

**ADOPTION OF FORWARD SALES CONTRACT SYSTEM BY PADDY
AND MAIZE FARMERS IN ANURADHAPURA DISTRICT OF SRI
LANKA**

H.P. Gunawardhana¹, K.S. Karunagoda², Y.M. Wickramasinghe¹

¹*Department of Agricultural Systems, Faculty of Agriculture, Rajarata University of Sri Lanka, Anuradhapura, Sri Lanka.*

²*SocioEconomics and Planning Centre, Department of Agriculture, Peradeniya, Sri Lanka.*

The Forward Sales Contract System (FSCS) was introduced by the Central Bank of Sri Lanka in 1999 as a system of stabilizing prices for agricultural products. The FSCS is a legally binding agreement between a buyer and the seller, which the buyer agrees to buy an agreed quantity of a produce of specified quality at pre-determined price at a future date and the seller agrees to deliver that quantity with required quality. In spite of numerous promotional programmes, by the Central Bank the level of adoption has been very low.

This study was conducted in Anuradhapura district of Sri Lanka to assess the factors affecting farmers' participation in the FSCS and the problems encountered by farmers. The socio-economic characteristics of adopters and non-adopters of FSCS were analyzed using the binary logistic model. The estimated coefficients of the model for both paddy and maize farmers indicate that off-farm employment, land extent and social participation are significantly related with the adoption. Further access to extension services for paddy farmers and farming experience of maize farmers are also contributed significantly. Farmers' suspicion, volume of documentation involved and dissatisfaction with the benefits are the main problems for the

farmers to evade the adoption. Awareness programs, promotion of social participation and extension contacts, and media exposure could be used to enhance the adoptability of FSCS. Establishment of well-functioning separate body and simplification of legal procedures could also be recommended to promote FSCS among farmers.

Key Words: Forward Sales Contract System, Paddy, Maize, Adoption