

End of project popular science description

Introduction

The project, Enhancing Productivity, Market Access and Incomes of Small farming Businesses: potential and limitations of contract farming (POLICOFA), consists of three separate sub-projects. Project 1 focused on improving coordination in the value chain for sunflower seed: the potential of upstream and downstream upgrading. Project 2 examined obscure factors in outgrower schemes: land and labour in the sugar value chain. Project 3 assessed global market dynamics and impact on local economic development of tobacco value chains. The three sub-projects are tied together by emerging or changing contractual systems, the overarching issue examined in four different agro-industrial value chains during phase 1 of the POLICOFA project. The projects are theoretically and methodologically based on the original framework of the (global) value chain approach and econometric analyses with the ambition to combine qualitative and quantitative methods in empirical studies. The objective of this ambition is twofold: firstly to develop new methodologies based on the sequential and mutually supportive application of different methods and techniques, and secondly to increase the analytical capabilities of the involved researchers – not least among the junior staff and PhD students – and thereby also strengthening the institutional capacity. The overall research combined qualitative and quantitative methods based on sequential and mutually supportive techniques, as well as enhanced the analytical capabilities of researchers involved and, thereby, strengthened the institutional capacity.

Results

Risk aversion and liquidity constraints are critical barriers to improved sunflower varieties adoption while access to information drives it. Contract farming (CF) provides access to critical production inputs, despite its adoption heterogeneity. The results show that household size and extension access are positively influencing CF awareness while farmer's age, land owned, and access to extensions positively influence CF adoption. CF adoption enhances sunflower productivity as market and liquidity constraints to input use are minimized. In addition, SMEs are mainly involved in primary sunflower seed processing, mostly under CF agreements with smallholders. Cooperation amongst SMEs is low mainly due the lack of trust.

Sugarcane CF intensified due to an increased number of households who sell and hire labor, with women falling more in the former group. Wage employment is an important source of household income, enabling land-poor households to shift from subsistence to the market economy. Social differentiation based on land ownership and sugarcane income is noticeable.

The relationship between grades, prices and income gained suggests that higher tobacco grades which receive higher prices are difficult to obtain. Grades obtained by farmers were categorized as high, moderate, and low grades. Except for one season (where at least 66% of farmers obtained moderate to high-grades), most farmers obtained low grades hence, received lower incomes.

A study of businesses in Ruaha and Urambo districts shows 1) the importance of agricultural income for business start-ups' capital accumulation, 2) the importance of customers' agricultural income for aggregate demand, and 3) the importance of crop seasonality for the level of demand.

Sugarcane production and its substantial requirement for migrant labor seem more supportive of settlement growth and LED due to cyclical *booms* in demand.

Conclusions

In the sunflower subsector, extension services, radios, and farmers' groups are important channels through which information about improved sunflower varieties and adoption can be shared in a rural setting. Nonetheless, risk-averse attitudes and liquidity constraints hinder the adoption of improved sunflower varieties.

In the sugarcane research, the research showed that state regulation has been essential for the scheme's relative stability by ensuring both monopsony status of the processing company and non-exclusion of smallholders because of the limited size of landholdings. Capitalist and commodity-based means of acquiring land (purchase, renting) have gradually replaced traditional forms of non-commercial land acquisition (inheritance, communal allocations), leading to dispossession of resource-poor households without any interference of the state.

Research in the tobacco subsector indicates that the widespread integration of smallholders into the global tobacco value chain is an important yardstick in influencing livelihood opportunities and local economic development in Urambo district. There are significant variations in the PCSs' and smallholders' capacity to enhance and capture value from tobacco cultivation. This is attributable to the PCSs bargaining power, leadership qualifications, and capabilities to handle requirements detailed in the CF schemes as well as the ability to handle development affairs for local communities.

Recommendations

For sunflower subproject, it is recommended that: Firstly, liquidity constraints require improved access to credit coupled with insurance schemes to minimize financial risks: Secondly, continuous strengthening of rural financial institutions (e.g. Saving and Credit Cooperatives, and Village Community Banks) is critical for widening access to credit at a reasonable cost: Thirdly, CF is critical and its adoption rate increases with awareness hence, private and public stakeholders should strengthen extension service institutions.

Three actions are recommended for sugarcane subproject. Firstly, different practices of land renting and purchasing in CF schemes in Tanzania be outlined, especially schemes with full or joint state ownership that aim for inclusiveness of all smallholders irrespective of resource access: Secondly, scope and impact of these practices on resource-poor smallholders (including female-headed households) be analyzed while specifying the common and unique characteristics of the schemes: Thirdly, ways to regulate land leasing domain to safeguard vulnerable households from loss of assets be considered.

Three actions are recommended for tobacco subproject: Firstly, detailed mapping and assessment of tasks handled by the PCS leaders as part of the CF scheme are required: Secondly, establishing minimum qualifications required to handle these tasks and obligations and initiating regular capacity building programs to continuously enhance the leadership capacity of PCS leaders: Thirdly, scrutinizing mechanisms and measurable criteria for allocation of production volumes to improve transparency in decision-making processes at both tobacco-processing company and PCS levels.