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**The Thesis Submitted for the Degree of Ph.d (in the Field of
Agricultural Economics)**

**Study of selling contracts as a mechanism
to improve agricultural products market in
Yazd province**

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Abstract

Contract farming are one of the most important institutional arrangements for agricultural production. In many cases, these contracts increase the income and welfare of farmers. However, these contracts have not been seriously considered in Iran so far. The purpose of this study was to investigate the impact of these contracts on farmers' income and welfare in Yazd province, Abarkouh County, in the year 2017-2018. For this purpose, a Analytical Hierarchy process and discrete choice experiment were first used to examine the importance of contract design features from the farmers' perspective. According to the data collected from farmers in the study area, the uncertainty of the input market is more important than the uncertainty of the output market in the decision of small farmers to participate in contracts. Farmers tend to minimize their risk by choosing agribusiness firms rather than government and NGOs to obtain seeds, inputs, and technical assistance. In the present study, considering two pistachio and saffron crops, farmers were divided into three homogeneous groups, each group differing in yield and using inputs per hectare. Then the cost function of the representative farmer of the three groups was calibrated and using these functions, the formal and relational optimal contract model were extracted. The results showed that the success of an contract farming depends on the willingness of agribusiness firms to consider farmers' preferences for contract design. Institutional intervention in the input market can enable agricultural firms to offer attractive contracts to small farmers. Also, formal and relational contracts, if they are consistent with the incentive constraints of the farmer and the employer, will increase the farmer's income and reduce his risk. And if the supply function of the product is elastic, product output will increase as well. Policy recommendations for this study are to provide suitable conditions for the development of contract farming, such as acquainting farmers with these contracts and encouraging agribusiness firms to participate in contracts by establishing appropriate structures, facilitating access to credit and providing other investment incentives.

Keywords: Discrete choice experiment, AHP, Farmer`s risk, Contract farmings