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**The dynamics of inclusion in contract farming schemes
in Tanzania: Exploring the experience of contract
Tobacco farmers in Urambo District in Tabora Region,
Tanzania**

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List of Acronyms

| | |
|-------|---|
| AMCOS | Agricultural and Market Cooperative Society |
| AOTL | Alliance One Tanzania Limited |
| BOT | Bank of Tanzania |
| CF | Contract farming |
| FAO | Food and Agriculture Organization |
| FGD | Focus Group Discussion |
| ISS | Institute of Social Studies |
| JTI | Japan Tobacco International Company |
| TAC | Tanganyika Agricultural Corporation |
| TTA | Tanzania Tobacco Authority |
| TTB | Tanzania Tobacco Board |
| UNDP | United Nations Development Programme |
| VEO | Village Executive Officer |

Abstract

Contract farming can benefit smallholder farmers, especially in the context of limited state support, by providing farmers with opportunities to access markets, farm inputs, credit, and technology and participate in certification schemes, enabling them to receive better prices for their crops. However, the benefits and risks of contract farming are not usually evenly distributed between participating parties in the contract, and even so, such schemes tend to exclude poor farmers. This study aims to make an empirical contribution to understanding such dynamics based on a case study in Tanzania, particularly among smallholder Tobacco farmers. It focuses on examining the dynamics of inclusion and exclusion of contract farming among tobacco farmers. Tobacco contract farming has been very important for smallholder farmers especially in terms of access to markets as well as having better prices and agreements compared to other types of agricultural models. However, there has been exclusion for some farmers and the study aimed to find out its effects. This research intended to answer how and to what extent are contract farming schemes inclusive of different social classes and groups of rural producers? This study was conducted in Tabora region, Urambo district in the villages of Imalamakoye and Kichangani. The research involved qualitative methodology where we used Focus Group Discussions and In-depth interviews. A total of 5 in-depth interviews were conducted involving two Village executive officers, a Cooperative officer, a company officer and an Agriculture extension officer. Furthermore, two FGDs were held. The results of this study have shown that farmers have faced different forms of exclusion in contract farming. Farmers seemed to be excluded or do not participate in contract farming due to the lack of social trust, entry fee, lack of access to land, being poor, lack of resources as well as being unable to repay loans in the community. The research found that the farmer relies on the bargaining power of their cooperative against the company. The criterion of not having land is one of the criterion mentioned most by the participants, but the possession of a land deed was not a necessary thing. There is a need for further study to look specifically at the effects of payment delays carried out by contract firms against the welfare of farmers.

Relevance to Development Studies

This research addresses a relevant topic in agrarian transformation. It is particularly relevant to discussions regarding whether and how contract farming schemes contribute to transforming smallholder agriculture in the global South. This directly links to policy debates regarding improving incomes and reducing poverty among smallholder farmers. By focusing on the case of tobacco contract farmers, this study contributes to ongoing academic and policy debates regarding the inclusivity of contract farming looking at who trends to produce under contract and what the benefits and risks are. There is growing debate on recognition of Contract farming in providing opportunity to smallholder farmers while it excluding other smallholder farmers. The key issue in contract farming is exclusion criteria for selecting smallholders and the terms of contract. In development studies, it is important to understand the relationship between contract farming as model of agriculture and social relation as well as livelihood of the smallholder farmers. Contract farming is a major agricultural development model that contributing improving the welfare of smallholder farmers. In many developing countries contract farming has been contributing in increasing productivity and output of smallholder farmers that lead to shape farmer's social relation and livelihood sustainability.

Therefore, by exploring in detail the dynamics of inclusion and exclusion of contract farming and its implications for socially differentiated rural people is where we can understand why there is ongoing debate among the scholars regarding the exclusion and inclusion of contracting farming so that I can make an empirical contribution to understanding such dynamics based on case studies in Tanzania.

Keywords

Contract farming, smallholder farmers, exclusion, Participation, social relation, Policy measure.

CHAPTER ONE

Introduction

1.1 Background of the study

Understanding the economies of developing nations and how they are changing structurally depends on understanding agriculture. This is because most people in developing countries work in and depend on agriculture. In Tanzania in the 1950s, peasant farming was a strong part of the country's agricultural history (Wineman et al., 2020:687 as cited in Bryceson, 1988). However, agricultural production was unstable and it didn't change for twenty years after Tanzania got its independence in 1961. Furthermore, mostly of the cash crops such as cotton, coffee and tea were produced in larger scale plantation which was the most important changes existed during that period. Plantation farming became an important part of Tanzania's agricultural economy, and large areas of land were used to grow cash crops. Nonetheless, the problem started for Tanzania when larger-scale plantations were not able to get what they needed, such as fertilizer, pesticides and spare parts (Ståhl, 2015:51)

During the early 1980s, structural adjustment policies (SAPs) were put into effect. These factors resulted in reduced financial instability, and the government encountered economic crises and depleted its foreign exchange reserves. Tanzania underwent a transition from a socialist economy to a market-based economy with reduced trade barriers between Tanzania and other nations (Cooksey, 2011). Structural adjustment programs affected many small farmers from the start since they promoted privatization, "market-led growth," and less government control over economic matters (Glover and Kusterer 1990). It is well known that for Tanzanians, agriculture is their main source of livelihood with nearly half of the country's GDP and two-thirds of employment coming from agriculture (Leavens et al., 2019).

1.1.1 History of contract farming in Tanzania

Tanzania implemented contract farming as a viable alternative following the privatization process. Private investment in trading, processing, and retailing of agricultural inputs and commodities was greatly expanded during the 1990's as result of macroeconomic and sectoral policy reforms implemented by most African countries (Jayne et al., 2010). In Tanzania the policy was implemented in the 1990s as a component of broader agricultural reforms in deregulation of marketing of traditional export crops in 1993-1994 with the objective of enhancing productivity, promoting private sector participation (Kangile et al., 2020). In 2012, contract farming became a part of Tanzania's agricultural policy (Mwimo et al., 2016). Although in Tanzania contract farming has been influenced mainly by international institutions, organizations, corporations as well as policy makers (Ragasa et al., 2018; Ba et al., 2019). This farming system is not new (Grosh, 1994), in rapidly improving agricultural value chains, contract farming becomes a solution especially for developing countries (Reardon, 2009).

1.1.2 The history of Tobacco Contract farming in Tanzania

The rise of tobacco contract farming was traced by Boesen and Mohele (1979) in urambo from the early 1950s. In their seminar work, they were one of the first to do so (Kuzilwa et al., 2017:5 as cited in Boesen and Mohele, 1979). One of the biggest international cigarette companies' subsidiaries and a colonial parastatal in charge of settlement schemes encouraged smallholder cultivation of tobacco in the mid of 1950s (Makoye et al., 2022:279). Also, being

part of its efforts to support African farmers, the Tanganyika Agricultural Corporation (TAC) which had acquired the land from the Groundnuts Scheme issued permits for the cultivation of small plots of tobacco and, beginning in 1958, the construction of a modest curing store (Kuzilwa et al. 2019:14). A single channel of marketing strategy was used in the beginning of 1960s to contract farming during the course of larger state initiated agricultural development project (Makoye, 2022). The developed system had a single marketing channel that set credit conditions for providing inputs to farmers through rural cooperatives and then selling tobacco leaves to public tobacco factories for processing (Makoye et al., 2022:274). Tobacco was one of the main export crops and a significant source of income for numerous households in Tabora region after it was effectively adopted by local small scale farmers in the early of 1960s, after having been introduced by European settlers (Kuzilwa et al., 2017:5).

The Tanzania government established the Tobacco Authority of Tanzania (TAT) in 1967 as parastatal entity to handle the crop's marketing. According to Mwimo and others, the establishment of the Tanzania Tobacco Authority was tasked with the development of tobacco schemes, extension services, infrastructures and the management of research institutions (Mwimo et al., 2016). However, in 2001 Tanzania Tobacco board (TTB) was established after undergoing the name change from Tanzania Tobacco Authority (TAT) in 1984 to Tanzania Tobacco Processing and Marketing Board (Mwimo et al., 2016:15). According to Prowse and Nino, tobacco production in Tanzania has been expanding rapidly among the smallholders since the early 1990's (Prowse and Nino, 2022:223). Tanzania formally began adopting contract farming for tobacco in 1997-1998 seasons (Mwimo et al., 2016).

Moreover, tobacco producers would sell their goods to main primary cooperative society union that would get marketing assistance, inputs and rules from the Tanzania Tobacco processing and Marketing Board before the contract farming scheme was set up in 1997/1998 (Mwimo et al., 2016:15). Tobacco, unlike other crops is grown only for export which means it has the potential as the crop which generate more income for smallholder producers (Prowse and Nino, 2022:223). Approximately 120,000 subsistence farmers in Tanzania rely on tobacco sale and contract farming for their livelihood (Mwimo et al., 2016)

Contract farming has gained increasing attention from agricultural enterprises and smallholder farmers worldwide (Koshuma et al., 2023). Although contract farming has increasingly received traction and been widely promoted by the government of Tanzania and its donor partners over the past few decades, not much research has been conducted that examines the dynamics of inclusivity regarding whether and to what extent contract farming is inclusive of various classes and groups of rural people since such schemes are often implemented under existing social structures. This study seeks to contribute to our understanding of such dynamics drawing from case studies in the Tabora Region.

1.2 Problem Statement

Smallholder farmers sector has given much priority to contract farming in developing countries (Reardon et al., 2009). It has become more popular again because they see it as an option instead of obtaining a great deal of land at one time (Adams et al., 2019). It is defined as “forms of vertical coordination between growers and buyer-processors that directly shape production decisions through contractually specifying market obligations (by volume, value, quality, and at times, advanced price determination); provide specific inputs; and exercise some control at the point of production.” (Little and Watts 1994:9). Better and more organized contract farming is important for reducing poverty and hunger around the world, for economic growth, and for improving the lives of farmers, especially in nations that are developing (Kagwiria and Gichuki, 2017). The way contract scheme works depends on how well farmers, buyers, and other parties involved in the agreement communicate with each

other. Contract farming often fails because parties don't work together well, the terms and conditions aren't good, and prices are set after the fact by export markets (da Silva and Rankin, 2014). Eaton and Shepherd (2001) described three types of contract farming. In the first type, the farmer and buyer agree on the terms and conditions of the future sale and purchase of crops, while in the second type, the buyer provide certain inputs such as technical advice and preparation of the land (farm). And the third type is when the producer (farmers) undertakes to follow the recommended production methods, inputs regimes, cultivation and harvest specifications (Eaton and Sherpherd, 2001:2)

Some scholars argued that contract farming has been shown to increase agricultural output and income by giving farmer's inputs, making it easier for them to get to markets, and increasing productivity (Bellemare, 2010b). Likewise, Maertens and Velde highlighted contract farming is an efficient and market-oriented way to help small scale farmers to gain better access to market (Maertens and Velde, 2007:73). This is clear that Tobacco farmers in Tabora region who practice contract farming can connect directly to buyers, processors or agribusiness. This gives them a secure and reliable market for their crops and thus improves their welfare. Eaton and Shepherd indicated that commercial market opportunities can be exploited through various means including contract farming (Eaton and Shepherd, 2001:30). One of the study conducted by Miyata and others shows that contract farming often involves giving farmers important items such as seeds, fertilizer, technical assistance and price guarantees at harvest (Miyata et al., 2009:1781). Similarly, Yaro and others pointed out that contract farming can contribute to agricultural development and economic growth by encouraging growth in agricultural production, boosting marketing and making agricultural products better quality and more competitive (Yaro et al., 2017). That is to say the future of commercial agriculture in Africa depends on contract farming.

Nevertheless, others scholars like Porter & Phillips and Howard claimed that small farmers who work under contract farming face problems like being exploited, not having the same bargaining power as larger farmers, and even becoming more like workers in factories which can happen at the local level because of contract farming (Porter & Phillips and Howard, 1997). Machimu and Kayunze once indicated that contract farming often involves an unbalanced power relationship between a company and farmers which end up to growers providing cheap labor and the company transferring production risks to small scale farmers (Machimu and Kayunze, 2019, p. 22). Also, contact farming fails to incentivize farmers to engage in activities that enhance the quality and marketability of their crops such as marketing, packaging and processing (De Schutter, 2011). Nino (2018), claimed that contract farming provides a chance for merchant capital to increase its share of the profit generated by various forms of agricultural capital, surpassing what could be achieved in an open market (Nino, 2018)

However, there have been various scholars who have shown the existence of exclusivity of smallholder farmers regarding contracting farming (Ito et al., 2012, Narayanan, 2014; Swain, 2012). Actually, smallholder farmers in less fertile lands or agro-ecological regions are likely to be first excluded when contract farming companies choose better-off areas. Then, who can participate depends on the crops, technology, and markets selected for contracted crops/produce (Da Silva et al., 2013:131). On the one hand, contract farming may require, as prerequisites, initial outlays and property ownership, which could result in the marginalization and exclusion of the poorest rural population groups (Meemken et al., 2020:259). In addition, research shows that small-scale farmers have a harder time getting their products into certified chains and markets because of the higher certification costs, stricter regulations regarding things like best practices, inputs, safety, and overall process (Vicol, M et al., 2022:10 as cited in Daviron & Gibbon, 2002; Swinnen & Vandeplas, 2012). Contract farming has the potential to worsen income and asset disparities in areas where smallholders are not included

in the contracting process. Similarly, while researching contract farming in Latin America, the case study of Mexico's frozen vegetable industry and others have found that many agro-processors only work with large-scale growers, ignoring smallholders (Key and Rusten, 1999:398). Nevertheless, it could be biased, leaving out low-income people and exposing them to high-risk agribusiness normalization (Poulton et al., 2010). Farmers would also lose out because of unequal bargaining power (Ncube, D. (2020). Consequently, pro-poor agricultural growth faces significant obstacles due to the coexistence of smallholder exclusion and the treatment effect favouring small-scale farms (Ito et al., 2012:708). In addition, contract farming has discriminatory eligibility requirements, such as a minimum land size, guaranteed irrigation, financial resources, etc., which the contracting agencies do not help farmers meet (Da Silva et al., 2013:132). Research from Asia, Central and Eastern Europe, South America, and Africa indicates that areas with inadequate farmer capacities often exclude extremely poor farmers (Vabi Vamuloh et al., 2019, p.277 as cited in Narayanan, 2014; Swain, 2012). It is clear that different literatures point out that contract parties (firm) exclude some farmers whom are economically disadvantages (Maertens and Swinnen, 2008). The dynamics of inclusion/exclusion in contract farming and the ways through which it manifests may vary from one context to the other. I argue that the dynamics surrounding contract farming arrangements and how they play out are contingent on the role of the state. Contract farming can benefit smallholder farmers, especially in the context of limited state support, by providing farmers with opportunities to access markets, credit, and technology and participate in certification schemes, enabling them to receive better prices for their crops. However, the benefits of contract farming are not usually evenly distributed between participating parties in the contract, and even so, such schemes tend to exclude poor farmers. This study aims to make an empirical contribution to understanding such dynamics based on case studies in Tanzania.

