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Factors Influencing Acceptance of Contract Farming Among Youth

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ABSTRACT

Modern farming methods like contract farming have a great potential in ensuring the sustainability of the agricultural sector. Undoubtedly, youth, being the pillar of society, have an important role in ensuring the survival of agriculture globally. Hence, this study attempts to gauge the level of acceptance of youth towards contract farming and to determine the factors that will have an impact on their level of acceptance. A survey using quantitative methodology was the medium used to collect data from a total number of 400 undergraduates from four tertiary institutions in Malaysia. Data obtained were analysed using the SPSS software. Results showed that the respondents had a high positive acceptance of contract farming while further analysis showed that the significant predictors of acceptance of contract farming were attitude, knowledge and belief. The study also portrayed that education is important in motivating our youth to take up agriculture as a source of livelihood. Relevant exposure to knowledge, information and belief, will enable our youth to participate in the agriculture sector appropriately.

Keywords: Acceptance, contract farming, Malaysia, sustainability, youth

INTRODUCTION

Historically, it is undeniable that the agricultural sector worldwide is one of the important contributors in the development process of many countries. However, this sector continues to face numerous challenges; among the critical challenges are implementation of policies to make agricultural activities sustainable and a sound income provider for those who venture into it. Despite these challenges, many countries still faithfully believe that this sector is important as evidenced by

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the huge national budget allocations for the upgrading of the agricultural sector. In Malaysia, the government acknowledges that this sector is relevant and allocated almost USD1.6 billion in the 2011 budget for agricultural activities as well as set up more agriculture agencies and programmes that was hoped would boost the development of the agriculture sector.

To ensure the sustainability of the agricultural sector, contract farming is one of the modern agricultural methods that a country can implement; of late, policy makers, development planners, extension agents and researchers have been advocating contract farming as an important tool to overcome the various problems facing the agricultural sector. A great number of activities are available in the form of contract farming; among them are the planting of vegetables and fruit as well as the rearing of cattle and poultry.. According to Da Silva (2005), even though the issue of contract farming is not something new, it has actually grown significantly due to changes and trends that have an impact on agricultural systems globally. In line with present global trends, Malaysia too is recording dramatic changes in the consumption habits of its people owing to the rise of fast food outlets either local or international, emerging giant hypermarkets and wider opportunities for international trade in fresh and processed products. Consequently, in Malaysia, the need to implement contract farming has become an important issue, and there is an urgency to develop contract farming further.

CONTRACT FARMING AND ITS ATTRIBUTES

Generally, the concept of contract farming means an agreement between farmers or primary producers and marketing or processing firms (commonly known as the buyer). where at the core of such arrangements is the pledge by the producers to provide an agricultural commodity at a specified time and price and in specified quantities to a known buyer (Singh, 2005). Further, according to Morrison *et al*. (2006) in the last three decades, contract farming has become an increasingly characteristic organisational form in the global agrifood system, facilitating linkages between farmers and purchasers. Hence, the purchaser would support production in supplying the inputs, providing technical advice and purchasing the commodity and on the other hand, the producers, as pre-determined by the purchasers, would provide a specific commodity in specified quantities and quality standards.

As mentioned above, the concept of contract farming requires a certain form of agreement between the producers and the buyers, and as such, there exists a contractual arrangement. Such arrangements vary in intensity according to the depth and complexity of the transactions. Minot (1986) classified the format of contract farming into three areas, namely "market specification", "resource providing" and "production management". In the first modality, the grower and buyer agree to terms and conditions for future sales and purchase of a crop or livestock product.

On the other hand, in the second modality, based on the marketing arrangements, the buyer agrees to supply selected inputs, including on occasions, land preparation and technical advice. Finally, under a "product management" contract, growers agree to follow recommended production methods, input regimes and cultivation and harvesting specifications.

On top of that, according to Mansur *et al.* (2009), there are also different types of models that elaborate further on the concept of contract farming; among them are the centralised model, the nucleus estate model, the multipartite model, the informal model and the intermediary model.

