

CONTRACT FARMING IN TANZANIA'S CENTRAL CORRIDOR

EXPERIENCES FROM RLDP

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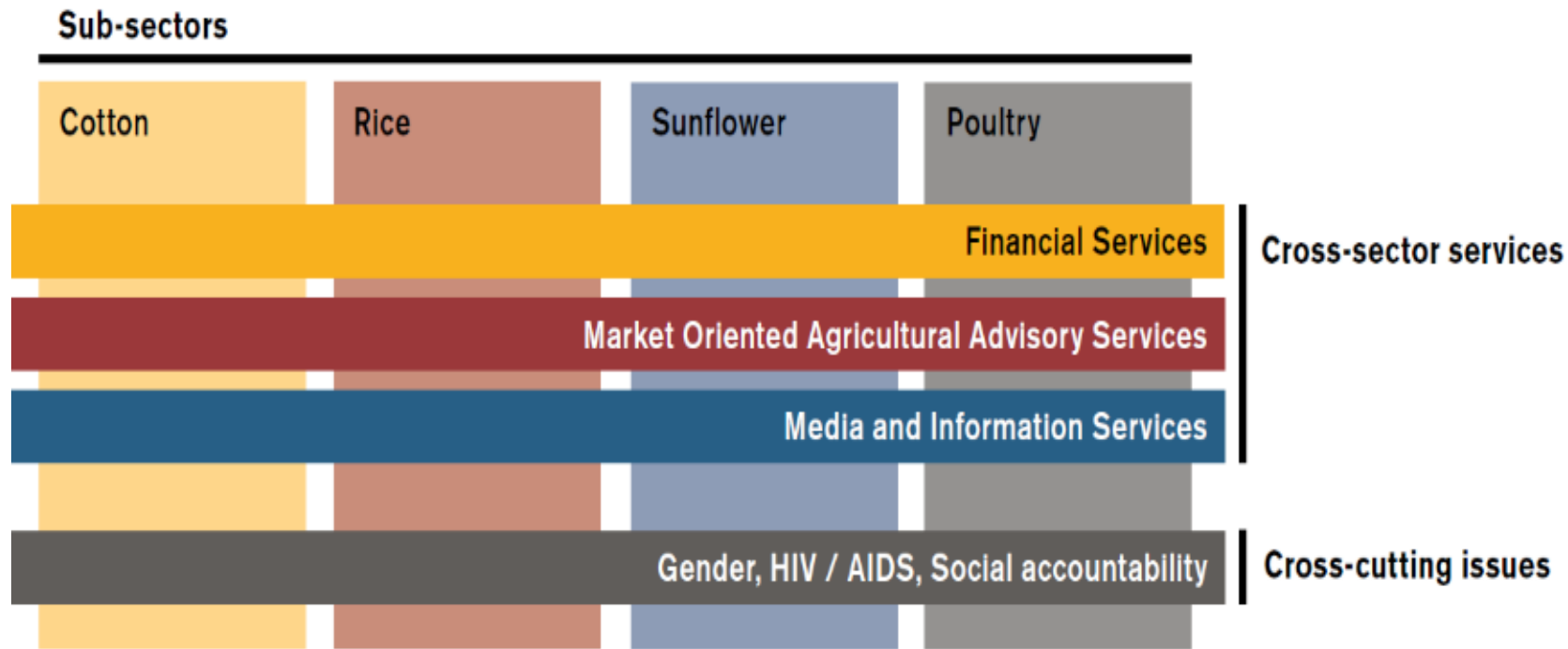


Background Rural Livelihood Development Programme (RLDP)

- Facilitated market development in selected agricultural value chains (sunflower, cotton, rice, dairy, poultry) in the Central Corridor of Tanzania (about the size of Germany!)
- Applied Market Systems Development (MSD/M4P) approach
- Implemented 2005-2016 by a consortium HELVETAS Swiss Intercooperation and Swisscontact; financed by SDC.
- Total outreach (direct): 466'000 rural households

