

MIDLANDS STATE UNIVERSITY



FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

**AN INVESTIGATION INTO THE NATURE, EXTENT AND EFFECTS OF SIDE
MARKETING OF COTTON BY CONTRACT FARMERS ON COMPANY'S
PERFORMANCE: A CASE OF THE COTTON COMPANY OF ZIMBABWE**

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DEDICATIONS

I dedicate this study to my family especially my wife Mrs YeukaiTaruba. My daughter Thelma Taruba, my son TheophilusTaruba, my friend Paul Mazengera. I would not have gone this far if it was not for their love and support.

ABSTRACT

The study seeks to carry out an investigation into the nature, extent, and effect of side marketing of cotton by contract farmers in Zimbabwe, the investigation was carried out at the Cotton Company of Zimbabwe which is one of the companies in the cotton industry. The cotton industry has been greatly affected by side marketing and many researchers have not gone deeper in analysing the nature and extent of side marketing though most researchers who researched in side marketing dwelt much in analysing the effects of side marketing and response to side marketing. Most of the studies carried out were done in other countries, the current study mainly focused on the Zimbabwean environment. In this study the researchers employed descriptive research design in the gathering of data. The instruments used are interviews and research questionnaires. The population who participated in this study are sixty members comprising nine senior managers, thirty one middle level managers and twenty low level managers. All these are employees of the cotton company of Zimbabwe. The researched data was analysed in the form of tables so as to get a clear relationship and correlating response trends and presented in the form of tables, graphs and pie charts. The research study has shown that the Zimbabwean cotton industry is affected by side marketing. Farmers have hatched ways of beating the companies systems to evade paying their obligation and resort to either sell to the contracting company using farmer details that did not draw down loans from companies, companies will only benefit on the cotton crop but do not recover their investment in terms of loans advanced. Some farmers resort to sell their cotton to companies who did not contract them depriving the contracting company of the cotton together with the loaned amounts. The study also brought out that the extent of side marketing of cotton in Zimbabwe is so huge to an extent that the cotton company of Zimbabwe once a blue cheap company is limping and had almost closed shop. The company incurred perennial losses that resulted in a negative return on capital. The company lobbied Government to regulate the industry which it did buy putting in place the relevant statutory instrument which is not being fully enforced. The researcher recommends that the company continuous lobby Government so that the statutory instrument is activated and enforced. The study also assisted in bringing out the need for Government to subsidise on the cotton industry as a whole so that the cotton sector is revived in full and cotton recover its former glory of being the white gold. The Cotton Company of Zimbabwe's viability is under threat.

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CHAPTER 1

INTRODUCTION

1.0 Introduction

This research study was carried out with an aim of evaluating the nature, extent and effect of side marketing of cotton by contract farmers in Zimbabwe. The cotton industry has greatly dwindled and specifically the cotton company of Zimbabwe's operational performance has adversely gone down and is at the verge of closing shop as a result of side marketing of cotton by farmers. This chapter therefore provide an analysis of the background of study,

Statement of the problem, the main study question, and objectives of the research study, sub research questions developed from the study objectives as well as limitations and delimitations of the study. The researcher also provides definition of terms, and concluded the chapter with a chapter summary.

1.1 Background of the Study

Due to the shift in the economic environment in most of countries and the emergence of several cotton buyers, the production of cotton has declined as a result of side marketing. The identifiable authors who researched on side marketing of cotton and other crops by contract farmers in developing and developed countries can be noted these include (Coutler et al ,2013),(Damodaran, (2016), (Funrmann2015). These authors discussed the benefits of side marketing of cotton and other crops by contract farmers increased as it improve the customer care and offering of better prices by contractors as a way of luring contracted farmers. They clearly stated that without competition the production of cotton should have been declined in most regions

This perspective was criticized by some authors notably Nyamwanza,et al (2014) (Sing (2014), Billiton(2015), Mafuse et al,(2012), Mahofa,(2013),Poulton,(2015) . These authors strengthened their ideas on the negative impact of side marketing. They dwelt on the causes of side marketing and cotton industry's response to side marketing, internal environment, communication and behaviour of farmers. The researchers also touched a bit on effects of side marketing but did not delve on the nature, and extent of side marketing, the researcher

feel that though the effects of side marketing has been covered by previous researchers, the Zimbabwean environment has not been fully researched.

This gives the current researcher the need to carry out a structured analysis and an honest evaluation of the nature, extent and effect of side marketing of cotton by contract farmers on the profitability of cotton companies in Zimbabwe, particularly The Cotton Company of Zimbabwe limited.

There used to be a single buyer of cotton, a monopoly company namely Cotton Marketing Board, after privatisation, The Cotton Company of Zimbabwe was registered. As a way of boosting cotton production, Cottco ventured into contract farming with large and small scale farmers. With the passage of time, several buyers were allowed by Government to penetrate the cotton industry. Following the land redistribution exercise, cotton farming is now dominated by small holder farmers who do not have the way and means of raising capital to venture in farming hence their reliance on contract farming. The study covered cotton farmers and in Gokwe, Chiredzi and Muzarabani areas in Zimbabwe were large Cottco depot are domiciled.

A major crisis has brewed at the cotton company of Zimbabwe amid revelations that it have been funding cotton production, and apart from provision of inputs contract farmers are also given access to credit and loans, provision of extension and technical advice, appropriate knowledge and management systems (Management report: 2015).The crisis therefore arose when there is an uneven play in the field where the company finance inputs while others on only get involved in at the buying and selling stage forms a recipe for disaster . According to the minutes of the board meeting (held in July 2015) the company is failing to recover their investment due to side marketing by farmers and buyers. This challenge is emanating from a situation where some merchants who come in at buying stage are deliberately paying higher prices to entice sellers including those holding contracted crop.

Excessive side marketing in the cotton industry therefore results in the failure of the company to recover its investment to the farmers, decline in cotton output, failure of the company to repay its loans used in acquiring or providing inputs to the farmers which results in company making perennial losses. The quantity acquired by the company continues to decline every year affecting the revenue earned per annum by the Cotton Company of Zimbabwe. According to the audit report (Dec 2016) forty to sixty percent of the cotton is sold to the

competitors and the company is failing to recover its debts from farmers. The analysis below shows the company's financial performance for the past three years. The effects of side marketing are notable in the statistics below;

Table 1: Cotton purchases trends, contract farmers, revenue and profits from 2013 to 2016

Year	2013	2014	2015	2016
Tonnage bought by Cottco	250000 tonnes	92 136 tonnes	66745 tonnes	10400 tonnes
Contracted Farmers	100 000	80 000	100 000	250 000
Revenue	137,040,486	42,001,143	38,309,035	16,178,906
Profit/ loss(\$)	7,366,691	(19,497,067)	(22,929,667)	(26,132,332)

Source: Statistical analysis report and financial statements (2013-2016)

From the above table Cottco started making losses in 2014 following the decrease in tonnage of cotton bought from the farmers. The number of contracted farmers increased every year despite the decrease in the tonnage of the cotton purchased by the company. Profitability at Cottco is mainly attributable to volumes of cotton purchased among other factors

1.2 Statement of the problem

The cotton company of Zimbabwe is contracting the farmers every year through funding cotton production, by providing inputs to the contract farmers, also giving them access to credit and loans, provision of extension and technical advice, appropriate knowledge and management systems. After funding production of cotton the new companies are emerging during the selling season offering the farmers higher prices resulting in side marketing by contract farmers. The company is losing a huge tonnage to the competitors resulting in the failure of the company to recover from its investment in the form of inputs and loans advanced to farmers. The competitors are therefore benefitting at the expense of Cottco holdings, resulting in the company incurring huge losses and are now at the verge of curtailing operations.

It is against this background that the researcher carried embarked on this research to investigate the nature, extent and effect of side marketing of cotton by contract farmers so as to provide a solution to the problem at hand

1.3 Main research question

What is the nature, extent and effects of side marketing of cotton by cotton contract farmers in Zimbabwe?

