

EXECUTIVE SUMMARY

Shortage of quality seeds and planting material remains one of the major problems for increasing production and productivity. Contract seed production of government as well as private sector contributes remarkably to the local seed industry. Hence this research is focused on current issues and discusses contract farming in vegetable seed production and the roles of all the stakeholders in some major seed producing districts namely Anuradhapura, Kurunegala, Matale, Nuwara Eliya and Kandy. The study is mainly based on primary data collected through different methods such as sample survey, case studies, key informant discussions and focus group discussions.

Both the DOA and private sector contract farmers were included in the survey. According to the findings, 65% of the sample contract farmers were in 31-50 years of age categories and most of the private sector contract farmers were young and in the 31-40 age group. Further, 89% of areas under seed production were less than one acre. Majorly of the total contract (94%) and 83% of private contract farmers did not have written contracts. In the private sector there was a higher possibility of breach of contract when current seed prices were less than the agreed price. Contract farmers face problems of low investment capability (67% of total contract farmers) delayed payment for supplies (78% of DOA farmers) and lack of high level of agricultural knowledge (54% of total contract farmers). According to the overall view of the sample farmers, seed production is profitable (90%). There was significant relationship between private and government contract growers' returns per rupee of investment and it shows that government contract growers earned average profits and private contract growers earn higher level of profits. More than two rupees returns per rupee of investment were gained by 47% DOA farmers and 57% private contract farmers. There was a significant difference between time of settlement of payments under contract agreement between the DOA and the private sector. As much as 13% DOA contract farmers and 83% private contract farmers received payments within one month.

In the case of private sector, importance of having a written document should be emphasized as higher possibility of breach of contract by firms existed. DOA should take steps to attract young innovative farmers to the contract programme. Delayed payment for supplies for the farmers should be minimized in order to attract farmers to the DOA contract programme. Further, seed producing farmers should be provided with concessionary credit facilities and training on improved methods of production, processing and storing as most of the farmers have only the traditional knowledge. But the new technology should be introduced to move Sri Lanka with other countries in seed industry.