COTTON INDUSTRY'S STRATEGIC RESPONSES TO SIDE MARKETING OF COTTON BY CONTRACT FARMERS IN ZIMBABWE

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ABSTRACT

Contract farming has been heralded as the panacea to the ailing agricultural output in Africa in general and Zimbabwe in particular. Traditionally Zimbabwe cotton industry was dominated by one government owned buyer, but with trade liberalization other players came into the market increasing demand for cotton. The majority of producers have always been the rural small scale farmer whose major handicap has always been lack of resource intensity. The research involved cotton farmers and companies in Gokwe north in Zimbabwe. Fifty people were contacted in all and desk research on contract farming in the country and southern Africa was conducted. To complement the primary data, the research considered annual reports of cotton companies in Zimbabwe from the period 2009 to 2014.This model was adopted by the cotton industry in Zimbabwe but it has been marred by side marketing. In response to side marketing, the cotton industry has adopted several strategies including lobbying for legislation to help curb the problem, group lending and close supervision. These strategies had little impact on solving the problem of side marketing of marketing. With regard to legislation the major problem farming inputs should only be provided to loyal farmers with better incentives. In addition, should stop interfering in the marketing of cotton.

Keywords: Contract farming, side marketing, small holder farmer, cotton.

INTRODUCTION

Agriculture contributes significantly to Africa's economy. According to Nhodo and Changa (2013), the majority of the poor people in sub-Saharan Africa in general and Zimbabwe in particular live in rural areas and are dependent mostly on agricultural activities as the source of their livelihoods. This view is shared by Musara, Zivenge, Chagwiza, Chimvuramahwe and Dube (2011) who stated that traditionally agriculture has been the cornerstone of Zimbabwe's economy accounting significantly towards Gross Domestic Product (GDP) and total export earnings as well as supplying the manufacturing sector's raw materials.

Inspired by the experiences of the socialist countries which had played a key role in the predominantly land based liberation struggle, the state played, for most resettlement schemes, the role of manager, deciding how, when and what was to be grown (Mumbengegwi in Dzingirayi, 2003). The state could afford to do this because it was the source for all inputs, from seeds, fertilizers, pesticides and herbicides. This high-handed managerial role was complemented by another sophisticated one: control of marketing (Dzingirayi, 2003). The state's dominant role in resettlement agriculture has now been dismantled and from its ruins has emerged a new regime based on partnership with private business. However, despite its immense potential to boost economic growth and cut poverty, agriculture has continued to perform dismally New Partnership for Africa's Development (NEPAD, n.d.).

The future of agriculture in Zimbabwe lies in contract farming. The arrangement allowed tobacco growers to find a way of overcoming some of the obstacles they faced such as the lack credit facilities and lack of input support from government and the private sector (Fingaz 21 mar 2013).Contract farming arrangements are not new in Zimbabwe, the cotton industry in the 1990s introduced the same scheme for smallholder farmers and the great boom of the cotton industry was driven by contract farming introduced then by the Cotton Company of Zimbabwe. The arrangements led to increased production and improved quality of the crop (Fingaz, 2013). Contract farming has the potential to link farmers to markets and stimulate agricultural production in the face of globalisation (NEPAD). Contract farming arrangements can also fill in the void left by governments in the wake of liberalisation by providing access to inputs, technologies, credit and other services (NEPAD). According to Likulunga (2005), contract farming compels farmers to commit themselves to provide a specific commodity in quantities and at quality standards determined by the purchaser while the company commits itself to purchase the commodity at agreed prices and to support its production through provision of inputs (seed, fertilizers and pesticides) on credit and technical advice (extension services).However, contract farming for small farmers in Zimbabwe has met with mixed success with allegations of both parties failing to respect their contractual agreement resulting in side marketing by farmers, with the contractor also being accused of underpaying the farmers. (Fingaz, 2013). This can also lead to default by the contract farmers, which is detrimental to their agreement with Agribusinesses. Seed manufacturing company DuPont Pioneer Zimbabwe (Pvt) Ltd announced that it had suspended its long-running contract farming scheme, after farmers failed to repay loans (Muza, 2013). The seed producer said it intended to first recover unspecified outstanding amounts, pursuant to which it would consider whether to resume the scheme or not (Muza, 2013). The pulling out of contracts is one of the ways that players in the cotton industry have used in response to side marketing of cotton by farmers.

