

Contracting and Negotiation Attributes: A Case of Sunflower Seed in Central Tanzania

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Abstract The purpose of this is to investigate the impact of contract farming program among sunflower farmers. Specifically, the study aims to: (i) identify private firms providing contract farming among the sunflower farmers; and (ii) evaluate the relationship of the negotiation attributes in farmers' income growth among sunflower farmers.

The field survey was conducted in March 2020, targeting 40 contracted farmers in two regions of Central Tanzania. In sunflower sector only two major private firms still provide contract farming among the sunflower farmers. Others did not continue to provide the contract because of the challenges in contract coordination. Additionally, credit access and production services were significant with farmers' income growth. The study suggests that the price the contractor pays for a project should be dependent on quality. This can work as an incentive if the producers feel their work is rewarded.

I. INTRODUCTION

- Poor sunflower farmers in Tanzania have limited access to agricultural inputs
- One of the proposed solutions is to link sunflower farmers with the private sector through contract farming
- In Tanzania sunflower oil is preferred as edible cooking oil for many households with by-products used as a source of livestock feed and soap manufacturing (Figure 1)

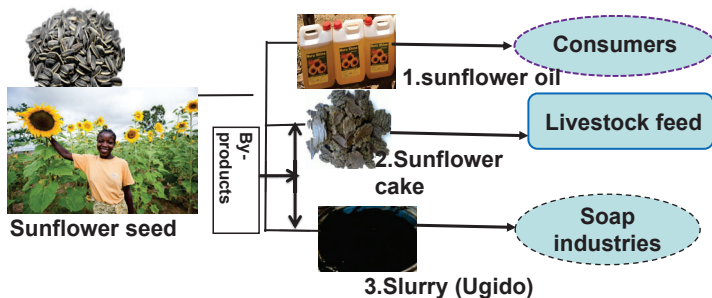


Figure1 : Product map of sunflower seeds in Tanzania
Source: Field survey, 2020

- Despite the government of Tanzania to link the sunflower farmers with the private sector, contract farming has been facing some challenges in coordination

II. OBJECTIVES

The study on sunflower seed crop in Central Tanzania was surveyed to investigate the impact of contract farming program among sunflower farmers

Specifically, the study aims to:

- identify private firms providing contract farming among the sunflower farmers; and
- evaluate the relationship of the negotiation attributes in farmers' income growth

III. METHODOLOGY

1. STUDY AREA

Central Tanzania



Figure2: Study area

Source: <https://www.google.com/ united-republic-of-tanzania-map-vector>

2. SURVEY METHODS

A two-stage sample design was used to collect the data

- Two villages, one from each region were selected because of the presence of sunflower contract farming
- Farmers were randomly selected from the list of farmers

IV: RESULTS AND DISCUSSION

1. Private firms providing sunflower contract farming

Table 1: Private firms providing sunflower contract farming in Tanzania

Private firm	Still having contract	Region, the company operates	No. of villages	Years of doing contract farming
Uncle Millo	No	Dodoma	20	3(2010-2013)
Ringo consolidated	No	Dodoma	25	2(2010-2012)
Furaha Dodoma	No	Dodoma	11	2(2010-2012)
Three Sisters	Yes	Dodoma	5	9(2011- to date)
Ikungi Edible Cooking Oil Ltd	Yes	Singida	3	8(2012- to date)
Nyemo Inv.	No	Singida	28	3(2010-2013)
Ring Inv.	No	Dodoma	10	2(2011-2013)
Kibaigwa Oil Suppliers	No	Dodoma	70	1 (2010-2011)

Source: Field Survey, 2020

- Based on the field survey, major private firms still engage in contract farming with sunflower farmers include: Three Sisters Company Limited based in the Dodoma region and Ikungi Sunflower Edible Cooking Oil Company based in the Singida region (Table 1).
- The other companies did not continue to provide contract farming because of the challenges including side selling, financial constraint, and contract terms

2. Relationship of the contract negotiation attributes in farmers income growth

Table 2: Relationship of the negotiation attributes in farmers income growth

		Capital	Advance pricing	Contractor credit	Production services	Income growth
Capital	Pearson Correlation Sig. (2-tailed)	1				
	N	40				
Advance pricing	Pearson Correlation Sig. (2-tailed)	.032	1			
	N	40	40			
Contractor credit	Pearson Correlation Sig. (2-tailed)	.062	.751**	1		
	N	40	40	40		
Production services	Pearson Correlation Sig. (2-tailed)	.022	.615**	.345	1	
	N	40	40	40	40	
Income growth	Pearson Correlation Sig. (2-tailed)	.037	.023	.741**	.779**	1
	N	40	40	40	40	40

** Correlation is significant at the 0.05 level (2-tailed)

Source: Field survey,2020

- Empirically, the results shows that credit access, production services has significant (95% level) with farmers income growth
- However, advance pricing did not show any relationship with farmers' income growth. This was because in contract terms, price is not set-in advance and has been reported as one of the big challenges in the study area

V. CONCLUSION

- In sunflower sector only two major private firms still provide contract farming among the sunflower farmers. Others did not continue to provide the contract because of the challenges in contract coordination. Additionally, credit access and production services were significant with farmers' income growth
- The study suggests that the price the contractor pays for a project should be dependent on quality. This can work as an incentive if the producers feel their work is rewarded.