

Production Efficiency of Smallholder Rice Farms Under Contract Farming Scheme In Ghana

ABSTRACT

Aims: The study investigates the production efficiency of smallholder rice farms under contract farming and irrigation production in Ghana.

Methodology: Data was collected from 350 rice farmers selected through a multi-stage sampling technique using structured questionnaires. Descriptive and inferential statistics including stochastic frontier analyses were used to analyse the data with the help of STATA 14 and NLOGIT 5 statistical software.

Results: The results show that contract farms have higher efficiencies than their non-contract farm counterparts. There are clear differences in the distribution among contract and non-contract farms. The efficiencies of contract farms are significantly higher than the efficiencies of non-contract farms under irrigation production and they also have different efficiency distributions. Under the rain fed production frontier, efficiencies of contract farms are significantly higher than the efficiencies of non-contract farms and their distributions are also different. Contract farms under irrigation production have higher efficiencies than contract farms under rain fed production. The efficiencies of irrigation contract farms are significantly higher than the efficiencies of rain fed contract farms, however their distributions are similar across rain fed and irrigation production ecologies. Government should put in policies that will stimulate interest of farmers to get involved in contract farming. We also recommend investment to expand irrigable land area to increase access, as it is one of the reasons why farmers are not practicing irrigation production. Rice production through irrigation is currently very low.

Conclusion: CF has positive influence on farm efficiency hence farmers should be encourage to produce under CF to increase their current efficiency levels thereby increasing their yields. Aside this, efficiency distribution also shows more CF have higher efficiency scores than their NCF counterparts.

Key words: Production efficiency, smallholder rice farms, stochastic frontier, contract farming, irrigation ecology

1. INTRODUCTION

There are a number of constraints that limit farm productivity and farm income in sub-Saharan Africa [1]. Cereal crop yields are estimated <1.5 ton/ha while the actual potential is more than 5 tons/ha. The low yields are largely attributable to low use of organic and mineral nutrient resources, which has also resulted in negative nutrient balances [2] [3]. The reasons for these poor yields also include; lack of sufficient information about production methods and practices and market opportunities. Poor access of credit and inputs are also important limiting factors. Subsistence smallholder farmers are more at risk than larger farmers. Small holder farmers will usually produce for the home first before venturing in to commercial production [1].

Large-scale farming provides solution to some of these production constraints. Large scale farmers have the following advantages; have better access to credit, better information about production and marketing opportunities, and greater tolerance of risk. These advantages are often negated by the following constraints, higher production cost and lower motivation of hired labourers compared to family labour. As a result, large-scale agriculture is competitive in many African countries for only a few cash crops, such as sugarcane, banana,

plantain, pineapple, rubber tree plantations, cocoa plantations etc [4]. Contract farming is therefore seen as a way to combine the advantages of large-scale production with the strengths of small-scale production [1].

Besides the positive effects of contract farming (CF), several authors have, however, drawn the attention on certain negative aspects of this instrument (biased relationships between contractors and farmers, negative conditions for small-scale farmers, etc.) [5] [6]. Other critics also argue contract farming is a way for large firms to take advantage of the land and poverty of smallholder farmers. CF is perceived to have a negative impact, leading to higher risk, indebtedness, and income inequality [7] [8].

Contract farming has won so many hearts including agricultural projects, researchers, development organizations and policymakers because of its perceived potential to provide solution/remedies to several of these agricultural constraints simultaneously. Trends in agriculture suggest that the demand for contract farming is increasing in developing countries as a result of growth in high value crops and demand for quality product are the driving force for contract farming in agriculture [9].

From literature, technical efficiency measures for Ghana's agriculture are generally low. [10] Found that average profit efficiency for rice farmers in Northern Ghana to be 63%, with profit efficiency ranging between 16% and 96%. [11] Provided evidence to show that smallholder rice farmers in the Upper East region of Ghana produce, on average, 34% below maximum output. The estimated technical efficiency for smallholder irrigators and non-irrigators was 53% and 51%, respectively using a simple t test to compare the significance of their means. [12] in their study of rice farmers under irrigation in Tono also concluded that mean technical efficiency estimate for irrigation rice farmers was 0.81 which is an improvement of earlier studies.

