

Chapter 8

Side Marketing: A Threat to Contract Farming Viability in Zimbabwe


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ABSTRACT

Contract farming is increasingly becoming a major source of funding for most agricultural commodities on the basis of its ability to ensure a consistent supply of raw materials to agro processing firms. Drawing from the market imperfection theory and the information asymmetry theory, extant literature has documented a number of factors that contribute to side marketing, but is very limited on profiling the common demographic factors attributed to that practice. Therefore, this study sought to develop a comprehensive profile of contract farmers that are likely to side market. A sample of 400 tobacco contract farmers drawn from Bindura District was surveyed. The data was analysed using logistic regression analysis, and the results indicated that the men, youth, single, primary level educated, and communal farmers were more likely to side market than their counterparts in the same demographic groups. The study recommended that agro-processing firms should be cautious when they enter into farming contracts with the flagged demographic groups.

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SIDE MARKETING: A THREAT TO CONTRACT FARMING VIABILITY IN ZIMBABWE

Contract farming is one of the means of financing agricultural activities, and in Zimbabwe it dates back to the colonial era (Shonhe & Scoones, 2021; Mazwi et al., 2018). However, it gained prominence after the controversial Fast Track Land Reform Programme (FTLRP), when the financial institutions drastically scaled back on financing agricultural activities (Mazwi et al., 2020). The FTLRP leveraged on the Land Reform Act which vested all the land rights to the state through revoking all the existing title deeds of commercial farmers and redistributed it to the majority of the landless peasants (Scoones et al., 2018). The peasants were not awarded the accompanying title deeds and as a result they could not possess the necessary surety needed by the financial institutions in order to qualify for accessing liquidity for financing their farming activities (Ngarava, 2020).

The beneficiaries of the land reform programme, were not only limited in terms of farming resources, but they also lacked agronomic skills needed for conducting lucrative farming activities (Mazwi et al., 2018). This lack of technical skills further alienated the new farmers from the financial institutions who could not fathom how the farmers would be able to repay their loans without the ability to viably conduct the farming activities (Mazwi et al., 2018). This left many agro processing merchants at the brink of insolvency due to operational challenges emanating from the less constant supply of raw materials from the upstream agricultural industry (Mukucha & Chari, 2022). As a response to this unfavourable development, the agro processing industry took upon itself to fund the agricultural industry through contract farming (Shonhe & Scoones, 2021). Contract farming covered the supply chain for several crops such as cotton (Mutambara and Mujeyi, 2021), tobacco (Pangapanga-Phiri et al., 2024; Mango & Kugedera., 2022), watermelon (White & Wijaya, 2022), palm oil (Hambloch, 2022; Pratama., et al., 2021; Vamuloh et al., 2020), cassava (Obi-Egbedi et al., 2022), wheat (Li et al., 2022), and small livestock such as poultry (Mukucha et al., 2024).

Contract farming did not ensure supply chain resilience for agro-processing firms (Mukucha & Chari, 2022), but also improved the livelihoods of small-scale farmers. The use of mainly small-scale suppliers for contract farming, although inevitable due to unavailability of and to large scale farmers (Mukucha et al., 2023), ensured that the agro-processing forms comply with social pillar of the sustainable supply chain management (Lysons & Farrington, 2020). More specifically the improvements on the livelihoods of the small-scale farmers were noticed in the form of increased income (Chen & Chen, 2021), employment generation among the less educated members of the community (Kaur et al., 2021; Meemken & Bellemare, 2020) and good agronomic practices (Shonhe & Scoones, 2021; Mazwi et al., 2018).

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