1.4 Objectives of the Study

To establish the effects of side marketing of cotton on the cotton industry in the Zimbabwe

To analyse the nature of side marketing of cotton by contract farmers in Zimbabwe.

To establish the extent to which side marketing is affecting the cotton industry in Zimbabwe

To establish measures to curb side marketing of cotton by contract farmers.

1.5 Sub research Questions

What are the effects of side marketing of cotton on the cotton industry in the Zimbabwe?

What is the nature of side marketing that has penetrated the cotton industry in Zimbabwe?

To what extent is side marketing of cotton affecting cotton industry in Zimbabwe?

How can side marketing of cotton by contract farmers be addressed?

1.6 Significance of the study

To the Researcher

The research study was carried out as a requirement in partial fulfilment of the Bachelor of Commerce Accounting (Honours) Degree as well as equipping the researcher with different researching skills and analysing different situations as well as finding solutions to different problems.

To the University

The study is a significant benefit to the university if the research findings are accepted. This study can be a merit and can be used by other students as a reference especially for those who are interested in researching on the performance of companies in the cotton industries in the Economy of Zimbabwe.

To the organization

The research will assist management to have full understanding of the nature, extent and effects of side marketing in the cotton industry. This in turn assists them in formulating strategies to curb side marketing.

Other organisation in the cotton industry

The study seeks to assist other organisations in the cotton industry in understanding the nature, extent and effect of side marketing by contracted farmers and find ways to curb it.

Government

The study will seek to assist Government in its formulation of policies that will reverse the devastating effect of side marketing and restore cotton to its former glory of being one of Zimbabwe's foreign currency earner.

Assumptions

- All information required by the researcher was available.
- Suggestions and recommendations given by the researcher will be implemented by the industry.
- Questionnaires and interviews were responded to honestly and objectively.
- Time allocated for the research was adequate to the researcher.

1.7 Delimitations

The research study was carried out at the cotton company of Zimbabwe covering three main depots that are Gokwe, Muzarabanini and Chiredzi and it was directed to all departments in the company. This study was based on the reported financial statements, and internal reports of the company from the year 2013 to 2016 and it specifically focuses on the trend of seed

cotton production and purchased volumes, gross revenue for these financial years unrecovered loans from farmers on the profitability of the company.

The study was carried out by means of Interviews and administration of Questionnaires targeting sixty five people comprising senior managers, middle level managers and low level managers

1.8 Limitations of the Study

Time – time is the major limitation that caused the researcher not to fully analyse each aspect concerning the study. The researcher lessened time constraint by working long hours to cover much ground.

Confidentiality of data – some of the data is very confidential that it cannot be disclosed to third parties. Assurance will be given to the company that it is merely for academic purpose.

Finance-due to inadequate funds for stationery and travelling, the researcher made use of emails and telephone calls to attain some of the information.

1.9 Definition of key terms

Contract farming

Caterina,(2012) defined Contract farming can be defined as an agricultural production system carried out according to an agreement between a buyer and farmers, which establishes conditions for the production and marketing of a farm products.

Hoppe,(2014) Defined contract farming as an contracts that specify services provided by a farmer for a contractor who owns the commodity while it is being produced, the manner in which the farmer is to be compensated for the services, and the specific contractor responsibilities for provision of inputs. However, for the purpose of this study, contract farming means agricultural production carried out according to an agreement between a buyer and farmers which establishes conditions for the production and marketing of cotton.

Side selling/marketing

Kraig,(2015)defines side selling as a situation where a producer or cooperative does not comply with a contract and chooses to sell their produce to someone else. However for the

purpose of this study side marketing is defined as a situation where a farmer decides to sell their cotton outside the contractual agreement after being funded with inputs to grow the crop.

1.10 List of Acronyms

COTTCO	–	The cotton company of Zimbabwe
CMB	–	Cotton marketing board
AMA	-	Agricultural marketing authority

1.11 Summary of the Study

The chapter started with an introduction to the research study followed by the background of the study. This chapter also brought about the following components in sequential order, the statement of the problem, study objectives, sub research questions, and justifications of the study, methodology, delimitations, definition of key terms and abbreviations then finally the chapter summary. The next chapter focus on literature review.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

This chapter reviews the heralded literature related to the nature, extent and effects of side marketing of cotton by contract farmers around the world. Many contributors and researcher in the fields of contract farming in agro-processers were reviewed and the researcher was guided by the objectives of the study to explore the relevant literature of the research study and a critical analysis of theoretical and empirical findings of different researchers was also done.

2.1 Theoretical literature review

2.1.1 Agency Theory

According to Williams who studied on the agency theory, managers tend to allocate decisions that benefit themselves at the expense of the shareholder. Those charged with governance in the cotton sector should ensure that they devote themselves to the business and promptly identify downward trends in cotton production and make or recommend to the shareholders on the wayforward than to wait for the industry to collapse. The agency theory is centred on the agency problem where management are only concerned about whether they get a salaries or not without concentrating on the continued survival of the company

The stewardship views that board of directors and management's quest is profit maximisation (Donaldson and Davis 2011)

2.1.1a Applicability of the agency theory to the current research

In the absence of good corporate governance, management will not have the zeal to investigate causes of cotton production downward trends and the causes of side marketing. Competent management team should know the indicators of imminent trouble in a business environment and raise ared flag to shareholders for immediate action. In some cases management will have the fear to raise a red flag fearing that the company may be closed by shareholder and they miss a monthly salary if that happen, it means management will be more concerned about their welfare not the interest of the shareholder. The cotton industry could

have been revived long back when there was an alarming downward trend in seed cotton intake. But management and the various boards waited until last minute. Management kept on watching until the industry virtually collapsed.

2.1.2 Theory of demand and supply

The theory of demand and supply was invented by Antoine Augustin, The law states that when supply increase, prices will drop and when supply decreases prices of commodities will go up, and in most cases this lead to severely completion in the market. Greg, (2016) also corroborated this by saying severe competition will result in the employment of legal and illegal routes of winning the scarce commodity.

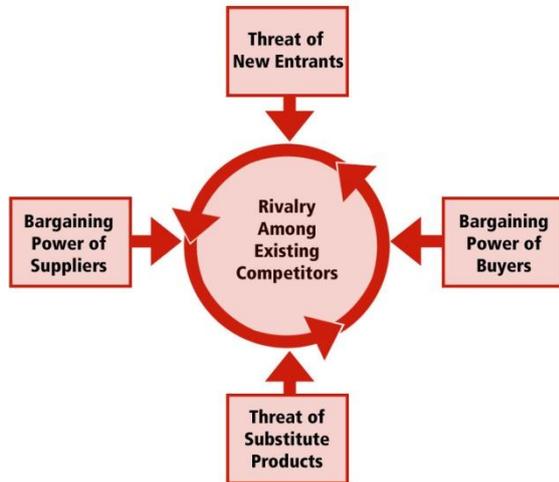
2.1.2a Applicability of the theoryof supply and demand to the current research

In year 2013 annual cotton production was at 250 000 tonnes, prices per kg of cotton went to as low as 30cents, in the year 2014 cotton production went down to 92136 tonnes and prices per kg of cotton rose to 35 to 40 cents. The drop in production might have been caused by farmers who abandoned growing cotton after realising that the prices per kg was not sustainable to them. Companies in return realised that output of cotton went down and in order to them to get a bigger share they had to increase the prices per kilogram , that resulted in competition and some companies could not afford to pay the highest price of 40 cents hence only those companies like China Africa and Olam could pay that price. Farmers went about to side market cotton contracted by Cottco and other companies to China Africa and Olam. This was one of the major causes of the rampant side marketing Nyamwanzaetal,(2014) in their study revealed that farmers bemoaned that they end up side marketing their cotton because some companies pay low prices

2.1.3 Porter's five forces

Fig 1 Porter's five forces

The Five Forces That Shape Industry Competition



Source: The free press

Michael, E Porter invented the porter's five forces model with the aim of demonstrating the intensity of competition in a business environment. The above model is most applicable to the cotton industry.