1.3 Research Objectives

The main objective of this study is to explore the dynamics of inclusion and exclusion of contract farming and its implications for socially differentiated tobacco farmers.

1.4 Research Question

The main research question that this study seeks to answer: How and to what extent are contract farming schemes inclusive of different social classes and groups of rural producers?

1.4.0 Sub-Questions

1. What are the conditions under which smallholder farmers participate in contract farming, and who decides?
2. Who tends to participate and who tends to be excluded in contract farming, and why?
3. How and to what extent are those smallholder farmers producing under contract affected?
4. How is the livelihood security of smallholder farmers affected by their exclusion from contract farming?
5. What are the perception of smallholder farmers on their exclusion from contract farming?
6. How have the social relations of smallholder farmers within their communities been affected by their exclusion from contract farming?

7. How can the participation of smallholder farmers be improved and what legal measures should be used in the contract farming program and the ability to negotiate with participating?

1.5 The Structure of the Thesis

This research paper has five chapters. The first chapter introduces the research topic, including the research problem, the objectives and research questions. Chapter two presents the review of relevant literature and the theoretical framework of the study. Chapter three focuses on the research methodology and techniques used in the study, including description of the study area, research design, research participants, sampling techniques, data collection methods, data collection procedures, data analysis, ethical considerations, limitations and positionality of the researcher in that research. Chapter four presents the study's findings and analysis. Finally, chapter five presents the conclusions and recommendations.

CHAPTER TWO

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

This chapter presents an overview of contract farming as well as review of historical background of contract farming and different types of contract farming in the perspective of rural development.

2.1 Definition of Contract farming

Contract farming is a type of vertical cooperation between growers and buyers-processors that directly affects production decisions by laying out the market obligations in terms of volume, value, quality, and sometimes setting prices ahead of time (Watts and Little, 1994). Also according to Eaton and Shepherd (2001) defined contract farming as an agreement between farmers and marketing/processing companies for the production and delivery of agricultural goods often at predetermined prices. From these two definitions we can conclude by defining contract farming as a contract between producer and processors to supply inputs and outputs at predetermined prices, times, quality standards and quantities. Farmers engage in contract farming when they reach an agreement with buyer, typically a company in the food industry or an intermediary, to guide their agricultural production.

2.2 Forms of Contract farming

Taking into account the stages of the development of the agricultural sector in the world, different types of contract production have been witnessed and considering the structure of the market and the characteristics of the products are needed (Rehber, 2007).

Contract farming is one of the many ways to arrange trade and production so that seller and buyers have nothing to worry about running into each other at random in open market. According to Eaton and Shepherd delineated three distinct forms of contracting. In the first, the terms and conditions for subsequent sale and purchase of crops are agreed upon by the farmers and buyers. In the second, the buyers consent to supply specific inputs, including technical advice and occasionally land preparation. Lastly, the grower (farmer) consent to adhere to guideline for cultivation and harvesting, input regimes, and recommended production techniques (Eaton and Shepherd, 2001:2).

2.3 Definition of Smallholder farmers

The nature of smallholder farmers differ as you compare Africa and Latin America. There is no real definition of who a smallholder farmer is, but the most popular criterion used to identify a farmer is the size of land (Khalil et al., 2017). For example, ten-hectare farm is considered tiny and mostly used for subsistence in many Latin American countries (Conway, 2011). The World Bank also interprets that small farms are less than 2 hectares and have small assets (Khalil et al., 2017). Another scholars defined Smallholder farmers as those who use less five hectares of land, have limited commercialization and use modern inputs at low level (Jayne et al., 2022).

2.4 Revolution of contract farming

The history of contract farming seems to date back to Taiwan during the Japanese colonial period, where this form of vertical coordination of production was used after 1885, and also in the 20th century. In Central America, in the USA, banana companies used the contract model (Watts, 1994). It would appear that the Western European seed industry and the North American vegetable canning industry made heavy use of contract farming in the advanced capitalist states of the 1930s and 1940s. Nonetheless, contract farming had grown an integral part of Western Europe's food and fiber industries by the end of the twentieth century (the first forward purchase agreement is dated to 1878 (Rehber, 2018 as cited in Barker, 1972).

Agriculture uses contracts in a broad, incomplete sense in a very diverse range of ways worldwide. Simple market description contracts or future purchase agreements are frequently used in labor contracting, providing labor and machinery with extensive agricultural applications. These agreements typically specify price, quantity, and delivery time (Wright 1989). However, it is important to distinguish between the various forms of labour contracts or simple marketing and contract farming or production. Contract farming, in particular, refers to the relationships that growers have with private or public enterprises as a replacement for on-the-spot market exchanges between family farms and a processing, export, or purchasing unit (Rehber, 2007:5). Typically, things such as inputs, credit, and product quality and production methods are regulated by a standard agricultural contract (Rehber, 2007:5)

Contract farming is becoming increasingly common in many developed countries. Agriculture is evolving in a variety of ways, with the advent of advanced technology and changing market structures, and changing government attitudes towards agriculture. For example, in the United States, contract farming accounted for 12% of total agricultural production in 1969, and has grown to 36% by 2001 of the total value of agricultural production. (Rehber, 2007:8 as cited in MacDonald et al. 2006).

2.5 Contract Farming in Developing Countries

Currently, contract farming seems to have become very important in developing countries as a profitable agricultural system for smallholder farmers and medium-sized farmers. (Ton et al., 2018; Otsuka et al., 2016; Meemken & Bellemare, 2020). Contract farming is becoming more widespread in the agribusiness sector of developing countries, despite the fact that is still a contentious type of institutional arrangement. In order to create stronger market institutions that support small-scale agriculture contract farming is essential (Masakure and Henson, 2005).

In the context of agriculture as commodity manufacturing and distribution in developing countries, contract farming is becoming a hotly debated topic (Oya, 2011). The development of economic integration and market liberalization are responsible for the rise of contract farming as an important economic strategy that has helped small-scale farmers in Africa's sub-Saharan region move from subsistence to market-oriented business farming (Bolgwig et al., 2009). It has been suggested that contract farming is a business strategy that encourage diversity and cooperation (FAO, 2013).

2.6 Contract Farming and Cooperative society

It would not be fair to discuss contract farming without explaining the role of cooperative society in Tanzania. It is very important to recognize the contribution of primary cooperative

society in the implementation of contract farming especially in helping poor farmers who have been joining groups to participate in contract farming. Tanzania in 1975 passed the Ujamaa Village Act, which introduced the idea of village cooperative societies and every citizen aged 18 years and above was automatically a member. However, historically in Tanzania, cooperative societies were mainly focused on agriculture (Rwekaza and Buihi, 2016). The main objective of establishing cooperative societies was to bring together poor farmers and alleviate their poverty through member-owned institutions (Wanyama et al., 2009).

A large part of cooperative enterprises are used as a means of achieving development and social needs through member-owned businesses (Chavez, 2003). The cooperative idea is the method used to bring about development independence in Tanzania by involving citizens in 1961 (Kiongo, 1998). The establishment of cooperatives was intended to regulate agricultural contracts between agricultural companies and villagers in their business. Therefore, any company that needed to buy products from the cooperative was required to sign a cooperative contract for all harvest periods (Parrish, et al 2005). The existence of cooperatives led to competition between buyers and sellers in defending the interests of each party. This is where we see the beginning of contract farming between agricultural companies and small farmers as well as contracts between cooperatives and agricultural companies. Cooperatives in Tanzania have aimed to help smallholder farmers sell their products at good and profitable prices, also to find markets for smallholder farmers and to strengthen the unity of farmers to have a single voice as an advocate (Sizya, 2001). Contract farming and cooperatives have been used as part of agricultural management, with cooperatives playing a role in providing producers with easy access to markets and increasing the value of their produce (Hu, 2007).

2.7 Benefit and Downside of contract farming

According to Dubbert (2019) claimed that this arrangement is believed to provide smallholders opportunities to get into market, having new technology as well as generating income, all of which may improve their general welfare. Likewise, Contract Farming is an innovation in institutions that effectively reduces transaction cost and improve access to market for smallholder farmers (Maertens and Velde, 2007).

Moreover, as noted by other scholars, contract farming plays a critical role in facilitating smallholders' participation in the market and enhancing the well-being of their families (Meenken and Bellemare, 2019). One of the study conducted in India, contract farming arrangement has showed potential to improve smallholders' outcomes when it comes to food security (Mishra et al., 2018). Similarly, another study conducted in Kenya that looked at the income levels of the avocado farmers and found the evidence that contact farming may have advantages (Mwambi et al., 2016). Again, Bellemare (2018) and Debela et al., (2021), claimed that contact farming raises income and improves the welfare of the households.

In addition, Maertens and Velde emphasize that contract farming is a productive and market-driven approach to assist smallholder farmers in gaining improved market access (Maertens and Vlde, 2017, p. 73). Contract farming facilitates expedited and convenient access for farmers to connect directly with buyers enabling them to swiftly deliver their crops (Mgale and Yunxian, 2020). A study conducted by Miyata et al., (2009), claimed that contract farming frequently involve providing farmers with essential resource such as seeds, fertilizers, technical assistance and price assurance during harvest. By the way, these initiatives as mentioned by Miyata et al., (2009), aims to enhance the productivity of smallholder farms by mitigating risks and facilitating access to essential resources such as inputs, credit and information. By doing so, it will enables these farms to cultivate high-quality product for the market.

Despite the fact that contract farming has been instrumental in promoting rural development and supporting smallholder farmers, on the other hand, it has also caused many losses for smallholder farmers. Machimu and Kayunze argued that smallholder farmers with agreement become increasingly reliant on the financing output, technology and services offered (Machimu and Kayunze, 2019:22). Also in terms of dependency, Singh claimed that farmers believed that were become more dependent to companies because of rely on credits and other resources (Singh, 2000:284 as cited in Fulton and Clark, 1996). Contract farmers don't view that capitalism model of agriculture is that capitalist system use it to gain from them as alternative means of capital accumulation from the farmers (White and Wijaya, 2022:20 as cited in Chayanov, 1996 [1925]). Marxist scholars continue to acknowledge that agriculture offers capitalist another avenue for obtaining substantial amounts of capital through contract farming, as Singh claimed that contract production in agriculture us a way that profit is made through capital accumulation from the agricultural sectors (Singh, 2002:1624).

Marxist scholars contended that because of commercial farming raises risks, debt and income inequality, smallholder farmer are increasingly participating (little and Wattas, 1994). It was argued that smallholder farmers within contract farming has significantly less negotiating power after the crops is harvested (Bijman, 2008:12). Agribusiness and corporate entities that invest capital in different plots of land are engaging in what is known as land grabbing from a political economy perspectives (Edelman et al., 2013). Most smallholder farmers willingly to sell their land as it enables them to generate substantial profits. Farmer initially lose control for their inputs and sell their lands gradually (Adams et al., 2019). In the same way land grabs can lead to the loss of property's ownership, contracts can have the same effect by gradually forcing farmers to part with their farmlands.

2.9 Exclusion of smallholder farmers

While it is well known that contract farming has been very beneficial for smallholder farmers, contract farming has also been associated with discrimination against some smallholder farmers who lack qualifications. Scholars have noted that agricultural companies have been excluding smallholder farmers who are outside the contract farming system and favouring farmers who are within the contract (Watts, 1994; Warning & key, 2002). The term discrimination in contract scheme it refer to restrictions that stop/neglect small-scale farmers from farming especially when they lack the necessary resources such as land.

