



References for Key Contract Farming Topics

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An information product and a learning resource product which was developed through reviewing key literature on contract farming and compiling key references for 22 important topics on contract farming.

Feasibility assessment for contract farming

- FAO. 2001. *Contract farming: partnerships for growth*. FAO Agricultural Services Bulletin 145. Rome. Available at: <http://www.fao.org/docrep/014/y0937e/y0937e00.pdf> **P8-25; P28-42**
- FAO. 2017a. *Contract farming and the law: what do farmers need to know?* Rome. Available at: <https://www.fao.org/3/i7581e/i7581e.pdf> **P2**
- FAO, IFAD and UNIDROIT. 2017. *Legal aspects of contract farming agreements. Synthesis of the UNIDROIT/FAO/IFAD Legal guide on contract farming*. Rome. Available at: <https://www.fao.org/3/i6711e/i6711e.pdf> **Pviii-x**
- FAO. 2018. Contract farming training modules. Available at: <https://www.fao.org/in-action/contract-farming/training/en/> **Module 1**
- FAO & IISD. 2018. *Model agreement for responsible contract farming: with commentary*. Rome, FAO. 68 pp. Licence: CC BY-NC-SA 3.0 IGO. Available at: <https://www.fao.org/3/ca1772en/CA1772EN.pdf> **P2-3**
- GIZ. 2013. *Contract farming handbook: a practical guide for linking small-scale producers and buyers through business model innovation, Volume I – Manual*. Available at: <https://www.snrd-africa.net/wp-content/uploads/2019/07/GIZ-Contract-Farming-Manual-Vol1.pdf> **P22-35; P52-55; P57-58; P64-65**
- GIZ. 2015. *Contract farming handbook: a practical guide for linking small-scale producers and buyers through business model innovation, Volume II – Selected tools and case examples*. Available at: <https://www.snrd-africa.net/wp-content/uploads/2019/07/GIZ-Contract-Farming-Manual-2.pdf> **P12-26; P28-38; P52; P54-59**

The process of initiating and preparing for contract farming (without facilitation and with facilitation)

- FAO. 2001. *Contract farming: partnerships for growth*. FAO Agricultural Services Bulletin 145. Rome. Available at: <http://www.fao.org/docrep/014/y0937e/y0937e00.pdf>
- FAO. 2012. *Guiding principles for responsible contract farming operations*. Rome. Available at: <https://www.fao.org/3/i2858e/i2858e.pdf> All
- FAO. 2017a. *Contract farming and the law: what do farmers need to know?* Rome. Available at: <https://www.fao.org/3/i7581e/i7581e.pdf> **P3-4**
- Discussion of the process of contract development, with stages: negotiation and exchange of information, presentation of an offer by the buyer and acceptance by farmers, preparation for contract.
- FAO, IFAD and UNIDROIT. 2017. *Legal aspects of contract farming agreements. Synthesis of the UNIDROIT/FAO/IFAD Legal guide on contract farming*. Rome. Available at: <https://www.fao.org/3/i6711e/i6711e.pdf> **P1-4**
- UNIDROIT, FAO and IFAD. 2015. *UNIDROIT/FAO/IFAD Legal guide on contract farming*. Rome. Available at: <https://www.unidroit.org/wp-content/uploads/2021/06/Contract-farming-legal-guide.pdf> **P57-67**
- Contract formation is discussed, with offer and acceptance, capacity and consent and roles of facilitators.
- FAO. 2018. Contract farming training modules. Available at: <https://www.fao.org/in-action/contract-farming/training/en/> **Module 2; Module 3**
- FAO & IISD. 2018. *Model agreement for responsible contract farming: with commentary*. Rome, FAO. 68 pp. Licence: CC BY-NC-SA 3.0 IGO. Available at: <https://www.fao.org/3/ca1772en/CA1772EN.pdf> **P4-6**
- Chapter “Preparing for negotiations” firstly outlines the legal framework, then the stages in the contracting process, and finally the form of the contract.
- GIZ. 2013. *Contract farming handbook: a practical guide for linking small-scale producers and buyers through business model innovation, Volume I – Manual*. Available at: <https://www.snrd-africa.net/wp-content/uploads/2019/07/GIZ-Contract-Farming-Manual-Vol1.pdf> **P38-41; P45; P48-49; P52-53; P54-58; P59-66; P66-81**
- P38-41 Outline of the facilitation of contract farming, with moderation of processes, technical and financial assistance. Firstly, the justifications and objectives for contract farming are given. Then the facilitation principles, facilitation tasks and profiles of facilitators are described. At the end there is a brief section on CF facilitation in least developed countries or fragile environments.
- P45 Contract farming business model selection is outlined, with the mention of the 5 type of CF models.
- P48-49 Process-structure outline, three phases for developing contract farming schemes. First phase is “Initiate and plan”. Steps in phase 1: Decision to develop a CF scheme, Development of a CF capacity development plan, Development of a CF business plan.

P52-53 Outline of Phase 1: Initiate and plan. Diagram for value chain analysis as basis for the selection of a CF business model, the design of CF business and management plans, and the negotiation of a CF contract (on page 52). Objectives of phase 1 are outlined. Detailed steps with related activities, each with issues to be concerned and milestones, are addressed in the following pages.

P54-58 Phase 1 Initiate and Plan Step 1/ Decision to develop a contract farming scheme – identify opportunities and risks, costs and benefits.