The entrance of new players-Entrance in to the industry is not regulated and its cheap for a company to enter, that can be seen by the number of players that joined the industry, at one time there were thirteen companies (Cottco, Olam, China Africa, ETG, Agricom, Grafax, Alliance, Cotton world, Romsdale, Blair cotton, Cargil, Sino Zim and Sinotex that were operating in the industry.

Barriers to entry-There are no barriers to entry since minimum requirements for a company to join the industry. Registration fees range from fifteen to twenty thousand for registration as a contractor. In most cases most of them will only crop up at the time of buying cotton.

Bargaining power of buyers-Buyers are in most cases on the receiving end price per kgs of cotton is determined by the level of competition and the ability of a company to pay. If a company cannot afford to pay a higher price, it will fold.

Threat of substitute- When farmers in Areas like Chinhoyi, Karoi, Bindura and Kadoma realised that cotton was no longer a viable crop, they shifted to growing other crops like maize and tobacco and abandoned cotton.

Bargaining power of suppliers- The cotton farmers was the one holding a decision of where, and when to sell the cotton. A company will try by all means to persuade a farmer to sell cotton to them.

Rivalry among existing competitors- Companies already in the cotton industry could muscle out each other in terms of raising prices and add any incentives in order to lure the farmer this resulted in other bowing down to pressure.

2.1.3a Applicability of Porter's five forces to the current research

Farmers are contracted by a company to grow cotton, after harvesting, the farmer has the liberty to decide what to do with his cotton giving him the bargaining power, but just because he is contracted by a company, the contract prohibits him to sell to any company, he will find other means to circumvent the contract and mostly use another farmer's details to sell the cotton which is internal side marketing. In some cases they even sell the cotton beyond Zimbabwean borders in Mozambique. There are many options on where to sell the cotton because there is no barrier to entry in the industry. Only a company that will be willing to pay the highest price will get the cotton meaning that the degree of competition from rival companies is very high. A company that contracted the farmer stands on the losing side as it will not be able to recover the loans advanced and the cotton to value add and sell as products, lint and ginned seed

2.2 Empirical literature review

2.2.1 Nature of side marketing in contract farming

Side marketing of a crop in a contract farming is a situation where by a farmer breaches the contract obligation by deciding to sell their produce to other companies outside the contractual agreement after they have been provided with inputs and necessary support to grow the crop with an agreement that the farmer will sell the crop to the contractor (Walton, 2016).

2.2.2 Extent of side marketing

A research was done by Likulunga,(2015) who investigated on the extent of side marketing in Zambia using Olam international Holdings, in 2014 the company he conducted interviews on senior management team and secondary data obtained from company records. The study revealed that the company lost 50% of the cotton crop to the rivals firms and failed to recover three million dollars investment in input scheme, and in 2015 – 2016 the cotton crop side marketed by the contract farmers declined by two percent however the rate of failing to recover was higher which caused the company curtail its operations in Zambia.

Another research was carried out by Yafa, (2013) who researched on the extent of side marketing of cotton in United States of America he used samples data from cotton companies and concluded that the rate of side marketing of cotton in the cotton industry ranges from 2 – 4 percent and has no effect on the performance of the company and the economy as the rate is considered as immaterial he conducted interviews. In his study, he used interviews and cotton is estimated to be racking billions in revenue, the percentage side marketing range between 2-4 percent which means it has no effect to the industry.

In another research carried out by Lazzeri,(2015) on the extent of side marketing in European countries and concluded that side marketing of cotton is very low because of the penalties implemented by the European Union he gathered this information by carrying out interviews on management team of the cotton companies.

Needham, (2016) also investigated the extent of side marketing in Brazil and concluded that side marketing is very low and has no effect on the performance of the companies and the economy is stable

2.3 Effects of side marketing of cotton by contract farmers

Nyamwanza et al, (2014) carried out study on cotton company's strategic response to side marketing. The study revealed that side marketing of cotton is a critical challenge riddling the cotton production in Zimbabwe which negatively affects both parties involved in the contract that is the contract farmers and the companies. The study was carried out by administering questionnaire and secondary data was obtained from company records. In their analysis 90% of cotton farmers acknowledged that they sell their cotton to companies that did not contract them.

2.3.1 Poor recovery of companies' debts.

The studies done by Nyamwanza et al, (2014) in Zimbabwe cotton industry revealed that in Zimbabwe, the side marketing of cotton has caused economic instability in the country and many companies closed following excessive side marketing. He conducted a research on the cotton company's strategic response to side marketing and used both primary and secondary data. Fifty farmers were interviewed and questionnaires administered and some of the secondary data was obtained from company's financial report the result was that 90% of farmers conceded that they tend to side market their cotton.

2.3.2 Negative return on capital

Petryni, (2017) defined negative return on capital as it occurs when a company or business has a financial loss or lacklustre returns on an investment during a specific period of time. Damodaran, (2016) investigated the effects of side marketing of cotton by contract farmers in China, and he used regression analysis in analysis his findings. He concluded that most farmers in China grower BT cotton which has a very low cost of production, 4 million people depend on cotton and side marketing is low and cotton business is profitable. The study was conducted using questionnaires targeting hundred households. Dzingirayi, (2014) asserted that most of the companies in cotton industries reported a negative return during the year 2014 because of the amount of capital that initially goes into the business to get it off the ground as most of the companies failed to recover from the investments they did in inputs for contract farming.

Fuhrmann, (2015) studied on the impact of side marketing cotton by contract farmers in Kenya and also revealed that when a business's return on equity is negative, it means its shareholders are losing, rather than gaining, value. This is usually a very bad sign for investors and managers to try to avoid a negative return as aggressively as possible.

2.3.3 Perennial losses

Billiton, (2015) also researched on the effect of side marketing of cotton by contract farmers in Namibian companies. He used financial reports obtained from cotton companies, targeting all companies in the industry. His results also shows that companies incurs expenses through funding the inputs to contract farmers and these expenses are rarely recovered due to side marketing of crop and the company end up incurring losses. Expenses of the company would result in exceeding the revenue of the companies which may likely or force companies to face closures.

Mafuse et al, (2012) confirmed that the margin between the profit earned by the self-funding farmers was much higher than that of the contracted farmers. Mahofa, (2013) argued that side marketing of cotton by contract farmers is causing perennial losses to the contracting firms claiming that due to the prices offered those contractors, farmers end up with no cash to meet day to day need such as children's school fees.

2.3.4 Breaching Contractual Obligations

In another research carried out by Poulton, (2015) on the effect of side marketing of cotton in Nairobi, and his findings were based from case studies he did on east of Kenya where farmers are contracted by the government and several private players, in his study he targeted private cotton players only and used secondary data which are debtors analysis and signed contracts. Poulton, (2015) revealed that side marketing of cotton by contract farmers entails breaching the contractual obligations with the later that is the companies involved in the contract agreement which results in the farmers facing legal actions. Muchopa, (2016) supported that most contract farmers face a legal action for breaching of companies. He also contended that farmers in Mbembesa area lost their property after failing to pay back their loans to the contracting companies. Matondi, (2016) also carried out the research on breaching of contract by contract farmers and concluded the breaching of contract is a serious issue which likely to result on another party taking legal actions.

2.3.5. Withdrawal of support by Contractors

In a study carried out by (Wang, 2014) on the effects of side marketing in developed countries. He targeted the 3 small players in the industry and obtained data through secondary data obtained from funds disbursed to farmers, recoveries and balances. The researched revealed that as side marketing was going up, companies ended up disbursing small amounts of funds as support for growing cotton.

2.3.6 Closure of companies

Laurense, (2015) carried his studies about contract farming in Tanzania by cotton farmers. In his research he documented that side marketing being practised by contract farmers causes many company to face closure or to wind up, because most of the firms becomes insolvency after failing to recover from the investment the practise if funding the crops in contract farming. The findings done by Laurense, (2015) were gathered from the interviews he conducted in western region of Tanzania.