This study will enhance or improve on this knowledge by assessing economic, allocative and technical efficiencies of farmers under contract farming and also assess the effect of production ecology (irrigation and rainfed) on production efficiency using stochastic frontier analyses (SFA) approach to allow for in-depth analyses of rice production efficiencies. Previous studies have duelled more on single components of rice production efficiencies and did not also disaggregate the production ecologies. The ultimate goal of any rice producer is to attain economic efficiency which is a function of technical and allocative efficiencies. The present study will go beyond the previous studies as indicated to compare efficiencies for irrigated and non-irrigated ecologies and also between contract and non-contract producers to establish the effect of contract farming and irrigation system on production efficiency.

There are two main ways to increase rice production; through increase in farm size and through increase productivity. However, land is a major constrain now and hence we need to concentrate on increasing efficiency to increase productivity. The study will conduct a comparative analysis of farm level technical efficiency of households with access to irrigation technology and those without access to irrigation technology. The main objective of the study is to assess the impact of contract farming and irrigation ecology on farm household technical, allocative and economic efficiencies in Ghana.

There exists a considerable body of literature that analyses the impact of contract farming on the performance of smallholder farms, however very little has been done on efficiency as a performance indicator [13] [14]. Out of thirty-three studies reviewed across Asia and Africa only one used efficiency as a performance indicator [15].

2. MATERIALS AND METHODS

2.1 The Study Area

This study covered northern, upper east and Volta regions of Ghana basically because of their rice production potential in the country which is mainly savannah. About 80% of total rice production in Ghana comes from these three regions.

2.2 Data Collection

Multi-stage sampling was used to sample the representative small-holder rice farmers in Northern, Upper East and Volta regions. At the first stage, three regions were purposively selected based on the level of rice production. The three regions selected, produced about 80% of total rice produced in Ghana. At the second stage

of the sampling, each selected region two production systems (irrigation and rain fed systems) was purposively selected. At the third stage, of the sampling two management systems (Contract production and non-contract production systems) was purposively selected from each of the production system. At the fourth and the final stage of the sampling, a total sample of 350 smallholder rice farmers were randomly sampled and interviewed from the two production ecologies.

2.3 Data Analysis

The study employed both descriptive and inferential statistical analysis. Descriptive statistics (e.g., mean, minimum, maximums, standard errors of the mean, standard deviation) were used to summarize and describe 350 rice farmers. The stochastic frontier analyses were used to estimate the production efficiencies (technical, allocative and economic). Analyses were carried out using STATA 14 and NLOGIT 5.

The parametric stochastic frontier approach is applied to calculate the efficiencies of rice farms under the following frontiers of the observed data. The efficiency analysis is carried out based on four frontiers:

- Pooled data frontier, which analyzed all sample data together (n=350) and represent the general performance of all rice farmers under the two ecologies.
- Irrigation production frontier, which analyzed all irrigated farms data (n=133) and represents the irrigated rice farms performances with respect to CF.
- Rain-fed production frontier, which analyzed rain-fed farms data (n=217) and represents the rain-fed rice farm performances with respect to CF.
- Contract farming frontier, which analyzed CF farms data (n=140) and represents CF performance under different production ecologies.

The results of each frontier efficiency analysis are presented as the mean efficiency levels and the difference in means of contract and non-contract farmers' efficiency under different production ecologies. These results can be used as a benchmark to improve the efficiency of rice production in Ghana.

3.0 THEORETICAL AND ANALYTICAL FRAMEWORK

3.1 Measurement of production efficiency

Morden efficiency measurements began with the work of [16] Farrell (1957) who drew upon the works of [17] [18](Debreu and Koopmans, 1951) to define a simple measure of firm efficiency. Farrell showed that the measurement of economic efficiency (EE) could be broken down into two components (technical efficiency (TE) and allocative (price) efficiency (AE)). Technical efficiency (TE) is related to technology and refers to the use of minimal possible combination of inputs for producing a certain output (i.e. input orientation) or to obtain maximum possible level of output at the given level of technology (i.e. output orientation). Allocative efficiency (AE) refers to optimal combination of inputs at given input prices. These two efficiency measures are then combined to provide a measure of total economic efficiency.