P59-66 Step 2/ Development of a CF capacity development plan - identify non-financial and financial service needs

P66-81 Step 3/ Development of a CF business plan– outline solutions for the start-up and operation of the CF scheme

GIZ. 2015. *Contract farming handbook: a practical guide for linking small-scale producers and buyers through business model innovation, Volume II – Selected tools and case examples*. Available at: <https://www.snrd-africa.net/wp-content/uploads/2019/07/GIZ-Contract-Farming-Manual-2.pdf> **P40-44; P60-63; P110-123**

Types of contract farming models

FAO. 2001. *Contract farming: partnerships for growth*. FAO Agricultural Services Bulletin 145. Rome. Available at: <http://www.fao.org/docrep/014/y0937e/y0937e00.pdf>
P44-56

- Chapter 3: Types of contract farming
- This chapter introduces five contract farming models: the centralized model, the nucleus estate model, the multipartite model, the informal model, the intermediary model.

P62-66

- Chapter 4: Contracts and their specifications
- Section: The formula
- Different formulas on which the contract under different models can be based, including market specifications, resource specifications, management and income specifications, and land ownership and land tenure specifications.

FAO. 2018. *Contract farming training modules*. Available at: <https://www.fao.org/in-action/contract-farming/training/en/>

Module 2

- This module introduces five contract farming models: the centralized model, the nucleus estate model, the multipartite model, the informal model, the intermediary model.

GIZ. 2013. *Contract farming handbook: a practical guide for linking small-scale producers and buyers through business model innovation, Volume I – Manual*. Available

at: <https://www.snrd-africa.net/wp-content/uploads/2019/07/GIZ-Contract-Farming-Manual-Vol1.pdf>

P16-20

- Chapter: B.1/ Contract farming (CF): the basics at a glance
- Section: 1.1 Definition, contract farming models and contract types
- This section introduces five contract farming models and their characteristics: the centralized model, the nucleus estate model, the multipartite model, the informal model, the intermediary model.

P20

- Chapter: B.1/ Contract farming (CF): the basics at a glance
- Section: 1.1 Definition, contract farming models and contract types
- This part introduces different contract types based on the difference in objectives and in the transfer of decision-rights and risks, including market specification (or marketing) contract, production management contract, and resource providing contract.

World Bank Group. 2014. *An analytical toolkit for support to contract farming*. Washington, DC. Available at: <https://openknowledge.worldbank.org/handle/10986/21058>

P2-3

- Chapter 2: What is contract farming?
- This part introduces the differences between production and marketing models.

P3-4

- Chapter 2: What is contract farming?
- This part briefly introduces five contract farming models: the centralized model, the nucleus estate model, the multipartite model, the informal model, the intermediary model.

Selecting farmers

FAO. 2001. *Contract farming: partnerships for growth*. FAO Agricultural Services Bulletin 145. Rome. Available at: <http://www.fao.org/docrep/014/y0937e/y0937e00.pdf>

P87-89.

- Chapter 5: Managing the project.
- Section: Coordinating production
- This section discusses main criteria of farmers selection and how to conduct the selection appraisals. It also introduces different ways to approach farmers and matters to be noted in order to ensure successful selection of farmers. It then emphasizes that the criteria for farmers selections may vary depending on the type of crop and duration of the contract.

FAO. 2018. Contract farming training modules. Available at: <https://www.fao.org/in-action/contract-farming/training/en/>

Module 2

- This module introduces a list of farmers selection criteria, and briefly discusses what the buyer should do during the process of selecting and preparing farmers.

GIZ. 2013. *Contract farming handbook: a practical guide for linking small-scale producers and buyers through business model innovation, Volume I – Manual*. Available at: <https://www.snrd-africa.net/wp-content/uploads/2019/07/GIZ-Contract-Farming-Manual-Vol1.pdf>

P56-57

- Chapter: C.3/ Phase 1: Initiate & plan
- Section: Step 1/ Decision to develop a contract farming scheme – identify opportunities and risks, costs and benefits
- Some questions are provided in this section to help conduct a rapid assessment of potential production sites and farming systems through the analysis of certain agro-ecological and socio-economic conditions.

P60- 63

- Chapter: C.3/ Phase 1: Initiate & plan
- Section: Step 2/ Development of a CF capacity development plan – identify non-financial and financial service needs
- This section introduces main issues to be considered when selecting production areas and farmers in order to realize successful and sustainable CF. A list of questions is also provided to give buyers ideas for the selection process, helping buyers make informed decisions.

GIZ. 2015. *Contract farming handbook: a practical guide for linking small-scale producers and buyers through business model innovation, Volume II – Selected tools and case examples*. Available at: <https://www.snrd-africa.net/wp-content/uploads/2019/07/GIZ-Contract-Farming-Manual-2.pdf>

P46-51

- Chapter: 2/ Selected tools for contract farming (CF) development
- Section: 2.1.5/ Farmer, lead farmer, farmer organisation and firm selection
- This section provides a tool that can be used by buyers and/or facilitators to identify farmers for starting up or up scaling a CF scheme. It helps assess capacities of farmers, lead farmers, and producer organizations.

P68-75

- Chapter: 2/ Selected tools for contract farming (CF) development

- Section: 2.1.5/ Farmer, lead farmer, farmer organisation and firm selection
- CF has the potential to be socially inclusive, and inclusion of female farmers can likely increase the performance of CF if well designed. This section provides a tool to promote the participation of female farmers in CF arrangements. It helps identify roles, resources and workload of both genders, assess potential effects of CF on female farmers, analyze the cost-benefit of inclusion, and assess capacity development needs of female farmers.

Preparing farmers

FAO. 2001. *Contract farming: partnerships for growth*. FAO Agricultural Services Bulletin 145. Rome. Available at: <http://www.fao.org/docrep/014/y0937e/y0937e00.pdf>

P89-91

- Chapter 5: Managing the project.
- Section: Coordinating production
- This section discusses the potential benefits of forming working groups, with real-world examples demonstrating the roles of farmer groups and associations.