Katarini, (2014) also supported that the future of the contract farming system in the cotton industry is under threat from farmers who are breaching their contracts through side-marketing, with the situation likely to impact negatively on the upcoming season.

In another research Chung, (2013) used the logit model to investigate the effect of side marketing by contract farmers on five cotton companies in southern Africa , the researcher elucidated that side marketing of cotton by contract farmers have negative effect on the performance of the companies and most of the firms are facing liquidity crisis following side marketing which eventually close down its operations.

From the studies done by Zheng, (2015), he contended that most of the companies curtail the production operation and shifted from funding inputs for cotton production to the buying and selling of the crops and however such companies also rises the increase of side marketing of cotton by contract farmers as they only appear during the intake season bargaining higher prices. In accordance with the studies done by Zheng, (2015) sixty percent of the companies which were participating in funding the contract farmers in Taiwan withdrew from providing inputs and become buyers only however this results in the decrease of the countries production level which have a significant influence in the Gross Domestic Product of the country as well as a significance influence on the national Domestic product which also cause a shrinkage in the economy (Williamson, O. 2000).

2.3.7 Loss of farmers trust

Nthara, (2014) investigated the status of contract farming in Malawi, his studies revealed that potential of contract farming in commercialization and diversification of smallholder agriculture, in Malawi contract farming has mainly been confined to the production of Malawi's traditional exports of cotton industries. Recently, there has been a decline in contract growing of cotton due to lack of funding from the cotton industries following excessive side marketing. His studies revealed that cotton industries lost their trust in farmers and stopped financing the production of cotton. Wang and Yang, (2013) also supported that most contract farmers breached their contracts in 2013 that hindered the input schemes by many companies.

2.4.1 Ways to curb side marketing

Alam, (2005) studied on side marketing of agricultural crops in Brazil and noted that in some circumstances the costs of full avoidance of contractual breaches can be much greater than losses from side-selling, and that companies may therefore learn to cope with side marketing,

this however depends with nature and the size of the company and the investment sacrificed to the input project to the farmers he used financial records from three cotton companies.

For companies to tackle side marketing of cotton by contract farmers they should buy cotton during the intake at competitive prices or the prevailing market price offered by all companies. From the analysis done by Nyamwanzet al, (2014) using interview they contended that the reasons behind side marketing were initiated by the prices offered by the contracting firms which are far below those of the rivals. The respondents stated that the prices offered by cotton companies were not fair given the amount of work and resources they would have contributed to the growing of cotton.

According to Chakravarthy, (2015) from the studies he did in Malawi he concluded that, there is evidence that the agribusiness firms have an upper hand when it comes to bargaining over prices while Dzingirayi, (2003) contended that the cotton companies require that the contract farmers must accept the price it unilaterally sets.

In this regard Mafuse et al,(2012) confirmed that the margin between the profit earned by the self-funding farmers was much higher than that of the contracted farmers and in case, a negative return on capital and return on sales obtained by the contracted farmers indicated serious losses. Consequently, eighty four percent of the contracted farmers indicated that their inability to meet other obligations such as children's school fees and other daily needs led to side marketing, while seventy percent also indicated that poor yields contribute to side marketing as all revenues generated from the crop will be absorbed by input loans leaving the farmers with little or no cash to meet their obligations. They therefore resorted to side marketing and loan default for the sake of their families' welfare, which was more of a social issue compared with other findings which pointed to pricing as a major contributor to side marketing. On the issue of being aware of their contractual obligations under contract farming, only forty percent of the respondents indicated that they understood the consequences of breaching their contractual agreements.

2.4.2 Introduction of Monopoly in the cotton industry

Side marketing of cotton by contract farmers has resulted in bowing out of many companies that were participating input schemes and other investment through contract farming. This therefore lures the cotton production in many developing countries. For the cotton industry to be revived in developing countries the government should monopolise the

industry so that it can dominate on the market. Nicholas, (2017) explains that monopoly exists when there is only one supplier of goods or services but there are many consumers. In addition the monopoly has full control of the market therefore it can set the price in which it can supply the goods or services without any interruption of other competitors.

Henry,(2015) stated that monopoly is a board game that originated in the United States in 1903 as a way to demonstrate that an economy which rewards wealth creation is better than one in which monopolists work under few constraints and to promote the economic theories .Nyamwanza et al, (2014) investigated on the response of side marketing which embedded the cotton industry in Zimbabwe , his findings was based on the interviews done in Gokwe North and concluded that for the best of the country and its economy the government of Zimbabwe should intervene in the production of cotton as it was before and the cotton industry should be dominated by a one government owned buyer. They added that the government should close the trade liberisation so that other players can smoothly move out of the marketing. Mafuse et al, (2013) also did a same in research in Zambian cotton industry and supported that the intervention of government is an ideal solution to side marketing in the cotton industry. More so he added that if the government found it difficult in taking over the cotton industry it should formulate policies that are conducive for the building of the economy. The policies which the government can implement should also protect both the cotton farmer and the contractor and penalties for the breach of contract should also be implemented to the purpose of having a fair participation in the contract.

On the issue of being aware of their contractual obligations under contract farming, only 40% of the respondents indicated that they understood the consequences of breaching their contractual obligations while the other sixty indicated that they did not understand them. These findings are much higher than the findings of Dawes, Murota, Jera, Masara and Sola, in Melese, (2012) who stated that the findings of a wide-ranging survey covering a large number of contractual arrangements in the cotton, tobacco and horticulture sectors of Zimbabwe show that around fortypercent of the farmers did not fully understand the contract specifications. The differences could be accounted for in that the later was a national average while this was a focussed study in Gokwe.

Although contracts cover the responsibilities and obligations of each party, but common to all of them is the weaknessof enforceability when the contract is breached (Coulter et al.

1999). While they are deliberately ambiguous in order to reduce risk and loss on the part of Ginnners, the contracts are strategically clear on what the company demands and expects of the smallholders (Dzingirayi, 2013). Both Dzingirayi, (2013) and Likulunga, (2015) agree that the contracts were often skewed in favour of the farmer.

2.4.3 Harsh penalties for side marketing

The government should consider introducing to stern measures against farmers who exercise side marketing of cotton crop to avoid a development that has been seeing causing most of the companies closing after failing to recover their investment (Nyamwanza et al, 2014). From the findings by Nyamwanza et al, (2014) farmers blamed themselves for destroying the cotton industry in Zimbabwe through promotion of side marketing. Their study also recommended that farmers should sell their crop to the very company which provided them with inputs and any breach of contract by either party should be warranted arrest. In addition Nyamwanza et al, (2014) recommended that farmers should also use the inputs given to them as recommended and avoid diverting the inputs. From the few observations they concluded that in areas like Chiredzi, cotton crops were grown without fertiliser yet the input through presidential scheme have been adequately provided for but the farmers decided to divert the inputs to the sugarcane production.

2.4.4 Buying Cotton at prevailing market price

Contractors should purchase the crop from contract farmers at the prevailing rate offered by all companies on the market. It is a clear case of the state subverting its own legislation for the benefit of preferred companies. Mujeyi, (2013) acknowledged that the prevailing seed cotton marketing system is riddled with pricing related challenges characterised by price negotiation impasses that recur every marketing season, prompting Government intervention in a supposedly free market system. This however is additional demonstration of politics interfering with commercial contracts sometimes to the disadvantage of cotton companies. Contracted companies will then benefit more than the farmer. According to studies done by Dawes et al, (2013) the contract farmers in 2009 sold their crop to cotton companies at low prices and their sum was affected by inflation that they incur losses and fail to send their children to school. However the cotton companies have exported their crop and received their amounts in foreign currency but did not consider the important of the farmer towards the contribution of their revenue.

2.4 Research Gap

Nyamwanza et al, (2014) researched on the company's strategic response to side marketing of cotton in Zimbabwe, Coulter et al (2013), and other researchers, carried out extensive research on the effects of side marketing. Muza, (2013) did a research on how companies survive in the face of side marketing.