Whereas most researches have documented the prevalence of side marketing it will be equally important to evaluate the strategic responses of cotton companies to side marketing. Evidently, the contract farming model is still confronted by many challenges, the biggest of which are probably lack of an all-encompassing legal framework and side-marketing. Given their lack of bargaining power and limited access to legal services, farmers are known to sign lop-sided contracts without a proper understanding of the risks and benefits of contract farming. (Muza, 2013).Typically, farmers also complain about the prices offered by contractors, which they argue are too low to enable them to outgrow contract farming and become self-sustainable. Farmers are also up in arms with contractors who insist on buying their entire crop despite having funded only part of it. Farmers have also argued that delays in disbursement of inputs affect yields (Muza, 2013).

AICO group chief executive officer told Standardbusiness that his company lost about US$10 million dollars in 2010 after Sino-Zimbabwe allegedly purchased cotton from farmers contracted by the local industry (Standard 2011). In July last year, Zimbabwe cotton players took steps to stop SinoZim from using political muscle to allegedly purchase cotton from farmers contracted by other companies in the industry(Standard, 2011). Yet others argued that in order for contract farming initiatives to truly succeed, government must first take responsibility for changing the delinquent culture created by its free input hand out schemes which have negatively impacted on the willingness of farmers to repay commercial debts even when the ability to do so is not in question. Devenish (2011) stated that although contract farming with small-scale holders was profitable, recording a US$7 million profit in March 2011, side marketing remained the biggest problem. Section 14 of Statutory Instrument 142 of 2009 makes it obligatory for contracted growers to sell their cotton seed to the company that supported them in terms of the contracts. The law states that seed cotton produced by a grower in terms of a contract with a company can only be sold to the contracted company. It is imperative to come with strategies on the part of contracting companies to address the issue of side marketing in Zimbabwe. Actors have tried various ways to gain an upper hand and the purpose of the paper is to interrogate the effectiveness of strategies adopted by contracting firms to eliminate side marketing of cotton in Zimbabwe.

LITERATURE REVIEW

There are a number of driving forces behind contract farming in Zimbabwe including but not limited to diminishing national agricultural productivity, economic downturn, raw material shortages for agro processing and increasing food insecurity which in recent years has been exacerbated by the catastrophic impact of climate change (Nhodo & Changa, 2013). According to Coulter, Goodland, Tallontire and Stringfellow (1999), smallholders have been involved in contract farming in large numbers and in Zimbabwe over 50,000 now participate in the cotton sector alone. Contract farming has gained impetus in Zimbabwe through the private sector as the major driving force (Nhodo & Changa, 2013). With inputs in hand and assured markets for every crop sown under contract, private business promises a lighter yoke to the smallholder (Dzingirayi, 2003). Contract farming is premised on a contract signed between a farmer and a firm with an agreement between the two parties that the firm will purchase the farmer’s products in order to market them or process them (Nhodo & Changa, 2013). Schemes typically involve the provision of inputs (seed, fertilisers, and pesticides) on credit, often with extension advice, but may also include a range of other services such as ploughing and crop spraying (Nhodo & Changa, 2013). The repayment of any loans and the costs of providing these services are recouped when the produce is sold (Coulter et al., 1999).

Dzingirayi (2003) argued that contract farming emerges as a mechanism to reorient smallholder agriculture in ways that answers to the needs of private business. As a continually evolving process, contract farming has taken many dimensions and has become the most popular issue in cotton production (Mafuse, Munyati, Mataruse, Manyumwa, & Chimvuramahwe, 2012).They further contend that contract farming has been recognised in Zimbabwe and as a system that has the potential to increase productivity and reduce rural poverty. Apart from provision of inputs contract farming has the following benefits: access to credit and loans, provision of extension and technical advice, appropriate knowledge and management systems (Mafuse et al., 2012).