Relative efficiency indices can be estimated using two methods which includes; the stochastic frontier approach (SFA) (Parametric) and the data envelopment analyses (DEA) approach (nonparametric) [19](Coelli, 1995). DEA employs linear programming in its estimation. DEA does not require model specification and assumptions. Under DEA, all deviations from the production frontier are all attributed to inefficiency. Hence it could suffer from statistical noises resulting from data collection mistakes.

The SFA method assumes a relationship between the inputs and outputs and employs statistical techniques to derive the efficiency indices. The error term is decomposed into statistical noise and inefficiency [18] (Coelli, 1995). The stochastic frontier analyses (SFA) also make it easy to test the hypothesis.

The choice of which method to use is unclear [20](Olesen et al., 1996). A small number of studies have made side-by-side comparisons of the two methods [21] [22] [23] [24] [25](Sharma et al., 1999; Theodoridis et al., 2011; Theodoridis et al., 2008; Wadud, 2003; Wadud et al., 2000) but none of these studies drew any conclusions about which method is superior. These studies typically find quantitative differences in efficiency scores between the two methods, but the ordinal efficiency rankings among DMUs tend to be very similar for both methods. Therefore, the choice of which method to use appears to be arbitrary, as it is pointed out by [26](Dhungana et al., 2004). We will use both methods to allow us to also compare the results of the two approaches.

3.2 Stochastic production frontier analysis

[27]Aigner *et al.*, (1977) and [28]Meeusen *et al.*, (1977) were the pioneers of stochastic frontier analyses which is now widely used by many to measure farm performance [29] [30] [31] [32] [33] (Battese *et al.*, 1992; Coelli *et al.*, 1996; Kompas *et al.*, 2006; Magreta *et al.*, 2013; Ouedraogo, 2015). The specification allows for the decomposition of the error term into the part associated with the inefficiency u_i and the part that is random and beyond the control of the farmer v_i . u_i error term is either positive or negative and the frontier vary around the deterministic part of the model expressed mathematically as, $\exp(x_i\beta)$.

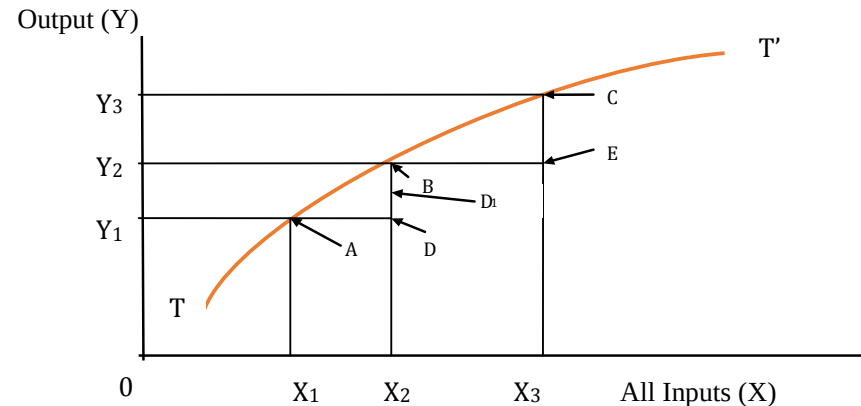


Figure 1: A Production frontier

In Figure 1 above, above, Rice farm D uses X_2 inputs to produce Y_1 output. If there are no inefficiency effects, the frontier output could be D_1 . This is the deterministic part of the frontier (point B), therefore the noise and inefficiency effects are negative. The distance between point D and point D_1 represents inefficiency, while the distant between D_1 and point B represents variation due to random events.

3.3 Model specifications of SFA for technical, economic, and allocative efficiency

3.3.1 The production frontier function

$$Y_i = f(X_i, \beta) e^{v_i - u_i} \dots\dots\dots 5$$

Y_i Represents rice output of farmer (i) (paddy), X_i represents the inputs used, β represents the parameters to be estimated and e the error term representing both the noise (v_i) and inefficiency (u_i). The production frontier shows the relationship between farm inputs (labour, fertiliser, seed, etc) and farm outputs (rice yield, farm revenue and gross margin). β represents the propensity of each input to influence the output [31](Kompas *et al.*, 2006). For the SFA you need to specify a functional form and the common forms are the Cobb-Douglas and translog production functions.

