

An Evaluation of Maize Contract Farming System in Sri Lanka: Adoption, Problems, and Future Prospects

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ABSTRACT: *The constraints that hinder the growth of smallholder farmers have been attributed to lack of access to markets and technical expertise. Contract farming envisaged to facilitate the linkage between smallholder farmers and agribusiness firms who have built strong marketing channels. This paper attempted to examine the existing maize contract farming system in Anuradhapura district of Sri Lanka as a strategy of market stabilization through public - private partnership. Study applied principal component analysis to explain the factors effect on adoption. It was revealed that full-time farmers who have higher proportion of agricultural income, higher agricultural land holdings as well as agricultural experience and family labour participation were more prominent in adopting contract farming system. Moreover, statistically significant higher yield by maize contract farmers over non - contract farmers were believed to be achieved due to efficient input delivery mechanism of the buyer. Further, adopters earned about two times higher agricultural income than non-adopters. The whole contract farming model revealed that, vertically well integrated value chain management, mutual trust between farmers and buyers and existence of an assured market for buyers were the key factors for the success of the system. Inability to sell the whole harvest through contract farming system was the main obstacle faced by the contract farmers. It seemed that lack of a crop insurance scheme and unavailability of an authorized institution to regulate the contract farming process have slowed down the progress of spreading the contract farming system throughout the country.*

Keywords: *Contract farming, maize, principal component analysis*

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