where considered by the researcher when he engaged the respondents and assured them of highest confidentiality. Data collected was organized and analyzed using SPSS. Chapter four presents, analyses and discusses research findings.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION OF RESULTS

4.0 Introduction

This chapter presents analyses and discusses the findings of the study from data that was obtained through questionnaires and interviews. The collected data was collated and processed using SPSS. The data was presented on frequency tables, graphs and charts. It includes descriptive statistics and correlation analysis.

4.1 Administration of instruments

Questionnaires were sent to the target population and were completed and returned. A 97% response rate was achieved owing to the effort of the researcher in administering the instruments and the cooperation received from the research subjects.

The researcher carried out some face to face interviews on twelve of the selected farmers in the district who had not taken part in completion of questionnaires. An interview guide which was constructed with rephrased questions was used for this purpose.

4.2 Characteristics of respondents

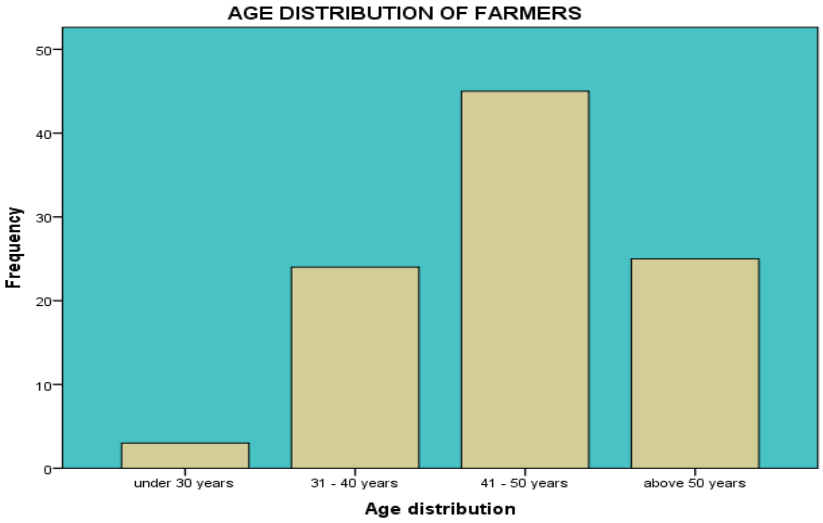
This section presents information about the demographic characteristics of the respondents with regards to gender, age, highest level of education, farm ownership status, funding of operations, contract farming model and the farmer's experience in contract farming. 66% (64/97) were males and 34% (32/97) were females and one questionnaire was not indicated.

Table 4.2.1 Age distribution of farmers

		Frequency	Percent
Valid	under 30 years	3	3.1
	31 - 40 years	24	24.7
	41 - 50 years	45	46.4
	above 50 years	25	25.8

A graphical presentation of age distribution is shown below.

Fig 4.2.1 Age distribution of farmers



The research was carried to farmers whose ages were distributed as below. Fig 4.2.1 shows that most farmers are in the 41 – 50 years age group, followed by those in the 31 – 40 years and above 50 years. A few were under 30 years. It can be concluded that contract farming operations are being practiced by mature and family farmers in Hurungwe district who can exercise responsibility in farming which can contribute to growth of agriculture in Zimbabwe.

Funding of Contract farming

98% (95/97) of the respondents indicated that they fund their tobacco farming through contract farming while 2% (2/97) indicated that they are not contracted hence have other means of funding their farming.

Level of education and experience

A crosstab analysis of the level of education of the farmers and farming experience in contract farming is shown in Table 4.1.

Highest level of education the respondent attained * Experience in contract farming

Count

		Experience in contract farming				
		2 years	5 years	10 years	above 10 years	Total
Highest level of education attained	none	0	1	6	10	17
	ordinary level	6	8	18	17	49
	diploma	3	11	8	1	23
	degree	4	4	0	0	8
Total		13	24	32	28	97

Table 4.1 Cross tabulation of level of education against experience in Contract Farming

Table 4.1 shows that 17.5% (17/97) of the contract farmers did not have ordinary level certificate, 50.5% have ordinary level certificate, 23.7% had diplomas in agriculture, and 8.2% were degreed. Of the farmers who did not have ordinary level qualifications, 35% had 10 years experience in contract farming, whilst 59% had more than 10 years experience, and 6% had 5 years experience. Those with ordinary level certificates, 71% had 10 years and above of experience in contract farming, 16% had 5 years experience and 13% had 2 years experience in contract farming. Most of the diploma holders had 5 years experience followed by those with 10 years then 2 years and finally those above 10 years experience. The analysed results summarises that the most experienced tobacco farmers in Hurungwe have low qualifications yet are the majority while the least experienced are those with higher

qualifications who are in the minority. Interviews conducted revealed that most of the tobacco contract farmers are former farm workers who have low educational qualifications.