There has been a situation of excluding farmers because they don't meet some criteria, Contract farming could contribute to the continuation or worsening of rural inequality by keeping the poorest and smallholder farmers out of high value chains and giving preference to farmers with larger landholding or assert endowments (Briones, 2015:43 as cited in Minot, 2007). Also, contract farming is seen as an appealing way to increase output and farm income while also integrating less wealthy farmers into free-market economy (Key & Runsten, 1999). Nevertheless, Poulton claimed that it may be discriminatory, leaving out the poor and exposing them to high risk and the normalization of business, all the while failing to increase income because of unequal bargaining power and leaving the farmers at a disadvantage (Poulton et al., 2010). But contract farming may also increase market exclusion and segmentation (Poulton et al., 2010 and Vorley et al.,2009), it may also limit the total impact by limiting the number of farmer involved (Fréguin-Gresh et al, 2012).

According to studies conducted by the Food and Agricultural Organization (FAO), it claimed that the size of a farmer's farm is the determining factor in whether they are included or excluded from the modern supply chain (da Silva and Rankin, 2014). That means even on contractors might use the same criteria (size of farm) to exclude those who are have small

farm. Also Nino (2018), claimed that farmers who are lacking sufficient resources like land, cash, support networks or ability to mobilize resources may face obstacles when trying to participate in contract farming due to class consideration (Nino, 2018:17). It is clear that contract farming is an option for household that hire other farmers on a seasonal basis. That means the capacity to pay the contracted farmer and provide the necessary farm equipment and tools determine the level of cooperation between the two parties. Also, when a farmer don't have access to resources are in a position to be excluded in type of farming. Respikius and Sharp tried to demonstrate that contract farming increases rural inequality by favoring resource-rich farmers and marginalizing growers with limited resources (Respikius and Sharp, 2016:2 as cited in Singh, 2002). It claimed within contract farming that women and children are excluded and find it more difficult to obtain the same quantity and amount of work as men (Bijman 2008). However, some scholars, such as Bolwig, Gibbon, and Jones (2009), believe that smallholder farmers are not excluded from contract farming. Scholars like Vamuloh et al., (2019) believe that smallholder farmers are at fault for their own exclusion and not for the contract farming program. Still many scholars still believe that contract farming is discriminatory against smallholder farmers.

2.10 Theoretical Framework

This section outlines the theoretical framework and explanatory concepts required to analyze different issues and dynamics related to exclusion in contract farming. In order to make useful analysis of the interaction between contractors and Tobacco smallholder farmers in Tabora region, I draw from agrarian political economy.

This paper relies on the work of Bernstein (2010) about the position of smallholder farmers in terms of property in relation to production and reproduction. The analysis of the study is based on the four key agrarian political economy questions by Bernstein: “who owns what”, “who does what”, “who gets what” and “what do they do with it”. This helps me to plan and analyze the trend and reasons of excluding smallholder farmers in tobacco contract farming using various criteria against small farmers including land ownership criteria. Bernstein's questions are important in looking at the dynamics of contract farming considering that farmers are turned into laborers in their land. Participation in contract farming requires legal ownership of land which already involves tenants and landless people (Baumann, 2000). It should be noted that most of the power used by companies is not only in need of land but also in finding laborers easily which is the main benefit that smallholder farmers get. The increasing expansion of contract farming brings doubts and questions according to various studies that this is a way of expanding capitalist relations in production with the aim of accumulation by expropriation and is the intended concept that gives space to land expropriation or what called Land Grab (Nino and Oya, 2021).

The issue of land ownership on contract farming is very complex based on the nature of society. According to Adam and others, claimed that when land goes from community ownership to private ownership, smallholder who used to have access to land left out (Adam et al., 2019). Collections of international conflicts due to scarcity of food, energy, environment and money in the past years have caused a large evaluation of land ownership (Borras et al., 2011). The problem of land grabbing has been widely viewed by poor rural people as a serious threat to their lives and satisfaction, leading them to reject commercial land contracts (Borras, 2010). According to Isager and others, highlighted the significance of land ownership and more specifically, access to land, economic and social resources in determining the circumstances of being involved with contract farming (Vicol et al, 2022:12, as cited in Isager et al., 2022). By the way, not all land control or acquisition deals entail the forced displacement of rural people (Vicol, 2015:3, as cited in Borras and Franco, 2012).

Due to the permanent nature of acquisition, the displacement of local land users and the elimination of future land rights for local farmers, white et al., (2012), stress the importance of concentrating on the consequences of land deals involving acquisition (land access) instead of the other types of control over land use (white et al., 2012). By contrast, Bernstein argues that contract farming is a means of bring capital into the rural economy and providing contract farmers with access to low cost labor (Bernstein, 2010). That is to say, people who live in rural communities will inevitably be forced to work as farm laborers as a result of the process of transferring money into local economy. Succeeding in finding areas needed by contract farming companies, the easiest way is to use small farmers (kuzilwa et al., 2019).

In modern agriculture by Kautsky which composed land as private property and commercialize agricultural product, the land always is unique cannot be replicated but technology can used to increase the availability of output with land of poor soil and produce surplus profit (Santosa, 2017:3). When the land owner is also a farmer the relationship between the landowner, labor and capitalist in agricultural become more productive because rent is not deducted from the earning that are produced. This scenario it gives capitalist an opportunity for excess profit than the farmers. Adding to this the issue of land, Isager et al (2022) emphasized by saying that it is important to have access to land as well as economic and social resources, and not just looking at land as the most important criterion or condition in participating in contract farming. On the other hand, Contract farming has also been questioned by political economy approaches as contract farming is a type of exploitation system for small farmers through the hands of large international organizations (Vicol et al., 2022). According to Vicol et al, (2022), they made it clear that a lot of capital has been injected into the rural economy through contract farming which helps contract firms to get direct labor easily (Vicol et al, 2022). These laborers who are described by Vicol and his colleagues are also the owners of the land that is used in contract farming. In the same vein, White and Wijay explained that contract farming has been used as a method of capital penetration which involves accessing indirect cheap labor (White and Wijay, 2022). This is to say that if you get cheap labor easily then it is also easy for those workers who are farmers to be easily exploited by contractors. Therefore, the framework of political economy help me understand well the dynamics along exclusion of smallholder farmers within Tobacco contract farming in Tanzania.

Despite the fact that, Contract farming including land ownership as main criteria for smallholder farmers to participate in this type of farming still contract firm's goal is to generate profit so it is important to look at the issue of gain for all parties involved in contract farming. It is true that there is no firm that can do business without relying on profit and therefore no farmer can participate in agriculture that does not have any benefits. However, in the arrangement of contract farming that includes two parties and more, the issue of monopoly cannot be missing, McFetridge (1994) in his article proposed a neoclassical analysis that explains about imperfect competition as the only method of transaction cost theory. Opportunities for vertical cooperation lead to the result of imperfect competition at each stage of farming (McFetridge, 1994). Therefore, in one way or another, the presence of more than one Contract Company is important in terms of profit but also in social welfare that will reduce the scope of monopoly.

CHAPTER THREE

RESEARCH DESIGN AND METHODS

3.0 Introduction

This chapter focuses on the research methodology employed in the study. This section covers description of the study area, research design, study population, sampling and sampling techniques, data collection process and methods, data analysis, ethical consideration and positionality.

3.1 Study Area

The study was conducted in the Urambo district which is located in the Tabora region. Based on the National Bureau of Statistics (2022), the Urambo District is part of the Tabora region, which consists of seven districts. The district is bordered by Kaliua district in the north, the Uyui district in the east, the Sikonge district in the southeast, and the Katavi region in the southwest. According to the 2022 Tanzania National Census, it has 260,322 population (Males are 127,424 and Females are 132,898). The district is situated at a southern latitude 5° 4' 0" S and eastern longitude 32° 2' 59" E. The climate condition in Urambo district is characterized by a humid and overcast wet seasons, partly cloudy, wind, dry season and consistently high temperatures throughout the year. The temperature throughout the year generally fluctuates between 61°F and 91°F, with rare instances of it dropping below 57°F or exceeding 94°F. Since Tanzania's independence, Urambo district has been the primary producer of flue-cured tobacco (Mangora, 2012:136, as cited in Waluye, 1994). With an average daily temperature of 23°C and more than 1,000 mm of rain per year and the climatic condition is warm (Mangora, 2012:136, as cited in Mangora, 2005).

Urambo District has a number of 35,034 households, of which 30,700 households are farmers. Also, the number of people who are farmers in this Urambo district is 64,000 out of 260,322 people. Tobacco farming has a number of 10,642 farmers from 55 Basic Associations (AMACOS). About 5,282 tobacco farmers from 26 primary cooperative societies cultivate 4,500 hectares of tobacco out of a total of 60,000 hectares available in Urambo district. Urambo District has about 25,146 tobacco drying infrastructure (Mabani) of which 12,514 are old, 8,204 were improved and 4,428 are modern (source: <https://urambodc.go.tz/agriculture>).

3.2 Research Design

Research design as defined by Kothari, refer to the systematic approach to select a representative sample from a specific population especially during collecting any data (Kothari, 2004). The study employed qualitative research design for collecting primary data which involved collecting information regarding the perceptions and experience on dynamics of inclusion/exclusion in tobacco contract farming schemes of smallholder's farmers selected during the data collection process. Qualitative research focuses primary on comprehending the experiences of human beings using a humanistic and interpretive approach (Jackosn et al., 2007:21). Phenomenological approach under qualitative look at how people experience things by regarding on what those people say about them. This kind of experience is known as a "lived experience." This approach of phenomenological research aims to clarify the

meaning of experience for various individuals. Research of this type is done to find out more about topic that are not widely known (Donalek, 2004).

3.3 Research Participants

The study involved small-scale farmers engaged in Tobacco contract farming as the owner of the farms in Tabora region. The study focused much on Tobacco farmers who have been doing contract farming for the past 5 years and have experience with it. Also, the study involved key informants who have been engaged in the agricultural sector especially in tobacco farming in Urambo district including Village executive officer (VEO), Agriculture field extension officer, contractors' officer and Co-operatives officer. All participants were above 25 years old/adults and were not youth. A The UN (1981) defined youth as age between 15 and 24 years. The study was looking into the real-life experience of smallholders farmers who are doing Tobacco contract farming and how it affects their and livelihoods.

3.4 Sampling and Sampling techniques

The study took place in two villages, namely Imalamakoye and kichangani where tobacco farming is common, and Tobacco smallholder farmers are producing under contract farming arrangements.

3.4.1 Sample Size

The study involved 2 focus group discussions (FGDs), each group involving at least 6 participants, and 5 Key informants (2 Village executive officer (VEO), Agriculture field extension officer, contractors' officer and Co-operatives officer). The total sample of respondents for both Focus Group Discussion (FGD) and Key Informants Interview (KII) involved during an interview were 20.

3.4.2 Sampling Techniques

The recruitment process involved choosing participants based on their duration in Tobacco contract farming and have experience of farming for the past of 5 years. The study considered all participant who are have level of education above standard 7 and having a family (household member) and who can be able to provide insight into impact of contract farming on their social relation and livelihood. Participants are chosen based on shared characteristics that are relevant to the research topic or theme (Garrison et al., 2010).

Also, the study employed purposive and snowball sampling as it allows for the selection of individuals who possess personal involvement in contract farming and are capable of providing extensive and comprehensive insights into their experiences. Purposive sampling involves deliberately selecting informants based on their ability to effectively elucidate a specific theme, idea, or phenomenon (Robinson, 2014).

3.5 Data Collection Method and Process

The qualitative methods used to collect all primary data in two villages in Urambo district were Focus Group Discussion (FGD) and In-depth interview. The main benefit for researcher when conducting focus group is the opportunity to witness as significant amount of discussion among several people on one or more topics within a constrained time frame

(Jackosn et al., 2007:25). Also, in-depth interview as a qualitative method entails conducting lengthy, one to one interviews with a selected respondent to learn about their viewpoints on a given concept, program or circumstance (Boyce and Neale, 2006).

3.5.1 Data collection process

The data collection exercise took place in Urambo district-Tabora region in Tanzania, August, 2024. The collection process maintained ethical consideration by obtaining all necessary approval from the regional level, district level and village level. The process of seeking permission in Tanzania was done by a research assistant who was recruited based on his research experience and academic background i.e., a degree in agriculture studies from Sokoine University of Agriculture (SUA). Before data collection, the research assistant was given data collection training. The role of research assistant was seeking research approval, planning logistics including recruitment of the respondents (FGD and Key informants), and booking and prepare venue for conducting focus group discussion, and seeking for key informant appointment for in-depth interview. Both interviews were facilitated through Zoom programs (online interview) by myself. All data collection process took more than three weeks, the big challenges was the delay of the approval from the regional level to to district level.

Key informant interviews (in-depth interview) took an average of 45 minutes each and Focus group Discussion took one hours and 45 minutes each. The interview questionnaire guide contained three sections, the opening introduction, the exploration questions and exit question

As a researcher, I moderated all interviews through online. I facilitated all discussions including in-depth interviews while the research assistant was taking notes for every conversation we were having with the interviewees. All interview appointments as well as choosing interview locations were made by my research assistant.

In this study I used various tools to achieve the entire research exercise. The tools include Interview guide, consent forms, observation checklist, laptops, audio recorder, notebook, and pen during data collection. After the collection of the interview, each audio was stored in a special folder with a strong password for protection. All consent forms were collected and kept by the research assistant in a special envelope after the data collection exercise

3.6 Data Analysis

Examination of data started with reading through each transcript one by one at once a time after transcribed from Swahili language to English, then followed with coding through using thematic technique to identify themes and then to find which theme contradicted or opposed one another. Then after identifying themes and categorize them I identified patterns, trend and structures identified in the information. Before analysis all transcript files were imported into data analysis software called ATLAS.ti 23 which help to make easy to identify patterns, trend and structures. By using Thematic Analysis, you can properly look at the meaning of the whole data or a specific part of a phenomenon in great detail (Braun & Clarke, 2012). The main goal is to find out how farmers perceive about contract farming regarding its impact on their social relations and livelihood.