The roots of contract farming in Zimbabwe lay with the government. At independence, Dzingirayi (2003) felt that government bodies had exploitative relations with resettled farmers. Government bodies, as a nationalist project, which small scale plot holders tolerated when

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liberation war memories were still fresh, became increasingly unacceptable to the new farmers wanting to accumulate personal wealth (Dzingirayi, 2003). He cited a case of embittered farmers who crossed, with their loaded and covered carts, the Tokwe River in the west to sell grain to the food deficient areas which include Chivi, Shurugwi and Charumbira. To all intents and purposes, side marketing was a response to poor prices under the government schemes leading to their demise. In the process as the economy changed, Government was superseded by agri-business firms which traditionally preferred working with big commercial farmers. The firms would rather do business within the framework of contract farming. The arrangement would allow for the transfer of technology which is not only important in assuring productivity but also in improving the dignity of the sector and the smallholder battered by years of colonial strangulation (Dzingirayi, 2003). He further argued that the degree to which these farmers will succeed will depend on their ability to mobilize these resources, and so some partnership with the private sector is not only desirable but also necessary. One of Africa's main development challenges is the delivery of agricultural services (markets, inputs, financing and other support) to smallholder farmers (Coulter et al., 1999).

Most farmers are used to produce cotton under the contract farming model. Contract farming has become the conventional system which farmers are implementing and are failing to neglect even with the introduction of new dealers in cotton such as those from China (Mafuse et al., 2012). The condition where smallholders become tied to private business arises and persists in part because there lacks a mechanism to restrain private business in ways that simultaneously protect smallholder interests (Dzingirayi, 2003). He further stated that the utility of contract farming as a vehicle for improving smallholder agriculture even in the new resettlement schemes of Zimbabwe will depend on the degree to which farmers reorganize to become a force to engage private business. The enigma is that in spite of the much heralded virtues of contract farming as a catalyst for improving the strained rural livelihoods, the Mukosi cotton farmers' experience reveals that the said farming practice far from being an antidote to the problems bedevilling such rural communities has actually degenerated into a battlefield where the local farmers and the private companies compete to position themselves in relation to the pricing system, culminating in a serious impasse that is relentlessly threatening to render contract farming enterprise obsolete (Nhodo &Changa, 2013). Consequently side marketing becomes an integral component of contract farming on the part of farmers in response to the uneven playing field.

If there is anything smallholders learnt from the government form of collectivization, it is knowing that champions of development including the state, can after all be beaten and cheated, if only victims can be brave, risky and smart (Dzingirayi, 2003) This has led to side marketing of cotton in Zimbabwe and the Ministry of Finance (2011) in Mafuse et al. (2012) noted that incidences of side marketing activities by contracted farmers are threatening the existence of financial schemes which leaves a lot of questions as to which production approach is perfect for smallholder farmers (Mafuse et al., 2012). The attempt to interlock smallholder agriculture with industrial needs and operations in turn generates bitterness among smallholders who remain in the partnership through theft and other alternative legalities like side-marketing due to lack of viable alternatives (Dzingirayi, 2003). Contract farming is far more complicated than gifts proffered by contracting companies (Dzingirayi, 2003), because it links smallholders to exploitative and uncontrollable markets. Contract farming is intended to hide its exploitative nature in the eyes of the farmer.

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Smallholders are promptly proffered starter packs (seeds, chemicals and fertilizers) by their company and their acceptance constitutes an indelible signature to the contract (Dzingirayi, 2003), and according to Mafuse et al. (2012), the cotton companies are taking advantage of the underrepresented or unrepresented contracted farmers. They are being paid less for their produce than self- funded farmers due to the nature of the contracts that they have with the contractors even if the contractor is offering inputs. Dzingirayi posits that the company requires that the smallholders must accept the price it unilaterally sets. These vulnerable farmers have thus been wrongly conceptualized as *tabula rasa*s or passive recipients of developmental intervention programmes (Nhodo & Changa, 2013), yet they are key players to the welfare of these organisations.