However, at the moment it is evident that the area of the nature of side marketing has not been researched while the extent of side marketing has been researched in other countries only, the Zimbabwean environment has not been researched. Though the effects of side marketing were done by previous researchers, the current researcher strongly feels that the area has not been extensively researched. This is the knowledge gap that the current researcher seeks to fill

2.5 Summary

This chapter presented the literature review of the study. The researcher focused on assessing the established understanding of nature, extent, effect and measures to curb side marketing of cotton by contract farmers. The general consensus in the literature is that the side marketing of cotton by contract farmers has a negative effect on the operations of the cotton companies and the stability of the economy. However, the main reason discovered by the researcher on why farmers side market cotton was the price offered by the contract farmers on buying the cotton during the intake season. The following chapter covered research Methodology.

CHAPTER 3

RESEARCH METHODOLOGY

3.0 Introduction

This chapter reviews the research methodology followed by the researcher on gathering data on the nature, extent and effect of side marketing of cotton by contract farmers. The research methodology covers the research design used, sampling method, targeted population and the data collection instruments.

3.1 Research Design

Research design is the overall strategy that a researcher chooses for the purpose of integrating the different components of a research study in a coherent and logical way, thereby, ensuring that the research problem is addressed properly (Healy et al,2011).It constitutes the blueprint for the collection, measurement, and analysis of data,Anastas, (2015) contended that a research design will typically include how data is to be collected, what instruments will be employed, how the instruments will be used and the intended means for analyzing data collected. The research used descriptive research design.

3.2 Descriptive Research Design

James (2015) defined descriptive research design as a scientific tool which is comprised of observing and describing the behaviour of a research without influencing it in any way and it is a study designed to depict the research participants in an accurate way. Descriptive research is mainly used to obtain information concerning the current status of the phenomena to describe "what exists" with respect to variables or conditions in a situation. Many researchers use descriptive research to describe characteristics of the targeted phenomenon being investigated, in this case the phenomena being investigated is on the nature, extent and effects of side marketing of cotton by contract workers. Descriptive research study can be used to describe the characteristics of a situation or population in some kind of categorical scheme also known as descriptive categories. Descriptive research generally precedes explanatory research.

3.2.1 Justification of using descriptive research design

Descriptive research design was used because it cast light on current issues or problems through a process of data collection that enables them to describe the situation more completely than was possible without employing this method.

The research design assisted to describe characteristics and/or behaviour of sample population selected.

The main purposes for which this research method was chosen is because it helps in describing, explaining and validating research findings.

Descriptive studies are closely associated with observational studies, but they are not limited with observation data collection method, and case studies, as well as, surveys can also be specified as popular data collection methods used with descriptive studies.

The research design because of its nature focus on both the good and the bad of descriptive research nature of data.

3.2.2 Disadvantages of descriptive research design.

The descriptive research design presents the possibility for error and subjectivity. For instance the researcher designs a questionnaire, and the questions are prescriptive and predetermined. So the study is prone to errors as the research may only record what the researcher wants to hear and ignore data that does not fall in line with the researcher project's hypothesis.

3.3 Case study

Stacks (2013) narrates that a case study is a report about a certain situation that has been studied by the researcher for the purpose of getting result for a particular phenomena. If the case study, for instance, is about a group, it describes the behaviour of the group as a whole, not the behaviour of each individual in the group.

Case studies can be produced by following a formal research method (Kaplan, 2015). Case studies are likely to appear in formal research venues, as journals and professional conferences, rather than popular works. The resulting body of 'case study research' has long had a prominent place in many disciplines and professions, ranging from psychology,

anthropology, sociology, and political science to education, clinical science, social work, and administrative science.

In doing case study research, the "case" being studied may be an individual, organization, event, or action, existing in a specific time and place.

3.3.1 Advantages of case study

Case study allowed the researcher to collect the much needed data that enabled the an objective evaluation of the subject being studied. The data collected is was rich r and of greater depth than can be found through other experimental designs.

3.3.2 Disadvantages of a case study

Case studies are generally on one person, but there also tends to only be one experimenter collecting the data. This can lead to bias in data collection, which can influence results more than in different designs

Overall, I think that case studies are an important and useful method of data collection, especially in cases of rare phenomena.

3.4 Study Population.

Shields et al, (2013) described study population as a study of a group of individuals taken from the general population who share a common characteristic, such as age, sex, or health condition. This group in this case is studied for the purposes of evaluating the nature, extent and effects of side marketing of cotton by contract farmers. The researcher targeted the key management from Cottco head office, Gokwe, Chiredzi and Muzarabani depot as the study population. The total population is comprised of the head of departments, senior managers and low level managers so as to obtain and analyze their perceptions over the nature, extent and effects of side marketing. Altogether the targeted population was sixty five members of the organisation for questionnaires and five members for interviews.

Table 2 Target study population

Target groups	Questionnaires target population	Interview target population
Senior Managers	9	1
Middle level Manager	36	2
Low level Managers	20	2
Total	65	5

Source: Research data

3.5 Sample

Sample is a set of data collected and/or selected from a statistical population by a defined procedure (Moser: 2014). The elements of a sample are known as sample points, sampling units or observations. Observations are randomly selected to represent the behaviour and characteristics of the entire group and they are associated with or from which they are drawn. A sample therefore establishes a standard of quality by which the rest of the items are judged, and may create an implied warranty that they will conform to this standard otherwise the producer or supplier may be held liable. A sampling has an advantage of being cheaper and consumes less time.

3.6 Sampling technique.

Sampling is a process or technique of choosing a sub-group from a population to participate in the study; it is the process of selecting a number of individuals for a study in such a way that the individuals selected represent the large group from which they were selected (Ogula, 2015).The researcher used random sampling and came up with sixtyfive individual representatives to participate in this research study. The participants involve nine head of departments, thirty six senior managers and twenty lower managers of the Cotton Company of Zimbabwe. The selection was based on the nature, knowledge of the business environment and their responsibilities within the organisation.

3.7 Random sampling

The researcher used random sampling in selecting participants in this research, because it allowed the researcher to get an understanding of the view of the study population without following a certain trend. This assisted in getting views from the randomly selected individuals but that have a clear understanding of the business processes.

3.8 Interviews

An interview is a conversation where questions are asked and answers are given. In common parlance, the word "interview" refers to a one-on-one conversation with one person acting in the role of the interviewer and the other in the role of the interviewee.

3.8.1 Justification

Easy correction of speech: Any misunderstanding and mistake were being rectified instantly and the correct information conveyed

Development of relationship: Relation between the researcher and the interviewee was enhanced resulting in a deeper understanding with the audience.

- **Sufficient information:** The researcher elaborated all areas that seem not clear to the interviewee. This resulted in the collection of accurate information.
- **Speed:** Data was collected swiftly since the interviewers were not given time to answer at their own convenience though permission to proceed with the interview was sought from the respective interviewee and their immediate supervisors.

3.8.2 Disadvantages of using Interviews

- **Hidden information is not obtained:** The interview guide had predetermined questions and limited the interviewee from providing other information not asked by the interviewer
- **Costly:** The researcher had to travel to some business units to carry out interviews.

3.9 Questionnaire

Questionnaire is a research instrument consisting of a series of questions and other prompts for the purpose of data from respondents (Birke: 2015). Although they are often designed for statistical analysis of the responses, this is not always the case.

3.9.1 Justification of using questionnaires

- Questionnaires allowed the researcher to extract the views of the respondents in relation to their understanding on the nature, extent and effect of side marketing.
- The research instrument assisted in getting the required information by guiding the respondents on what the researcher wanted them to touch on.
- The questionnaires were easy to analyse and presents data since there is a standard template for the required information.
- There is record for the information gathered since all questions and responses are documented.

