



Model contract farming agreement for dried sugar beans in Lesotho

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1 THE PARTIES

- 1.1 This Agreement is entered into between *[insert the Buyer's name]*, with business registration number *[insert business registration number]* and with legal address at *[insert the address]*, represented by *[the name of the buyer's representative]* with Identification Number *[insert the identification number of the representative]*, _____ *[insert the marital status]*, herein referred to as "the Buyer"

and

[If the Producer is natural person, insert the name/s of the Producer]

with

[insert the identification number]

_____ *[insert the marital status]*

and with the legal address at

[insert the address of the Producer];

OR

[If the Producer is a legal person, such as a company or corporation etc. insert the name of the Producer]

with business registration number

[insert the business registration number]



and with legal address at

[insert the address of the Producer],

represented by

[insert the name of the representative],

with

[insert the identification number of the representative]

and _____ *[insert the marital status of the representative],*

herein referred to as “the Producer.”

- 1.2 The Producer may withdraw from this Agreement **within X calendar days** of its signing without incurring any liability.
- 1.3 The Parties affirm their intention to faithfully execute their respective obligations under this Agreement in accordance with the principles of **good faith, reasonableness, efficacy, loyalty, and fair dealing**. The Parties will at all times endeavour to preserve the spirit and intent of this Agreement by behaving consistently and cooperatively and by providing necessary information in a timely and transparent manner.
- 1.4 The Producer warrants to have:
- (i) **no less than X working days** before the signature of this Agreement, received a copy of this Agreement;
 - (ii) read this Agreement or had this Agreement read by an independent third party and understands its content and purport;
 - (iii) had the opportunity to seek the advice of _____ *[please choose the relevant option/s below]* on this Agreement before signature.
 - a. independent legal adviser/s
 - b. producer organisation/s
 - c. extension or marketing service officer/s
 - d. other entity/entities _____
[insert the name/s of other entity/entities]



2 THE PURPOSE

- 2.1 The Buyer agrees to buy dried sugar beans, herein referred to as “the Goods,” produced by the Producer, and the Producer agrees to produce and sell the Goods to the Buyer, in accordance with the provisions set out below.

3 THE PRODUCTION SITE

- 3.1 This Agreement relates to the Goods produced on _____ [*insert the number of hectares*] hectares of land,

located in

[*insert the name of the nearest village with the name of the village chief*], “the Production Site,”

and the Producer is proved to have the ownership or right to use of such land [*choose the applicable option below*]:

- (i) by providing the Buyer with a copy of

[*insert the name of the proof of the ownership or right to use, such as the title deed (form C document), the lease agreement or certificate, or other proof of the ownership or right to use*];

OR

- (ii) by providing the Buyer with a letter from the village chief

[*insert the name of the village chief*]

4 THE PRODUCT

Product quantity

- 4.1 The Producer agrees to deliver to the Buyer a minimum of _____ [*insert the number of kilograms*] kilograms of the Goods produced on the Production Site.
- 4.2 The Producer may sell the Goods produced in excess of the amount stipulated in Article 4.1 to the Buyer or to a third party. The Buyer retains the right of refusal to purchase the Goods in excess of the minimum quantity under Article 4.1.



Product quality

4.3 The Producer agrees to supply the Goods which comply with the following quality standards:

- (i) The Goods must be dry and clean with minimal defects (such as broken or damaged beans) or with minimal foreign objects or materials (such as stones, grass sticks, weevils) mixed in the Goods.
- (ii) The Goods have a moisture level not higher than X per cent.

5 COMMUNICATION BETWEEN PARTIES

5.1 The Buyer or the Producer should notify the other Party in writing on any issue, which may impact its ability to fulfil the obligations under this Agreement as soon as possible and **within X calendar days** from the day when the Party had knowledge about such issue.

5.2 The Buyer may ask the Producer to send periodical reports in key moments of the production of the Goods to the Buyer according to the ANNEX 1.

6 FIELD VISIT/S TO THE PRODUCTION SITE

6.1 Subject to the Buyer sending a notice **at least X working days** in advance, and in the presence of the Producer or its representative, the Buyer or its representative may visit the Production Site and consult with the Producer for the purpose of enhancing communications with the Producer and monitoring the progress of the production of the Goods. The visit/s shall be carried out at a time agreed by both Parties and shall not unduly burden or inconvenience the Producer.