On one hand there emerged a very militant section of the farmers which has taken the contracting companies head-on and is refusing to sell the produce until all their demands are fulfilled, while on the other hand a number of farmers are taking an indifferent approach and in a way are prepared to sell the cotton as a result of social economic pressure that come with the continued delay in selling their cotton (Nhodo & Changa, 2013). Self-funding proves to be a better system as the farmer is left with a vast wide market option to consider and realizes a better margin in terms of income as compared to contract farming (Mafuse et al, 2012). This might work against contract farmers who get significantly less revenue from Agri businesses. Agribusinesses adopt a strategy to maximize company claims on the smallholders while reducing those of the smallholder (Dzingirayi, 2003). As a result, some contract farmers clandestinely sell their cotton in an attempt to settle other debts they have incurred during the course of the farming season, since the continued delay in selling the cotton will worsen the already volatile situation for them (Nhodo & Changa, 2013). Coulter et al. (1999) argued that unfortunately farmers may also be willing to participate ***in side marketing*** if they perceive potential for strategic default. The onus is on the provider to anticipate situations in which this might arise (for instance, where a crop can be consumed on-farm or marketed locally), to put the necessary mechanisms in place to avoid it, and to make sure that farmers are aware that strategic default will not be possible (Coulter et al., 1999).this research seeks to establish the contribution of such measures in curbing side marketing.

The contracting companies should justify their nefarious cotton prices rather than just forcing the villagers to accept their position and always try to be transparent in the way they engage farmers in this farming enterprise (Nhodo & Changa, 2013). In a related issue Likulunga (2005) argued that the contractual arrangements in Zambia vary from commodity to commodity, but common to all of them is the weakness of enforceability when the contract is breached. In this regard, contracting companies have very limited legal cover and in cases their operations can be affected by the politics of a country particularly in Zimbabwe. He also stated that this is mainly because the litigation process in Zambia takes too long and therefore enforceability through litigation process is costly and therefore not resorted to which works against the contracting businesses, a situation likely to obtain in Zimbabwe. It is therefore imperative to measures beyond legal frameworks to curb side marketing.

Side marketing can actually result in default. According to Likulunga (2005) the default rate for small-scale cotton farmers became quite high with recoveries rate reaching a low of about 60%

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and as an innovative way of addressing the problem, Dunavant, a leading cotton agribusiness firm introduced the "Distributor System" which improved the recoveries rate to above 95%. Under the "Distributor System", a group leader who is also a farmer is identified and becomes a link between Dunavant and the small-scale farmers (Likulunga, 2005). This is in line with proposal by Coulter et al. (1999) who advocated for lending through a group for the provision of inputs and services to minimise the risk of default which method is used by agribusiness in the Zimbabwe cotton sector. According to Lukulunga (2005), the contract is signed between Dunavant and the Distributor who represents 30 – 100 farmers. In addition the group leader (Distributor) is given a free bicycle and also seed and fertilizer on loan to be recovered at the end of the season through a crop equivalent to the cost of the inputs. Dunavant therefore does not interface with the farmers, the distributor is the only link with the farmers and he gets a commission for the collections he makes from the small-scale farmers under his group. In contrast, Dzingirayi found that as part of ensuring continued smallholder compliance, the company developed a pervasive monitoring and control mechanism. The first form of control is internal and relies on social capital where farmers are all organized in groups of which there is one in the village. Farmers are given inputs on condition that they persuade one another to honour their debts to the company or that they all market their produce to the company.

Since villagers must know and associate with each other, the company hopes that they will use this intimate interaction to discipline each other in dealings with it (Dzingirayi, 2003). While it ensures the delivery of some produce to the company, this mechanism does not fully deliver full and desired results because it is difficult and sometimes dangerous for the groups to persuade each other to confirm to a certain pattern. For instance, farmer groups which represented Canners and encourage smallholders to pay up their debts were often threatened with punishment by those who have been aggrieved by the company (Dzingirayi, 2003). He also found out that:

> The dissatisfaction with social capital has shifted the company's position from one relying with internal forms of control to those that are externally reinforced. In practice his function is mainly to preventing leakage of contracted products. This he does by policing and surveillance. All the time, he makes himself visible to the villagers, especially those whose crop is ready, the point being to convey the notion that they are being watched for any possible mischief (p.11).