3.13 Reliability and Validity

Heffner, (2014) defines validity as the extent to which of an instrument is able to gather data as planned. While Noble, (2015) define reliability as the ability of a research method to provide reasonable idea. The data collected for research revealed almost the same information from the first participant and the shows that the data gathered can be relied upon. The data collected was relevant for the organisation relating to the nature, extent and effect of side marketing of cotton by contract farmers.

3.14 Data presentation procedures

The research mainly involves quantitative data and because of the volume of data, charts and graphs were presented to show the results of the research and bar graphs were generated using spreadsheets. Since the main objective of research was to investigate the nature, extent and effect of side marketing of cotton by contract farmers, the researcher also went on to analyse the performance of the company using financial statements.

3.15 Ethical Considerations

Phanuel, (2013) defines ethics as a way of living. The researcher on gathering information respected the company's policies, procedures and ethics while taking into account how employees may feel about the potential result and effects of the research. One ethical consideration set out, was asking permission from top management and granted before carrying out the research.

3.16 Summary

This chapter outlined the research methodology used by the researcher throughout the research. The researcher gave an insight of the research design and data instruments used to exploit primary data that involves the use of interviews and questionnaires. The data collected by the researcher will be presented in chapter four.

CHAPTER 4

DATA PRESENTATION AND ANALYSIS

4.0 Introduction

This chapter focus on presentation of data gathered at the cotton company of Zimbabwe on the nature, extent and effect of side marketing by contract farmers. The research findings from questionnaires and interviews were presented using tables, pie charts and graphs.

4.1 Analysis of Response Rate

The research instruments administered in the form of questionnaires and interviews were used to gather primary data. The research findings are presented below;

4.1.1 Questionnaire response rate

Sixty five questionnaires were distributed to members of staff at the cotton company of Zimbabwe and sixty were returned completed

Table 3: Questionnaires Response Rate.

Target Population	Questionnaires Distributed	Completed and Returned	Percentage response
Senior managers	9	9	100%
Middle level manager	36	31	86%
Low level managers	20	20	100%
Total	65	60	92%

Source: Research findings

4.1.2 Interview response rate

Table 4: Interview Response Rate.

Target Population	Arranged	Conducted	Percentage response
Senior Managers	1	1	100%
Middle level Manager	2	2	100%
Low level Managers	2	2	100%
Total	5	5	100%

Source: Research findings

Andienne, (2014) concluded that in a research 70% and above is a very good response rate. From the above two tables the response rate is 92% for questionnaires and 100% for interviews are both acceptable and reliable in providing data on this research.

4.2 Back ground information from questionnaires and interviews

Table 5 Questionnaire respondents' duration at the company

No of years	1>5 years	5>10	10>15	15< and above	Total
Respondents	5	15	20	20	60
Percentage	9%	25%	33%	33%	100%

Source: Research findings

66% of the respondents have between ten to above fifteen years in the company, this will make the data collected from the research more reliable and acceptable since they have considerable experience in the organisation. 9% are between one to five years while 25% are five to ten years. The researcher

Table 6 Interviewees' duration at the company

No of years	1>5 years	5>10	10>15	15< and above	Total
Respondents	-	1	2	2	5
Percentage	-	20%	40%	40%	100%

Source: Research findings

80% fall within ten to above fifteen years, this shows that the researcher can rely on data collected from these employees since they have the experience.

Table 7: Questionnaire respondents level of education

Level of education	Master degree	Undergraduate degree	Diploma	Certificate	Total
Respondents	5	30	20	5	60
Percentage	8%	50%	34%	8%	100%

Source: Research findings

8% of the respondents hold Master degree in business administration and commerce, while 50% hold undergraduate degrees, 34% have diplomas and 8% hold certificates. This gives the researcher the platform to collect quality information from the respondents since most of them have expectable level of education.

4.3. Effects of side marketing.

Table 8: Summary data on effects of side marketing

Strength of feeling	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Number of respondents	10	35	5	10	-
Percentage	17%	58%	8%	17%	-

Source: Research findings

Seventeenpercent of the respondents strongly agree that side marketing resulted in the failure of the company to recover its debts, result in companies having a negative return on capital, cause companies to suffer perennial losses, withdrawal of support by contractors, from contract farmers whilstfifty eight percent of the respondents agree, 8% were uncertain and 17% disagreed. This result are also supported by Jason (2016) who noted that internal side marketing is only to deceive the contractor so that they fail to recover his investment from farmers.

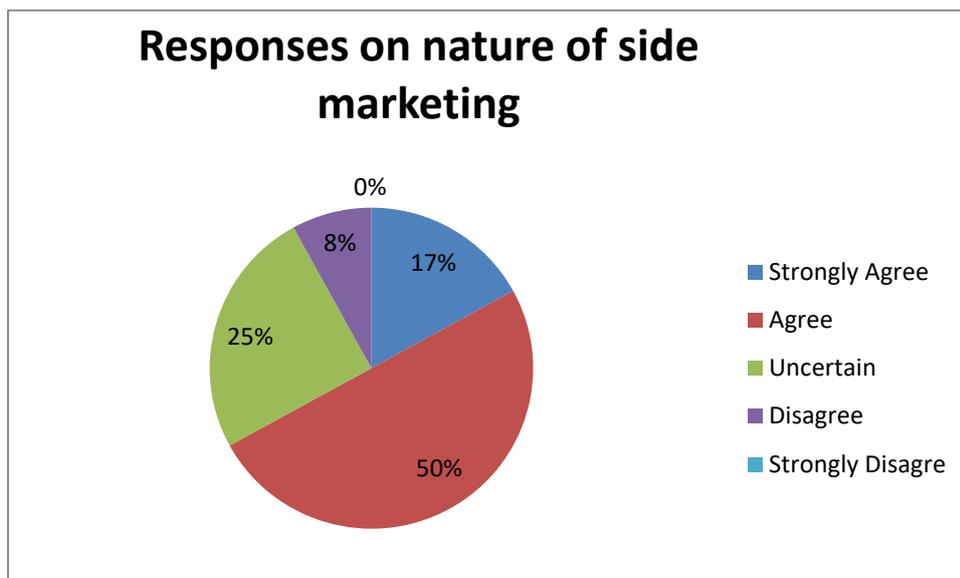
4.4. Nature of side marketing

Table 9: Responses on nature of side marketing

Strength of feeling	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Number of respondents	10	30	15	5	
Total	17%	50%	25%	8%	

Source: Research findings

Figure 2: Responses on the nature of side marketing



Source: Research findings

17% strongly agree that farmers sell their cotton to the companies that did not contract them, some sell the cotton to companies that contract them using other farmers' details and some farmers sell their cotton beyond Zimbabwe borders mainly in Mozambique. 50% agree, 25% are uncertain, 8% strongly disagree. The variation on some members of staff is because the 8% is made up of non-operations staff who do not understand the dynamics of the nature of side marketing. From the above statistics the researcher concluded that companies are losing as a result of different tactics employed by farmers to evade their contractual obligations, which will deprive contracting companies. Rumkuma, (2015) in his study concluded that side marketing

is when a farmer connive with another farmer and they sell the cotton using another grower’s details to evade contractual obligation.

