

ABSTRACT

In this age of globalization and expanding business, many small-scale farmers are finding it difficult to participate fully in the market economy, especially as they are becoming increasingly marginalized by larger-scale farms; for example, when there is a glut in the market for certain products, the prices for these products fall, causing financial losses for farmers. Similarly, when there is a lack of a certain product on the market, these small-scale farmers lose out on the opportunity to make profits. In addition, changes in consumption habits, such as the increasing number of fast-food outlets, the growing role played by supermarkets, and the expansion of world trade in fresh fruits and vegetables have made it more difficult for some farmers to market their goods. Furthermore, many rural farmers and small-scale entrepreneurs often lack both reliable and cost-effective inputs such as extension advice, mechanization services, seeds, fertilizers and credit. Thus, many farmers are currently producing and marketing their goods in a way that does not maximize profits while minimizing input. This may be in part due to general lack of education among farmers together with their culture of carrying on traditions that may not be the most profitable. These traditions may sometimes even hold them back from adapting to new changes. As a result, contract farming can be seen as an answer to these problems.

Contract farming is a legal binding agreement between farmers, processors, exporters, and or marketing firms for the production and supplying of agricultural products under a forward agreement frequently at predetermine price, quantity and quality levels. It is also used as a means to develop market and to bring about transfer of technical skills in a way that is profitable for both suppliers and marketers. It is characterized by its enormous diversity, not only regarding the products contracted, but also in relation to the different ways it can be carried out. In order for it to be successful, it requires a long-term arrangement from both parties. Exploitative agreements by managers are likely to have only a limited duration and can jeopardize agribusiness investments while honoring these contractual arrangements can have long-term benefits.

The result of this project shows that farmers are willing to enter into contract under pre-

determine condition. The farmers have stated from the result gathered that they would contract mainly with pumpkin and hot pepper as opposed to bodi. The farmers also prefer to contract with exporter and processors as their main choice,. Middlemen and caterers as there last options. If the farmers are willing to contract at a minimum price of \$1.00/lb for pumpkin and \$200/40lb bag for hot pepper.

The benefits of contract farming to name a few reduce the level of spoilage, access to reliable market, improved farming practices, and greater access to credits. Shared risk, motivation of farmers and the reduction in environmental degradation are other major result of contract farming. Finally these factors could only be achieved if the parties of the contract are faithful, sharing risk and profitability equally. Contract farming is the solution to reduce the drastic change in price and maintain a regular supply to meet the increasing demand for fresh fruits and vegetables among the health conscious citizen in Trinidad.