[32]Coelli *et al.*, (1998) specified the Cobb-Douglas function as:

$$\ln(y_i) = X_i\beta + v_i - u_i \quad i=1, 2, \dots, n \dots\dots\dots 6$$

Where;

t

$$TE = \frac{Y_i^*}{Y_i} = \exp(-U_i) \dots\dots\dots 7$$

Where Y_i = the total production frontier, Y_i^* = the stochastic production frontier

3.3.2 The cost frontier function

$$C_i = f(X_i, P_i, \beta) e^{v_i - u_i} \dots\dots\dots 8$$

where C denotes the total production cost observed, X_i is the output quantity for household i (rice produced), P_i is the input price vector used, β is the parameters to be estimated and e_i is the composite error term representing both inefficiency, u_i and noise factors, v_i .

$$AE = \frac{C_i}{C_i^*} = \exp(-U_i) \dots\dots\dots 9$$

Where C_i = the total production cost frontier, C_i^* = the stochastic cost frontier

$$EE = TE \times AE$$

EE= economic efficiency

The maximum likelihood estimation technique is used to analyse for the inefficiencies. The determinants of efficiency can also be derived from the maximum likelihood estimation. The endogenous treatment effect model will be used to assess impact of CF on the efficiencies while examining the determinants of the inefficiencies and also CF choice.

4.0 RESULTS AND DISCUSSION

4.1 Effect of contract farming on some factors of production of farm households

According to table 1 below, the mean age difference between contract farmers and non-contract farmers is about 3.19 and is significant at 1% significance level. This implies farmer's age has a positive correlation with contract participation. However there is no significant difference between the contract farmers farming experienced and that of non-contract farmers experience in rice production. Contract farmers are richer than non-contract farmers and this is significant at 1%. There is no difference in the household size and also the available arable lands of the two groups.

Table 1: Management System Effect on Means of farm households Characteristics

Farm household Characteristics	CF (n=140)	NCF (n=210)	Mean Difference	Z-statistic
	Mean	Mean		
Age of HHH (years)	46.41	43.22	3.19 ***	2.701642
Farmer experience (years)	22.94	24.20	(1.25)	-1.145
Wealth of farm HH GHS	8,256.64	3,214.71	5,041.93 ***	4.643198
Household Size Number	7	7	0.35	1.1456
Total household arable land (Ha)	2.05	2.29	(0.24)	-1.52

*** 1% level of significance; **5% level of significance; *10% level of significance

According to table 2 below the mean difference of rice farm size of contract farmers and non-contract farmers is about 0.24 Ha. The mean difference of fertilizer use, seed use, labour used are 122kg, 28kg and 5 persons respectively, which are all significant at 1% level of significance as shown in table 2 below. There is no difference in the prices of fertilizer and labour used. Seed price was significant at 1% level of significance with mean difference of -0.12 Ghana cedis (GHS), which implies non-contract farmers bought their fertilizers at relatively cheaper price than contract farmers. Yield is an important variable in assessing farm level performance and it is evidently clear that contract farmers have higher yields than their non-contract farmer colleagues with mean difference of 2725.23kg per Ha. Total output of contract farmers was far more than the output of non-contract farmers with a mean of about 3,360kg of paddy rice. Output price was also significant indicating contract farmers earn 0.15 GHS/kg more than their non-contract farmer counterparts. This implies their farm revenues will also be higher with a significant mean difference of 1,792 GHS. Cost of production of contract farmers is far more than that of non-contract producers with mean difference of 170 GHS. Gross margins mean difference is 1,622.00 GHS indicating contracts farmers earn more profit than their counterparts.

223 **Table 2: Production Status of Contract and Non-contract Farms**

Variables	CF (n=140)	NCF (n=210)	Mean Difference	Z-statistic
	Mean	Mean		
Rice farm size in Ha	1.33	1.00	0.33***	4.5
Fertilizer used in kg	314.43	192.20	122.23***	5.33
Seed used in kg	90.03	61.61	28.41***	2.82
Labour used	13	8	5.0***	4.9
Fertilizer price in GHS	1.11	1.81	-0.70	-1.57
Seed price in GHS	0.57	0.70	-0.12***	-2.84
Labour price in GHS	36.28	43.07	-6.79	-1.41
Yield per Ha	4357.70	1632.00	2725.23***	10.56
Total output kg	4,880.41	1,520.11	3360.30***	10.75
Output price per kg in GHS	1.46	1.31	0.15***	5.1
Total Revenue GHS	2,642.00	850.08	1791.91***	10.17
Total cost of production GHS	584.98	414.91	170.07***	4.7
Gross margins GHS	2,057.01	435.17	1621.84***	10.32