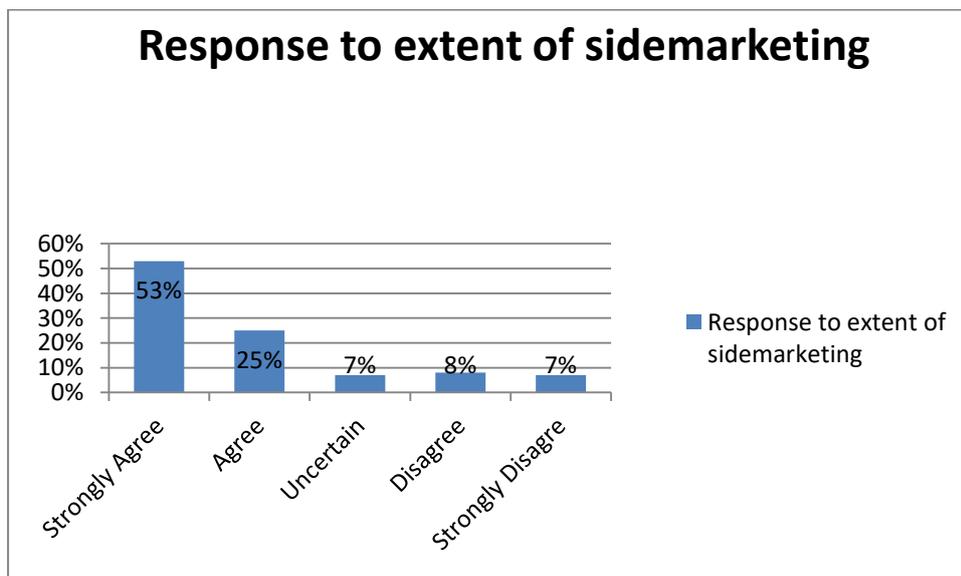
4.5 Extent of side marketing

Table 10: Responses to extent of side marketing

Strength of feeling	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Number of respondents	32	15	4	5	4
Percentage	53%	25%	7%	8%	7%

Source: Research findings

Fig 3: Responses to extent of side marketing



Source: Research data

Fifty three percent strongly agree that side marketing has affected Cottco’s performance, and is higher in developing countries and Zimbabwe in particular. This was mainly caused by the absence of stiff penalties on both companies and contractors, 25% agree, 7% are uncertain 8% disagree and 7 percent strongly agree. The variations in these results are to a greater extent caused by the fact that the bulk of the employees are in administration and

engineering and rarely follow the buying markets. Lazzeri, (2015) carried out a research in other countries and concluded that side marketing is low as a result of still penalty imposed by the state. Likulunga, (2015) differed and concluded that side marketing is higher in developing countries and does not only affect companies but the economy at large.

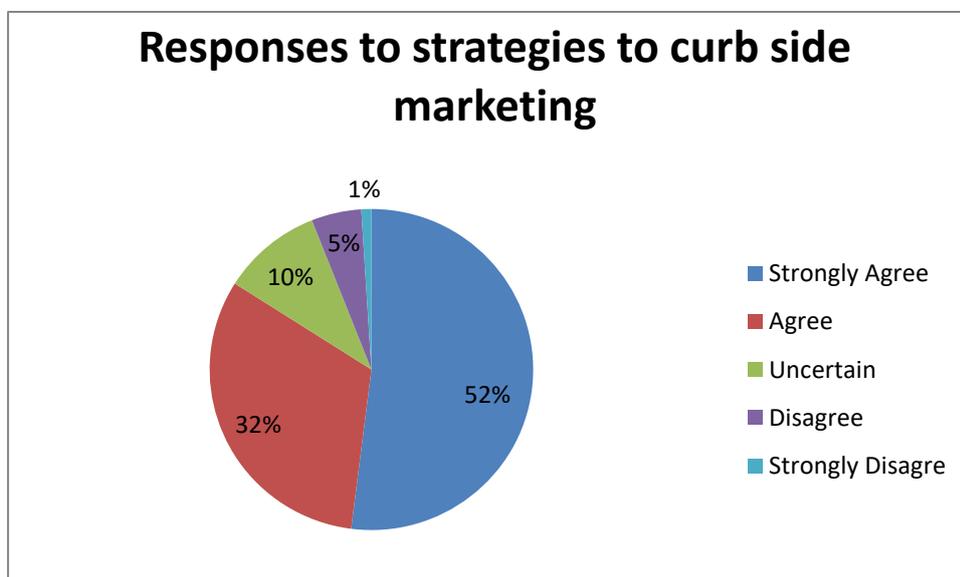
4.6 Measures to curb side marketing

Table 11: Responses to measures to curb side marketing

Strength of feeling	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Number of respondents	31	19	6	3	1
Percentage	52%	32%	10%	5%	1%

Source: Research findings

Fig 4: Responses to strategies to curb side marketing



Source: Research data

52% strongly agree that side marketing forced contractors to reduce their level of financing cotton production, Cottco has participated in lobbying the Government to craft legislation that incriminate side marketing of cotton by both farmers. 32% agree, 10% were uncertain,

5% disagreed and 1% strongly disagree. Dzingirayi, (2013) also agreed that stiff penalties should be imposed on farmers and contractors if a country is to eradicate side marketing. Nicholas (2017) weighed in by saying that pushing for monopolisation of the cotton sector will help eliminate side marketing since there will be no competition.

4.7 Interviews

The researcher managed to interview the targeted population of five respondents, among the respondents there was the Managing Director, two Business Manager, two Business Accountants of the Cotton Company of Zimbabwe. Equal time was given to every interviewee to express their views on the questions asked. For the purpose of obtaining further clarifications on other areas the researcher used face to face interviews and telephone for one business accountant. The researcher managed to interview all the targeted population representing a response rate of 100%.

Question 1: In your opinion what are the effects of side marketing of cotton to the cotton industry in Zimbabwe

All the respondents admitted that side marketing caused a great deal of suffering to employees employed in the cotton industry and most companies closed and employees laid off. Faced with such situations most companies reduced the level of financing in the cotton production and this further led to the reduction in cotton production until the industry could only produce 10 000 in 2016 from 250 000 tonnes in 2013. 40% of the respondents believe that side marketing affect profitability of the company since most loans advanced to farmers will find their way in the expenses as credit losses. The cotton company of Zimbabwe at one time had to write off twenty one million dollars.

Question 2: In your opinion, is Cottco mainly affected by internal or external side marketing?

100% of the respondents strongly agree that Cottco is affected by both internal and external side marketing, however the degree of external side marketing is believed to be higher than internal side marketing because Cottco always buy at a price that is lower than other competitors. Apart from running away from debts, farmers will be looking for a better price. 60% of the respondents supported that internal side marketing is low because the farmer whose details are used to sell cotton will also need to be paid by the farmer, in the end the net effect will be almost the same.

Question 3: To what extent does side marketing affect the cotton industry?

80% of the respondents agreed that side marketing riddled the Zimbabwean cotton industry and to a greater extent, from a 250 000 tonne economy down to 10 000 tonne. Employees who used to work for these companies are now jobless. 20% believe that companies crafted their demise by promoting side marketing. The problem start with a company that accept to buy cotton they did not finance. The 80% respondents believe that 90% of growers contracted by companies end up side marketing their cotton.

Question 4: How can side marketing of cotton be curbed.

All respondents suggested that companies in the industry should buy cotton at the same price so that price is not a driver for side marketing. 80% also suggested that Government must put price ceiling so that companies may become viable, at times they survive on the mercies of growers who demand higher prices for cotton. The cotton industry should be close regulated by ensuring that relevant statutory instruments design to curb side marketing are activated and regulatory authorities rise to the occasion and regulate the activities in the industry.

CHAPTER 5

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter focus on research findings conclusion and recommendations based on the research findings.

5.1 Summary of research findings

The study was aimed at establishing the nature, extent and effects of side marketing by contract farmers in Zimbabwe and their effects on the operations and performance of The cotton Company of Zimbabwe ltd

To establish the effects of side marketing of cotton on the performance of the cotton company of Zimbabwe

The research brought out that as a result of side marketing, The cotton company of Zimbabwe is making perennial losses since it is not getting the enough seed cotton to break even and make a profit. The company is a negative return on capital. As a result of side marketing, the company has resorted to reduce its financing to farmers so as to reduce their exposure in terms of unpaid debts.-

To analyse the nature of side marketing of cotton by contract farmers in Zimbabwe.

In Zimbabwe, there is internal side marketing where growers sell cotton to the contractor who contracted them but using another farmer's personal details, this deprives the company of the advanced amounts. There is also external side marketing where the farmer sells his produce to a contractor who did not contract him depriving the contracting company of both the seed cotton and the advanced loan amount. Some farmers especially those along the borders have hatched a plan to export their cotton to neighbouring countries using the porous borders, this deprive the companies in Zimbabwe the advanced loan amounts, the cotton and the Zimbabwean economy will also not benefit from cotton grown in Zimbabwe

To establish the extent to which side marketing of cotton is affecting the cotton industry in Zimbabwe.