It further suggests that these majority farmers who are less educated might not be carrying own tobacco farming operations properly thereby affecting productivity.

Their low education levels may have a negative effect on productivity as alluded to by Hodson(1998) supported Prowse (2012) who notes that the ability to create and sustain contract farming relies largely on skills ,education and experience of staff.

4.3 Contract farming models being implemented in Zimbabwe

Questions were asked to establish and confirm the types, suitabilty and choice of contract farming models implemented in tobacco production in Hurungwe district and the responses are shown in Tables 4.3.1 to Table 4.3.2 below.

Table 4.3.1 Contract farming models being implemented in Hurungwe district.

		Frequency	Percent
Valid	centralized	68	70.1
	nucleus	5	5.2
	multi-partite	3	3.1
	informal	21	21.6
	Total	97	100.0

70% (68/97) practice centralized farming, 22% (21/97) practice informal farming, and 5% (5/97) practice nucleus whilst 3% (3/97) practice multipartite farming model. From the analysis of responses, the majority of farmers are practicing the centralized model of contract farming. This model according to Shepherd (2013) entails the contractor's involvement in the provision of inputs to farmers, purchasing of all produce and further processing of the products for further marketing.

The contractor supervises the tobacco production process from seed bed to harvesting, curing until the product is delivered to the contractor's door steps. This is exactly what is happening in Hurungwe as established from research subject s interviews.

Table 4.3.2 Contract farming models implemented are suitable for tobacco farmers.

		Frequency	Percent
Valid	strongly disagree	4	4.1
	disagree	43	44.3
	either disagree or agree	33	34.0
	agree	15	15.5
	strongly agree	2	2.1
	Total	97	100.0

Respondents were asked questions to establish and confirm their views regarding availability of contract farming models in Hurungwe district as well as their view on the impact of those models on tobacco production. 38.1 %(37/97) agrees while 27.8 %(27/97) disagrees that there are different contract farming models.34 %(33/97) the majority of respondents where neutral. This may indicate that different contract farming models are not evidently/satisfactorily available to farmers or the farmers are not aware of any other models besides those that are available to them.

When questions were asked about the farmer's view on the impact of contract farming on tobacco production, majority 53.6 %(52/97) disagreed, 23.7% remained neutral and 22.7 %(22/97) agrees. The mode of 54% who disagrees was further confirmed by follow-up interviews conducted which revealed that contract farming models implemented are not increasing tobacco production because farmers have not been given choices to select models that suits their needs. This confirms Birjman (2008)'s view that contractors may be unreliable to exploit farmers through a monopolistic position to the detriment of farmers.

4.4 Contract farming documents to legalise the contracts between farmers and firms

Questions were asked to establish if there are contract farming documents that are signed between the farmer and the funder to legalise the contract. The results are shown in tables 4.4.1 to table 4.4.3 below.

Table 4.4.1 Contract documents guides farming operations

		Frequency	Percent
Valid	strongly disagree	27	27.8
	disagree	40	41.2
	either disagree or agree	9	9.3
	agree	21	21.6
	Total	97	100.0

69 %(67/97) farmers denied, 21.6 %(21/97) agrees while 9 farmers remained neutral when asked whether contract farming legal documents are guiding their operations.

Table 4.4.2 Contract arrangements are explained to you before you sign

		Frequency	Percent
Valid	strongly disagree	15	15.5
	disagree	39	40.2
	either disagree or agree	28	28.9
	agree	15	15.5
	Total	97	100.0