224 *** 1% level of significance; **5% level of significance; *10% level of significance

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226 4.2 Effect of agro-ecology on some factors of production of farm households

227 According to table 3 below, the mean age difference between irrigation farmer and rain fed farmers is about
 228 0.34 and is not significant. There is also no significant difference between the irrigation farmers farming
 229 experienced and that of rain fed farmers experience in rice production. Irrigation farmers are richer than rain fed
 230 farmers and this is significant at 1%. There is no difference in the household size and also the available arable
 231 lands of the two groups.

232 **Table 3: Farm household's characteristics**

Variables	Irrigation (n=133)	Rain fed (n=217)	Mean Difference	Z-statistic
	Mean	Mean		
Age of HHH	44.71	44.36	0.34	0.28
Farmer experience in years	22.50	24.42	-1.92	-1.73
Wealth of farm HH	8385.63	3298.29	5087.34***	4.5
Household Size	7	7	-0.24	-0.7
Total household arable land Ha	2.2	2.19	0.01	0.0447

233 *** 1% level of significance; **5% level of significance; *10% level of significance

234

235 According to table 4 below the mean difference of rice farm size of irrigation farmers and rain fed farmers is
 236 about 0.01 Ha and it is not significant. The mean difference of fertilizer use, seed use, labour used are 68.47kg,
 237 23.13kg and 3 persons respectively, which are all significant. There is no difference in the prices of fertilizer,
 238 seed and labour used. Yield is an important variable in assessing farm level performance and it is evidently clear
 239 that irrigation farmers have higher yields than their rain fed farmer colleagues with mean difference of
 240 1703.15kg per Ha. Total output of irrigation farmers was far more than the output of rain fed farmers with a
 241 mean of about 1823.29kg of paddy rice. Output price is not significant indicating irrigation farmers and their
 242 rain fed counterpart receive the same price for their paddy rice. This implies their farm revenues will also be
 243 higher with a significant mean difference of 1,101.34GHS. Cost of production of irrigation farmers is far more
 244 than that of the rain fed producers with mean difference of 144.34 GHS. Gross margins mean difference is
 245 957.00 GHS indicating irrigation farmers earn more profit than their rain fed counterparts.

Table 4: Production status of rain fed and irrigation farms

Variables	Irrigation (n=133)	Rain fed (n=217)	Mean Difference	Z-statistic
	Mean	Mean		
Rice farm size in Ha	1.17	1.08	0.09	0.91
Fertilizer used in kg	283.54	215.08	68.47***	2.63
Seed used in kg	87.32	64.19	23.13**	2.13
Labour used	12	9	3**	2.29
Fertilizer price in GHS	1.73	1.40	0.32	0.48
Seed price in GHS	0.62	0.66	-0.04	-0.92
Labour price in GHS	38.96	41.21	-2.25	-0.47
Yield per Ha	3778.53	2075.38	1703.15***	5.7
Total output kg	3994.67	2171.38	1823.29***	5.06
Output price per kg in GHS	1.40	1.36	0.04	1.47
Total Revenue GHS	2249.68	1148.34	1101.34***	5.52
Total cost of production GHS	572.43	428.09	144.34***	3.95
Gross margins GHS	1677.25	720.25	957.00***	5.4

*** 1% level of significance; **5% level of significance; *10% level of significance

4.3 Meta frontier analyses of contract and non-contract farms efficiency

The mean allocative efficiencies for contract and non-contract farms are 0.83 and 0.53 respectively. However, the mean economic efficiencies of the farms are 0.72 and 0.43 for contract and non-contract farms respectively. Farmers under contract farming are more efficient in their optimal allocation of resources while minimizing waste and inefficiency in their rice production. This implies contract farms and non-contract farms can achieve their current production levels with about 28% and 57% reduction in cost of production. Details are shown in table 5-9 below.

