

## **Development of Farming Sector through the Forward Sales Contract: A Case Study in Monaragala District**

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### **Abstract**

One of the serious problems of small farmers in Sri Lanka is the marketing of their Agricultural commodities at a reasonable price. As an initial step for this, the Central Bank of Sri Lanka has introduced the Forward Sales Contract (FSC) system in 1999. This was introduced to popularize the concept of contractual marketing system between the sellers and buyers. Both type of farmers (paddy and maize) could be found in Monaragala district who are farming under FSC through the Seylan bank. This study was mainly based on four objectives: to examine the farmers and their adoptions of FSC system; to identify the potentials related to FSC; to identify advantages and disadvantages of both buyers and producers in FSC; and to make suggestions to improve the FSC.

Thirty paddy farmers from Puhulkotuwa village and 30 maize farmers from Kiwleyaya village were selected purposively under FSC. Primary data were collected by a field survey using a structured questionnaire. According to the study most of farmers (paddy 67% and maize 73%) have got the information about FSC at the introduction meeting at their villages. All the paddy and maize farmers (100%) have adopted the FSC for obtaining credit under low interest rate. This has significant impact on paddy farmers and maize farmers to adopt FSC. There is no significant difference ( $t = 0.2813$ ) in the land extent of paddy and maize farmers. Almost all the paddy (90%) and maize (100%) farmers are expecting credit facilities under FSC to be continued at the same interest rate with prolong payback period.

**Keywords:** agricultural commodities, contractual marketing system, FSC, interest rate, payback period,