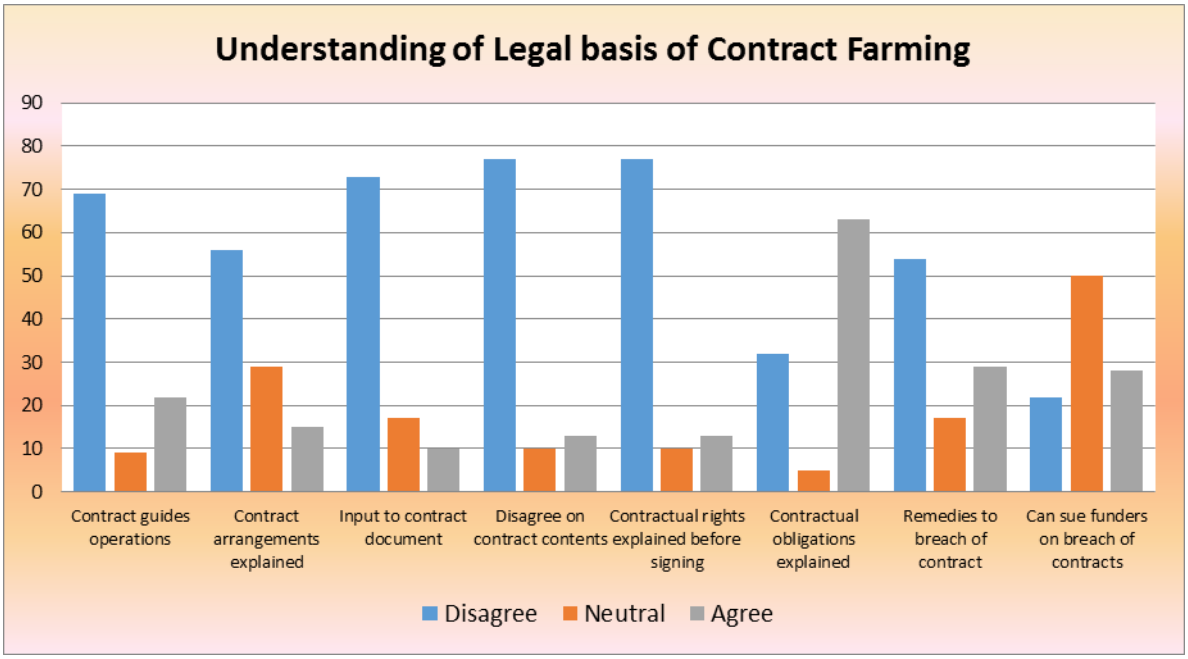
45.75% of the farmers disagreed, 28, 9% were neutral and 15,5% agrees that contract documents are explained to them before they sign.

Table 4.4.3 Contract documents are drawn with your input.

		Frequency	Percent
Valid	strongly disagree	29	29.9
	Disagree	42	43.3
	either disagree or agree	16	16.5
	Agree	9	9.3
	strongly agree	1	1.0
	Total	97	100.0

73,2% or 71 farmers disagree,16,5% are neutral and only 10,3% agrees that they have an input to contract documents before they sign.

Fig 4.4.1 Understanding the Legal basis of Contract Farming



When farmers were asked to confirm their contractual rights, 77.3% disagrees, 12.4% agrees while 10.3% were neutral. Most farmers are in disagreement to legal sections of the contract i.e. they are indicating that contract documents are not guiding their operations, contract arrangements are not explained to them before signing, they do not put any input to drawing the contract, they are not free to disagree on the contents of the contract, the contractual rights are not explained to them before they sign the contract, contractual obligations are not

explained to them before signing, there are no remedies for breach of contracts and farmers only agree that they know they can sue the funder on him breaching the contract. This contradicts what Eaton and Shepherd (2001) who affirms that contractors should make sure that the agreements are wholly understood by farmers. They further aver that terms and conditions entered into must be written down for independent examination and copies given to farmers' organisations or associations.

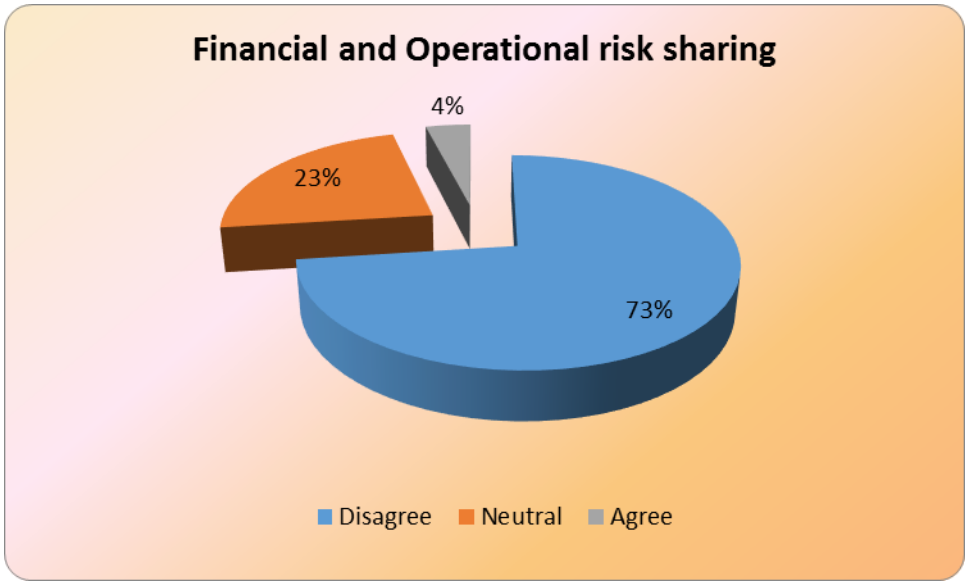
Table 4.4.5 You share the risk and benefits of price changes during marketing