Table 5: Summary statistics of efficiency measures of contract and non-contract farms

Meta Frontier	CF (n=140)					NCF (n=210)				
	Mean	Min	Max	STD	SEM	Mean	Min	Max	ST D	SEM
TE	0.84	0.40	1.00	0.17	0.01	0.77	0.34	1.00	0.18	0.01
AE	0.83	0.16	1.09	0.22	0.02	0.53	0.09	1.00	0.27	0.02
EE	0.72	0.10	1.00	0.28	0.02	0.43	0.07	1.00	0.30	0.02

There is significant difference in the technical, allocative and economic efficiency means of contract and non-contract farms. This shows that the contract farms have higher efficiencies than their non-contract farm counterparts hence the null hypothesis is rejected. The efficiencies of contract farms are significantly higher than the efficiencies of non-contract farms.

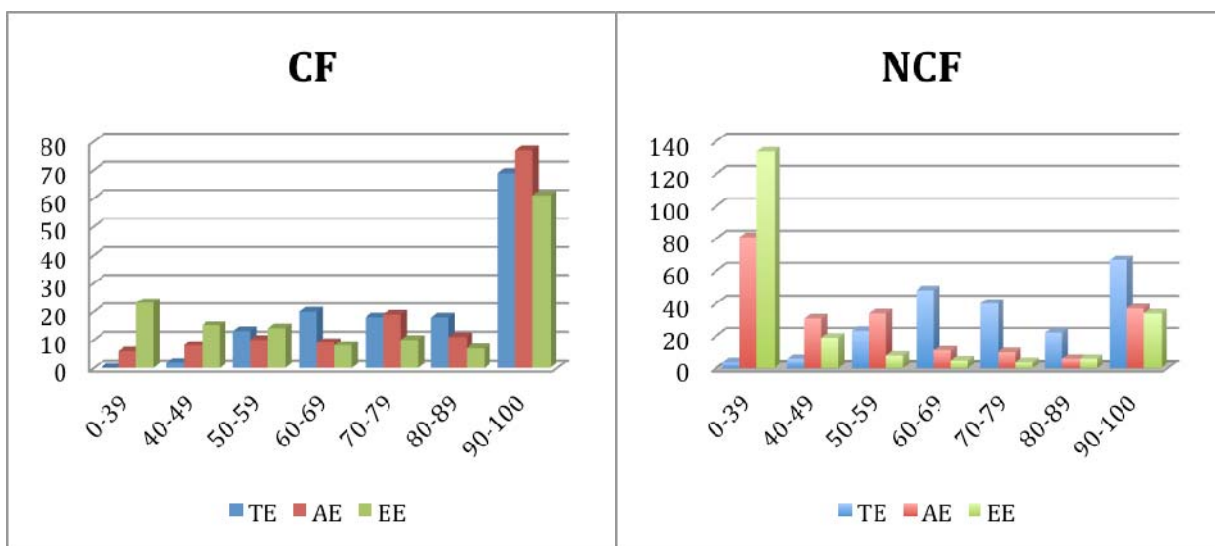
269 Table 6: Mean differences of contract and non-contract farms

	Meta Frontier	CF (n=140)	NCF (n=210)	Mean Difference	Z-statistic
		Mean	Mean		
TE		0.84	0.77	0.07***	3.5
AE		0.83	0.53	0.30***	11.38
EE		0.72	0.43	0.29***	9.23

270 *** 1% level of significance; **5% level of significance; *10% level of significance

271

272 Non-contract farmer's efficiency distribution shows that just about 4 farms are within technical efficiency score
 273 of 0-39% and 67 farms are within 90-100% efficiency score followed by 48 of them within 60-69% efficiency
 274 score as shown in figure below.



275

276 Figure 2: Efficiency distribution of contract and non-contract farmer's farms

277 Contract farmer's efficiency distribution shows that there are no farms within technical efficiency score of 0-
 278 39%. Majority of contract farms (69) fall within efficiency score of (90-100%) followed by 20 of them within
 279 (60-69%) efficiency score. About 77 and 61 farms fall within allocative and economic efficiency scores of 90-
 280 100% respectively. There is clear difference in the distribution among contract farms and non-contract farms as
 281 shown in figure above.

282 4.4 Irrigation frontier efficiency of Contract and Non-contract farms

283 There is significant difference in the technical, allocative and economic efficiency means of contract and non-
 284 contract farms under irrigation production. This shows that the contract farms have higher efficiencies than their
 285 non-contract farm counterparts hence the null hypothesis is rejected. The efficiencies of contract farms are
 286 significantly higher than the efficiencies of non-contract farms under irrigation rice production.

