

## BILATERAL CONTRACT AGREEMENT

THIS AGREEMENT made on this .....day of.....2010 between ..... ID NO .....of post office box number.....in the Republic of Kenya (hereafter described as the Ginner/Investor) which expression includes his successors and assignees of the one part **AND** .....ID NO ..... of post office box number..... in the Republic of Kenya (hereinafter described as the Farmer) which expression includes its successors and assignees of the other part.

**WHEREAS** the Ginner/investor is interested with the promotion; development, and production of quality raw cotton (seed cotton) within .....District.....Location.

**AND WHEREAS** the Farmer/Cooperative/Association, (.....State the name as appropriate) will require the technical and material assistance of the Ginner/Investor in the growing and production of quality raw cotton, in (.....province ..... Region).

Now **THEREFORE THE** Ginner and the Farmer/Cooperative/ Association agree as follows:

1. In the area of operation of Farmer/Cooperative/Association, and so as to facilitate the Farmer/Cooperative/Association and enable him/her to grow and produce the best quality cotton possible, **the ginner agrees** to provide, or facilitate to, the Farmer/Cooperative/ Association; with:
  - a) Technical extension and research services;
  - b) All inputs the Farmer/Cooperative/Association may require during the growers season within the loan limits set with reference to his/her/ its category and area under cotton, subject to the Farmers/Cooperative ability to deliver quality raw cotton and repay the loan so advanced;
  - c) An indicative price for the season's crop and a firm price to be paid to the farmer / Cooperative for the season prior to the commencement of marketing.
- 2. The Farmer/ Cooperative/ Association agrees:**
  - a) to grow cotton during the growing season, as shall, from time to time, be stipulated by the **Ginner/ CODA**
  - b) Not to grow cotton during the closed season.
  - c) To utilize the farm inputs and pesticides supplied by the ginner to grow cotton as advised by the ginner/Investor/CODA

- d) To sell the all the contracted cotton to the ginner and to no other buyer except as advised in writing by the Ginner/Investor in consultation with CODA.
- e) To repay the loan advanced by the ginner in each season.
- f) Not, to have any outstanding commitments with any other ginner/Investor during the subsistence of this agreement.
- g) Not to sell or transfer or sub-loan any input advanced by the Ginner without prior authorization in writing by the Ginner/Investor.
- h) To deliver seed cotton for purchase on the market days so specified by the market schedule from CODA.

3. **THE GINNER and FARMER/COOPERATIVE/ ASSOCIATION** Further **AGREE** That:-

- a) The Ginner shall deduct the cost of inputs supplied from the price to be paid to the Farmer/Cooperative/Association for the Cotton delivered.
- b) Badly sorted cotton will be returned to the Farmer/Cooperative/Association for re-handling

The Ginner reserves the right:

- (i) Not to buy Cotton whose quality is outside the specifications provided.
- (ii) Not to buy wet, mouldy, discolored or funky cotton
- (iii) To buy only the volumes of cotton grown under the Ginners's/Investors supervision.
- (iv) Not to buy cotton packaged in inappropriate bags.

**PROVIDED THAT**

- a. where and whenever the Ginner is unable to buy seed cotton from the Farmer/ Cooperative/ Association for one reason or another and duly informs the farmer in writing of his inability to do so the Farmer/Cooperative/Association shall be entitled to seek market for the same elsewhere, including selling to another Ginner.
- b. The farmer undertakes to pay back the loan previously advanced to him for the crop.

**PROVIDED FURTHER** that any dispute arising between the parties with respect to quality of the cotton shall first be referred for arbitration, to the Cotton Development Authority (CODA) or any other arbitrator mutually agreed upon by the parties.

## **PENALTIES**

1. If the Farmer/ Cooperative/ Association does not deliver produce as mutually agreed and within the specified time, he will bear the costs for the loss incurred by the ginner.
2. If the Ginner fails to collect the produce at the designated centers and buying window provided by CODA the ginner will compensate the Farmer/cooperative/ association for the loss incurred.

## **NATURAL CALAMITIES**

Both parties will mutually agree on how to deal with losses attributed to natural calamities (Unexpected rains during harvesting period, floods, fire, hailstone, wildlife damage and drought).

## **4) OTHER TERMS OF THE AGREEMENT**

The parties further AGREE that:

- a) This contract may be terminated by either party giving the other a Six months written notice, such notice to expire at the end of the season.  
**Provided that** neither party has any outstanding obligation to the other.
- b) The Ginner will advance materials and inputs to the Farmer/Cooperative/Association as per the analysis in the **schedule 1** attached.
- c) The parties agree to full disclosure and transparency in all the dealings, including information and discussions leading to the calculations and fixing of costs and prices.

## Schedule 1: Production costs and pricing.

	Item	Cost (Ksh.)
1	Leasing of land per acre	
2	Bush clearing per acre	
3	Cost of Seeds per acre	
4	Ploughing per acre	
5	Planting seeds per acre (kg)	
6	Planting labour (2 man-days) per acre	
7	Weeding (1 <sup>st</sup> weeding) , 5 man-days per acre	
8	Weeding (2 <sup>nd</sup> weeding), 4 man-days per acre	
9	Weeding (3 <sup>rd</sup> weeding), 3 man-days per acre	
10	Thinning & Gapping, 3 man-days per acre	
11	Chemicals (.....litres/acre)	
12	Spraying (6man- days)	
13	Fertilization (mineral fertilizer, foliar feed, manure)	
14	Harvesting @ Kshs per kg	
15	Harvesting packaging – jute, Hessian cloth (no.)	
16	Yield per acre (kgs)	
17	Cost per acre (Ksh.)	
18	Total number of acres (no.)	
	<b>Total input costs (Ksh.)</b>	
18	Seed cotton price per kg, (minimum – <i>at planting</i> ) AR BR	

**Note:**

*The above price is only valid during the cotton buying window period.*

*Minimum area for this contract is 2 acres*

**WE THE UNDERSIGNED** have read and understood the contents of this agreement.

Name Farmer .....ID.No.....

**Physical Address (Village)**

Signature.....

Date.....

**Name of Cooperative / Association/Investor.....Reg. no.....**

**Physical Address (Village)**

Name of Chairman / Vice.....ID.no.....Member No. ....

Signature .....Date.....

Name of Secretary.....ID.No.....Member No. ....

Signature .....Date.....

Name of Treasurer.....ID.No.....Member No.....

Signature .....Date.....

**Name** .....

**Name of District Agricultural Officer .....District.....**

Signature \_\_\_\_\_Date.....

Signed **THIS**.....Day of .....

At.....

Name of the Ginnery.....Reg. No.....

Name of Managing Director.....

ID.No.....Signature.....

Date.....

Witnessed by.....of

P.O. Box.....

Signature.....ID.No.....

Date.....

**NOTE**

This agreement Must be completed in Quadruplicate – One copy farmer, Ginner, CODA, and DAO.