		Frequency	Percent
Valid	strongly disagree	31	32.0
	disagree	42	43.3
	either disagree or agree	19	19.6
	agree	4	4.1
	strongly agree	1	1.0
	Total	97	100.0

75,3% of the farmers said they do not share the risk and benefits of price changes with funders during marketing,19,6% of the farmers remained neutral and only 5,1% agrees .This confirms Shepherd(2013) and Birjman(2008) when they noted that farmers are faced with the risk of market failure.

On the risk side, operational and financial risk have been analysed and results shown in Fig 4.4 below.

Fig 4.4 Financial and operational risk sharing



Risk sharing include sharing risk on i) damages of product in transit to market, ii) damage before harvesting, iii) price changes during marketing and iv) profit or loss from production. 73% of the respondents disagree and are indicating that there is no sharing of the above-listed risk factors. All the risk factors are loaded to the farmer and the funder has only 4% of the risk factors. To ensure success of contract farming, Birthal (2006) posits that funders should consider the socio-economic environmental factors surrounding the farmer, as such the issues of risk sharing needs attention of the funders.

4.5. Economic conditions for successful contract farming

The following are results to questions intended to confirm conditions for successful contract farming as shown in tables 4.5.1 to table 4.5.3

Table 4.5.1 Destination market type is important for contract farming

		Frequency	Percent
Valid	strongly disagree	1	1.0
	disagree	8	8.2
	either disagree or agree	4	4.1
	agree	57	58.8
	strongly agree	27	27.8
	Total	97	100.0

86.6 %(84/97) agrees, 9,2% disagree and 4,1 were neutral that destination market of the product is one of the key factor that ensures successful of contract farming. This is in line with Minot (2007) who says that the type of destination market of the product is an incentive for vertical coordination.

Table 4.5.2 Farmer associations are important foe the success of contract farming.

		Frequency	Percent
Valid	strongly disagree	4	4.1
	disagree	18	18.6
	either disagree or agree	1	1.0
	agree	30	30.9
	strongly agree	44	45.4
	Total	97	100.0

76.3% of the farmers interviewed agree, 1 % (1) was neutral and 22.7% disagree that farmer associations are key to the success of contract farming.

Table 4.5.3 Adequate funding ensures successful contract farming

		Frequency	Percent
Valid	strongly disagree	1	1.0
	disagree	3	3.1
	either disagree or agree	5	5.2
	agree	38	39.2
	strongly agree	50	51.5
	Total	97	100.0

90.7% of respondents agrees, 5.2% remained neutral while 4.1 %(4) denied that adequate funding supports contract farming.

Table 4.5.4 Early payment of product price is a key factor to the success of contract farming.