In the centralised model, the marketing arrangement is a vertical coordination where the sponsor purchases the crop from farmers and processes and markets the products. Quotas for farmers are normally distributed at the beginning of each growing season, and quality is tightly controlled (Eaton, 2001). On the other hand, the second model as stated by Mansur *et al*. (2009) is the nucleus estate model where the sponsor of the project owns and manages an estate plantation, which is often fairly large in order to provide some guarantee of throughput for the plant. The third model, the multipartite model, which usually involves many types of agencies, is the intermediary model where middlemen act as intermediaries between the company and the farmer. The fourth model, the informal model, according to Mansur *et al*., applies to individual entrepreneurs or small companies who normally make simple, informal production contracts with farmers on a seasonal basis, particularly for crops such as fruit. The final model is the intermediary model, which sees the presence of middlemen between the company and the farmer, and these middlemen according to Mansur *et al*. could pose a problem since the direct link between the sponsor and producer could be disconnected.

YOUTH INVOLVEMENT IN AGRICULTURE

Undeniably, youth play an important role in the sustainability of the agricultural sector since ageing farmers dominate the workforce in this sector. A thorough search of the existing literature showed that the number of youth involved in agriculture is cause for alarm. According to Hassan and Azril (2009), the average age of farmers in Malaysia exceeds 46 years of age. Another study by Norsida (2007) provided similar information i.e. most farmers were 55 years of age and above and only less than 26% of farmers were aged 15-40 years. In line with this, much effort will be required to encourage more youth to participate actively in agriculture, which could lead to the benefit of reduced unemployment among youth. It is heartening to note that even though, according to Man (2008), youth in Malaysia have a negative perception towards agriculture, they do believe that hard work and relentless effort combined will be able to transform agriculture into a profitable industry. Identifying modern ways and means will help to attract more youth to pursue agriculture as their source of living. Thus, we believe that contract farming with

its unique mechanism has the potential to motivate more youth to participate in agricultural activities. It is evident in many countries that contract farming is able to provide the necessary supply of raw meat products, vegetables and fruit for sale and consumption, and consequently, many small agriculture firms are able to maintain a steady income.

DETERMINANTS OF YOUTH ACCEPTANCE OF CONTRACT FARMING

Many earlier studies investigated factors that influence youth to accept and participate in farming activities; one of these constructs is attitude. In general, a positive attitude will lead to better acceptance and a negative attitude will lead to negative acceptance. A study done by Gidarakou (1999) proved this; he noted that generally, most youth have a negative attitude towards farming and this resulted in difficulties for youth to accept farming as a vocation. However, a study completed by Kumar (2007) contradicted what was stated by Gidarakou (1999); Kumar noted that the benefits that farming can offer the community will be to increase youth acceptance of farming. In this study, Kumar noted that, lately more farmers in India have a positive attitude towards farming because of price protection on their crops. The study done by Kumar is in line with an earlier study that Mann and Kogl (2003) carried out, in which it was found that adequate monetary gains through farming results in creating a positive attitude towards farming, and, consequently, acceptance of farming activities are further boosted.

Knowledge is another important predictor variable related to acceptance of contract farming among youth. According to studies done by Shaban *et al*. (2006), James (2004) and Frick *et al*. (1995), knowledge is paramount in enabling people to accept agriculture as their source of livelihood. Among the highlights of their findings is that adequate farming literacy knowledge will enhance acceptance of agriculture, as this will lead them to embark on new technologies that will assist them in improving productivity; many people refuse to acknowledge what agriculture can offer due to lack of knowledge of its benefits.

Yet another significant factor that influences the development of new farming strategies such as contract farming is the consistent support received from various stakeholders. As mentioned by Wheeler (2008) and Guo *et al*. (2005), the support received from the government, extension agents, media and contractors is important for farmers to accept contract farming. Further, it noted that farmers who ventured into contract farming expressed their desire to receive support in terms of price control, management of farm from agricultural officers and information on latest technology.

Apart from that, another significant factor that acts as a determinant of acceptance of contract farming is the role of belief. Adrian *et al*. (2005) stated that belief influences farmers' acceptance of modern farming methods; consequently, it should be recognised that if youth can place

a high level of trust in contract farming as an instrument that will yield benefits for them, that trust would be a great boost for them in accepting involvement in contract farming activities.

Based on the above arguments, this study embarked on an investigation of the level of acceptance of contract farming among youth in Malaysia and its influencing factors, in order to understand further the phenomenon of motivating younger generations to participate in agriculture.