GIZ. 2013. *Contract farming handbook: a practical guide for linking small-scale producers and buyers through business model innovation, Volume I – Manual*. Available at: <https://www.snrd-africa.net/wp-content/uploads/2019/07/GIZ-Contract-Farming-Manual-Vol1.pdf>

P64-66

- Chapter: C.3/ Phase 1: Initiate & plan
- Section: Step 2/ Development of a CF capacity development plan – identify non-financial and financial service needs
- This section provides guidance on assessing farmers' and farmer groups' capacity development and service needs and developing CF service plan accordingly. It helps the understanding of non-financial and financial service needs of CF participants and provides guidance for providing necessary services to start up the CF scheme.

P87-88

- Chapter: C.4/ Phase 2: Implement & learn
- Section: Activity 4.1/ Prepare the CF agreement and enable farmers to take informed business decisions
- This section offers guidance on building basic skills of farmers to understand the CF arrangements. It helps buyers plan appropriate measures in preparing farmers for them to be aware of the potential costs, benefits and risks of CF and make informed business decisions.

P98-99

- Chapter: C.4/ Phase 2: Implement & learn
- Section: Activity 5.3/ Develop CF capacities of farmers, farmer groups, field and management staff
- Once the capacity development and service needs of CF participants are identified and assessed, this section provides guidance for planning and implementing capacity building activities for relevant actors.

Recommendations for managing and monitoring CF

FAO. 2001. *Contract farming: partnerships for growth*. FAO Agricultural Services Bulletin 145. Rome. Available at: <http://www.fao.org/docrep/014/y0937e/y0937e00.pdf>

P83-104

- Chapter 5: Managing the project
- This chapter describes the key aspects and steps of managing CF ventures. It discusses viable management strategies to enable successful CF scheme, including coordinating production and the delivery of products, managing the agronomy and maintaining good farmer-management relations.

P105-117

- Chapter 6: Monitoring performance
- This chapter introduces methods for monitoring and managing CF schemes in order to better achieve the objectives of the contract. Three main aspects are considered and discussed under this chapter: monitoring quality and yields, monitoring human resources, and protecting the environment.

FAO. 2018. Contract farming training modules. Available at: <https://www.fao.org/in-action/contract-farming/training/en/>

Module 2

- Key activities that are vital to the success of CF schemes need dependable monitoring, evaluation and diagnostic mechanisms in order to thrive. This module briefly discusses the need and key elements of monitoring CF operations.

GIZ. 2013. *Contract farming handbook: a practical guide for linking small-scale producers and buyers through business model innovation, Volume I – Manual*. Available at: <https://www.snrd-africa.net/wp-content/uploads/2019/07/GIZ-Contract-Farming-Manual-Vol1.pdf>

P92-99

- Chapter: C.4/ Phase 2: Implement & learn
- Section: Step 5/ Start up CF field operations – develop an efficient system for supplier network management
- This section focuses on the implementation of CF arrangements and discusses strategic and efficient management of CF schemes at the start-up phase. The main activities and issues discussed include finalizing the CF business and management plans, managing field operations, and developing capacities of farmers, farmer groups, and buyers' staff.

P100-102

- Chapter: C.4/ Phase 2: Implement & learn
- Section: Step 6/ Monitoring, feedback, learning – generate business information for strategic decisions
- This section emphasizes the importance of monitoring and provides guidance on developing a practicable monitoring, feedback and learning system that can be integrated into daily CF work routines. The main activities include developing effective CF business information systems and communication systems.

GIZ. 2015. *Contract farming handbook: a practical guide for linking small-scale producers and buyers through business model innovation, Volume II – Selected tools and case examples*. Available at: <https://www.snrd-africa.net/wp-content/uploads/2019/07/GIZ-Contract-Farming-Manual-2.pdf>

P86-109

- Chapter: 2/ Selected tools for contract farming (CF) development
- Section: 2.3/ Tools for contract farming management
- This section introduces main CF management functions and provides tools for CF management. The tools are designed with the purposes of facilitating the development of efficient field management structures, processes and capacities that are crucial for CF operations and sustainability of CF schemes. It discusses key aspects including staffing, operational structure, and risk management.

Recommendations for sustaining and upscaling CF

GIZ. 2013. *Contract farming handbook: a practical guide for linking small-scale producers and buyers through business model innovation, Volume I – Manual*. Available at: <https://www.snrd-africa.net/wp-content/uploads/2019/07/GIZ-Contract-Farming-Manual-Vol1.pdf>

P106-110

- Chapter: C.5/ Phase 3: Sustain & grow

- This chapter discusses main aspects of sustaining and up scaling CF schemes. It introduces two steps for CF to sustain and grow, including continuous improvement and strengthening of CF schemes for sustainability and generic growth through upscaling and CF business model innovation. It elaborates on main issues to be considered during this process as well as recommendations to achieve the objectives.

Recommendations on roles of facilitators, producer organizations and public agencies