Even though this appears quite exhaustive, the company is not altogether contend with the results and is busy realigning its policy to keep farmers in control and the company is upgrading it to a more robust strategy organized around fear (Dzingirayi, 2003). This is an indication of policy failure with force being resorted to in some cases. For example, at a 2002 village meeting when farmers criticized the company for unilaterally fixing price and for treating farmers as small children, a Canners official threatened to auction the properties of defaulting smallholders, from chickens, donkeys, goats to cattle, a threat that was understood by smallholders who value and whose livelihoods depend on livestock (Dzingirayi, 2003).

The development of competitive output markets has shifted the balance of risk toward agri-business, and the latter now has a strong incentive to maintain good relations with smallholders, since this helps secure future access to their produce (Lukulunga, 2005). The absence of effective legal systems, the lack of collateral held by smallholders, and weak insurance sectors, create considerable risk for companies entering into contracts. There is need for a compromise position for the companies to benefit from contract farming. The problem of deliberate default has been exacerbated by failed development programmes where credits have not been recovered, fostering a perception among some farmers that the penalties are minimal. In this regard, Coulter et al. (1999) reported that strategies for reducing farmer default were:

- Lending through group.
- Good communication and close monitoring of farmers.
- The range and quality of services offered.
- Incentives for repayment, and strict treatment of defaulters.
- Co-operation between buyers.

These are some of the strategies that researchers and Agribusinesses have adopted and the purpose of this paper is to assess how well these and other strategies have addressed issues of side marketing and farmer default to the satisfaction of both parties in contract farming.

METHODOLOGY

This report is based on a survey of cotton farmers and companies based in Gokwe North in Zimbabwe. Desk study on contract farming in Zimbabwe and other selected SADC countries was also done to complement the survey. Both primary and secondary sources of information were used. Primary information was obtained by administering a questionnaire to several companies in the country and personal interviews of key informants. About 50 people were contacted in all. Secondary information was obtained from annual reports of the cotton companies in Zimbabwe, for the period 2009 to 2013. However, some of the persons contacted in the various companies were reluctant to divulge information on their contract farming or out grower schemes for reasons of company policy or confidentiality. Some expressed concern that any disclosure could be detrimental to the company's operations and plans, and beneficial to their competitors. As a result, only superficial information was obtained from these companies. Other companies were willing to discuss their operations in general terms, but not to divulge details of their contractual agreements with farmers. Although several of the companies indicated that their contracts were available for perusal, only a very limited number of companies were willing to provide a copy of their contract with farmers. Confidentiality and an unwillingness to share their contracts, which in some cases have cost the company a considerable amount in legal fees, were cited as the main reasons. It would of course have been preferable to examine the actual contracts so as to more fully and accurately assess the obligations of both parties. However since this was not possible, for the sake of balance and fairness, none of the contracts that were obtained are included in this report.

RESULTS

Side marketing is a major challenge affecting both cotton companies and the contracted farmers. Ninety percent of the responding farmers conceded that they sold their cotton crop to companies other than those that provided the inputs while only 10% indicated that they honoured their contractual obligations. This view was confirmed by cotton company staff who indicated that side marketing was prevalent and continued to affect their organisations negatively. The major reasons behind side marketing were the prices offered by the contracting firms, with 96% of the farmers stating that the prices offered by cotton companies were not fair given the amount of work and resources they would have contributed to the growing of cotton. In Zambia, there is evidence that the agribusiness firms have an upper hand when it comes to bargaining over prices (Likulunga, 2005) while Dzingirayi (2003) contended that the company requires that the smallholders must accept the price it unilaterally sets. In this regard Mafuse, et al.(2012) confirmed that the margin between the profit earned by the self-funding farmers was much higher than that of the contracted farmers and in case, a negative return on capital and return on sales obtained by the contracted farmers indicated serious losses. Consequently, 84% of the contracted farmers indicated that their inability to meet other obligations such as children's school fees and other daily needs led to side marketing, while 70% also indicated that poor yields contribute to side marketing as all revenues generated from the crop will be absorbed by input loans leaving the farmers with little or no cash to meet their obligations. They therefore resorted to side marketing and loan default for the sake of their families' welfare, which was more of a social issue compared with other findings which pointed to pricing as a major contributor to side marketing.