METHODOLOGY

The study collected data through a survey where the dependent variable was acceptance of contract farming while the four-predictor variables were attitude, knowledge, belief and support. Previous literature was the reference used to construct the items for these variables, and professional academicians in the field of agriculture validated them. The target population of this study was local university students with background knowledge of agriculture, economics and other relevant subjects. Four hundred students from four zones in Malaysia participated in the study. Prior to that, a pre-test was carried out to ensure the reliability of the items. For data analysis, this study utilised descriptive statistics such as percentage, frequency, mean and standard deviation. It also employed inferential statistics like Pearson Product Moment and Multiple Linear Regression to determine the correlation of constructs and the influence of predictor variables.

RESULTS

Respondents' profile

A large majority of the respondents in this study were females (70.8%). This is consistent with the current situation in Malaysia whereby female students are the dominant group in the institutions of higher learning. Findings from this study also noted that more than four fifths of the respondents (90.0%) were Malay. The age of 40.2% of the respondents' was between 20 and 21 years old, with the mean age being 20.78 years old. Three quarters of the respondents (75.0%) were pursuing degree courses. Data, presented in Table 1, showed that 31.8% of the respondents spend between RM300 and RM400 a month, with the mean score of RM395.85. Half of them were pursuing agricultural courses (50.0%); the majority live in urban areas (59.5%); slightly more than three quarters come from families that have an agricultural background; and more than half of the respondents (54.8%) have received information concerning contract farming (Table 1).

Level of acceptance of contract farming

Next, the focus is on the respondents' acceptance of contract farming. As presented in Table 2, a large majority of respondents (71.8%) had a high positive acceptance of contract farming. Twenty-eight point two per cent (28.2%) of the respondents moderately accepted contract farming. It is interesting to know that none of the respondents had a low level of acceptance of contract farming. This is a good indicator

TABLE 1
Socio-demographic of Respondents (n=400)

Variables	Frequency	Percentage	Mean	SD
Gender				
Male	117	29.2		
Female	283	70.8		
Ethnicity				
Malay	360	90.0		
Chinese	15	3.8		
Indian	14	3.5		
Others	11	2.7		
Age			20.78	1.53
18-19 years	111	27.8		
20-21 years	161	40.2		
22-24 years	128	32.0		
Zone (location of university)				
Northern	100	25.0		
Central	100	25.0		
East Coast	100	25.0		
Southern	100	25.0		
Level of most recent education received				
Degree	300			
Diploma	100			
Monthly expenditure (value in Ringgit Malaysia, RM)			395.85	217.18
<200	57	14.2		
201-300	102	25.5		
301-400	127	31.8		
>401	114	21.5		
Courses taken				
Agriculture	200	50.0		
Economic	100	25.0		
Others	100	25.0		
Locality				
Rural	162	40.5		
Urban	238	59.5		
Family background (regarding agriculture) (n = 381)				
Have	79	19.8		
Do not have	302	75.5		
Received information regarding contract farming				
Yes	219	45.2		
No	181	54.8		

TABLE 2
Overall Level of Acceptance of Contract Farming

Factors	Frequency	Percentage	Mean	SD
Acceptance			7.29	1.15
Low (1.0-3.33)	0	0.0		
Moderate (3.34-6.67)	113	28.2		
High (6.68-10.0)	287	71.8		

TABLE 3
Factors Affecting Acceptance of Contract Farming (n = 400)

Factors	Frequency	Percentage	Mean	SD
Belief			7.67	1.25
Low (1.0-3.33)	0	0.0		
Moderate (3.34-6.67)	76	19.0		
High (6.68- 10.0)	324	81.0		
Knowledge			7.54	1.25
Low (1.0-3.33)	2	0.5		
Moderate (3.34-6.67)	105	26.2		
High (6.68- 10.0)	293	73.3		
Support			7.53	1.31
Low (1.0-3.33)	1	.2		
Moderate (3.34-6.67)	93	23.2		
High (6.68- 10.0)	306	76.6		
Attitude			7.33	1.38
Low (1.0-3.33)	3	0.8		
Moderate (3.34-6.67)	119	29.8		
High (6.68- 10.0)	278	69.4		

for the future of agriculture in Malaysia, as the respondents believed that innovative agricultural methods would prompt them to embark in agricultural activities.