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Table7: Mean differences of contract and non-contract farms under irrigation

Irrigation frontier	CF	NCF	Mean Difference	Z- statistic
	Mean	Mean		
TE	0.867	0.769	0.098	3.44***
AE	0.875	0.542	0.334	8.28***
EE	0.780	0.433	0.347	7.33***

*** 1% level of significance; **5% level of significance; *10% level of significance

The distribution of the efficiencies across CF and NCF is presented in figure below. Majority of farms under contract farming are within 90-100% efficiency. However, majority of farms under NCF are within efficiency score of 0-39%. It is clear that the distributions are different and more farmers under CF recorded higher efficiencies compared to farmers who did not participate in CF.



Figure 3: Efficiency distribution of CF and NCF under irrigation

4.5 Rain fed frontier efficiency of Contract and Non-contract farms

There is significant difference in the technical, allocative and economic efficiency means of contract farms and non-contract farms under rain fed production. This shows that the contract farms have higher efficiencies than their non-contract farm counterparts under rain fed production hence the null hypothesis is rejected. The efficiencies of contract farms are significantly higher than the efficiencies of non-contract farms under rain fed rice production.

Table 8: Mean differences of contract and non-contract farms under rain fed production

Rain fed efficiency	CF	NCF	Mean Difference	Z-statistic
	Mean	Mean		
TE	0.816	0.775	0.041	1.62**
AE	0.788	0.523	0.265	1.6***
EE	0.669	0.430	0.239	1.6***

*** 1% level of significance; **5% level of significance; *10% level of significance

The distribution of the efficiencies across CF and NCF under rain fed production is presented in figure below. Majority of farms under contract farming are within 90-100% efficiency. However, majority of farms under NCF are within efficiency score of 0-39%. It is clear that the distributions are different and more farmers under CF recorded higher efficiencies compared to farmers who did not participate in CF.

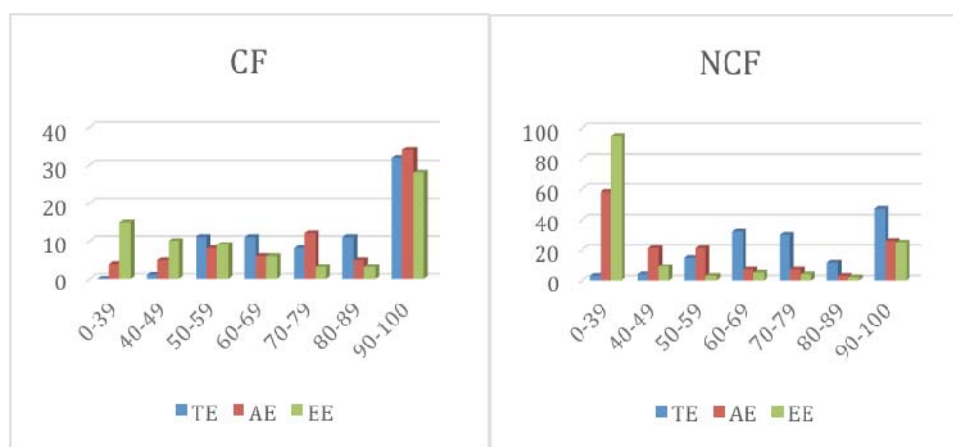


Figure 4: Efficiency distribution of CF and NCF under rain fed

4.6 CF frontier efficiency of irrigation and rain fed farms

There is significant difference in the technical, allocative and economic efficiency means of contract farms under irrigation and rain fed production. This shows that contract farms under irrigation production have higher efficiencies than their rain fed counterparts hence the null hypothesis is rejected. The efficiencies of irrigation contract farms are significantly higher than the efficiencies of rain fed contract farms. Hence CF works better under irrigation than under rain fed production.

Table 9: Mean differences of irrigation and rain fed contract farms

CF frontier	IRR-CF	RAIN-CF	Mean Difference	Z-statistic
	Mean	Mean		
TE	0.867	0.819	0.048	1.7**
AE	0.875	0.789	0.087	2.3***
EE	0.780	0.672	0.108	2.3***

*** Significant at 1% level of significance; ** significant at 5% significance level; *significant at 10% significance level

The distribution of the efficiencies of irrigation CF and rain fed CF is presented in figure below. Majority of farms under irrigation and rain fed ecologies were within 90-100% efficiency score. It is clear that the distributions are similar across rain fed and irrigation production ecologies.