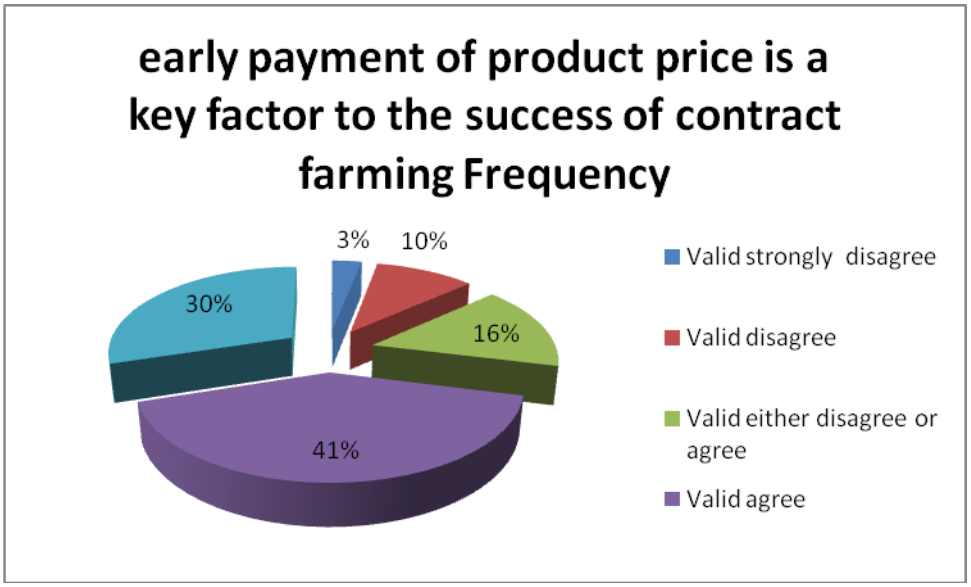
		Frequency	Percent
Valid	strongly disagree	3	3.1
	disagree	10	10.3
	either disagree or agree	15	15.5
	agree	40	41.2
	strongly agree	29	29.9
	Total	97	100.0

71.1% of the farmers agrees,15,5% remained neutral while 13,4% disagrees that early payment of product price after delivery to contractors is a key factor for increased productivity and agricultural growth.

Table 4.5.5 Early disbursements of inputs will lead to successful contract farming

		Frequency	Percent
Valid	disagree	2	2.1
	either disagree or agree	9	9.3
	agree	39	40.2
	strongly agree	47	48.5
	Total	97	100.0

Fig 4.5.1 Early disbursement of product price is key to the success of contract farming



Destination market type is important and also an opportunity.87% agrees that as an opportunity, there should be a diversity of market where they can sell their product.

Most respondents are in agreement that the above list is a list of challenges associated with contract farming. Farmer Associations need to be available to assist the farmers. Currently they are not fully supportive according to those interviewed. There is no adequate funding that ensures successful farming.

Disbursement of inputs and other resources is late resulting in farmers planting their tobacco late. Also late payment of the delivered product to farmers by the funders is a major challenge to the success of contract farming. Funders choose to purchase all or part of the product during marketing season. Farmers are limited by the contract farming arrangements to grow other crops.

4.6 Impact of contract farming models

Table 4.6.1 Contract farming has opened new markets for tobacco farmers.

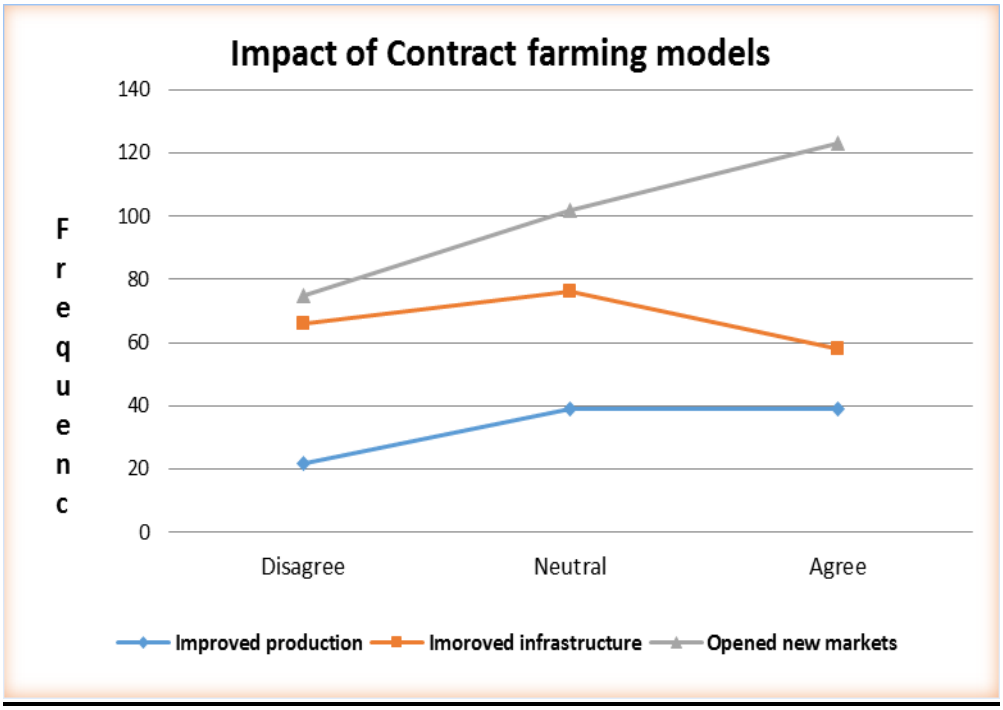
		Frequency	Percent
Valid	strongly disagree	2	2.1
	disagree	7	7.2
	either disagree or agree	25	25.8
	agree	44	45.4
	strongly agree	19	19.6
	Total	97	100.0