On the issue of being aware of their contractual obligations under contract farming, only 40% of the respondents indicated that they understood the consequences of breaching their contractual obligations while the other 60% indicated that they did not understand them. These findings are much higher than the findings of Dawes, Murota, Jera, Masara and Sola, in Melese (2012) who stated that the findings of a wide-ranging survey covering a large number of contractual arrangements in the cotton, tobacco and horticulture sectors of Zimbabwe show that around 40% of the farmers did not fully understand the contract specifications. The differences could be accounted for in that the later was a national average while this was a focussed study in Gokwe, and in general literacy rates are considered to be on the . Although contracts cover the responsibilities and obligations of each party, but common to all of them is the weakness of enforceability when the contract is breached (Coulter et al. 1999). While they are deliberately ambiguous in order to reduce risk and loss on the part of Canners, the contracts are strategically clear on what the company demands and expects of the smallholders (Dzingirayi, 2003). Both Dzingirayi (2003) and Likulunga (2005) agree that the contracts were often skewed in favour of the companies and that embittered farmers crossed with their loaded carts, the Tokwe River to sell grain to food deficient areas (Dzingirayi, 2003). This partially explains why cotton farmers resorted to side marketing as they perceived injustices in their contracts. In addition the farmers are likely to be emboldened by the political climate in the country an issue raised by Devenish where defaulters hid behind politics for non-payment.

The research established that cotton companies resorted to lobbying government for legislation to stem side marketing of cotton in line with the recommendations by Coulter et al. (1999) who recommended that the development of legislation to cover contracts between smallholders and service providers may help protect both small farmers and minimise the risks incurred by businesses. The lobbying by cotton companies was fairly successful as this culminated in the promulgation of "The Agricultural Marketing Authority (Seed Cotton and Seed Cotton Products) Regulations Statutory Instrument 142" of 2009 (SI2009), which attempted to bring sanity to the sector by governing the orderly production and marketing of cotton. The instrument prohibits players who have not funded cotton growing from buying the cotton. The Statutory instrument has since been amended through an amendment (Statutory Instrument 63 of 2011) to make the regulations more effective in addressing side marketing (Mujeyi, 2012). However, if farmers do not have access to the legal process, this might prove to be a second best solution in terms of equity (Coulter et al., 1999). This is collaborated by the findings that 70% of the respondents alluded to the emergence of a secondary market for cotton, such as dealers who trade in various consumables in exchange for cotton which the dealers will subsequently sell to cotton companies. This in a way eliminated the case of direct side marketing which the Statutory Instrument did not address as it was targeted at companies when the intermediaries were teachers and business owners in the growing areas who will provide instant cash. The statutory instrument although in place failed to address issues of side marketing as evidenced by the case of AICO group which indicated to Standardbusiness (2011) that it had lost US$10 million in the previous year after another company had allegedly purchased cotton from its contracted farmers. Another example as reported by Muza (2013) was that of Dupont Pioneer which suspended its long running contract farming scheme after farmers failed to repay loans. The enforcement mechanisms either in the case of monitoring the compliance of contracts or breach of the same involving both the promoter/agent and the small-scale farmers are weak if not non-existent (Likulunga,). So at the end of the day legislation is not very helpful as noted by Coulter et al (1999) who noted that in practice, political realities and corporate image will often provide with de facto protection.

Muza also pointed to a strange situation arising whereby in court papers filed at the High Court, the Cotton Ginners Association of Zimbabwe (CGAZ) accused Sino-Zimbabwe Holdings of using “political gurus” — including Zanu PF ministers and party youths — to buy the crop from farmers contracted with members of the CGAZ. It is a clear case of the state subverting its own legislation for the benefit of preferred companies. Mujeyi (2013) acknowledged that the prevailing seed cotton marketing system is riddled with pricing related challenges characterised by price negotiation impasses that recur every marketing season, prompting Government intervention in a supposedly free market system. This is additional demonstration of politics interfering with commercial contracts sometimes to the disadvantage of cotton companies.