3.7 Ethical Considerations

Before conducting research in Tanzania, I requested a research permit from the Regional commission officer and later I requested a permit from the district commission's office. Then after that I got permit from village government to proceed with data collection. These are research procedures in Tanzania for students or any person or institution that wants to conduct social science research. The selection of respondents depended on their willingness to participate in the study. All participants were asked for their participation through signing the consent form by the research assistant. All conversation emphasized the confidentiality of data by Considering not making clear the names of the respondents and giving them alternative names such as R1, R2, R3 and so on. Also, for the case of in-depth interviews were conducted in the privacy environment in the sense that the respondent was in his/her office alone while I was conducting an on-line interview. This helps to protect the informant in the relevant research. All documents containing respondents' information have been kept in a strong cabinet in my office in Tanzania.

3.8 Limitations

The greatest challenges that I encountered during the entire research process include the issue of obtaining a research permit in Tabora region. The research assistant spent a long time to get a research permit from the authorities. Another challenge was communication, this is due to the fact that the interviews for this research were done online. The internet connection during the interview and the voice sometimes was not well to each other. Also another challenge was to get the farmers to participate in the interview.

3.9 Positionality

As an expert and a student from Tanzania, who lives outside the community but speaking the same language, I have been doing research in many regions of Tanzania, including the Tabora region. So, my identity in the farming community was very important before starting the interview. My identity was well done with the field letter from ISS introducing to the government officers who I am, so the Village executive officer took the responsibility of introducing me to all the participants and knowing what the purpose of the research is. The goal of my introduction was to build trust before starting data collection with my team. Some participants, after seeing my letter and seeing me through the live video during the interview, saw me as if I was doing or coming from an international organization and information I can use to my advantage, but I tried to explain them well and understand me by telling them that I am a student who is exploring the impact of excluding smallholder farmers on contract farming which directly affect their social relation and livelihood. Apart from that, because they saw that I was studying abroad, they had high expectations of getting anything from me, but when we were online before starting the interview, I explained to them that they should not rely on anything from me as incentives after discussion which I cannot do because it is against research procedures and ethics, despite the fact that I am a student but I am also a civil servant who lives in Tanzania.

CHAPTER FOUR

FINDINGS AND ANALYSIS

4.0 Introduction

This chapter presents an extensive examination and analysis of the findings. The results involve the data collected through online In-depth interview and Focus Group Discussion for exploring the experience of Tobacco contact farmers regarding the dynamics of inclusion in contract farming schemes in Tanzania specifically for Urambo district in Tabora region. This research involved a total of 20 respondents all from Urambo district. The in-depth interview involved 5 respondents as key informants whereas the Focus Group Discussion (FGD) involved 15 respondents who are smallholder farmers (8 respondents from Imalamakoye Village and 7 respondents from Kichangani Village). The average education level of the respondents varies. For key informants, 4 out of 5 had college education and in the case of 15 respondents that participated in the FGDs, 14 had primary education level. In terms of gender, only 5 women participated in all interviews out of the 20 respondents who participated in this research study. All these information can be observed on table 1 and 2 below.

During analysis I gave all the respondents who participated in the Focus Group Discussion pseudonyms with letters and numbers to identify their types in order during the interview period. For example, the first person interviewed I gave him (R1), the second (R2).... until the last (R8) because there were only eight in each FGD. Therefore (R1) of Imalamakoye for FGD 1 and (R1) of Kichangani for FGD 2 were distinguished by their villages during data analysis.

4.1 Demographic Information of the Participants

Table 1.1 Characteristics of Key informants (in-depth interview)

| S/N | Occupation | Gender | Age | Marital Status | Education | Experience (Years) | Location |
|-----|---------------------------------|--------|-----|----------------|-----------|--------------------|-------------|
| 1 | Village Executive Officer (VEO) | Male | 46 | Married | College | 3 | Imalamakoye |
| 2 | Village Executive Officer (VEO) | Female | 36 | Married | College | 4 | Kichangani |
| 3 | Agriculture Extension officer | Male | 33 | Married | College | 10 | Urambo DC |
| 4 | AMCOS Vice chairperson | Male | 43 | Married | Primary | 1 | Imalamakoye |
| 5 | Company Agent -JTI | Male | 41 | Married | College | 4 | Urambo Dc |

Table 1.2 Characteristics of Smallholders farmers (Focus Group Discussion)

| S/N | Other Occupation | Gender | Age | Marital status | Education | Experience | Household Member | Farm size | Village |
|-----|------------------|--------|-----|----------------|-----------|------------|------------------|-----------|-------------|
| 1 | Business | Female | 52 | Married | Primary | 6 | 13 | 4 | Imalamakoye |
| 2 | Farming | Male | 28 | Cohabiting | Primary | 5 | 4 | 3 | Imalamakoye |
| 3 | Farming | Male | 33 | Married | Primary | 5 | 5 | 5 | Imalamakoye |
| 4 | Farming | Male | 36 | Divorced | Primary | 8 | 5 | 2 | Imalamakoye |
| 5 | Farming | Male | 34 | Cohabiting | Primary | 5 | 5 | 1.5 | Imalamakoye |
| 6 | Farming | Female | 41 | Married | Primary | 6 | 8 | 2 | Imalamakoye |
| 7 | Farming | Female | 54 | Married | Primary | 7 | 5 | 2 | Imalamakoye |

| | | | | | | | | | |
|----|----------|--------|----|----------|-----------|---|----|-----|-------------|
| 8 | Business | Male | 56 | Divorced | Secondary | 5 | 4 | 2 | Imalamakoye |
| 9 | Farming | Male | 45 | Married | Primary | 6 | 6 | 5 | Kichangani |
| 10 | Farming | Female | 58 | Widow | Primary | 5 | 6 | 2 | Kichangani |
| 11 | Farming | Male | 25 | Single | Primary | 6 | 2 | 2 | Kichangani |
| 12 | Farming | Female | 24 | Single | Primary | 7 | 10 | 2.5 | Kichangani |
| 13 | Farming | Male | 26 | Single | Primary | 5 | 3 | 3 | Kichangani |
| 14 | Farming | Male | 30 | Married | Primary | 5 | 4 | 2.5 | Kichangani |
| 15 | Farming | Male | 40 | Married | Primary | 6 | 5 | 2 | Kichangani |

4.2 Condition for Participating in Contract Farming

4.2.1 Group Formulation

During the interview, the village executive officer from Imalamakoye noted that previously the conditions for the involvement of smallholder farmers in Tobacco contract farming was much dependent on the farmers who have big size of land. This is one of the main qualification farmers have had to meet before joining Tobacco contract farming during that period. However, they failed to meet the standards qualifications of the companies due to the size of the farms, lack of inputs and other important agricultural needs. It has been witnessed that many private companies ensure that they sign contract or enter into contracts with smallholder farmers who are very self-sufficient and can meet the standards needed to ensure the quality of the product/output (Isager et al., 2018). It is clear that many companies which operated contract farming business, often have some conditions of ownership of larger farms (land), such condition gives smallholder farmers more difficult time to find or to have such kind farm size.

“.....smallholder farmers who are engaged in contract farming in this district have their own procedures to formulate groups, have their constitution, they have their own procedures to register their farmers, so as government representative we don't have authority to interfere in their groups have formulated but they are responsible to Primary Cooperative society which is managed by the regional cooperative registrar” (VEO-Imalamakoye, August 2024)

From the quotes above it shows that each type of contract farming in any community has their own procedures. Despite the formation of groups is one of the conditions for joining tobacco contract farming, but it is due to the fact that smallholder farmers do not have the ability to manage themselves as individuals. The formation of groups is one of the ways to help small farmers who cannot meet the criteria as individuals. Many respondents during interview made it clear that one of the existing conditions for farmers to join in Tobacco contract farming must organize in small group in order to be considered by their primary cooperative society. The regulations are accompanied with the procedures of registration of their group into Primary Cooperative society (AMCOS) and this process of registering small groups to AMCOS is always managed by the registrar of primary cooperative society from Urambo district office. According to Bijman (2002), noted that the cooperative in agriculture aiming to increase the income of its members by providing them with services that are compatible with agricultural activities. The VEO from Imalamakoye village pointed out that the primary cooperative society itself registers only small groups and not smallholder farmers as individual but small groups have authority to register single farmer (individual) into their group from at least two farmers. The basic thing is the formation of small groups of farmers as an important criterion for joining contract farming. Also, the purpose of group formation is to help smallholder farmers in getting loans easily. This is noted by Sriboonchitta and Wiboonpongse (2008) that, groups of farmers have been promoted by the government in

contract farming, putting smallholder farmers in a good position to deal with contract firms for technical assistance and credit collateral. Coulter and his colleagues argued that the presence of groups or cooperatives increases the farmers' negotiating power against agricultural business than one farmer as an individual (Coulter et al., 1999). These agribusiness companies are very powerful and have large capitals, it is easy to exploit farmers. So, in order for the farmers to have power, they must unite through groups or cooperatives to be able to deal with contract firms. Melese (2012) argued that the purpose of formation of farmers group is to ensure compliance, monitoring and management in contract farming. It is clear that the farmer as an individual cannot deal with a contract firm.

“A group starts with two farmers and onwards until ten..... until twenty, from two onwards that is a group” (Respondent R5 from FGD 2- kichangani village, August 2024)

From the quote above, the number of members in a group should start at least two farmers and onwards. This condition has been observed in many publications written by different scholars. Kamuzora (2011) claimed that, farmers who need to join contract farming in Tabora region are required to form a group of 10 people to sign a contract with Alliance One Tobacco Limited (AOTL) (Kumuzora, 2011). The perception of formulating groups of small farmers differs based on the purpose of these groups. According to Pultrone, it is clear that the bargaining power of small farmers can increase if they form small groups (Pultrone, 2012). Also, in order for the farmers to receive subsidized inputs, they are required to join a group and thereby attract more farmers to the group who are interested in receiving subsidies (Coulter et al., 1999). The question to ask is, “Does it matter how big the group size is with regards to bargaining power?” There is no specification regarding how large a group size must be to form a group. Many participants said that the group should have a number of members starting from two farmers, but Kamuzora (2011) explains in his research on tobacco cultivation that farmers should only be 10 per group.

4.2.2 Membership Criteria

Participants in in-depth interviews and focus group discussions both noted that there are various criteria required for a farmer to be a member of the group before the group is registered under Primary cooperatives Society (AMCOS). One respondent (R2) from Kichangani village mentioned more than one criterion that are required that the farmers must fulfil in order to join in their small group. The below quote explain few qualifications that a farmers as individual must have in order to be a member group.

“.... The first qualification is that any farmer must be 18 years old and above, second qualification is that the farmer must have a tobacco farm, in addition the cooperative has a procedure for creating group that those small group are required to sign a group contract which exist for one season” (Respondent R2 from FDG 2-Kichangani Village, August 2024)

The following are the qualification that were mentioned by different participants in both In-depth interview and Focus Group discussion.

1. A farmer must have 18 years old and above
2. A farmer must have at least 2 hectares
3. A farmer must have his/her own farm or leased one
4. A farmer must sign a group contract
5. A farmer must have enough woods for drying tobacco leaves (Mabani)
6. It is not important a farmer have to be from the same village but must closer to the village and meet the required criteria
7. The group should be have at least two farmers

8. A farmer must have trees or plant tree in his/her farm and every hectare must be planted at least 200 tree saplings for each hectare of tobacco.
9. A farmer who rented a farm must buy trees from the farmer who have enough trees
10. A farmer to join into the group must pay an entrance fee of 10,000 Tshs (3.4 euro) and must buy at least one share per year for 15,000 Tsh (5 euro).

All the above mentioned criteria, the participants identified the age as the qualities that they should have in order to be able to participate in Tobacco contract farming during the formation of the farmer's group.. The age of the farmer has been found to be one of the characteristics of the smallholder farmers who need to participate in contract farming that adheres to the effects of the life cycle (Miyata et al., 2009; Simmons et al., 2005). In the same line with Makoye and others (2022) argued that small groups of farmers always set strict conditions for smallholder farmers so that they can join the groups (Makoye et al., 2022).

The Vice chairperson of AMCOS pointed out that according to Tanzania Tobacco Board (TTB), all tobacco farmers must have at least two hectares of tobacco. Based on the situation that smallholder farmer have experienced they cannot cultivate many hectares of tobacco because they don't have ability to buy necessary agricultural inputs needed. The representative of the primary cooperative made it clear that they decided to registered small group of farmers so that it can be easy to join to together in a small group and get loan as a group, which is the main aim of these small groups.