7 THE PRICING MECHANISM

7.1 The Buyer agrees to pay the Producer for the Goods which are accepted by the Buyer and conform with the quality standards under Article 4.3 according to the following pricing mechanism:

- (i) The Buyer will pay the minimum price of [*insert the price in Lesotho loti*] Lesotho Loti per kilogram of the Goods to the Producer, based on market prices of imported and domestically produced dried sugar beans in Lesotho at the time of signature of the Agreement.
- (ii) If the market price at the time of acceptance of the Goods is higher than the minimum price under Article 7.1. (i), the Buyer will pay the Producer the market price at the time of acceptance of the Goods.



- (iii) The market price is based on the market price for the procurement of imported dried sugar beans by packing companies in Lesotho and the market price of domestically produced dried sugar beans offered by packing companies to producers in Lesotho.
- (iv) If the market price at the time of acceptance of the Goods is lower than the minimum price under Article 7.1. (i), the Buyer will pay the minimum price under Article 7.1. (i).

7.2 The Buyer shall regularly inform the Producer about the price of the Goods offered by the Buyer to procure the Goods, and such price is based on the market price determined under article 7.1. (iii).

8 DELIVERY

8.1 The Producer may deliver the Goods to the Buyer at any time starting from the harvest of the Goods to the conclusion of this Agreement. The Buyer may be represented by a Buyer's representative, and the Producer may be represented by a Producer's representative for the purposes of delivery.

8.2 The Producer may, at its own discretion:

- (i) deliver the Goods to the Buyer's warehouse with its own means;

OR

- (ii) request the Buyer to collect the Goods from a designated collection location.

(i) Delivery option 1: The Producer delivers the Goods to the Buyer's warehouse.

Delivery to the Buyer's warehouse

8.3 The Producer shall inform the Buyer about the readiness to deliver the Goods to a selected warehouse _____ *[include name and/or address of the warehouse]* of the Buyer **at least X working days** before the date when the Producer intends to deliver the Goods. The costs of transportation of the Goods to the Buyer's warehouse shall be paid by the Producer.

8.4 The Buyer shall inform the Producer about the operational time of the selected warehouse to receive the Goods. The Producer or its representative shall deliver the Goods during its operational time.



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- 8.5 The Goods shall be packed in a bag or bags labelled with the name of the Producer, not easily erased, such as marked by a permanent marker pen, by the Producer before or upon delivery.
- 8.6 The Goods shall not be packed in used bags or containers for fertilizers, pesticides, or other agrochemicals, inputs or substances that may alter the Goods.

(ii) Delivery option 2: The Producer requests the Buyer to collect the Goods at a collection location.

Delivery to the collection location

- 8.7 The Producer shall inform the Buyer **at least X working days** in advance about the readiness to deliver the Goods. The Producer and the Buyer shall agree on the collection location and time in advance for the Buyer to collect the Goods.
- 8.8 The Producer shall comply with Articles 8.5 and 8.6 on labeling and usage of bags.
- 8.9 The Buyer shall collect the Goods from the Producer or its representative at the agreed location and time under Article 8.7.
- 8.10 The Producer shall bear the costs of transportation of the Goods to the collection location. The Buyer shall bear the cost of transportation to come to the collection location and the cost of transportation of the Goods from the collection location to the Buyer's warehouse.
- 8.11 If the Buyer or the Producer fails to meet at the agreed collection location and time due to unexpected and justifiable reasons, the Party that fails to meet shall inform the other Party as soon as possible. The Parties shall renegotiate to have the Goods delivered through delivery option 1 or 2.

Checking of the Goods at the collection location

- 8.12 The Buyer shall check the quality of the Goods in accordance with the quality standards under Article 4.3. (i).
- 8.13 Following checking of the Goods, the Buyer may:

(i) agree to accept the Goods to be delivered to the warehouse.

OR

(ii) if defected beans or foreign objects or materials present in the Goods are at an unacceptable level, or the moisture is at an unacceptable level, according to Article 4.3.



(i), ask the Producer to clean or dry the Goods and bring back the Goods for re-inspection through delivery option 1 or 2.

