

**Productive application of forward sales contract system for rice marketing:  
A case study in Rajanganaya area**

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Drastic price fluctuations occur in the rice market between the harvesting season and the off-season. This creates a serious problem of marketing farmers' paddy production at a stable and reasonable price. As a measure to solve this problem, Central Bank of Sri Lanka introduced a Forward Sales Contract system in 1999, named "Govi Sahanaya". A Forward Sales Contract is an agreement made between a buyer and a farmer to sell agricultural commodities on a certain future date at a predetermined price. In addition to the farmer and the buyer, a facilitator (usually a bank) also participates with this system. This study has two objectives as, assessing the farmer response to FSC system and to propose practical approaches to improve the FSC system. Rajanganaya Irrigation Project was selected for this farmer survey because higher numbers of farmers who have an experience with the FSC system were concentrated in that area. Primary data were collected from pre-tested questionnaires through personal interviews during March 2006. Data were tabulated using MS. Excel package and analysed using descriptive statistical tools such as charts and percentages.

FSC system has become the second highest farmer preference, out of three main opportunities of rice marketing (Guaranteed Price Scheme, private dealers, FSC system). Most of the farmers (80%) have a positive attitude towards the FSC system. There was an increasing trend of farmer number, engaging in FSC system from 2004/05 Maha to 2005 Yala season. Farmers prefer this system due to good quality seed paddy, straight fertilizer and support services rendered by the Seylan Bank in addition to the availability of reasonable price for the farmer production. The most critical reason for not consenting with this system is weaknesses of Seylan Bank's facilitating activities. The major problems in implementing this system are violating the contract by the buyers by 33% as well as the farmers by 45%. But still 70% of farmers are willing to engage in this system again. With regard to the Bank's procedure, farmers expect the Bank to make the procedure easier and grant the credit in correct time, while for the improvement of the FSC system, 83% of farmers expect to have a government involvement to some extent. Farmers expect to improve awareness and build confidence on FSC system by having freedom to engage individually. There is a higher trend in preference to have awareness programmes through monthly meetings of Death Donation Society in the area.

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