Another strategy adopted by the cotton companies was the offering of training to cotton farmers and all the companies pointed out that they educated farmers on contract farming before they were made to sign contracts. However, 82% of the respondents from cotton companies indicated that this strategy was not effective in curtailing side marketing. Only 18% stated that the strategy was effective. This finding is contrary to views by Dawes et al. (2009) who pointed out that when a company gets into a contract with a farmer, training programmes are necessary to ensure that farmers have enough knowledge on how to grow the contracted crop. This training is skewed towards crop production which is only one aspect of contract farming. In addition, NGOs also play an important role in enabling contract farming to expand by linking small-scale farmers to Agribusiness firms by providing training in technological and managerial skills where Agribusiness firms have no capacity, which is an important feature of contract farming. The work of NGOs is made easier by the use of government extension services (Likulunga, 2005). Small-scale farmers need to develop the skills in negotiating for higher prices for their commodities, but in the case of cotton, the companies dictate the prices while expecting good quality from the farmers. This lope sided approach is good reason for side marketing. These skills could be improved through training. Without training, farmers will always feel cheated by the cotton companies in the pricing of cotton which is market driven. There is need to improve the flow of market information and market trends. This could be done through formation of farmers' associations. This has been done for tobacco, coffee and more recently cotton. Such groupings will ensure that the members are not exploited (Likulunga, 2005).

Another strategy used by cotton companies is directed farming, which is close monitoring of the crop at various phases by company employees and the giving of technical assistance. Dzingirayi (2003) stated that "as part of ensuring continued smallholder compliance, the company has developed a pervasive monitoring and control mechanism. The first form of control is internal and relies on social capital." In terms of the law, the monitoring modalities of the scheme will include the AMA inspectors, Cotton Marketing Technical Committee (CMTC) members as well as the CGA Local Area Committees who will ensure that fair trade practices are observed (Mujeyi, 2013), and that any contractor operating in violation of the regulations will be penalised or have his/her buying licence withdrawn, depending on the gravity of the offense. More importantly is having an estimate of the likely yield which will be compared against the actual deliveries. Only 30% agreed that the strategy was effective while 70% were of the view that the strategy was not effective as evidenced by continued side marketing. This was in line with the observation by Dzingirayi (2003) who pointed out that while it ensures the delivery of some produce to the company, this mechanism does not fully deliver full and desired results, and that the practice is so widespread that Canners estimate that it loses up to 50% of the crop to black market despite the monitoring framework that was in place.

The cotton companies also arranged field days and other competitions as a strategy to establish closer relationships with the farmers. Fifty six percent of the cotton companies used this strategy extensively and included football and netball tournaments as part of the whole package targeted at farming communities. It was hoped to build lasting relationship with the farmers through such social relationships thereby building mutual trust among the parties. Only 58% of the respondents agreed that the strategy was effective but pointed out that the benefits were marginal as only those who participated in the tournaments benefitted directly not the farmers who are the major players.

DISCUSSION

Researchers have extolled the benefits of contract farming, with the majority claiming that it made available resources and markets to marginalised smallholder farmers (Dzingirayi, 2003, Likulunga, 2005, & Mafuse et al.). However they also alluded to gross inequality between the parties with the contract terms skewed in favour of companies rather than the farmers. Conflicts have always existed between the companies and the farmers and in the majority of cases have revolved around the pricing mechanism (Coulter et al. 1999, Dzingirayi, 2003 & Mujeyi, 2012).Cottco's financial results (Kembo,2014) stated:

> International lint prices firmed marginally from 80 US cents per pound last year to an average of 89 cents. The outlook for cotton prices remains bearish as produce is forecast to outpace global consumption for the second year running. Demand for the cotton business lint however remains strong.

It is difficult for small scale farmers to understand the mechanisms of international markets moreso given the use of multiple currencies in the Zimbabwean economy. Unlike prior to dollarization where farmers could benefit from foreign currency gains and bonuses, this is no longer applicable in the current environment. The farmers' response has been two fold and in the case of this study there was evidence of side marketing as confirmed by both farmers and company representatives.

