

Determinants of Risk Perceptions and Risk Attitude among Flue-Cured Virginia Tobacco Growers: A Case Study of Pakistan

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Abstract : Agricultural production is subject to risk and the attitudes of producers toward risk, in turn, may be affected by certain socioeconomic characteristics of producers. Although, it is important to assess the risk attitude of farmers and their perception towards different calamitous risk sources for better understanding of their risk management adoption decisions, to the best of our knowledge no studies have been carried out to analyze the risk attitude and risk perceptions in the context of tobacco production in Pakistan. Therefore the study in hand is conducted with an attempt to overcome the gap in existing literature by analyzing different catastrophic risk sources faced by tobacco growers, their attitude towards risk and the effect of socioeconomic and demographic characteristics, farmers' participation in contract farming and off-farm diversification on their risk attitude and risk perception. Around 78% of Pakistan's entire tobacco crop and nearly all of the country's Flue-Cured Virginia (FCV) tobacco is produced in Khyber Pakhtunkhwa (KPK) province alone. The yield/hectare of tobacco produced in KPK province is 14% higher than the global average and 22 % higher than national average. Khyber Pakhtunkhwa province was selected as main study area as nearly all of the country's Flue-Cured Virginia (FCV) tobacco is produced in Khyber Pakhtunkhwa (KPK) province alone. Six districts were purposely selected based on their contribution in overall production for the last five years which accounts for more than 94.84% of the tobacco production in KPK province. Specific objectives taken into considerations for this study are the risk attitude of the farmers for growing FCV tobacco crop, farmers' risk perception for different risk sources related to tobacco production (as far as the incidence and severity of each risk source is concerned) and the effect of socioeconomic characteristics, contract farming participation and off-farm diversification (income) on the risk attitude and risk perception of FCV tobacco growers.

Keywords : risk attitude, risk perception, contract farming, off-farm diversification, probit model

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