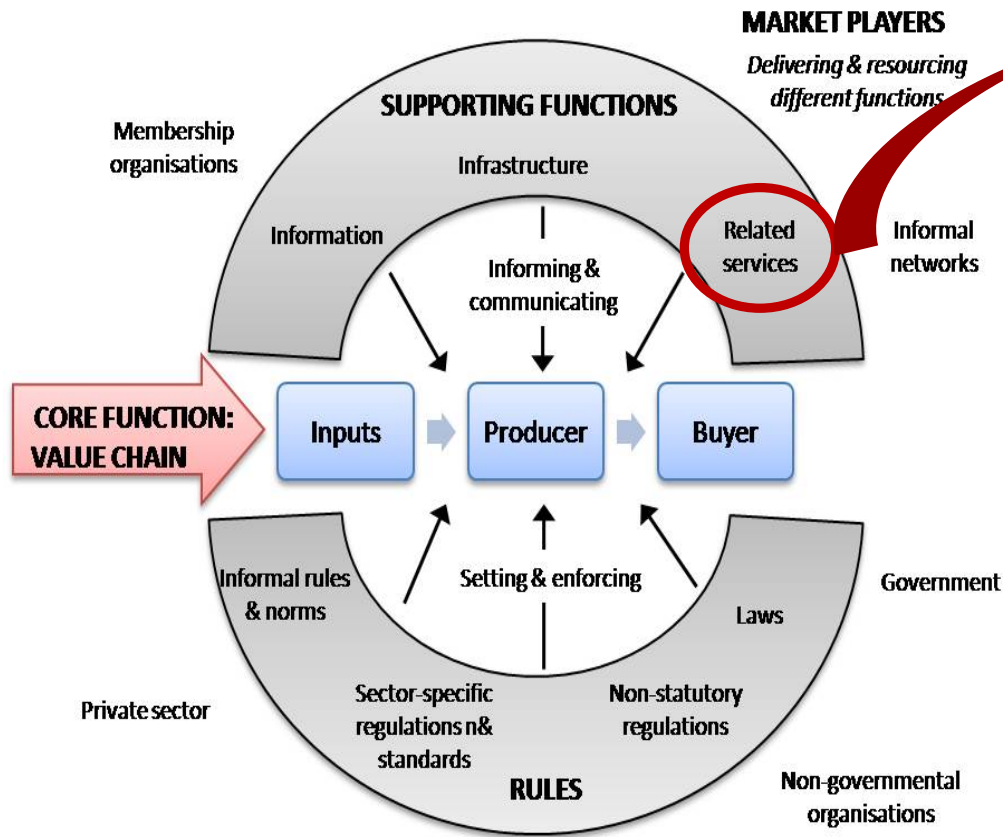


Design (last phase 2012-2015)