8.14 The Buyer shall provide the Producer with a written delivery slip with the content specified in ANNEX 2. The written delivery slip shall be signed by the Buyer or its representative and the Producer or its representative.

9 INSPECTION, ACCEPTANCE AND PAYMENT

9.1 The Producer or its representative shall be present during the inspection and acceptance of the Goods, especially regarding weighing and establishing the quality of the Goods, and the payment of the Goods.

Inspection of the Goods at the Buyer's warehouse

9.2 Upon arrival of the Goods at the Buyer's warehouse, the Buyer shall weigh the Goods and inspect the quality of the Goods in accordance with the quality standards under Article 4.3 at its own cost.

Acceptance of the Goods

9.3 Following the inspection of the Goods, the Buyer may:

(i) agree to accept the Goods conforming to the quality standards under Article 4.3.

OR

(ii) if the Goods do not meet the quality standards under Article 4.3:

a. ask the Producer to clean or dry the Goods and deliver again the Goods for re-inspection,

OR

b. propose to the Producer that the Buyer will clean the Goods for a fee to be deducted from the final payment,

OR

c. refuse to accept the Goods if the quality standards under Article 4.3 cannot be achieved or are not achieved through further cleaning or drying.



- 9.4 In case of rejection of the Goods, the Buyer shall provide the Producer or its representative a written explanation of why the Goods have been rejected.
- 9.5 The Producer has the right to sell to a third party all the Goods rejected by the Buyer.
- 9.6 The Parties' agreement on the quantity and quality of the Goods received by the Buyer under Article 9.3. (i) constitutes acceptance of the Goods.

Payment

- 9.7 Upon acceptance of the Goods, the Buyer shall make the payment to the Producer in cash immediately OR via bank transfer to the bank account nominated by the Producer **within** _____ *[insert number]* **working days**.
- 9.8 The Buyer shall provide the Producer or its representative a written receipt for the sale of the Goods with the content specified in ANNEX 3. The written receipt shall be signed by both the Buyer and the Producer or their representatives.

10 FORCE MAJEURE

- 10.1 In case of *Force Majeure* Event, as soon as reasonable after the start of the *Force Majeure* Event, the Affected Party shall notify the other Party in writing of the *Force Majeure* Event, the date on which it started, its likely duration, and the effect on the Party's ability to perform its obligations under the Agreement.

For the purposes of this Agreement, *Force Majeure* Event means any event that arises after the Agreement has been signed, is unpredictable, inevitable, beyond the Parties' reasonable control and that objectively prevents one or both of them from performing their obligations, including, but not limited to, wars, insurrections, riots, civil disturbances, interruption of transportation or communication services, major changes to agricultural and other relevant laws or policies, blockades, embargoes, strikes and other labour-related interruptions, epidemics, earthquakes, storms, droughts, fires, floods, or other exceptionally adverse weather conditions, or natural, economic, social, or political events that would result in the failure for one party to meet its obligations under this contract.

- 10.2 The Affected Party shall use all reasonable endeavours to mitigate the effect of the *Force Majeure* Event on the performance of its obligations.
- 10.3 Provided it has complied with Articles 10.1 and 10.2 above, the Affected Party shall not be considered to be in breach of this Agreement or otherwise liable for any failure or delay in the performance of its obligations caused by the *Force Majeure* Event.



- 10.4 The Parties may agree to suspend affected obligations during the continuance of the *Force Majeure* Event, and no damages or penalties for delay in performance shall be due.
- 10.5 If an obligation is suspended by reason of *Force Majeure* Event for **more than X calendar days** from the Affected Party giving notice of the *Force Majeure* Event, or if suspension is not feasible, the other Party may terminate the Agreement.