Factors affecting acceptance of contract farming

On the other hand, Table 3 indicates the mean scores obtained for the four independent variables; the highest mean score was for the construct of belief (M=7.67, SD=1.25), followed by knowledge (M=7.54, SD=1.25), support (M=7.53, SD=1.31) and attitude (M=7.33, SD=1.38).

One of the important objectives of this study was to inspect if there was a relationship between acceptance of contract farming and selected independent variables. To achieve this, Pearson Product Moment correlation was employed.

TABLE 4
Relationship Between Independent Variables and Acceptance of Contract Farming

Variables	r	p
Attitude	0.667	.0001
Knowledge	0.621	.0001
Support	0.583	.0001
Belief	0.524	.0001

The data shown in Table 4 indicates that all the four independent variables, namely, attitude (r=.667), knowledge (r=.621), support (r=.583) and belief (r=.524), have a significant and positive relationship with attitude towards contract farming. Based on the data obtained, it can be seen that there is a moderate linear relationship between attitude and acceptance of contract farming (r = .667), knowledge and acceptance towards contract farming (r = .621); support and acceptance towards contract farming (r = .583); and belief and acceptance towards contract farming (r = .524).

Predictors of Acceptance of Contract Farming

Further analysis of the data was done via multiple linear regression to reveal the significant contributors among the predictor variables in explaining acceptance of contract farming. The results of the multiple linear regressions performed as in Table 5 showed that only three independent variables gave the best prediction for acceptance towards contract farming and explained about 53% of variation in acceptance of contract farming. The three variables were attitude, belief and knowledge.

TABLE 5
Factors that Contribute to Acceptance of Contract Farming Using Multiple Linear Regressions

Independent variables	Beta	t	p
Constant		5.823	.0001
Attitude	0.388	8.220	.0001
Knowledge	0.229	4.423	.0001
Belief	0.159	3.519	.0001

DISCUSSION

The results showed that respondents who have better attitude towards contract farming would have better acceptance of contract farming. The results here are consistent with a number of past studies that emphasised on relationship between attitude and acceptance. Stobbelaar *et al*. (2007) and Hyttia and Kola (2006) have proved that attitude brings changes to people's acceptance of contract farming. Usually, a positive attitude towards something will drive people to accept new ideas.

The data presented in Table 5 also showed that there was a significant and moderate relationship between knowledge and acceptance of contract farming; youth with a higher level of knowledge of contract farming were predicted to have better acceptance of contract farming. The importance of knowledge is undeniable in creating positive acceptance of contract farming. Knowledge holds the main key to everything, and can be a catalyst of development for anybody who possesses it. Begum (2005) in his study noted that possession of technical knowledge would play a major role in driving someone to accept contract farming.

A significant and moderate relationship also occurred between belief and acceptance of contract farming. Based on the results obtained, it can be inferred infer that youth with a positive belief in contract farming will show a better level of acceptance. Duncan *et al*. (2004) noted that belief would play a significant role in intensifying acceptance and knowledge of youth regarding agriculture. The more youth believe that agriculture will generate profits, the higher their level of acceptance of contract farming. Osborne and Dyer (2000) hold a similar view; they stress that positive belief will result in positive attitude towards agriculture and will drive youth to accept contract farming.

CONCLUSION

Agricultural sustainability relies to a certain extent on youth involvement as a catalyst to boost novel farming methods such as contract farming. This study was able to identify significant factors that could predict acceptance for contract farming, with the major ones being attitude, knowledge and belief. Youth need to possess a positive attitude to foster their participation in agricultural activities and need to have a positive mind-set that that can encourage them to feel inclined towards farming. Further, youth should perceive knowledge and beliefs as integral to their participation in farming activities. Hence, the results display useful information for policy makers to utilise education as a tool to increase youth's positive attitude towards farming. Based on the findings of this study, this paper recommends that introducing more specific contract farming related courses at the tertiary level would lead to an increase in awareness and acceptance of contract farming among youth. This will pave the way for more youth to get involved in innovative farming activities, making agriculture attractive and maintaining its sustainability.

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