The research revealed that companies in Zimbabwe are not able to recover their loan amounts since farmers have managed to find ways to beat the company's lax system and cross sell their produce to companies that did not contract them. The cotton industry has almost collapsed

To establish measures to curb side marketing of cotton by contract farmers

The study revealed The Cotton Company of Zimbabwe is buying cotton at prices that are below the price for other companies. This will also fuel side marketing of its contracted cotton to other companies as farmers look for higher prices to boost their returns. The Cotton Company of Zimbabwe in liaison with other companies have spearheaded a movement to lobby Government to activate the statutory instrument that regulates the conduct of cotton companies in the cotton industry. The regulator, Agricultural marketing authority must enforce the statutory provisions in place so that side marketing is stopped. Though companies have resorted to reducing their level of financing the cotton crop, this is a strategy in the sense that they will not lose on the advanced amounts but the establishment of the cotton crop will be reduced since companies do not have the working capital for conducting the farming business.

5.2 Conclusion

The research revealed that side marketing has virtually destroyed the cotton industry and one big company, the cotton company of Zimbabwe is struggling to stand on its feet. The industry will need to be properly regulated so that it rebound back and cotton will reclaim its former status of being the white gold. The cotton companies have also crafted their demise by choosing to reduce the level of financing the cotton industry. If there is low support in the industry the crop to be established will drop, this creates competition for the little crop and the fittest companies will only survive

The Zimbabwean borders are so porous in terms of regulating the crossing of Zimbabwean cotton crop into the neighbouring countries like Mozambique.

Farmers have crafted ways for evading the industry system by diverting contracted cotton and sell it to the same company using the details of other farmers, although the cotton is sold to the contracting company, loans advanced will not be recovered since the farmer who sell the crop will have no debts to the company.

5.3 Recommendations

In light of the above conclusions, it is recommended that ;

Companies in the cotton industry should consider buying cotton at a price that will ensure that farmers make a profit. This will also ensure that farmers do not evade their contractual and sell the cotton beyond the country's borders.

The Government should fix producer prices for cotton so that farmers will find no reason to divert cotton contracted by companies in Zimbabwe. This will ensure that farmers sell cotton to companies that contracted them.

The regulator in the cotton industry, The Agricultural Marketing Authority must activate and enforce the relevant statutory instrument 142/2009 amended 2012 so as to deter companies from buying cotton that they did not contract.

The Government must subsidises the cotton and revive ailing companies in the cotton industry.

5.4 Recommendation for further studies

There is need to carry out a study on the benefits of value addition of cotton products.

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APPENDICES

Appendix 1

Midlands State University
P.Bag 9055
Gweru

4 September 2017

The Managing Director
The Cotton Company of Zimbabwe Limited
P.O Box 2697
Harare

Dear Sir

REF: RESEARCH PROJECT ASSISTANCE

I am a final year student at the Midlands State University, pursuing a Bachelor of Commerce (Honors) Degree in Accounting. It is a requirement that I must carry-out a research during the final year, to be issued to the faculty for approval. The research project is a partial fulfilment for the granting of the Bachelor of Commerce (Honors) Accounting Degree. My research topic is entitled:-

“An Investigation into the nature, extent and effects of side marketing by contract Farmers on company’s operating performance. [A case of The Cotton Company of Zimbabwe Limited]”

I particularly desire to obtain responses from senior managers, Middle, and lower level managers. It will be greatly appreciated if the relevant respondents complete the attached questionnaires. I am looking forward to your assistance in data gathering. The information provided will be solely used for this research and will be treated as confidential.

Yours sincerely

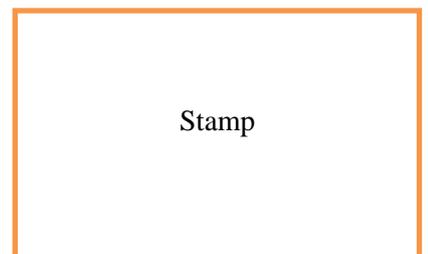
.....

Future Taruba

Approved

Signature.....

For Managing Director



Appendix 2

Questionnaire

Midlands State University
Department of Accounting
P. Bag 9055,
Gweru

15 September 2017

Dear respondent

Ref: Questionnaire requesting data from respondent

My name is Future Taruba. I am a final year student of the above-mentioned institution doing Bachelors of Commerce (Honours) Degree in Accounting. My topic is entitled

“An Investigation into the nature, extent and effects of side marketing by contract Farmers on company’s operating performance. [A case of The Cotton Company of Zimbabwe Limited]”

I am kindly asking you to help me by filling in the questionnaire by ticking the right answer. All the data provided will be treated with strictest confidentiality.

Please tick on the place provided

Key

Yours faithfully

Future Taruba

1	Strongly agree
2	Agree
3	Uncertain
4	Disagree
5	Strongly Disagree

Gender

M	F
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Highest level of education.....(Master degree, Undergraduate Degree, Diploma, certificate, GCE O level)

Number of Years in the Organization

1-5 years	5 – 10 years	10 – 15 years	15 – 20 years
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1.0 Effects of side marketing

		1	2	3	4	5
1	Side marketing resulted in the failure of the company to recover its debts from contract farmers					
2	Cottco has a negative return on capital as a result of side marketing.					
3	Side marketing resulted in the company making perennial loses					
4	Side marketing of cotton resulted in Cottco reducing its level of financing the cotton crop					

2.0 Extent of side marketing

		1	2	3	4	5
5	Internal side marketing is affecting the performance of Cottco					
6	<i>Side marketing is higher in developing countries including Zimbabwe and specifically Cottco and has the negative impact on both the operations of the company</i>					
7	The absence of stiff penalties on farmers and contractors is a causing the rampant side marketing taking place					

3.0 Nature of Side marketing

		1	2	3	4	5
8	Internal side marketing is employed by farmers to evade paying amounts advanced to them by contracting company					
9	External side marketing deprive the company of both the amounts advanced and the contracted cotton crop					
10	Some farmers sell their cotton across the Zimbabwean borders in search of better prices					

4.0 Strategies to curb side marketing

		1	2	3	4	5
11	Companies reduced their level of financing the cotton industry in order to reduce their exposure					
12	Cottco is purchasing the crop from farmers at the prevailing rate offered by all other companies on the market					
13	The Cotton Company of Zimbabwe has resorted to lobbying government for legislation to stem side marketing of cotton					

Thank You

Appendix 3

Interview questions guide

Midlands State University
Department of Accounting
P. Bag 9055,
Gweru

15 September 2017

Dear respondent

Ref: Interview guide requesting data from respondent

My name is Future Taruba. I am a final year student of the above-mentioned institution doing Bachelors of Commerce (Honours) Degree in Accounting. My topic is entitled

“An Investigation into the nature, extent and effects of side marketing by contract Farmers on company’s operating performance. [A case of The Cotton Company of Zimbabwe Limited]”

I am kindly asking you to help me by filling in the interview guide below, All the data provided will be treated with strictest confidentiality.

Yours faithfully

Future Taruba

Appendix 4

Interview guide

Interview questions Guide

Gender

M	F
---	---

Highest level of education.....(Master degree, Undergraduate Degree, Diploma, certificate, GCE O level)

Number of Years in the Organization

1-5 years	5 – 10 years	10 – 15 years	15 – 20 years
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1) In your opinion what are the effects of side marketing to the cotton industry in the Zimbabwean Economy?

.....
.....

2) In your opinion is Cottco mainly affected by internal or external side marketing? Explain.

.....
.....

3) To what extent does side marketing of cotton affect the cotton industries' in Zimbabwe?

.....
.....

4) How can side marketing of cotton by contract farmers be curbed?

.....
.....

Thank You