- UNIDROIT, FAO and IFAD. 2015. *UNIDROIT/FAO/IFAD Legal guide on contract farming*. Rome. Available at: <https://www.unidroit.org/wp-content/uploads/2021/06/Contract-farming-legal-guide.pdf> **P 65**
- FAO, IFAD and UNIDROIT. 2017. *Legal aspects of contract farming agreements. Synthesis of the UNIDROIT/FAO/IFAD Legal guide on contract farming*. Rome. Available at: <https://www.fao.org/3/i6711e/i6711e.pdf> **P43 P43 P43 P64-66**
- GIZ. 2013. *Contract farming handbook: a practical guide for linking small-scale producers and buyers through business model innovation, Volume I – Manual*. Available at: <https://www.snrd-africa.net/wp-content/uploads/2019/07/GIZ-Contract-Farming-Manual-Vol1.pdf> **P38**
- GIZ. 2015. *Contract farming handbook: a practical guide for linking small-scale producers and buyers through business model innovation, Volume II – Selected tools and case examples*. Available at: <https://www.snrd-africa.net/wp-content/uploads/2019/07/GIZ-Contract-Farming-Manual-2.pdf> **P58 P111**
- FAO & IISD. 2018. *Model agreement for responsible contract farming: with commentary*. Rome, FAO. 68 pp. Licence: CC BY-NC-SA 3.0 IGO. Available at: <https://www.fao.org/3/ca1772en/CA1772EN.pdf> **P 5**
- FAO. 2018. Contract farming training modules. Available at: <https://www.fao.org/in-action/contract-farming/training/en/> **Module 3**
- FAO. 2017a. *Contract farming and the law: what do farmers need to know?* Rome. Available at: <https://www.fao.org/3/i7581e/i7581e.pdf> **P9**

References to Contract Terms

Parties

- FAO. 2018. Contract farming training modules. Available at: <https://www.fao.org/in-action/contract-farming/training/en/> **Module 3**

- General outline of contract sections, with mention that the term on parties includes names and addresses of signatories.

FAO & IISD. 2018. *Model agreement for responsible contract farming: with commentary*. Rome, FAO. 68 pp. Licence: CC BY-NC-SA 3.0 IGO. Available at: <https://www.fao.org/3/ca1772en/CA1772EN.pdf> P7

P7-8

- Chapter: C The model agreement
- Section: 1 The parties
- Criteria for characterization of producers. Definition of the buyer with their possible responsibilities. Paragraph on fair contracting and protection of women farmer's rights, explaining that the signatory of the contract should be the person who performs the work.

UNIDROIT, FAO and IFAD. 2015. *UNIDROIT/FAO/IFAD Legal guide on contract farming*. Rome. Available at: <https://www.unidroit.org/wp-content/uploads/2021/06/Contract-farming-legal-guide.pdf>

P40-56

- Chapter 2 Parties, formation and form
- Section 1 Parties to the contract
- Definition of the agricultural producer, with their distinctive features; legal status; forms of conduct of agricultural production, as individual producers (natural person and partnerships, or corporate structures) or as producer organizations (non-profit entities or cooperatives). The contractor is defined with 2 types: private corporate structures and public entities. Other parties are introduced: supply chain participants, with their types and linkages, and other interested third parties are mentioned.

Purpose

FAO. 2018. Contract farming training modules. Available at: <https://www.fao.org/in-action/contract-farming/training/en/>

Module 3

- General definition that the purpose provides reason for the contract and the name of the commodity.

FAO & IISD. 2018. *Model agreement for responsible contract farming: with commentary*. Rome, FAO. 68 pp. Licence: CC BY-NC-SA 3.0 IGO. Available at: <https://www.fao.org/3/ca1772en/CA1772EN.pdf>

P9

- Chapter: C The model agreement
- Section: 2 The purpose

- Purpose defined as reason underlying the contract, with reference to commodity. Reference to principles of good faith, reasonableness and cooperation.

FAO. 2012. *Guiding principles for responsible contract farming operations*. Rome. Available at: <https://www.fao.org/3/i2858e/i2858e.pdf>

P1

- Common purpose given as the first guiding principle for responsible contract farming.

FAO. 2017a. *Contract farming and the law: what do farmers need to know?* Rome. Available at: <https://www.fao.org/3/i7581e/i7581e.pdf>

P4

- General definition of the purpose.

Production site

FAO. 2018. Contract farming training modules. Available at: <https://www.fao.org/in-action/contract-farming/training/en/>

Module 3

- General definition of production site, need to include size, location and ownership.

FAO & IISD. 2018. *Model agreement for responsible contract farming: with commentary*. Rome, FAO. 68 pp. Licence: CC BY-NC-SA 3.0 IGO. Available at: <https://www.fao.org/3/ca1772en/CA1772EN.pdf>

P9

- Chapter: C The model agreement
- Section: 3 The production site
- Description of identification of production site. Mentioned criteria for identification: size, location, and legitimacy of the tenure. Description of the case of collection of wild plants in the context of production site.

Product quantity

FAO. 2001. *Contract farming: partnerships for growth*. FAO Agricultural Services Bulletin 145. Rome. Available at: <http://www.fao.org/docrep/014/y0937e/y0937e00.pdf>

P71-75

- Chapter 4: Contracts and their specifications
- Section: The specifications

- This part discusses the purposes and ways to allocate and distribute production quotas among producers. A quota is relevant when the buyer calculates and distribute quantities among farmers.

FAO. 2017a. *Contract farming and the law: what do farmers need to know?* Rome. Available at: <https://www.fao.org/3/i7581e/i7581e.pdf>

P5

- Part 3: Practical advice on how to understand the content of a contract and the legal aspects of contract farming
- Section: 3. What are the obligations of the parties
- This part includes general discussions on different ways to specify quantity requirements in a contract, and examples of quantity obligation clauses from real contracts.

FAO. 2017b. *Contract farming and the law: what do regulators need to know?* Rome. Available at: <https://www.fao.org/3/i7580e/i7580e.pdf>

P4

- Part 2: Content of the legal guide
- Section: 3. Obligations of the parties
- General discussion on the options for the buyer to contract the whole production or a part of it.

FAO. 2018. Contract farming training modules. Available at: <https://www.fao.org/in-action/contract-farming/training/en/>

Module 3

- General discussion on different ways to specify quantity in a contract and what needs to be noted when determining the quantity.

