

Drivers of Farmers' Contract Compliance Behaviour: Evidence from a Case Study of Dangote Tomato Processing Plant in Northern Nigeria.

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Abstract : Contract farming is a viable strategy agribusinesses rely on to strengthen vertical coordination. However, low contract compliance remains a significant setback to agribusinesses' contract performance. The present study aims to understand what drives smallholder farmers' contract compliance behaviour. Qualitative information was collected through Focus Group Discussions to enrich the design of the survey questionnaire administered on a sample of 300 randomly selected farmers contracted by the Dangote Tomato Processing Plant (DTPP) in four regions of northern Nigeria. Novel transaction level data of tomato sales covering one season were collected in addition to socio-economic information of the sampled farmers. Binary logistic model results revealed that open fresh market tomato prices and payment delays negatively affect farmers' compliance behaviour while quantity harvested, education level and input provision correlated positively with compliance. The study suggests that contract compliance will increase if contracting firms devise a reliable and timely payment plan (e.g., digital payment), continue input and service provisions (e.g., improved seeds, extension services) and incentives (e.g., loyalty rewards, bonuses) in the contract.

Keywords : contract farming, compliance, farmers and processors., smallholder

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