“According to TTB this condition require a farmer to have at least two and half hectares, but only if the farmer want to make share alone, it means that you must start with at least two hectares but for those smallholder farmers who cannot afford to two hectares and half, we must unite them because one hectare and more for a farmer alone can produce from 1600 to 1500 kilos, so we have to connect these small farmer until they reach at least three farmers in one group, but always we call them first and discussing with them about the conditions before they unite together...” (AMCOS Vice chairperson, August, 2024)

This condition from TTB is supported by Nino (2018) by arguing that the land, liquidity and the ability to hire labor have been used as criteria by many contract farming program (Nino, 2018). Devaux and others (2016) made it clear that meeting agricultural conditions of this agreement require access to land, inputs, technology, knowledge, capacity, skills and infrastructure which may not exist in some communities or among some groups of poor people (Devaux et al., 2016). The participation of farmers in contract farming is determined by the size of the farm, location of the farm, education and age of the farmer, experience in agriculture, belong in farm groups, type of crop, quality of product, technology and expertise (Bellemare and Bloem, 2018; Wuepper and Sauer, 2016). On the contrary, according to Sambuo (2014), through Heckma's Two stage analysis model noted that size of the farm was not significant and there is no relation to contract farming participation but experience in farming has positive relationship to contract farming (sambuo, 2014). Likewise, Sambuo (2014), claim that farmers who were not registered under the farmers' group or primary cooperative society lacked the qualifications to join contract farming (Sambuo, 2014)

In all the parameters this research discovered that, the issue of land seems to be the main criterion required for a farmer to be able to participate in Tobacco contract farming.. Despite the fact that farmers help each other in Urambo District, but on the issue of land there is no any other alternative than renting a farm, this is where the formation of farmers group become important. Some scholars noted that the participation of farmers in contract farming depends more on the presence of land (Akumu, 2020; Rokhani et al., 2020; Kokeyo, 2013). This shows that there is a positive relationship between contract farming and the

presence of enough land, means that if the land is not enough it becomes very difficult for a farmer to participate in contract farming.

However, regarding the existence of a land title in this study, it was not seen as something considered by the farmers. Therefore, in this research I found that farmers were required to have land regardless of whether he rented it or owned it without a document.

Another key criteria that was noted by the participants is that the participation of small-holder farmers in Tobacco contract farming is highly dependent on the condition of signing the contract. This means that the farmer must sign a contract before participating in Tobacco farming. This condition is supported by Rehber (2007) who claimed that the contract must be signed by the farmer (producer) or farmers group (producers) where all are required to be responsible according to the contract and equally to each other. This argument is clear and understandable that contract farming is a complete business between the Company and the farmer, therefore having the contract is very important. A contract is a fundamental right based on the responsibility of each party (Smith, 2004). It is clear farmers in their groups having a contract within the group is very important because it helps prevent conflicts among them and make all group members responsible to each other.

Another requirement to participate in contract farming is to have woods for drying tobacco leaves (mabani), all farmers were required to have woods for drying tobacco leaves. According to Mwambi et al. (2016), claimed that farmers are required to own a number of trees before joining in tobacco contract farming. It is known that before being sold, tobacco must be properly dried so that it can be sent to the market for cigarette manufacturers. In each farmer's field, he will be required to have planted trees that will be used to dry tobacco after harvesting. The tobacco drying process always consumes a lot of wood energy (Musoni et al., 2013). In a negative perspective, it seems clear that the need for large amounts of energy to dry tobacco leads to the problem of deforestation. This argument is clearly stated by many scholars, Zefeiridou et al. (2018), the drying of tobacco in Tanzania has led to the destruction of the ecosystem of Miombo trees where approximately 11,000 hectares have been destroyed. In this argument of the condition of the farmer to have woods for drying tobacco leaves, an alternative method must be used. It is important to look at the economic and social development that depends on the cooperation of forest ecology in developing the environment (Vira et al., 2015). What's more, contract farming is accompanied by many criteria for farmers who need to join it and often these criteria are very difficult, if you not consider the criterion of having land with a title deed, many companies will also look at good health, the ability of a small farmer to hire laborers in his farm, other contract consider marital status, other criteria are education or previous experience with crops (Baumann, 2000). However, there are some contract firms that do not target the farmer directly as an individual, but look at a group of farmers by setting strict criteria for them. One of the studies by Hoang and Nguyen (2023) showed that most of the contract firms prefer to do business with groups of farmers based on strict conditions such as delivery, price, quality standards, volume and product types (Hoang and Nguyen, 2023).

Many farmers do not meet all the required criteria even though they want to join contract farming, the presence of these conditions makes contract farming difficult among farmers to emerge. For example some farmers do not have enough land as it required, some of them don't have tools for drying leaf tobacco, some of them don't have money to pay for an entrance fees or for buying share. Therefore, not all farmers meet all criteria by 100 percent that is why these cooperative or small groups keep farmers together as the group which can make them easily meet required conditions although not all farmers participate.

After all farmers meet the criteria and become a member of the group then automatically the small group meet the criteria to be registered with Agricultural Marketing Cooperative society (AMCOS) under the supervision of the registrar of cooperative society of the district

because each village have primary cooperative society. Cooperative society is very important for smallholder farmers who need to do their product business in the forward market because many contract buyers enter marketing contracts with cooperatives (Michelson, 2013).

The establishment of cooperatives in the community of smallholder farmers, its goal was to help farmers who do not have the ability to reach the markets. Petraglia and Rogers (1991) clearly point out that the participation of smallholder farmers in group or cooperative leads to access to markets, but also to increase value, profits and obtain a strong unity to fight against the competitive market. In the same line of argument, Martinez (1996), made it clear that some scientists believe that the production under cooperative or group gives smallholder farmers the ownership power.

4.2.3 The selection of Tobacco Company

The process of selecting the tobacco companies is done between the farmers themselves in collaboration with the chairperson of Primary Cooperative Society while the sponsor (companies) that are Alliance One Tanzania Limited (AOTTL), Japan Tobacco International (JTI), Mkwawa Leaf Tobacco and Magefa Grower Limited waiting to be chosen so that they can do business with AMCOS). This condition of selecting the company is based on the fact that these companies are much known by farmers for good and bad history they have, that is why this process of selection is taking place under the cooperatives so that the farmers can choose which company they need to work with. It is much clear that after farmer identifying the company they want to work with, then primary cooperatives society will sign the contract with one of company which has been chosen by farmers on behalf of the small farmer group. The agreement between Company and cooperatives are signed under the supervision of the village executive officer (VEO).

The AMCOS chairperson made it clear that the process of selecting a tobacco company is always done openly between all member of the cooperatives, the leader of cooperative, leader of local government and representative of the tobacco companies

“...the representative of the tobacco companies enter into the hall and bids, may be for example they say.... If you give this opportunity or consent to work with you... I will be able to do this and this or one two three in your community, and each company will try to make their policies in order to convince the farmers, then after you will see who we are going to vote with” (AMCOS Vice chairperson, August 2024).

Each company try to specify their policies and strategies so that can be selected, after that all members of the cooperatives will vote to choose the company they want to work with.

“...we call meeting then sometimes you may find three or four companies my attend the election (selection) may be JTI, Mkwawa, Magefa or Alliance One, then farmers vote, the company that gets the most votes is the one that will work with cooperative and will sign contract” (AMCOS vice chairperson, August 2024).

Many research participants made clear that after the company being selected by the smallholder farmers (member of the cooperative) the selected company enter into an agreement with primary Cooperative society. In the same line with Makoye and others argued that once the relevant tobacco is ready to start to do business, but before starting the Tobacco business, it is contractually required to sign a contract with the primary cooperative society (Makoye et al, 2022).

4.2.4 Inspection of Farmers

The Agriculture extension officer pointed out that once the company is selected by the member of the cooperative, they tend to take steps to inspect farmers and see if they have all required criteria required under tobacco farming

“Now in order to avoid challenges or any problem, they decide to inspect farmers based on the other parameter that are within cooperative” (Agriculture extension officer, August 2024).

These companies sometimes even decided to do more by sending agriculture extension officers to visit farmers and verify themselves to whether the farms are qualified or whether the farms are stable so that they have certainty of tobacco production. These tobacco companies most of time use extension officers to come and inspect the farmers. Likewise some scholars like Kamuzora (2011) pointed out that tobacco farmers in order to join contract farming, they need to have access of land size of at least 0.8 hectares that will be used for planting tobacco, also have warehouse, to have trees as well as money as the capital (Kamuzora, 2011).

“..These companies also have their officers, we call them Farm Masters used to come to visit the farmers to find out if the information in the brochures is really in the relevant areas or to verify if what written about the farmer that has 8 woods for drying tobacco leaves, is it really?” (Agriculture extension officer, August 2024).

Also, Kamuzora on his research paper indicated that in Tabaro region all extension officer were given Motorbikes to use them to go the field to the see the real situation of the farmers (Kamuzora, 2011). The importance of the presence of extension services have been very helpful in the issue of making decisions on the correct cultivation of Tobacco because farmers are getting accurate information from agricultural experts and methods as well as informing them of the special needs of markets (Dube and Mugwagwa, 2017).

4.2.5 Models of Contract

“There are more than three types of contracts. First there is contract between farmers and the primary cooperatives society (AMCOS), a contract that lasting for one year, but the second contract is between companies and primary cooperatives society (AMCOS), also there is contract between the commercial bank and primary cooperative society, I remember there is contract between the farmer and labor but this is not much concerned it just between themselves” (Respondent R6 form FGD 1-Imalamakoye village, August 2024)

Participants on both Focus Group Discussions identified main types of contracts within tobacco farming, the first contract is between small groups of farmers and primary cooperatives society. This contract is signed between these two parties only if the small groups meet the criteria as the group and each of its members should meet the 10 criteria's of member as I mentioned before. The second contract is between the Primary Cooperative society and private company, this contract signed only if the both parties fulfill the requirements, that is why companies sending officers to assess the farmers. Third, it is the contract between the commercial banks and Primary Cooperative society. These banks which operate in Tabora region and engaging in contract farming are CRBD Bank and NMB Bank.

Along with the statement of the respondent, also Makoye et al (2022) argued that in order for the primary cooperative society (PCS) to get loans to buy inputs and chemicals for tobacco farming, they should sign agreement with commercial banks and the guarantor of the Primary cooperative society is usually the regional cooperative Union (Makoye et al., 2022).

“...farmers cannot enter into contract farming with banks but only the primary cooperative society will enter into a contract with the respective bank that will use to serve the farmers with the inputs they need” (Village executive officer-Imalamakoye, August 2024)

Correspondingly, Kamuzora (2011) clearly pointed out that primary cooperative society signed an contract with the tobacco companies on behalf of its members, where Tanzania Tobacco Board (TTB) and district cooperative officer together will approve the agreement between the primary cooperative society and Tobacco company to buy tobacco from small-holder farmers (Kamuzora, 2011). The goal of these contracts is not only to sell produce to agribusiness companies but also to enable farmers to get services and needs for their farms. This point is clearly stated by Tuan (2012) that Commercial agricultural companies often establish contracts that bring a back end relationship by entering into cooperation with small groups of farmers through oral or written agreements, these contracts specify the way of providing agricultural inputs and extension (Tuan, 2012)

4.2.6 Distribution of Agricultural Inputs

“...therefore if farmers does not plant trees he cannot be a farmer also if the farmer fails to produce tobacco means likely to lose customers, so in order not to lose customers and for me to continue to sustain in this business I have to allow customers to plant trees so that they can comply with requirement, if they complies and continue to farm, it means that I have already helped them” (JTI company Agent officer, August 2024).

As company Agent officer said their role as a company in terms of inputs is to provide only Tobacco seeds for free to primary cooperatives society so that they can give small groups what they need. In contrast Phiri et al (2017) argued that the company provides physical and technical inputs to contract farmers as part of the agreement (Phiri et al., 2017)

Apart from providing seeds, also I found another role of the companies helps to guide how to plant tree seeding for the farmers who don't know how to plant and every tobacco farm must have planted trees otherwise the farmers will not have enough harvest. Another key point is that, trees are emphasized because they used to makes woods for drying tobacco leaves after harvesting, so they said we must take responsibility to help these farmers especially on the issue trees and seeds. During an interview one of the participants pointed out that primary cooperative society is responsible for providing inputs to their farmers such as fertilizer and pesticide, also the banks is responsible to provide loan to small group if they need it through the cooperatives.

One of the participants (R6) from kichangani village made it clear that even though they do not have contract with Tobacco Company, they are supposed to follow the company's terms and conditions.

“First always they provide us with seeds, they monitor our farms how to take care of seeds and farms, after that you must have woods for drying tobacco leaves they can't give you seeds if you don't have woods for drying tobacco leaves in your farm, always they trying to insist that when you sow the seeds you should monitor the seeds but also you should have enough woods for drying tobacco leaves” (Respondent R6 from FGD 1- kichangani village, August 2024).

This makes it clear that farmers must meet the demands of tobacco companies even though they are not responsible and the farmers have no any contract with the companies. The company aims to monitor the farmer to ensure that the tobacco that will be produced by those farmers is the one that meets the commercial standards they have set for themselves. Despite the fact that the farmers have signed a contract with the primary cooperative society, they still have to comply with the tobacco company's requirements.