FAO, IFAD and UNIDROIT. 2017. *Legal aspects of contract farming agreements. Synthesis of the UNIDROIT/FAO/IFAD Legal guide on contract farming.* Rome. Available at: <https://www.fao.org/3/i6711e/i6711e.pdf>

P14

- Chapter 3: Obligations of contracting parties
- Section: 3.2 The product
- This part introduces different ways to specify quantity obligations in a contract (e.g., a specified quantity, a minimum quantity, a quota, or a variable quantity) and methods to determine the quantities in general.

FAO & IISD. 2018. *Model agreement for responsible contract farming: with commentary.* Rome, FAO. 68 pp. Licence: CC BY-NC-SA 3.0 IGO. Available at: <https://www.fao.org/3/ca1772en/CA1772EN.pdf>

P10-11

- Chapter: C. The model agreement
- Section: 4. The product
- This part introduces different ways the amount of produce can be expressed in a contract, and two types of quantity arrangements, exclusive output arrangement and non-exclusive output arrangement. A model provision that can be used and customized by the parties is also included in this section.

GIZ. 2013. *Contract farming handbook: a practical guide for linking small-scale producers and buyers through business model innovation, Volume I – Manual*. Available at: <https://www.snrd-africa.net/wp-content/uploads/2019/07/GIZ-Contract-Farming-Manual-Vol1.pdf>

P75

- Chapter: C.3/ Phase 1: Initiate & plan
- Section: Step 3/ Development of a CF business plan – outline solutions for the start-up and operation of the scheme
- General discussion on main issues related to quantity specifications and procurement schedule including quota allocation, percentage of production to be procured, and timing of delivery.

UNIDROIT, FAO and IFAD. 2015. *UNIDROIT/FAO/IFAD Legal guide on contract farming*. Rome. Available at: <https://www.unidroit.org/wp-content/uploads/2021/06/Contract-farming-legal-guide.pdf>

P82-86

- Chapter 3: Obligations of the parties
- Section: II. Core obligations of the parties
- This part introduces different ways to specify quantity obligations in a contract and methods to determine the quantities.

Product quality

FAO. 2001. *Contract farming: partnerships for growth*. FAO Agricultural Services Bulletin 145. Rome. Available at: <http://www.fao.org/docrep/014/y0937e/y0937e00.pdf>

P69-71

- Chapter 4: Contracts and their specifications
- Section: The specifications
- The importance of product quality for CF, different types of quality requirements, and several examples are discussed in these pages.

FAO. 2012. *Guiding principles for responsible contract farming operations*. Rome. Available at: <https://www.fao.org/3/i2858e/i2858e.pdf>

P3

- Chapter: Guiding principles
- Section: Transparency and fairness in clauses relating to quality
- General discussion on assuring transparency and fairness in clauses relating to quality.

FAO. 2017a. *Contract farming and the law: what do farmers need to know?* Rome. Available at: <https://www.fao.org/3/i7581e/i7581e.pdf>

P5

- Part 3: Practical advice on how to understand the content of a contract and the legal aspects of contract farming
- Section: 3. What are the obligations of the parties.
- This part includes general discussions on different quality standards and how they can be set out in a contract, and examples of quality obligation clauses from real contracts.

FAO. 2017b. *Contract farming and the law: what do regulators need to know?* Rome. Available at: <https://www.fao.org/3/i7580e/i7580e.pdf>

P4

- Part 2: Content of the legal guide
- Section: 3. Obligations of the parties
- General discussion on the importance of quality requirements and how to ensure quality of the product.

FAO. 2018. Contract farming training modules. Available at: <https://www.fao.org/in-action/contract-farming/training/en/>

Module 3

- General discussion on different quality specifications and how they can be set out in contract.

FAO, IFAD and UNIDROIT. 2017. *Legal aspects of contract farming agreements. Synthesis of the UNIDROIT/FAO/IFAD Legal guide on contract farming.* Rome. Available at: <https://www.fao.org/3/i6711e/i6711e.pdf>

P14-15

- Chapter 3: Obligations of contracting parties
- Section: 3.2 The product
- This part introduces different quality characteristics, how they can be set out in a contract and good practices to ensure quality compliance.

FAO & IISD. 2018. *Model agreement for responsible contract farming: with commentary.* Rome, FAO. 68 pp. Licence: CC BY-NC-SA 3.0 IGO. Available at: <https://www.fao.org/3/ca1772en/CA1772EN.pdf>

P11-12

- Chapter: C. The model agreement
- Section: 4. The product
- This part introduces different quality requirements that are common in agricultural production contract and how they can be set out in the contract, along with a model provision for the quality term.

GIZ. 2013. *Contract farming handbook: a practical guide for linking small-scale producers and buyers through business model innovation, Volume I – Manual*. Available at: <https://www.snrd-africa.net/wp-content/uploads/2019/07/GIZ-Contract-Farming-Manual-Vol1.pdf>

P75

- Chapter: C.3/ Phase 1: Initiate & plan
- Section: Step 3/ Development of a CF business plan – outline solutions for the start-up and operation of the scheme
- General discussion on relevant definitions needed for clear quality specifications.

UNIDROIT, FAO and IFAD. 2015. *UNIDROIT/FAO/IFAD Legal guide on contract farming*. Rome. Available at: <https://www.unidroit.org/wp-content/uploads/2021/06/Contract-farming-legal-guide.pdf>

P86-92

- Chapter 3: Obligations of the parties
- Section: II. Core obligations of the parties
- This part introduces different quality standards, how they can be set out in a contract and good practices to ensure quality compliance. It also discusses the conformity to specific regulations or codes of conduct that govern agricultural production contracts.

Production methods and standards

FAO. 2001. *Contract farming: partnerships for growth*. FAO Agricultural Services Bulletin 145. Rome. Available at: <http://www.fao.org/docrep/014/y0937e/y0937e00.pdf>

P75

- Chapter 4: Contracts and their specifications
- Section: The specification
- Cultivation practices are described in case when the buyer provides inputs (seeds, fertilizers, agrochemicals). Unauthorized or illegal chemicals tackled.