Other depressing observations in the industry show that the strategies used by cotton companies to avert side marketing are not effective are not entirely working is the declining output by farmers and reduced intakes by some cotton companies. The reduced output seeks to address issues relating to prices and is a normal response to price disparities. The position of output and intake according to Cottco (2012) are:

> Zimbabwe's national cotton crop came down from 268,000 tonnes to 250,000 tonnes. Cottco's intake also declined from 111,000 tonnes to 103,000 tonnes. The year under review witnessed an acute decline in cotton production in Zimbabwe and the region. National output declined from 250000 tonnes in 2012/2013 to 145000 tonnes in the 2013/2014 season, a decrease of 42% (Kembo, 2014, p.B4).

This decline was attributed to a myriad of factors, chief among them poor rainfall distribution across the country and a reduction in inputs support by the cotton industry on speculation of poor industry compliance and excessive side marketing. The Cottco cotton business recorded intake volumes of 35000 tonnes which is a far cry from the projections made in 2009 of 51% of output.

Another strategy that was adopted by cotton companies was to reduce input support to the farmers. Lobbying resulted in the creation of legislation to control side marketing of cotton in 2009 and 2011. Cottco (2012) financial reports indicate that:

> The 2011/2012 cotton-buying season saw a lot more discipline amongst ginners and a higher level of enforcement of the statutory instrument by the authorities. This led to a more stable industry, which is encouraging to investment.

There was an improvement in curbing side marketing soon after the enactment of the relevant legislation but this seemed to be short lived as Cottco reported:

> The year under review witnessed an acute decline in cotton production in Zimbabwe and the region. National output declined from 250000 tonnes in 2012/2013 to 14300 tonnes in the 2013/2014 season, a decrease of 42%. The decline was attributed to a myriad of factors, chief among them poor rainfall distribution across the country and a reduction in inputs support by the cotton industry on speculation of poor industry compliance and excessive side marketing. The cotton business recorded intake volumes of 35000 tonnes.

Lobbying has been successful with a decline in side marketing but this has been negated by political interference. Politically it is suicidal to reduce provision of inputs and government have enacted relevant legislation to curb side marketing sought to play other roles in the industry as alluded to in Cottco's financial reports for 2014:

> Sadly, at the time of writing, there is turmoil in the industry as Government talks about subsidies, nationalisation of the crop and other market bending measures. It seems that these issues will be resolved, somehow, which is critical to the survival and growth of the industry.

Companies cannot be expected to fund cotton farming with government taking over the crop in later phases of the value chain. Actually government programmes have collapsed due to lack of proper funding arrangements and as alluded to by Cottco the survival of the industry is at stake here. Given the analysis above it seems that the majority of the strategies adopted by cotton companies to curb side marketing of cotton partially worked but have not addressed the problem to date.

CONCLUSIONS

Contract farming inputs should be availed to loyal farmers only so that the companies can realise improved recoveries on input loans as was the case in the 2013/14 seasons where according to Cottco Holdings Limited, recoveries improved by 9% despite lower intakes achieved. This calls for proper screening of contract farmers in line with ordinary credit facility arrangements. This is evident in the 2014 financial reports of Cottco wherein it is highlighted that despite the cotton business achieving lower than expected volumes, inputs scheme recoveries improved by 9% in line with expectations.

Government interference negatively affects confidence in the industry. Investment into the input schemes will decline leading to reduce outputs which will threaten the survival of the cotton industry. Government is encouraged to stop interfering in the industry and restrict its involvement to creating an enabling environment. There is a strong need to manage output to curb overproduction of cotton that outstrips current consumption and cotton companies should be at the forefront of this initiative.

Cotton companies should extending training to cover marketing and pricing issues and increased productivity on the farms. Farmers must appreciate market forces in price determination and should control their cost by improving overall productivity on the land rather than fight for price increases which are beyond the control of all players, thus there is need for more transparency in the industry.

There is need for more robust implementation of existing legal provisions rather than the current state of affairs where parties are dependent on the hope of existence of legal provisions will act as a deterrent to side marketing. There is need to develop legal framework to expeditiously deal with breaches of contracts. Local valued addition is critical for the benefit of both the companies and the farmers given the high demand for lint and that cotton production outpaces consumption (Cottco, 2014).

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