4.2.7 The Purchase of Tobacco

In the purchase of tobacco, the participants made it clear that each village has only one buyer that means one tobacco company. For example, in the village of Imalamakoye, the primary cooperative society entered into an agreement for the purchase of tobacco with the Japan Tobacco International Company and in the village of Kichangani they entered into an agreement for the purchase of tobacco with the Alliance One Tanzania Limited (AOTTL) company. It should be noted that farmers from the groups are responsible for choosing the company they want before the company entering into an agreement with the Agricultural and marketing primary cooperative society (AMCOS

“..... you must choose a company that you know what kind of business you will do with, that's why you will find there alliance one, JTI, those are the ones who will come to buy that tobacco, so those who will come to buy that tobacco are different and those who will come to bring inputs are not the company is others” (VEO-Imalamaloye, August, 2024)

Despite this research showing that farmers choose who they do business with, the truth is that the contract farming system takes away the power of smallholder farmers. Oya (2012) makes it clear about the power of the farmer that contract farming does not give power to the farmer but turns them into employees, and in order for the companies to win over the farmers they avoid getting involved directly in the production and management of the work as long as the farmers have access to the markets as well as loans that would not be easy for farmers to get (Oya, 2012). It is very known that contract farming regulations does not protect the farmer as much as it protects the buyer from the challenge of selling the surplus of tobacco they produce. The regulation of the tobacco industry in Tanzania (GN. no. 2916) part IV as mentioned in the report of Contract Farming Status and Prospects Tanzania clearly explains the needs of buyers and farmers in contract farming also prevents the seller from selling more than one company but allows the buyer to buy produce from for more than one seller. In this sense, the company may buy a small amount and go to fill it from other sellers.

4.3 Exclusion in Tobacco Contracting Farming

As recent studies by Freguin-Gresh et al., (2012) and Andersson et al., (2015), show smallholder farmers have been continuously excluded from contract farming projects.

4.3.1 Women in the Household

The issue of inclusion or exclusion of smallholder farmers in contract farming, especially in tobacco farming, has been an issue that is being considered by agribusiness companies with the aim of getting a good output. But the state of inclusion or exclusion is accompanied by certain criteria such as land size, resources, education and financial matters. In this study also i found out that there are smallholder farmers who have been isolated due to lack of various conditions.

The isolation of some farmers especially women was seen in this research, that more men are the ones who own farms than women. In such situation, a woman who needs to participate in tobacco contract farming becomes difficult because she will need permission from the head of the household who is a man. It is often the case that women are not the owners of land at the household level and land ownership is the biggest challenge to women who want to participate in contract farming (Sulle & Dancer, 2020). Due to the patriarchal system in which the man is the owner and decision maker in the household than the woman, it creates a situation of exclusion in contract farming. One of the participants said that;

“Eeh! I am the one who decides if my wife can participate in contract farming or not because i am the one who owns all the farms” (Participant R4 from FGD 1- Imalama-koye Village, August 2024).

From the quote above, it shows that the chance of a woman to participate in Tobacco contract farming is limited. In this situation, you can see how such woman is excluded even before she participates in contract farming. Women's participation in contract farming is affected by the lack of formal land ownership due to the fact that in most cases women are not allowed to own land (Verhofstadt and Maertens, 2014). This limitation for women to participate in contract farming is because the decisions of participation depend on the man's willingness. The results of this study on women's exclusion from contract farming do not differ from the argument of Schneider and Gugerty (2010). More literature that explained about contract farming on Sub-Saharan Africa shows that private contract firms have excluded women in contract farming due to the fact that women are very limited on direct ownership and access to land (Schneider and Gugerty, 2010). It is clear more often that men enter and own contracts (Maertens & Swinnen, 2012). Even if a woman is allowed to participate in contract farming, her income will still be controlled by a man. This situation encourages the woman to continue being dependent in the household.

4.3.2 Membership Entry Fee

During focus group discussion it was observed that contract farming is not the farming of every farmer who needs to participate. Participant pointed out that this type of farming is aimed at people who are economically independent as well. One of the conditions for smallholder farmers to be counted as a participant in contract farming is that they must be able to pay the registration fee and buy a share.

“...all the farmers know that if you don't have the money to join the group, no one wants to invite you to the group and register as a member... don't forget that the farmer must buy the group's shares after registration” (Participant R1 from FGD 2 Kichangani Village, August 2024)

From above quote, it means that those farmers who do not have the ability to pay the entry fee and buy shares are immediately disqualified to join contract farming. This situation leads to exclude them from participating in contract farming. The argument is also supported by Barrett et al., (2012) in their study in Ghana where they noted that farmers paid cooperative membership fees so that they could participate in contract farming. These conditions create the situation of a farmer who is financially incompetent and lacks the qualifications to fail to participate in contract farming. These farmers who lack qualifications or ability to work in contract farming are the ones who turn to be labourers because they are looking for income.

However, there is no direct relationship between the farmer's income and group membership (Bellemare, 2010a), although the participation of smallholder farmers in contract farming and starting to sell products is the most important source of income. The presence of groups and members in the cooperative is the easiest way for smallholder farmers to be able to receive technical training, loans and inputs (Bachke, 2010). One of the research study by Hoang and Nguyen, (2023), they noted that many contract firms like to work with farmers group by providing them stable conditions based on grades, quality standards, deliverable, and product type.

4.3.3 Poor Farmers in Rural Area

Another point of view from the participants, they noted that contract farming is a type of farming that requires the farmer to be self-sufficient so that he can be trusted and included in tobacco farming. This means that if a smallholder farmer is unable and has nothing in the sense that he is poor, he will not be allowed to participate in contract farming. This point was made clear by one of the participants from Kichangani Village and supported by other participants.

“...it is normal that a person who is not self-sufficient and does not own anything cannot be given the chance to join us in the group.... hey, if you are doing this kind of farming, the community will see you as rich” (Participant R1 from FGD 2 - Kichangani Village, August 2024)

This means it is very difficult for a poor farmer to participate in contract farming, the conditions specified during the interview with the participants indicate that you must have financial resources, land and enough trees to dry tobacco. In another way, contract farming is a type of farming which need people who are self-sufficient and have resources. This argument of exclusion of poor smallholder farmers is supported by Singh (2002a), Poulton et al., (2010), Mishra et al., (2018) and Khan et al (2019) who claim that, ownership of resources and land have been used as conditions for participation in contract farming and lead to some groups such as such poor people in rural areas are excluded from participating in such kind of farming. Scholars like Barrett et al., (2012), Narayanan (2014) and Swain (2012), have shown evidence that all over the world, including Africa, the exclusion of very poor farmers has been spreading in areas where poor farmers are seen as having no capacity.

However, on the other side of the argument, some scholars such as Wang et al (2011), Miyat et al (2009), Bolwig et al (2009) as well as Balineau (2013) claimed that contract farming does not see it as excluding smallholder farmers. . It shows that research on the participation of smallholders still has a contradiction because the evidence was shown. But it still seems that many scholars have increasingly leaned in the direction of believing that contract farming excludes smallholder farmers and continues to be a major problem (Singh, 2002b; Prowse, 2012a; Bijman, 2008).

4.3.4 Social Trust

The exclusion in the tobacco contract farmers internally are determined by the farmers themselves in their groups and not a company or primary cooperative society.

“...Honesty, if you are not trustful based on contract terms, you cannot be considered by your group or primary cooperative society (AMCOS) and at the end of the day they will delete your name from the list of farmers, and it is like being excluded.” (Participant R7 from FGD 2 Kichangani Village, August 2024)

Many participants in the focus group discussion held in the village of Imalamakoye noted that many smallholder farmers who were excluded from joining contract farming is because of having a history of not being trusted in their groups before joining the primary cooperative society. Participants made it clear that there are some farmers who have a lot of debts in the groups without repaying their loans, now they cannot allow their names to appear when it comes to joining the primary cooperative society. They are trying to do this so that they can do tobacco contract farming by protecting them when they fail to pay the debt. That is the reason why they decide to exclude such kind of farmers so that their names cannot be submitted to the AMCOS association. A similar scenarios has also been made by Kamuzora (2011) on contractual governance, where he notes that people who are close to defaulters, when they see that there are officials coming to visit the defaulter, tend to inform him/her

in advance so that he/she can escape and hide (Kamuzora, 2011). The issue of Trusting seems to be a very important factor in achieving the participation of smallholder farmers in contract farming. Snodgrass and Sebstad (2005) in their research noted that the lack of mutual trust among producers (smallholders) is one of the challenges in contract farming. One of the scholars noted that some primary community societies have programs with groups of smallholder farmers to build their capacity and trust among them (Mwambi et al., 2016).

Why do “trust” is important in contract farming? According to Masuku (2009), argued that any effective social outcome depends much on the presence of mutual trust among the farmers and helps to avoid the pitfalls of non-cooperation. According to Blandon (2007), claimed that the participation of smallholder farmers in contract farming depends more on the important criterion of trust. This argument clearly shows that trusting is very important and it is a problem that arise among the groups of smallholder farmers and leads some farmers to be excluded by their fellow farmers to participate in contract farming. However, the issue of trust also happens between the producer and buyers. In order for smallholder farmers to be able to participate in contract farming, it is important for farmers to satisfy themselves against contract firms, to have market stability and not to be exploited.

4.3.5 Failure to Serve the Farm (field)

“.....you can have your farm, maybe it's in the village, and then you go to town but later you remember that you have a farm in the village that hasn't been weeded, you come back and end up drinking coffee and alcohol instead of taking care your farm, so you have to be isolated directly, we can't deal with such that kind of person he/she must be excluded” (Participant R6 from FGD 1 - Imalamakoye village, August 2024)

Also, another reason of being excluded from contract tobacco farming that was mentioned by many participants is the failure of some farmers to service their tobacco farm such as failure to weed the field or failure to maintain the farm. Because every year groups are re-registered and members are re-registered. If you fail to fulfil your obligations this year, you will be excluded until another new season of the following year. This isolation step is very helpful for the farmer to orientate himself and get rid of characteristics that are not suitable for the group and this procedure is good. Therefore, the primary cooperative society is responsible for excluding the relevant group if it does not meet the criteria agreed upon, but the group also has the authority to exclude the farmer if he/she fails to meet the criteria or does not conform to the criteria they have set for themselves as a group. The contract farming program places barriers to entry for farmers without adequate land, liquidity, ability to mobilize or hire labor, or access to support networks (Nino, 2018). According to Nino (2018) smallholder farmers who are poor and do not have land cannot participate in contract farming. But in my research, it was clear that farmers help each other to give land and lend woods for drying tobacco leaves. With this logic, it is difficult to exclude a small farmer in the cooperative system that these tobacco farmers have according to the criteria mentioned by Nino (2018), but in the research I did, the results show that what makes small farmers excluded is not being honest with the loans they take and failing to manage and take care of their fields.

4.4 Impact of Contract Farming

4.4.1 Income

One of the participants (R7) in focus group discussion 1, clearly expressed his enjoyment of the presence of contract farming in the sense that it has given them much more profit than

before joining contract tobacco farming. One of the farmers from Imalamakoye Village said that he witnessed changes since he started to get involved in Tobacco contract farming. He mentioned the increase in income that has made them build and own houses. He also said that some smallholder farmers had not put galvanized steel on their houses and others had not built houses blocks but now they have been able to build houses of blocks. Almost of the all participant made it clear that contract farming has also enabled them to buy vehicles such as cars, motorcycles and bicycles. That is to say more than 90 percent of the research participants supported participants R7 and explained the benefits they have been experiencing since they joined contract farming through their small groups.

“...Yes there are some changes, for example when I started I didn't have a bicycle but when I started I bought a bicycle, my neighbour didn't have a motorcycle before and he bought a motorcycle later and that is a change but also we took our children to school”
(Participant R7 from FGD 1 Imalamakoye, August 2024)

This is completely consistent with one of the results of the research of Otsuka et al (2016), which has made clear that contract farming has a positive effect to a large extent, especially in terms of income derived from contract crops (Otsuka et al, 2016). In the same way, Guo et al., (2005) and Sriboonchitta & Wiboonpoongse (2008), noted that contract farming stimulates better income and more profit for small farmers. Likewise, Rout et al (2013), claim that great help has been seen through contract farming to increase the income of small and medium farmers. Although Dupa (2022), argued that contract farming has been discriminating against small farmers who are poor even though such farming has positive results in terms of income.

Likewise, the participants pointed out that contract farming has enabled them to send their children to school as well as buy their families' needs. The participants made it clear that the issue of dependency is no longer a problem because every farmer gets what he wants for his money. Contract farming causes the stability of the income of small farmers (Bellemare, 2012). The participants went so far as to point out that before they had a problem with food, but now food is no longer a problem, they buy food and other necessities. Contract farming has had many positive results, some existing literature has clearly stated that income, credit, inputs, and technology have been the benefits that come from contract farming (Eaton and Shepherd, 2001).

Many respondents during the focus group discussion clearly stated the positive impacts of contract farming. If you look at all the benefits mentioned by all the farmers, they are due to the increase in their income. So I can say that there is a positive correlation of income and development of the tobacco farmer in general and this is clearly stated with some scholars such as Dube and Mugwagwa, Sokchea and Culas as well as Warning and Key. The contract farming system helps a lot to access markets and often these markets are more attractive to farmers and lead to an increase in their income (Dube and Mugwagwa, 2017). Other scholars supported the same idea by saying that contract farming has been considered as a tool to change the income of various households (Dube and Mugwagwa, 2017). Apart from these scholars also Sokchea and Culas together with Warning and Key (2002) in their research clearly identified that contract farming has helped raise a large amount of farmers' income (Sokchea and Culas, 2002; Warning and Key, 2002).