FAO. 2018. *Contract farming training modules*. Available at: <https://www.fao.org/in-action/contract-farming/training/en/>

Module 3

- Standards and certifications are given under process related obligations, with examples of hygiene, labour conditions, and product quality.

FAO & IISD. 2018. *Model agreement for responsible contract farming: with commentary*. Rome, FAO. 68 pp. Licence: CC BY-NC-SA 3.0 IGO. Available at: <https://www.fao.org/3/CA1772EN/ca1772en.pdf>

P11

- Chapter: C The model agreement
- Section: 5 Product
- Production method requirements are mentioned in the context of quality requirements, as quality results from implementation of specific production methods. Given examples are usage of resistant seeds, or following environmental standards, or reference to external standards such as Global GAP.
- Model provision outlines production methods with articles on production, post-production handling, and certification schemes.

FAO. 2017a. *Contract farming and the law: what do farmers need to know?* Rome. Available at: <https://www.fao.org/3/i7581e/i7581e.pdf>

P5-6

- Production methods described under process related obligations.

UNIDROIT, FAO and IFAD. 2015. *UNIDROIT/FAO/IFAD Legal guide on contract farming*. Rome. Available at: <https://www.unidroit.org/wp-content/uploads/2021/06/Contract-farming-legal-guide.pdf>

P104-109

- Chapter 3 Obligations of the parties
- Section II. Core obligations of the parties B Production process 2 Production methods, compliance and control
- Explanation about mandatory regulations and private standards is given. Certification schemes are explained. Specific production methods are listed: safety, environmental or social standards, quality standards, corporate social responsibility principles. Possible requirement of cooperation between producer and buyer for insurance of compliance with production methods and standards is revealed. Details about planting and harvesting requirements in plant production, and particularities in livestock production are explained. Traceability, as possible requirement, is defined. Labor requirements, hygiene and industry code of conduct are clarified.

Input provision

FAO. 2018. Contract farming training modules. Available at: <https://www.fao.org/in-action/contract-farming/training/en/>

Module 3

- General description of what the input provision term should contain.

- In the section about process related obligations a more detailed overview of input provision, mentioning the different options of bearing costs of inputs (by producer, and by the buyer on credit)

FAO & IISD. 2018. *Model agreement for responsible contract farming: with commentary*. Rome, FAO. 68 pp. Licence: CC BY-NC-SA 3.0 IGO. Available at: <https://www.fao.org/3/CA1772EN/ca1772en.pdf>

P13-15

- Chapter: C The model agreement
- Section: 5 Input provision
- Topics discussed are: distinction between tangible inputs (seeds, fertilizers) and intangible inputs (training, finance); explanation of the importance of inputs; requirements for the producer when they use inputs provided by the buyer; issues of payment for the inputs. Intellectual property for inputs; and sustainability and environment in the context of input usage.
- Model provision outlines the case of input provision by the producer, input provision by the buyer and payment options.

FAO. 2017a. *Contract farming and the law: what do farmers need to know?* Rome. Available at: <https://www.fao.org/3/i7581e/i7581e.pdf>

P4

- General description of inputs.

UNIDROIT, FAO and IFAD. 2015. *UNIDROIT/FAO/IFAD Legal guide on contract farming*. Rome. Available at: <https://www.unidroit.org/wp-content/uploads/2021/06/Contract-farming-legal-guide.pdf>

P92-104

- Chapter 3 Obligations of the parties
- Section II. Core obligations of the parties B Production process 1 Provision and use of inputs
- For provision and use of inputs first the general obligations are explained: obligations of the buyer if they provide inputs, obligations of producer if they use provided inputs, payment for the inputs, price terms for inputs, case of problematic inputs, provision of inputs by third parties. Specific obligations related to certain types of inputs are described: specificities for land, installation and fixed assets, details about physical inputs; points about financing and services, and obligations regarding intellectual property rights.

Communication between parties

FAO & IISD. 2018. *Model agreement for responsible contract farming: with commentary*. Rome, FAO. 68 pp. Licence: CC BY-NC-SA 3.0 IGO. Available at: <https://www.fao.org/3/ca1772en/CA1772EN.pdf>

P31

- Chapter: C The model agreement
- Section: 9 Remedies
- Importance of encouragement of communication is mentioned in the context of contractual remedies, and need for mutual agreement in case of breach.

FAO. 2017a. *Contract farming and the law: what do farmers need to know?* Rome. Available at: <https://www.fao.org/3/i7581e/i7581e.pdf>

P9

- Communication is set as step 1 in solving disagreements, as a tool to resolve difficulties through discussion and renegotiation. Recommendation to have trusted facilitator is given.

UNIDROIT, FAO and IFAD. 2015. *UNIDROIT/FAO/IFAD Legal guide on contract farming*. Rome. Available at: <https://www.unidroit.org/wp-content/uploads/2021/06/Contract-farming-legal-guide.pdf>

P109-110

- Chapter 3 Obligations of the parties
- Section II. Core obligations of the parties 2 Production methods compliance and control
b) Monitoring and control
- Communication is mentioned in the context of general duty for cooperation.

Field visits

FAO & IISD. 2018. *Model agreement for responsible contract farming: with commentary*. Rome, FAO. 68 pp. Licence: CC BY-NC-SA 3.0 IGO. Available at: <https://www.fao.org/3/ca1772en/CA1772EN.pdf>

P13

- Chapter: C The model agreement
- Section: 4. The product
- Model provision outlines the articles for inspection of the production site, mentioning the advanced notice, frequency of visits, and possibility of audits for certification.

