

**Respikius Gabagambi**

**Contract Farming and Smallholder Farmers in a Global Economy: The Case of Mtibwa Cane Growers in Mvomero Tanzania**

**Abstract**

Contract farming has been practiced in the sugarcane out-grower schemes at Mtibwa Tanzania for more than a decade. Even though in developing countries contract farming is viewed as an important institutional innovation for improving the productivity and output of smallholder farmers, this has not happened to out-growers at Mtibwa. Therefore, this study sought to answer five main questions: 1) How are growers organized in the sugarcane commodity chain? 2) What factors influence growers to choose one contracting chain over the other? 3) What are the perceptions of partially and fully integrated farmers regarding the advantages and disadvantages of contract farming? 4) What are the main areas of concern of grower participants in sugarcane production? 5) Do partially and fully integrated farmers differ in terms of their perceptions of the main areas of concern? The commodity chain analysis and the theory of diffusion of innovations offered the framework for the study. A multi-staged sampling procedure was adopted to design the study and multi-methods used to collect data. The results showed that there were two main categories of farmers: those who were fully integrated into contract and those who were partially integrated into contracts. The two categories of farmers differed in terms of resource endowments including level of education, land size and off-farm income. Farmers were organized under three farmer organizations which acted as intermediaries through which farmers were contracted. The major reason that influenced growers to register with a certain organization was because of its proximity or experience with an organization and main benefits obtained were cane cutting, loading and transportation; second credit and third information. In general partially integrated farmers had favourable perceptions of advantages but fully integrated farmers also had favourable perceptions of extension, new technologies, and reliable markets. On the other hand, the results showed that fully integrated farmers perceived more disadvantages compared to the partially integrated farmers. However, the difference in perceptions between the two categories of farmers was not significant. Four main areas of concern were identified to include manipulation of quotas, delayed payment, lack of transparency in determining the weight of cane and measuring sucrose content. Partially and fully integrated farmers had unfavourable perception about being paid on time. Partially integrated farmers perceived that quotas are not manipulated whereby the fully integrated perceived that quotas are manipulated. Finally, both groups of growers perceived that there was a lack of transparency in determining weigh of sugarcane and the sucrose content.