The participation of smallholder farmers in contract farming has affected their welfare due to income, this argument that has confusion. Some scholars point out that contract farming has improved the income of smallholder farmers (Wainaina et al., 2012; Bellemare, 2012; Miyata et al., 2009) but on the other hand, scholars such as Glove and Kusterer (1990) point out that the profit received by smallholder farmers are small because if you try to compare with big farmers. There are some scholars such as Gow (2000), pointed out that the

welfare of smallholders tend to improve due to the type of farming contract they have. Contract farming has been seen to have a positive effect, especially in terms of loans that become part of contracts as well as agricultural inputs. However, Little and Watts (1994) contend that the way contract farming is designed aims to benefit large farmers more than smallholder farmers and make them unable to keep up with the pace of development. In line with that argument, despite farmers getting income from contract farming and being able to buy various assets and needs, it makes them dependent much on contract farming and being ready for any conditions imposed by the contract firm. Producers rely on contractors which create a relationship of dependence and can lead to a situation of exploitation for smallholder farmers (Bijman, 2008).

4.4.2 Youth Employment

Many young people in the farming community have been without work for a long time, especially for those who do not have land or difficult to accessing land. During the analysis I found out that contract farming has helped much to reduce the problem of unemployment among young people despite the fact that they do not have any resources. Smallholder farmers who participate in contract farming have been hiring laborers to work on their farm. This means that contract farming that doesn't necessarily exclude young people who have difficulty in accessing land. By providing them employment opportunities, the rural youth tend to benefit from contract farming as well and this leads them to earn more income to support themselves and meet their personal needs. One of the key informant said that;

“.....but the other benefits that we experienced as leaders is to see people especially young people who did not have special activities start disappearing in the village because they have found work in the tobacco farms as laborers.”(VEO Kichangani, August 2024).

From the above quote it shows contract farming also aims to solve the employment challenge, especially for people who do not have access to land. Also, policy makers and development experts see this type of farming as an important part of solving the challenge of youth unemployment and rural poverty (Bernard and Taffesse, 2012). According to a study on the impact of contract farming on income and employment conducted in India in the district of Tumkur in the state of Karnataka, Kumar and Kumar (2008) noted that the generation of employment on average increased by more than 114 percent on contract farms than non-contract farms (Kumar and Kumar, 2008). This argument is supported by Setboonsarng, (2014) who claim that employment opportunities is one of the effects of contract farming. However, it should be remembered that contract farming has been criticized by different scholars on the existence of exploitation and now there is an argument that contract farming seems to solve the challenge of employment for young people. The question is, does the wages that young people receive is sufficient or will it be an exploitative wage?

4.4.3 Market Access

“Eh! Honesty... this kind of farming solved our issue of access to market completely... although the price does not change even if the price goes up or down, that is the bad thing we are experiencing”. (Participant R8 from FGD 2 Kichangani Village, August 2024)

“Actually, marketing is not a challenge like other crops that do not have a contract system like tobacco... every season tobacco is taken by companies like Alliance One and we also get a little income there.....ahahaha” (VEO Imalamakoye, August 2024).

From the quote above, the participants tried to show how contract farming has impacted the accessibility of the tobacco market due to emerging of contract farming. It is well understood that without access to markets farmers cannot get any income.

That means the issue of marketing for tobacco is no longer problem like it used to be in the past because smallholder farmers through groups have easy access to market as a group. The district agricultural officer stated that

“The issue of marketing is the responsibility of the primary cooperative society (AMCOS) to find markets for smallholder farmers by entering into a contract with a tobacco company that farmers need to work with.” (District agricultural Officer, August 2024)

Despite the fact that through group smallholder farmers have access to the market, they need to be in groups which is registered under the primary cooperative society, then they have access to tobacco markets. It should be noted that each village must have only one Tobacco company which is chosen by smallholder farmers and then enters into a contract with the primary cooperative society. During the focus group discussion, many participants expressed their enjoyment due to stable income that resulted from their participation in contract farming. It is clear that the source of happiness they have is because of access to markets. Many research studies have shown that access to markets has been one of the main advantages of contract farming and leads to their products being productive by meeting the required market standard (Mwambi et al., 2016; Sumberg et al., 2015; Da Silva et al., 2014; Begum et al., 2013; Olomola, 2010)

However, despite the availability of markets, the farmers are constrained by the contract and cannot decide to sell elsewhere except contracted firm. When it happens that the price has risen much more in the market than agreed price in the contract, the farmer loses the freedom to sell elsewhere. In addition, when a farmer produces more volume of tobacco than the required amount, still cannot be paid for addition amount. This is a trap for smallholder farmers because they were attracted by easy access to markets but it deprives them of freedom and exploits them more. These farmers find themselves under a lot of pressure caused by the contract firm due to the difficult conditions that they have to follow and attain the standard regardless what they are passing through.

4.4.4 Revenue

Different research studies have identified the effects of contract farming on revenue (Kumar et al., 2019 and Bidzakin et al., 2019). Contract farming has shown positive results especially in increasing revenue generated from crops. It should be noted that the primary cooperative is involved in selling tobacco on behalf of smallholder farmers. The revenue received has been helping in the overall social development implemented by the local government. One of the Village Executive officers noted that the revenue from sales has been increasing, and they have also set up a procedure to give back 10 percent of the revenue to remain in the village to support social development. The village executive (VEO) of Imalamakoye said that;

“...every revenue from every kilogram of tobacco collected in the village must keep 10 percent of the revenue and remains in the village to serve social and governmental activities” (VEO Imalamakoye, August 2024.)

This shows how contract farming is beneficial not only to the farmers but to the entire community where the farming is done. This clearly shows that the revenue generated from the sale of tobacco has been benefiting the whole community and not only the farmers. Among the people who benefit from the community development due to revenue are those who have been excluded from contract farming. Therefore, despite the fact that they have missed the opportunity to participate in contract farming, they are benefiting from social development. The lack of required criteria for some smallholder farmers to participate in contract farming contributes to farmers not getting income that would help solve their needs. These

are the major consequences they experience after being excluded from contract farming even though they benefit from social development in general due to revenue collected from contract farming.

4.5 Social Relation

4.5.1 Integrated community

"Contract farming has brought cooperation because all farmers and non-farmers we are working and living together, so we are all united and that's why there is no disintegrated and the whole community becomes one" (Participant R4 from FGD 2 Kichangani Village, August 2024)

The respondent from Kichangani village made it clear that the presence of contract tobacco farming has been very important in terms of social relations. This opinion was supported by all participants during an interview that contract farming has brought good relationships among them and community as whole. Cooperation between farmers and non-farmers has been very great especially when it comes to helping each other as farmers and the whole community. The presence of cooperation in this community of tobacco farmers has contributed to the absence of disintegrated among them and they have been cooperating regularly. The basis of mutual support for smallholder farmers comes from the existence of small groups of farmers where they help each other to find shelters or farms for growing tobacco.

In the same way, scholars clearly pointed out that contract farming cannot be considered only in bringing relationships between individual producers (farmers) and individual buyers only, but this contract farming brings good relationships within society as a whole (Nino and Oya, 2021). This clearly shows that contract farming has been a source of good social relations in the community where it contributes to the development of contract farming and social development in general. However, contract farming has been said to bring division in society by leading to the presence of classes. Contract farming has been witnessed to bring about a division of the income situation among farmers with a strong preference towards the class of rich farmers (Vicol et al., 2022). This situation leads to the existence of classes in society, but it can also lead to poor farmers, especially those who are not in contract farming, being separated from the existence of the poor and rich classes. This class argument goes with the argument of the exclusion of poor farmers in contract farming and makes those who participate in contract farming appear to have a higher status than those who do not participate. Class formation systems are more influenced by contract farming (Shonhe and Scoones, 2022). There has also been an argument that contract farming prefers to work with large farmers rather than small farmers and this increases inequality among farmers (Hoang and Nguyen, 2023). The presence of such classes of the poor and the rich in society can contribute to the lack of unity among society. This argument contradicts the results of this study about the social relation of contract farming in integrating the community due to the existence of different perspectives among scholars. Although in this research I discovered the entire community within all villages that were involved in this study were integrated and they had good social relations in their communities.

4.5.2 Social Development

Contract farming has contributed to strengthening social development regardless of whether the whole community participates or not in that type of farming. Social progress is seen within this community because cooperative societies have had a procedure to return to the community the part of profit they get after selling tobacco. Despite the fact that there

are farmers excluded from contract farming but they have been the beneficiaries of the development caused by contract farming. The village executive Officer noted that social development have been improving. He explained that the primary cooperative society has had a mechanism to return thanks to the community by donating desks and photocopy machines in schools which are available in village.

“.....the benefits are there for example if you consider this our AMCOS of Imalamakoye village is doing business with the JTI tobacco company, we as part of this community benefit because the primary cooperative society used to return thanksgiving by donating desks and handing them to the school and buy a photocopy machine for the school” (VEO - Imalamakoye, August 2024).

This clearly shows that the presence of contract farming in any society can change the relationship between smallholder farmers and companies as well as production relationships (Sing S, 2005). In the same line with Sing’s argument, another scholar emphasizes the importance of contract farming as a public relations solution that brings cooperation in production areas and leads to better results (Oya, 2012). This shows that apart from the existence of contract tobacco farming, the society as a whole benefits regardless of whether the citizen of the area concerned is a farmer or not. Because not all the children who study in those schools are the children of farmers.

The district agricultural officer also notes that tobacco companies have made a great contribution to society, especially in the area of good social relations. The agriculture officer made it clear that tobacco companies have been helping the community regardless of whether the entire community grows tobacco or not.

".....Companies like Alliance One has been making a great contribution to society, for example there are some areas, once you visit you will see how tobacco companies have dug water ponds to help farmers during the period that is not even the Tobacco season, they can cultivate other crops" (Agriculture Officer of district, August 2024)

This above quote, it shows how important is contract farming in social development. It clearly shows that all groups are involved in bringing about social development through contract farming. Contract firms have had a great contribution in social development and this is the main goal of the establishment of contract farming. Contract farming is a source of economic and social development in rural areas, Tanzania is one of the countries that follow international donor organizations along with other African countries in promoting contract farming (Isager et al., 2022).

Apart from primary cooperative society, the representative of the tobacco company made clear the responsibilities that the company has been doing through the tobacco company as JTI has provided many aids in the community to strengthen relationships such as giving aid. For example JTI company here in the village has built schools, has built toilets for primary schools, have also bought stationary needs of all kinds in those schools.

".....we always do three big things, we help them in the issue of education, access to clean water but also the issue of health, in the sense that in education there are schools that we are building, for example here in Urambo there is the Margreth Sita school, JTI has covered all the costs very big and there are many schools in every place where we do tobacco business, if not only build the whole school, we have added classrooms and sent desks" (Tobacco company officer - JTI, August 2024)

The primary cooperative society has also helped children from special disadvantaged groups such as providing them with school shoes, uniforms and books. This state of aid in one way or another maintains social relations between primary cooperative society and the people of the village.

".....there is a unit in the primary cooperative society (AMCOS) that is responsible for helping disadvantaged children, especially among those children who live a difficult life, and buys them uniforms, or school shoes for them as well as notebooks" (VEO - Imalamakoye, August 2024).

From the quote above, it shows how contract farming has become a pillar in social development. Contract farming in Urambo district has shown to contribute significantly to social development. According to number of participants in this research they expressed satisfaction with social progress. All the participants noted the presence of different levels of developments, these development are brought by all the stakeholders involved in contract farming which are farmers, cooperative society and contract firm. Some literature has identified that contract farming is the main mechanism to increase social development especially sustainable development as well as to promote equality in cooperation (Hoang, 2021a; Bijman et al., 2020). However, according to various scholars contract farming has been determined to have caused exploitation among the farming community. Some scholars like Cohen et al. (2022), pointed out that bad features such as exploitation and unequal bargaining power destroy the reputation and purpose of contract farming. Contract farming has also been accused of being a major exploitation of women and children and making them free family workers in the farms owned by the household (Vicol et al., 2022). These are different arguments that caused confusion on the issue of social development.

4.5.3 Social Culture

"I have never see any negative effects of contract farming in our culture in this villages of Imalamakoye because every farmers continues to maintain our cultural activities" (Participant R3 from FGD 1 Imalamakoye Village, August 2024).

The quote above, clearly shows presence of Tobacco contract farming has not affected any social culture because this community of farmers has had a culture of playing their traditional dances during the harvest period or during the sale of tobacco. From the quotes above, it proves that contract farming has had positive benefits in terms of social cultural activities. So during this period the traditional dances and other cultural activities have been going on as usual and the community has maintained its culture as usual. This perception from the participant R3 was supported by many other participants during the discussion about social relations and contract farming. This situation clearly shows that the presence of contract farming does not affect the culture of the relevant community in any way.

4.6 Challenges

4.6.1 Defaulting

Despite many participants explaining the benefits they have experienced since joining contract farming but also, there is a negative impact on the side of farmers themselves, this includes defaulting which sometimes result to conflicts among the farmers themselves within the their group due to the failure to return loans. The issue of defaulting has been killing farmer groups because if one member fails to repay the loan, the punishment is on all members in the group. All groups are responsible to the primary cooperative society and if any group does not meet the criteria and conditions in its activities, it will automatically withdraw from the cooperative. That means will cause the group to be excluded in the following season because it did not meet the requirements last season.