UNIDROIT, FAO and IFAD. 2015. *UNIDROIT/FAO/IFAD Legal guide on contract farming*. Rome. Available at: <https://www.unidroit.org/wp-content/uploads/2021/06/Contract-farming-legal-guide.pdf>

P109-110

- Chapter 3 Obligations of the parties
- Section II. Core obligations of the parties 2 Production methods compliance and control
b) Monitoring and control

- Occasional visits and obligatory visits in key production moments (such as planting or harvest) are described. Situation in which buyer has more production knowledge than the producer and obligation for assistance to the producer mentioned.

The pricing mechanism

FAO. 2001. *Contract farming: partnerships for growth*. FAO Agricultural Services Bulletin 145. Rome. Available at: <http://www.fao.org/docrep/014/y0937e/y0937e00.pdf>

P75-78

- Chapter 4: Contracts and their specifications
- Section: The specifications
- This part discusses different pricing arrangements and ways prices offered to producers can be calculated, including fixed prices, flexible prices, prices calculated on spot-market values, prices on a consignment basis and split pricing, with examples from real contracts.

FAO. 2012. *Guiding principles for responsible contract farming operations*. Rome. Available at: <https://www.fao.org/3/i2858e/i2858e.pdf>

P2-3

- Chapter: Guiding principles
- Section: Transparency in price determination
- General discussion on assuring transparency in price determination is in this section.

FAO. 2017a. *Contract farming and the law: what do farmers need to know?* Rome. Available at: <https://www.fao.org/3/i7581e/i7581e.pdf>

P6

- Part 3: Practical advice on how to understand the content of a contract and the legal aspects of contract farming
- Section: 3. What are the obligations of the parties
- This part includes general discussions on the importance of the price clause and how to set out price-related obligations in contract, with example of price clauses from real contracts.

FAO. 2017b. *Contract farming and the law: what do regulators need to know?* Rome. Available at: <https://www.fao.org/3/i7580e/i7580e.pdf>

P4-5

- Part 2: Content of the legal guide
- Section: 3. Obligations of the parties
- General discussion on the different methods to calculate the price and how to ensure the trust of both parties on the prices established, with an example of a price-setting mechanism from a real contract.

FAO. 2018. Contract farming training modules. Available at: <https://www.fao.org/in-action/contract-farming/training/en/>

Module 3

- General discussion on price-related obligations and how to set out price term in a contract.

FAO, IFAD and UNIDROIT. 2017. *Legal aspects of contract farming agreements. Synthesis of the UNIDROIT/FAO/IFAD Legal guide on contract farming*. Rome. Available at: <https://www.fao.org/3/i6711e/i6711e.pdf>

P20

- Chapter 3: Obligations of contracting parties
- Section: 3.5 Price and payment
- This part discusses the importance of price in a contract and the necessity for the price terms to be transparent and clear. It also introduces different provisions of price terms including fixed price, variable price, a combination of both, and price scales where price varies depending on different performance measures.

FAO & IISD. 2018. *Model agreement for responsible contract farming: with commentary*. Rome, FAO. 68 pp. Licence: CC BY-NC-SA 3.0 IGO. Available at: <https://www.fao.org/3/ca1772en/CA1772EN.pdf>

P18-20

- Chapter: C. The model agreement
- Section: 7. Pricing mechanisms
- This part discusses factors influencing the choice of pricing mechanism and the important aspects when determining the price term. It introduces three ways to calculate prices: fixed price, variable pricing mechanisms, and split pricing. Premiums and deductions that is related to price adjustment is also discussed. A model provision that can be used and customized by the parties is also included in this section.

GIZ. 2013. *Contract farming handbook: a practical guide for linking small-scale producers and buyers through business model innovation, Volume I – Manual*. Available at: <https://www.snrd-africa.net/wp-content/uploads/2019/07/GIZ-Contract-Farming-Manual-Vol1.pdf>

P76

- Chapter: C.3/ Phase 1: Initiate & plan
- Section: Step 3/ Development of a CF business plan – outline solutions for the start-up and operation of the scheme
- This section introduces different pricing formulas including fixed pricing, flexible or dynamic pricing, and split pricing. It also emphasizes the importance to consider various influencing factors when selecting the price-setting mechanism, including but not limited to production costs, transaction costs, prevailing market prices, and international commodity prices.

GIZ. 2015. *Contract farming handbook: a practical guide for linking small-scale producers and buyers through business model innovation, Volume II – Selected tools and case examples*. Available at: <https://www.snrd-africa.net/wp-content/uploads/2019/07/GIZ-Contract-Farming-Manual-2.pdf>

P77-82

- Chapter: 2/ Selected tools for contract farming (CF) development
- Section: 2.2.4/ Pricing mechanisms in contracts
- This section provides the tool to understand different pricing mechanisms and to develop pricing formulas for the contract. It also offers recommendations on developing and negotiating pricing mechanisms and introduces different pricing formulas including fixed pricing, dynamic pricing, and sustainable pricing. Example of pricing mechanisms in contracts are also provided.

UNIDROIT, FAO and IFAD. 2015. *UNIDROIT/FAO/IFAD Legal guide on contract farming*. Rome. Available at: <https://www.unidroit.org/wp-content/uploads/2021/06/Contract-farming-legal-guide.pdf>

P116-120

- Chapter 3: Obligations of the parties
- Section: II. Core obligations of the parties
- This part introduces the importance of price determination and different price mechanisms including fixed price, variable price, a combination of both, and price scales where price varies depending on different performance measures. It also discusses the regulation of price terms under different laws such as competition laws, agricultural production legislation and general contract law.