65% of the farmers agrees, 25% were neutral and 9,3 disagrees that contract farming has opened new markets for farmers. The modal response of 65% which agrees that contract farming opens new markets confirms Shepherd (2013)'s view that contract farming opens new markets which would have not been accessed by the farmer outside contract arrangements.

Table 4.6.2 Contract farming has improved agriculture production between 2010 and 2014.

		Frequency	Percent
Valid	strongly disagree	4	4.1
	disagree	17	17.5
	either disagree or agree	38	39.2
	agree	33	34.0
	strongly agree	5	5.2
	Total	97	100.0

Fig 4.6 shows the impact of contract farming models for the period 2010 to 2014.



Most respondents are in agreement that contract farming models have successfully opened new markets and improved production for the farmers for the period under review.

4.7 Benefits of contract farming

There are positive and negative benefits to contract farmers as indicated by the results of my analysis.

Table 4.7.1 Contract farming brings new technology and skills.

		Frequency	Percent
Valid	strongly disagree	2	2.1
	disagree	3	3.1
	either disagree or agree	5	5.2
	agree	66	68.0
	strongly agree	21	21.6
	Total	97	100.0

Table 4.7.2 .Contract farming brings quality products for contractors.

		Frequency	Percent
Valid	non response	1	1.0
	strongly disagree	3	3.1
	disagree	1	1.0
	either disagree or agree	10	10.3
	agree	39	40.2
	strongly agree	43	44.3
	Total	97	100.0

Contract farmers (89, 6%) in Hurungwe district agrees, that contract farming brings new technology, and quality products. These farmers agree that contract farming does not improve income of farmers nor does it reduces prices and market risk. These responses suggest that farmers see funders benefiting from contract farming as compared to farmers. They see Government's intervention as a key factor for them to benefit from contract farming.

Responses from interviews conducted further noted that inputs which are given to farmers are overpriced while the products delivered by the farmer to the funders are undervalued during marketing. They site exploitation by funders because the farmers have no choice owing to

lack of capital and less bargaining power. Farmers interviewed complain that they are taken as junior partners by funders in these contract arrangements.

They further stated that in some cases, the contract price is not known at the beginning of the season, which will only be communicated to farmers after delivery and sell of produce.

4.8 Summary

This chapter gave an analysis of the data from the questionnaires and interviews gathered by the researcher. These are given in charts, tables and graphs. The following chapter summarises and gives recommendations to the research as well as an outline of areas which would require further research.

CHAPTER FIVE

DISCUSSION, CONCLUSSIONS AND RECOMMENDATIONS

5.0 Introduction

This is the last chapter of the research work which presents the discussions of findings and conclusions anchored in the study and outline suggestions that would enable the success of contract farming arrangements that benefits both parties

5.1 Chapter summaries

Chapter one introduced the research topic by defining the background of the study, the problem statement, the main research topic, the study framework, research questions, and the study objectives. The significance, scope and the delimitation of the study are also outlined in this chapter. Chapter one ended with concluding remarks summarising the entire chapter. Chapter two discussed contract farming types, models and philosophies. It also discussed advantages and disadvantages of contract farming to both farmers and firms. Impact of contract farming on small holder farmers was discussed in this chapter. The contract farming legal frame work was also analysed as well as the conditions for the success of contract farming.

In chapter three, research procedures have been spelt out giving an outline of the research design. The research designs used in this study is a survey. The population for the study is Hurungwe district tobacco contract farmers with a sample of one hundred contract farmers which was taken from ten wards of the district. Purposeful sampling was adopted to choose the sample.

Questionnaires, face to face interviews and telephone interviews were adopted as instruments for data collection. Ethical issues and reflections where considered by the researcher when he engaged the respondents and assured them of highest confidentiality. Data collected was organized and analysed using SPSS to make meaning the responses got.

The presentation, interpretation and analysis of data which was obtained from both primary and secondary sources were outlined in chapter four of the study.

Chapter four presents interprets and analyses the findings of the study from data that was obtained from questionnaires and interviews. The data was collated and processed using SPSS. The data was later presented on frequency tables, graphs and charts. The last chapter of the research work presents the discussions of findings and conclusions anchored in the study.