11 REMEDIES

- 11.1 Where the Party failing to comply with any of the obligations in this Agreement (the Breaching Party) becomes aware that it is or will be in breach of its obligations, it shall immediately take all reasonable measures at its own cost to prevent or cure the breach **within X calendar days**.
- 11.2 Where the Breaching Party does not or cannot cure the breach in accordance with Article 11.1, the other Party may take any of the following corrective actions:
- (i) require the Breaching Party to negotiate to adjust the purchase price to reflect the fair value of the non-conforming Goods or to otherwise remedy the breach of contractual conditions;
- OR
- (ii) reject the Goods and withhold payment.
- 11.3 Where the Buyer fails to accept the Goods conforming to the quality standards under Article 4.3 before the end of the Agreement, the Producer may sell the Goods to a third party and claim from the Buyer the difference between the price under this Agreement and the price that the Producer received for the Goods.
- 11.4 Where the attempt to cure by the Breaching Party, or corrective action by the other Party, has failed to cure, or correct the breach, the other Party may, with written notice to the Breaching Party, and following a minimum of **X calendar days** from the moment when the breach was identified, terminate this Agreement.
- 11.5 Without limiting any other rights or remedies available under this Agreement, the other Party may claim damages for any costs, losses or expenses, which are attributable to the Breaching Party's breach of this Agreement in accordance with the applicable laws.



12 RENEGOTIATION OF THE TERMS

12.1 Both Parties have a right to renegotiate the terms of this Agreement without affecting the validity of the Agreement under the following circumstances:

- (i) where circumstances change so drastically as to affect the quantity, quality and price of the Goods and their delivery;

OR

- (ii) in anticipation of a renewal in terms of Article 13.3 below.

12.2 The Party wishing to renegotiate under Article 12. shall give a notice to the other Party about its intention to renegotiate and the circumstance, and shall submit a written proposal of suggested modifications **within X working days** from the day when the Party had knowledge about such circumstance.

12.3 The Party that receives the written proposal of suggested modifications shall provide a response **within X working days** from the receipt of the proposal.

12.4 Notwithstanding Article 12.1., both Parties retain the right to renegotiate the terms of this Agreement, at any time, based on their mutual consent.

13 DURATION, RENEWAL AND TERMINATION

Duration

13.1 This Agreement is valid from the date of signature to *[insert end date]*.

Termination

13.2 This Agreement may be terminated:

- (i) following a breach of the Agreement in accordance with Article 11.4;
- (ii) by mutual agreement of the Parties;
- (iii) by either Party by giving **X calendar days** written notice to the other Party.

Renewal

13.3 Upon expiration of this Agreement in accordance with Article 13.1, the Parties may agree in writing to its renewal.



14 DISPUTE RESOLUTION

- 14.1 The Parties to this Agreement shall provide notice to each other in the event of any disputes arising out of this Agreement and shall seek to amicably resolve them **within X calendar days** through negotiation and cooperation.
- 14.2 If the Parties to this Agreement are unable or unwilling to resolve the dispute amicably, the Parties shall seek local and independent mediation as soon as possible and **not later than X months** since the disagreement was put in evidence by one of the Parties.
- 14.3 Where the dispute has not been resolved in accordance with Articles 14.1 and 14.2, either Party may submit the dispute **to private arbitration or the courts of Lesotho** for resolution.
- 14.4 This Agreement, and any dispute arising out of it, is governed by the laws of Lesotho.



15 SIGNATURE

Signed by the Producer

Signed by the Buyer

[insert the name/s]

[insert the name]

Signed by

Signed by

[insert the name and position]

[insert the name and position]

on behalf of the Producer

on behalf of the Buyer

[insert the name/s]

[insert the name]

Signature:

Signature:

Date:

Date:

Done at:

[insert the location]

In the presence of:

Name:

Signature:

Address:

Occupation:

Date:



ANNEX 1: COMMUNICATION BETWEEN PARTIES

The Producer shall provide periodic report on the progress of the production of the Goods to the Buyer through WhatsApp messaging (preferred), or other telephone messaging, or telephone calls, or in-person visits to the Buyer's warehouse **once every 2 months or as otherwise agreed by the Parties** for the purpose of enhancing communication between the Parties and monitoring the production of the Goods.

ANNEX 2: CONTENT OF THE WRITTEN DELIVERY SLIP

The content of the written delivery slip provided by the Buyer to the Producer or its representative under the delivery option 2 shall include at least the name of the collector on behalf of the Buyer, the name/s of the Producer, the date, the location, and the quantity of bags labelled with the name/s of the Producer.

ANNEX 3: CONTENT OF THE WRITTEN RECEIPT FOR THE SALE OF THE GOODS

The content of the written receipt for the sales of the Goods provided by the Buyer to the Producer or its representative shall include at least the name of the Buyer, the name/s of the Producer, the date, the location, the quantity, the quality standard applied, the price, the total payment of the Goods, and the method of payment.