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## Contract Farming as Business Model for Sustainable Rural-Urban Supply Chains: Sincere Efforts or Just Profit?

LANA REPAR, STEPHEN ONAKUSE, JOE BOGUE

*University College Cork, Food Business and Development, Ireland*

### Abstract

In recent years significant population growth increased food demand and the financial crisis stimulated commodity price rises, thus putting the pressure on liberalised markets of developing countries whose efforts to escape indigence mainly remained unrealised. Agriculture is hugely important in Malawi and it is witnessing a relative change in farming practices, which underpins millions of livelihoods. Much of the agricultural growth has emanated from the emergence of contract farming, an option that leads to increases in agricultural income for rural and urban farmers, helps to alleviate hunger and poverty, and provides a promising business platform in the value chains. Contracting represents the bridge between marginalised smallholder farmers and access to domestic and international markets. The paper examines contract farming as a business model that is intended to preserve and improve smallholder farmers' production and marketing activities and thus lead to socio-economic growth. It employs an exploration method to review, as well discusses the bias of contract compliance and its consequences for smallholders within a conceptual framework supporting contracting pathways for sustainable agricultural development. This study summarizes and analyses 25 scientific and expert papers on contract farming published since 2007 to date to evaluate the impact of contract farming on smallholder producers in rural Malawi. Primary and secondary data on economic and social performance of contracts have been generated with a preliminary econometric analysis, whereas the research is part of a broader practical PhD project. The conducted study finds evidence that contract farming leads to more expanded markets but limits farmers' direct access to influence market governance due to terms and conditions under which contract farming production, processing and distribution are organised. It also identifies and compares key policy levers that favour and support smallholder farmers' interests to be able to influence market governance and compete with commercial investors through co-operative producer organisations. Therefore, the future will depend on further persistent smallholders' linking and efficient collaboration with neighbouring business and political units.

**Keywords:** Contract farming, sustainable rural-urban relations, value chain organisation