5.3 CONCLUSSIONS

The study findings are that;

- Majority of tobacco farmers in Hurungwe district are contract farmers who were former commercial farm workers.
- Contract farming funders who are providing funding for tobacco contract farming in Hurungwe are former white commercial farmers.
- Contract farming models implemented in Hurungwe are not meeting the needs of farmers, hence not suitable because the models are just imposed on the farmers by the funders.
- There are limited contract farming models available for farmers to take up in Hurungwe district.
- There is monopoly in the funding of tobacco contract farming and TIMB is not playing its intermediary role.
- The majority of contract farmers in Hurungwe district are Ordinary level holders who have more than ten years contract farming experience.

- Contract farmers in Hurungwe district have not been given opportunity to understand the legal basis of contract farming arrangements they enter into.
- Tobacco contract farming in Hurungwe has opened new markets for tobacco farmers.
- There are challenges being experienced by tobacco contract farmers and there are untapped opportunities for farmers from contract farming operations.
- The research could not explore best contract models for these farmers because the current models are the only available from the few funders, who just impose on the farmers without choice.

5.4 RECOMMENDATIONS

As a result of the study findings and conclusions, the following are recommendations to consider implementing by the Government, farmers and funders to ensure successful contract farming for agricultural growth.

- Contract farmers should be given choices of contract farming models to choose from.
- More contractors should be registered to fund tobacco production so as to break monopoly.
- The Government of Zimbabwe through TIMB should play an active role in the supervision of contract farming arrangements to protect contracting parties.
- There is no best model of contract farming in the tobacco industry because the few registered funders are not giving farmers options to choose from so more could be done by the regulator to assist farmers finding their best contract farming model.

5.5 AREAS FOR FURTHER STUDIES

- The effect of Government intervention in contract farming arrangements
- To establish the existence of new contract farming models being implemented in tobacco contract farming.
- Closing the funding contract farming gap between the funders and farmers
- To establish the beneficiation of contracting parties in contract farming.

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Appendix One

Stand number 114 North Drive

Chinhoyi.

The Provincial Lands Officer

Ministry of Agriculture and Irrigation Development

17 park Street

Chinhoyi.

12 October 2016

Dear Sir

RE: Application for permission to access tobacco farming records and interview access to Hurungwe District Contract Tobacco farmers.

My name is James Chamahwinya, national identity number 07-053148-p-07 .I am a Master of Commerce in Accounting degree student from the Midlands State University carrying out a research on the following topic;

> **An assessment of the suitability of contract farming models being implemented in Zimbabwe and their impact on Agricultural production (2010 to 2014).**

I am seeking authority to have access to contract tobacco farmers' records for the period January 2010 to December 2015 and be allowed to interview Hurungwe tobacco contract farmers for the same period.

The information I get will be used only for academic purposes.

Your granting of this access will enable me to fulfil the requirements for the completion of the Master of Commerce in accounting degree programme and will be highly appreciated.

Thank you.

……..

J Chamahwinya(Student number R155454G)

Appendix Two

Questionnaire guide

I am James Chamahwinya, I am a Master of Commerce in accounting degree student from the Midlands State University carrying out a research on the following topic;

An assessment of the suitability of contract farming models being implemented in Zimbabwe and their impact on Agricultural production (2010 to 2014).

You have been chosen to take part in this survey and information you will provide will be treated in the strictest confidence. I would appreciate your honest and sincere responses.

Please respond by ticking on the blank ☐ spaces provided.

Section A: Respondents' Details

Please indicate your area of farming (Province) ……

1. Gender

Male ☐ Female ☐

2. State your age

Under 30yrs	31 to 40yrs	41 to 50yrs	above 50yrs
☐	☐	☐	☐

3. Indicate your highest level of education attained.

None	ordinary level	diploma	degree
☐	☐	☐	☐

4. Indicate your farm ownership status

Owned ☐ State land ☐ Rented ☐

5. Indicate how your farming operations are funded

Contracted ☐ Not contracted ☐

6. Indicate your contract farming model

Centralised	Nucleus	Multipartite	Informal	Intermediary
☐	☐	☐	☐	☐

7. How long have you been in contract farming?

Two years	five years	ten years	above ten years
☐	☐	☐	☐

Section B: Contract farming models being implemented in Zimbabwe

	Strongly Disagree	Disagree	Neither Agree or Disagree	Agree	Strongly Agree
B.1 There are different types of contract faming models in Zimbabwe					
B.2 Contract farming models implemented are suitable for tobacco farmers					
B.3 Farmers are taught about different contract farming models implemented in Zimbabwe					
B.4 Contract farming parties are able to choose the type of models they want.					
B.5 Contract farming models implemented in increases tobacco production					