"Eeh, other members are not trustworthy in loans, they have had the challenge of not complying with the terms and failing to repay the loans on time and causing conflict among themselves" (Participants R8 from FGD 2 Kichangani Village, August 2024)

From the quote above, this is one of the challenges that contract farming farmers in their groups face. Considering that one of the opportunities of contract farming is availability of loan to smallholder farmers as part of the agreement in their contracts but it is also a challenge for untrustworthy farmers in repaying the loans. This is an internal challenge that exists within small farmer groups. This situation also leads to some smallholder farmers being excluded from the practice of failing to repay loans in accordance with their contracts. This challenge is holding back efforts to develop contract farming, especially in rural areas where agriculture is the backbone.

Although, the problem of default is also caused by the lack of solid training of smallholder farmers on how to repay loans. It has been argued that the best way to reduce loan default among beneficiaries is to have good credit management training (Roslan and Karim, 2009 and Awunyo-Vitor, 2012). It is believed that loans can be repaid more easily if they are given to a group than to an individual (Wenner, 2010 and Khandker, 2012). However, it has been different in this study where participants noted the presence of loan repayment default despite all the farmers being in different groups as argued by Wanner (2010) and Khandker (2012).

4.6.2 No additional payment for excess Tobacco

One of the participant from Kichangani Village made it clear that often when they increase the amount of kilos of tobacco as required by the companies according to the agreement with the primary cooperative society, they are only paid 10 percent of additional amount of tobacco.

"If we exceeds that 10 percent, the company will impose many restrictions to farmers. The company can decide to refuse to pay farmers for additional tobacco that we have harvested, that is very bad for sure" (Participant R2 FGD 2 from Kichangani Village, August 2024).

The above quote, it clear shows what smallholder farmers are experiencing especially when they harvest a lot of tobacco due to the quality of the inputs we have. Most farmers expected any addition output could give them more profit but they consider on 10 percent addition only and not more that, from the point of view the farmers see it as open exploitation and discourage them to produce more. This situation discourages smallholder farmers and threatens to move to another contract firm, but due to the existence of the contract, it is difficult for them to leave the company. This problem may cause farmers to withdraw themselves from contract farming.

4.6.3 Delayed payment

Delays in payments to smallholder farmers were also cited by farmers as a challenge they face. Many tobacco companies, after collecting tobacco from primary cooperative societies, leave debts to farmers and it takes a long time to pay them and this is a major challenge for farmers. Most of the participant claimed that they have had the challenge of delaying their payments especially after the primary cooperative society did business with companies.

"There are other companies that have so many problems like until now they have not even finish to pay us and we owe them a lot of money" (Participant R3 FGD 1 from Imalama-koye Village, August 2024)

From the quote above, the participant claimed that they have been delayed in their payment for a long time and put back their plans. Many contract farming companies focus too much on profit on their side without looking at the conditions of the small farmers who produce those crops. Poku et al., (2018) pointed out that contract farming have been found to have problems like payment delay. Due to these challenges, the primary cooperative society decided to come up with one-year contracts for each company and for each groups of farmers. The Cooperative decided next season to eliminate the company or farmers group that failed to fulfil the obligations in the last season after the expiring contract.

4.7 Policy Measures for Inclusive Contract Farming

In an interview with all the participants, they made it clear that Tobacco contract farming in Urambo district has been inclusive farming despite some no farmers are excluded from farming or lacks qualifications for engaging in Tobacco contract farming. The policy established by the primary cooperative society is that every farmer who needs to join tobacco contract farming must follow the conditions of his/her group so that can join tobacco contract farming. According to Makoye et al (2022) made it clear that the Ministry of Agriculture, Food security and Cooperatives in 2000 included Contract farming as part of the agricultural policy in involving small groups of farmers and cooperative as the part of the small agricultural sector adopted in special laws to help contact farming arrangement. Also in 2013 the cooperative law was amended to match the requirement of the contract farming (Kuzilwa et al.2017). In this research, I found that smallholder farmers in the villages of Kichangani and Imalamakoye have had a system of helping and enabling each other to join tobacco contract farming. In response to participant R5 in the village of Imalamakoye, he noted that he was sponsored and empowered by a fellow farmer and joined a group together to grow tobacco. According to the explanation of the participant (R5) in focus group discussion 1, he made it clear that Tobacco contract farming in the village of Imalamakoye and other villages, the farmer is not forbidden to engage in contract farming if he is able to join other farmers in the group and meet the requirements of the relevant group.

“...I started by renting a farm from my group mate for two years, the following year I managed to buy my own farm and become independent” (Participant R5 from FGD 1, Imalamakoye Village, August 2024)

According to the quotes above, it clearly shows that the situation of Tobacco contract farming is not much difficult for small farmers in the sense that even a smallholder farmer who does not have land were able to rent land and later were able own their land after gaining more profit. Another scholar pointed out clearly in his research on Tobacco contract farming that, the farmers themselves with the financial ability were able to participate in contract farming by renting fields because they could not meet the condition of having land (Phiri et al., 2017).

The policy of involving all contract tobacco farmers has been influenced by the way farmers help each other as a group when one farmer in the group lacks resources for farming. It has been experienced that contract farming has been accompanied by the exclusion of some smallholder farmers, the situation has been the same in Urambo district, where some farmers have been excluded from tobacco contract farming. The mutual support of small farmers has become a great weapon for them to participate in tobacco contract farming, especially for farmers in groups.

“When I joined in contract farming, there were some criteria I missed because I did not have woods for drying the tobacco leaves but my colleagues in the group gave me some

woods so that I could fulfil the conditions of joining the group” (Participant R3 from FGD 2). Kichangi Village, August 2004)

When a farmer starts farming small land in contract farming, it is easy later to own big size of land especially after getting profit from tobacco sales. This situation can be witnessed in the report of Bank of Tanzania (BoT) by Mwimo et al., (2016) where it was claimed that most tobacco farmers visited in all regions of Tanzania, the size of their farms doubled after joining contract farming (Mwimo et al., 2016). In this research, it is clear that tobacco contract farming has become a friendly farming for farmers due to the best policy to involve any citizen who needs to do that farming and meet required qualification. The only difficult condition is have land, but other requirements were easy to get assisted by farmers. Some participants noted that it would be difficult for someone who does not own land or has to rent a small piece of land from their peers to participate in contract farming because it is a legal requirement and a primary cooperative society (AMCOS) procedure to be registered. According to the cooperative law of 2013, legally primary cooperative societies have the authority to have a commercial contract with tobacco processing companies and not farmers but smallholder farmers are required to join these cooperative societies as a group if they need to be given credit inputs (Makoye et al., 2022). Farmers should be informed and prepared well so that they can implement the terms of their contracts and the government has a big role in helping them (Pultrone, 2012).

Despite the fact that agribusiness companies have difficult criteria for smallholder farmers, but contract farming in Tanzania is protected by the crop law which was amended in 2009, which makes clear the roles and responsibilities of the buyer and seller in contract farming, but also, there is a Law of Contract of the year 1999 Capts 345 and the land law 1999 both protect the right of the farmer to own land and enter into a contract in the agricultural sector.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.0 Conclusion

In this research, I have examined the perspective of small farmers in relation to the dynamics of integration and exclusion of contract agriculture and its effects on rural people who are separated from society and to understand why there are ongoing discussions among scholars about the exclusion and inclusion of contracting farming. In doing so, I examined the effects of the marginalization of small farmers in tobacco contract farming. I also investigated the type of criteria used to determine the characteristics of a small farmer suitable to participate in contract farming and in a participatory environment.

In this study it was found that, contrary to several studies that explored the internal and external source of exclusion of smallholder farmers in Tobacco contract farming, many participants clearly noted that the system of groups of farmers has led to many farmers being excluded due to lack of required qualifications. Farmers pointed out that in order for a farmer to be able to join contract farming, he/she must have 18 years old and above, land, wood for drying tobacco, entry fees, joined a group of small farmers. A farmer who does not have land should rent land with the condition of returning it after the season. The exclusion of farmers was seen more for women and children, poor families, who have no access to land, lack social trust, and farmers who fail to serve their farm. If the group fails to meet the conditions, will be excluded and not the farmer as an individual, this is due to the fact that there is a primary cooperative society that manages and inspects small groups of farmers, so the groups of farmers are responsible for the primary cooperative society.. The issue of groups being involved in contract farming is a policy issue and this was identified and addressed in the research paper, according to Makoye et al (2022) made it clear that the Ministry of Agriculture, Food security and Cooperatives in 2000 included Contract farming as part of the agricultural policy in involving small groups of farmers and cooperative as the part of the small agricultural sector adopted in special laws to help contact farming arrangement, also in 2013 the cooperative law was amended to match the requirement of the contract farming (Makoye et al .2022).

Then again, the farmers made it clear that one thing that contributes a lot to the exclusion of farmers from joining farmers' groups is the loyalty of the members. Farmers who have a reputation for fraud in the community or who fail to repay loans have been the main targets of exclusion in tobacco contract farming. And this has been witnessed to see defaulters running away when they see extension officers or people from companies. The issue of farmers not being honest is not a new thing because many of the contract farming projects have been a big challenge. Kamuzora in his research, noted what they witnessed that people who are friends or neighbours to defaulters, when they see there are officials coming to arrest the defaulter, they quickly inform him in advance so that he escapes and hides (Kamuzora, 2011).

Yet, the participation of smallholder farmers in tobacco contract farming has been very beneficial for farmers and society in general. The farmers made it clear that their lives have changed their livelihood a lot since they have joined contract farming. They pointed out that they have been able to build houses, buy motorbikes, bicycles, they have been able to send children to school despite the fact that they had nothing but through contract farming they were able to buy farms and produce more tobacco.

In contrast to the impact of contract farming, the farmers clearly stated that they have been experiencing the challenge of delays in their payments from tobacco companies and contributing to their economic activities failing to continue well. Farmers also pointed out that they have had a challenge with the price of tobacco, especially when they increase the required kilos of tobacco, the amount of tobacco that has increased is often not paid for, leading to conflicts between farmers and the relevant company. Finally, the farmers have had conflicts with each other from the failure to repay loans among themselves and the failure to manage the land given to them by the group members for growing tobacco.

Therefore, there is no concern that most of the agricultural industries in developing and developed countries contract farming will continue to be part of those industries, despite the fact that there have been many challenges associated with contract farming (Rehber, 2007). Tobacco farming has its rules and regulations are managed by the Tanzania Tobacco Board (TTB) such as Tobacco Industry Act No. 24, 2001, there are also Tobacco Industry Regulations together, 2011 and The Tobacco Industry Licensing (Fees)(Amendments) Regulations, 2018. It clearly shows that the government is managing Tobacco cultivation well despite the fact that smallholder farmers have had their basic arguments about the challenges are compatible with tobacco contract farming in Tanzania (TTB website)

5.1 Policy Recommendations

Based on the results of my research, I suggest some recommendations to solve the challenges faced by contract farming farmers, especially tobacco in Tanzania. It should be remembered that contract agriculture is modern agriculture or in other words it is a new mode of agriculture that farmers produce under a special contract with the company. First, I suggest that there be a law to identify a government agency that can help smallholder farmers to track payment claims from contract firms that have had a habit of delaying farmers' payments, because it seems that primary cooperative societies have failed to deal with those claims. Contractually, farmers do not have the power to sue the company because the agricultural companies entered into agreements with the cooperatives and not the farmers.

Secondly, the farmers claimed that the tobacco that exceeds 10% is not paid anything by the agricultural companies, which is why they feel like they are being exploited despite the fact that the livelihood status of the farmers has changed a lot due to contract farming. My suggestion is that the government, through the primary cooperative society, remove the element of preventing non-payment of small farmers when they increase the amount of tobacco required by companies. Doing so will greatly help and encourage farmers to double the production of tobacco and bring benefits to both parties.

Finally, I suggest that there must be a special law dealing with contract farming only and not as the law of contracts, or a law of land or a law of ownership of properties. What seems to exist are only regulations for contract farming and not special law. If you go back to The Citizen newspaper of August 17, 2019, which had the headline "Does Tanzania need a specific law on contract farming? it makes it a clear example that Tanzania does not have a law on contract farming, but there is a law on cooperative societies." which is under the Ministry of Industry, Agriculture and Trade.

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Appendix: Questionnaire Guide

A: Focus Group Discussion

1. What criteria do you think a farmer should have in order to participate in contract farming? Are lack of land and money major barriers to participation?
2. Who do you think makes the decision of a farmer to join contract farming? Is it a personal decision or a family decision or is it a social pressure (e.g. community leaders or agricultural companies)
3. What exactly makes some farmers excluded from contract farming? Do you think the criteria used are fair for smallholder farmers?
4. How has your participation in contract farming affected your economic activities? What benefits or challenges have you experienced from contract farming?
5. How have your social dynamics been affected by contract farming in your community? Since you started participating in contract farming, have you witnessed any conflicts within the community or between farmers and the agricultural company?
6. Do existing policies support farmers' participation in contract farming and how effective are they? Are there any shortcomings in current contract farming policies that could lead to the exclusion of certain groups?

B: Key Informant Interview

1. What is the current level of participation in contract farming in Urambo district? What qualifications will farmers be required to participate?
2. In contract farming, what are the barriers that smallholder farmers face? Have there been any efforts to address these barriers to farmer participation?
3. What have been the economic and social impacts of contract farming on smallholder farmers?
4. To what extent has the exclusion or inclusion of smallholder farmers in contract farming affected social dynamics and farmer unity?
5. Have there been complaints about the exclusion of smallholder farmers and what has been done to help these farmers?
6. Are there any contract farming policies that support the participation of smallholder farmers in contract farming? What support does the primary cooperative society provide to farmers, especially those who are excluded?