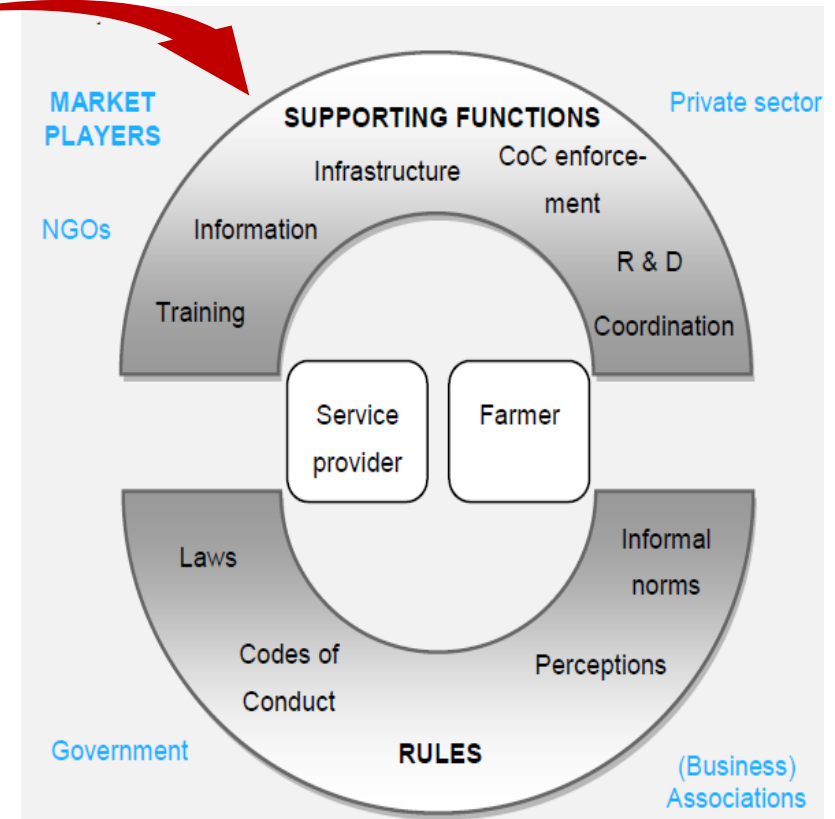


Rural Advisory Services (RAS) within MSD logic in RLDP

Perspective 1: RAS as Supporting Function



Perspective 2: RAS in the M4P framework



Why contract farming (CF) ?

Weak relationship and lack of trust (e.g. side selling!) between market actors, i.e. producers and processors → «contract» to create a **win-win situation** for:

a) Producers:

- Better supply of agricultural inputs (seeds, fertilizer, equipment) at planting season
 - Improved RAS (often embedded services provided by processors)
 - Known agreed prices (or at least price span) at harvest
- Ultimately increased productivity (volume and quality), sales volume and income

b) Processors:

- Increased / ensured quantity and quality of raw material supplied by producers = consistency on throughput
- Reduced transaction costs for sourcing of raw material
- Economies of scale through consolidating produce and making bulk deliveries to buyers of processed products



How was CF applied in RLDP?

EXAMPLE: Sunflower

Constraints faced in the sector:

- Limited accessibility and usage of quality seeds
- Minimal value placed on supply chain management by processors, no organised management of sourcing supplies
- Minimal value placed on investment in extension services; weak government extension services, processors/buyers needed a strong value proposition to invest in these services
- Unreliable supply of product to processors. Paradoxically, farmers cited lack of markets, yet when linked to markets they are not able to produce and supply consistently....
- Lack of appropriate financial products/services for processors limiting their engagement with many producers

CF package:

- Training on good agricultural practices (GAP)
- Starter pack of improved soft-shelled seed (QDS seed) apt for crushing.
- Provision of extension services to farmers
- Analysis of seed at TOSCI (Official seed certification institute)
- Fuel for motorcycles for extensionists, small monthly allowances

Contract modality between processors and producers: **verbal contracts**, communication via mobile phones



Findings and lessons learned

CF needs to be applied with the logic of MSD, addressing specific constraints

→ Needs a common sector specific vision of engaged market actors

Type of contract: mostly oral, not written! For reasons of literacy, fear of legal reprisals, etc.

- Importance that farmers understand the terms and implications, seek clarification
- Preference of engaging farmer groups in CF, agreements taken in meetings with minutes that document agreement between group and processor
- Trust building!

Inclusion of small-holder farmers, gender and social equity:

- Importance of selection criteria for farmers, crops, contracting modality.
- Understanding why market systems is not working for disadvantaged, CF address their needs



Findings and lessons learned (cont.)