Comments……
……
……
……

Section C: Contract farming documents to legalise the contracts between farmers and firms

	Strongly Disagree	Disagree	Neither Agree or Disagree	Agree	Strongly Agree
C.1 Contract documents guides your farming operations					
C.2 Contracts arrangements are explained to you before you sign					
C.3 Contracts documents are drawn with your input					
C.4 You are free to disagree on the contents of contract arrangements					
C.5 Your contractual rights are explained to you before you sign the contract					
C.6 Your contractual obligations are explained to you before you sign the contract					
C.7 There are remedies for breach of contract					
C.8 You can sue the funders for any breach of arrangements					
C.9 You share the risk of damages to the product in transit to the market					

C.10 You share the risk of damage to the product before it is harvested					
C.11 You share the risk and benefits of price changes during marketing					
C.12 You share profits or losses from production with the funders					

Comments……
……
……
……

Section D .Economic conditions for successful contract farming

	Strongly disagree	Disagree	Neither agree or Disagree	Agree	Strongly agree
D.1 All buyers can contribute to the success of contract farming					
D.2 All products can be grown under contract farming					
D.3 Destination market type is important for contract farming					
D.4 Farmer organisations/associations are important for the success of contract farming					
D.5 Adequate funding ensures successful contract farming					
D.6 Early disbursement of inputs will lead to successful farming.					
D.7 Early payment of product price is a key factor to the success of contract farming					

Section E. The impact of contract farming models being implemented in Zimbabwe on Agricultural production?

	Strongly Disagree	Disagree	Neither Agree or Disagree	Agree	Strongly Agree
E.1 Contract farming has improved agricultural production between 2010 and 2014					
E.2 Contract farming has improved the infrastructure in our district					
E.4 Contract farming has opened new markets for tobacco farmers					

Section F: Are the contracting parties equally benefiting from contract farming arrangements?

	Strongly disagree	Disagree	Nether agree or disagree	Agree	Strongly agree
F.1 Contract farming improves income and wellbeing of farmers					
F.2 Contract farming reduces price and marketing risks					
F.3 Contract farming brings new technology and skills					
F.4 Contract farming brings good quality products for firms					
F.5 Contract farming brings a good produce price to the farmer					
F.6 Contract farming improves income and wellbeing of funders					
F.7 Government intervention in contract farming improves production.					

Section G: Tobacco contract farming challenges

	Strongly disagree	Disagree	Nether agree or disagree	Agree	Strongly agree
G.1 Contract farming benefits the farmers more than funders					
G.3 Firms can choose to purchase all or part of the farmer's production during marketing season					
G.3 Inputs and other resources are delivered before the season by funders					
G.4 Farmers are limited by contract farming arrangements to grow other crops					
G.5 Funders pay for produce price soon after sale/delivery					
G.6 Producer prices are easily changed by funders during marketing season					
G.7 There is insurance cover for loss of product due to drought and other eventualities					

Thank you for participating.

Appendix three

Interview guide

I am James Chamahwinya (student number R155454G), I am a Master of Commerce in accounting degree student from the Midlands State University carrying out a research on the following topic;

An assessment of the suitability of contract farming models being implemented in Zimbabwe and their impact on Agricultural production (2010 to 2014).

You have been chosen to take part in this survey and information you will provide will be treated in the strictest confidence. I would appreciate your honest and sincere responses.

1) What are the main contract farming models being implemented in Zimbabwe tobacco farming?
2) What is the impact of contract farming to tobacco production in Zimbabwe?
3) How do you rate the growth of tobacco contract farming?
4) How are contracting parties benefiting from tobacco contract farming?
5) What regulation is there to control contract farming?
6) Who draws/designs the contract farming arrangements?
7) How far is the government of Zimbabwe involved in tobacco contract farming
8) What are the major challenges faced by the contracting parties in tobacco contract farming?
9) What strategies can the contracting parties implement to mitigate these challenges?
10) What is the best model for tobacco contract farming in Zimbabwe?
11) What is the best practice in tobacco contract farming?
12) What role can government of Zimbabwe play to improve contract farming?

Thank you for participating.

List of tables

List of figures