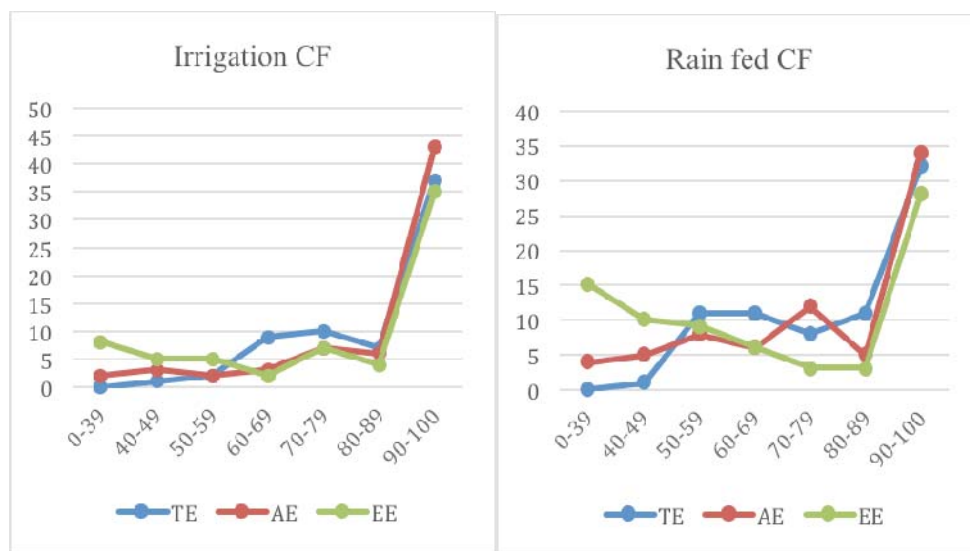


Figure 5: Efficiency distribution of irrigation and rain fed contract farms

5.0 CONCLUSIONS AND RECOMMENDATION

5.1 Conclusion

The results show that the contract farms have higher efficiencies than their non-contract farm counterparts hence the null hypothesis is rejected. There is clear similarity in the distribution among contract and non-contract farms. Under irrigation production, the efficiencies of contract farms are significantly higher than the efficiencies of non-contract farms under irrigation rice production and they also have different efficiency distributions. Under the rain fed production frontier, efficiencies of contract farms are significantly higher than the efficiencies of non-contract farms and their distributions are also different. Contract farms under irrigation production have higher efficiencies than contract farms under rain fed production hence the null hypothesis is rejected. The efficiencies of irrigation contract farms are significantly higher than the efficiencies of rain fed contract farms, however their distributions are similar across rain fed and irrigation production ecologies.

The study has clearly established that CF has positive effect on technical, allocative and economic efficiency of rice farms in Ghana. It has also established that there are more farmers with high efficiency scores among CF than NCF. CF is more effective in irrigation ecologies than in rain fed ecologies. we recommend that government and her development partners should continue and intensify the introduction of CF as a management strategy to boost rice production and hence improve livelihood of farmers. Government should put in policies that will stimulate interest of farmers to get involved in contract farming. We also recommend investment to expand irrigable land area to increase accessibility, as it is one of the reasons why farmers are not practicing irrigation production.

Current increases in production volumes are associated more with expansion in area of production with very little from efficiency gain. Considerable increase in yield can be achieved through increase efficiency by getting more farmers involved in CF.

5.2 Recommendations

In order to sustain and improve efficiency of rice production systems in Ghana, we recommend that farmers should be encourage to participate more in irrigation rice production than the rain fed productions since they are more efficient in their resource allocation. The efficiencies of contract farms are higher than the efficiencies of non-contract farms hence we recommend that farmers should be encouraged to get more involved in contract production.

It is clear from the results that contract farming has positive influence on technical, allocative and economic efficiencies of rice producers. Farmers will be more efficient when they produce rice under contract farming. Policy directives to promote contract farming will be in the right direction as it will help farmers maximize their rice production business.

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