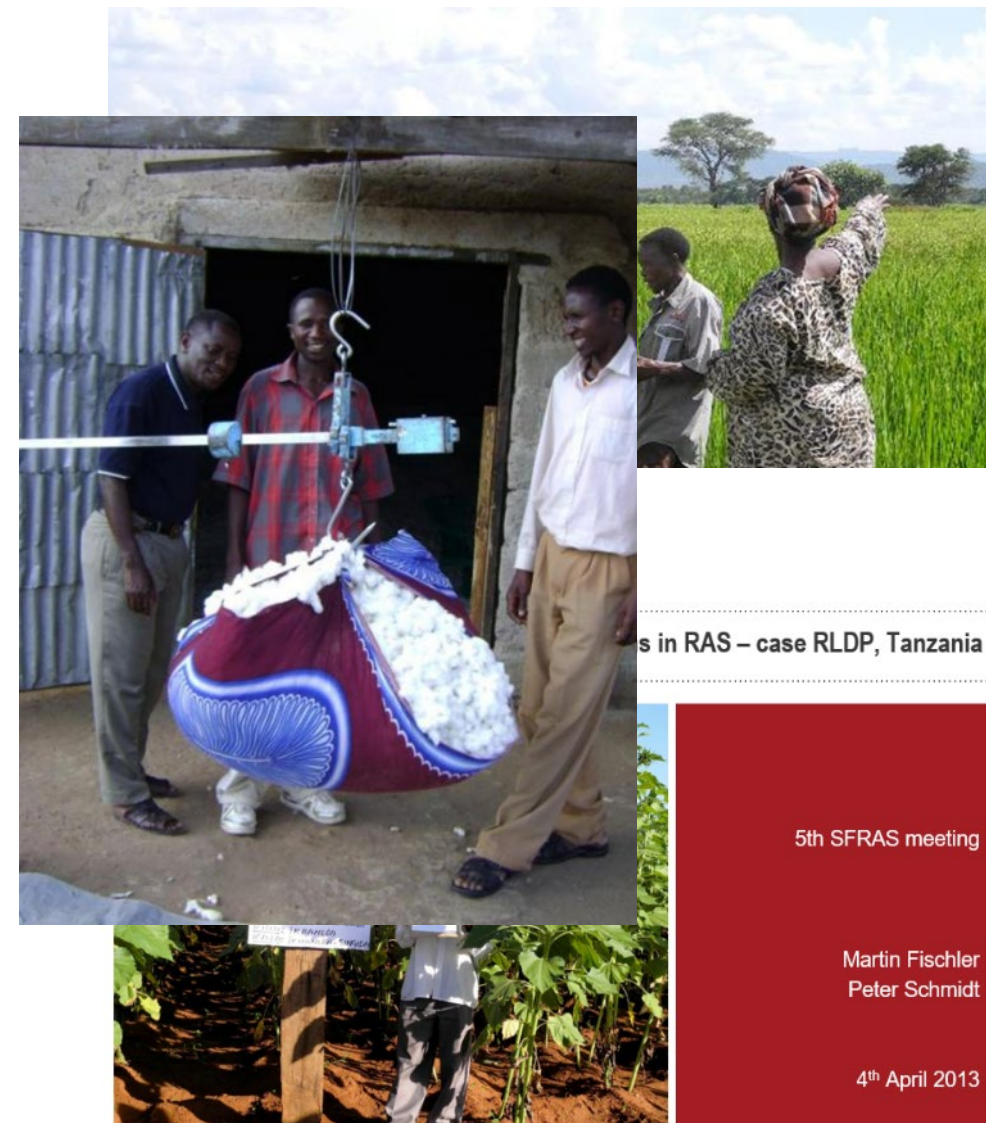
Importance of RAS in CF: Crucial for the success of CF!

- New technology (varieties, cropping system, GAP etc.) requires RAS
- Fosters good communication between producers & processors = contribution to trust building
- Various forms of pluralistic RAS used (processors, agrodealers = embedded services; gov. extension services, NGOs etc.)

Conducive framework conditions for CF:

- Role of (local) government as “witness” of CF agreements, ensuring fair transaction (e.g. control of tampered weighing scales), mediator in case of disagreements/breach of contracts)
- Risk of over-regulation (e.g. GoT declared nation-wide mandatory CF in cotton)
- Importance of strong apex organizations to influence modalities of CF incl. price setting.

Question: how can digital technology be used to improve CF schemes?



Contract Farming in Tanzania's Central Corridor - Lessons from the Rural Livelihood Development Programme Tanzania

[Summary](#)



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**THANK
YOU!**