Delivery

FAO. 2001. *Contract farming: partnerships for growth*. FAO Agricultural Services Bulletin 145. Rome. Available at: <http://www.fao.org/docrep/014/y0937e/y0937e00.pdf>

P75

- Chapter 4: Contracts and their specifications
- Section: The specification
- Different arrangements for delivery are described: delivering to processing plants, farmgate collection; as well as the transportation arrangement.

FAO. 2018. *Contract farming training modules*. Available at: <https://www.fao.org/in-action/contract-farming/training/en/>

Module 3

- Delivery related obligations discussed in terms of time and place of delivery, requirements before and after delivery, responsibilities and bearing costs of transportation.

FAO & IISD. 2018. *Model agreement for responsible contract farming: with commentary*. Rome, FAO. 68 pp. Licence: CC BY-NC-SA 3.0 IGO. Available at: <https://www.fao.org/3/CA1772EN/ca1772en.pdf>

P16-17

- Chapter: C The model agreement
- Section: 6 Delivery and acceptance
- Delivery process described entailing taking possession, inspecting the goods, acceptance or rejection of the goods. Time and place of delivery are described, as well as insurance related obligations.
- Model provision outlines the delivery terms with responsibility for bringing the goods (buyer collects or producer delivers), cost of transportation, loading, maintenance of the delivery point, packaging of the goods for delivery.

FAO. 2017a. *Contract farming and the law: what do farmers need to know?* Rome. Available at: <https://www.fao.org/3/i7581e/i7581e.pdf>

P6

- General description of delivery related obligations, with time and place, responsibility for transportation and recommendation for producer's presence.

UNIDROIT, FAO and IFAD. 2015. *UNIDROIT/FAO/IFAD Legal guide on contract farming*. Rome. Available at: <https://www.unidroit.org/wp-content/uploads/2021/06/Contract-farming-legal-guide.pdf>

P110-113

- Chapter 3 Obligation of the parties
- Section II. Core obligations of the parties C Delivery
- Delivery is described as a key moment for contract performance. It is inscribed that taking delivery entails taking possession, inspection, and acceptance or rejection. More details are given about time and place of the delivery, with importance of fixing a date and place, delays in delivery, transportation, post-harvest operations required for delivery and packaging, and conditions of storage before delivery.

Inspection and acceptance

FAO. 2018. Contract farming training modules. Available at: <https://www.fao.org/in-action/contract-farming/training/en/>

Module 3

- Inspection is mentioned under the delivery related obligations.

FAO & IISD. 2018. *Model agreement for responsible contract farming: with commentary*. Rome, FAO. 68 pp. Licence: CC BY-NC-SA 3.0 IGO. Available at: <https://www.fao.org/3/ca1772en/CA1772EN.pdf>

P16-17

- Chapter: C The model agreement
- Section: C Delivery
- Inspection and acceptance are described as a process for insurance of the quality and quantity of the goods. Recommendation to allow producer to be present.
- Model provision outlines articles for inspection of the goods: explanation weighing, sorting and inspection at the delivery point; recommendation for producer's presence; declaration of cost bearing party, and tackles risks and cost of spoiling if inspection takes long time.

UNIDROIT, FAO and IFAD. 2015. *UNIDROIT/FAO/IFAD Legal guide on contract farming*. Rome. Available at: <https://www.unidroit.org/wp-content/uploads/2021/06/Contract-farming-legal-guide.pdf>

P113-116

- Chapter 3 Obligation of the parties
- Section II. Core obligations of the parties C Delivery
- Acceptance is summarized as part of delivery process. Establishment of quantity and quality is described in detail, with importance of giving receipts and tackling losses due to spoilage. Importance of presence at the inspection is underlined.

Payment

FAO. 2001. *Contract farming: partnerships for growth*. FAO Agricultural Services Bulletin 145. Rome. Available at: <http://www.fao.org/docrep/014/y0937e/y0937e00.pdf>

P78-79

- Chapter 4: Contracts and their specifications
- Section: The specification
- Payment procedure is explained. Remark of the case when the farmers use contracts as collateral for loans, and buyer repays the bank.

FAO. 2018. Contract farming training modules. Available at: <https://www.fao.org/in-action/contract-farming/training/en/>

Module 3

- Payment is described together with the price, as price and payment related obligations.
- Outline of the payment possibilities: on-spot cash, or delayed payment.

FAO & IISD. 2018. *Model agreement for responsible contract farming: with commentary*. Rome, FAO. 68 pp. Licence: CC BY-NC-SA 3.0 IGO. Available at: <https://www.fao.org/3/ca1772en/CA1772EN.pdf>

P19-20

- Chapter: C The model agreement
- Section: 7 Pricing mechanism

- Time and method of payment mentioned.
- In the model provision example of delayed payment with options via bank transfer or cash. Specification of the payment receipt.

FAO. 2017a. *Contract farming and the law: what do farmers need to know?* Rome. Available at: <https://www.fao.org/3/i7581e/i7581e.pdf>

P6-7

- Payment described under Price and payment related obligations, with distinction of immediate and delayed payment.

UNIDROIT, FAO and IFAD. 2015. *UNIDROIT/FAO/IFAD Legal guide on contract farming*. Rome. Available at: <https://www.unidroit.org/wp-content/uploads/2021/06/Contract-farming-legal-guide.pdf>

P120-122

- Chapter 3 Obligation of the parties
- Section II. Core obligations of the parties D Price and payment
- Time and method of payment are summarized. Three possibilities for time of payment are given: before delivery, upon delivery and after delivery. Payment terms are explained in connection to the contract type. Risk of delayed payment is tackled. Currency used for payment mentioned in the context of export.

Excuses for non-performance & Force majeure

FAO. 2001. *Contract farming: partnerships for growth*. FAO Agricultural Services Bulletin 145. Rome. Available at: <http://www.fao.org/docrep/014/y0937e/y0937e00.pdf>

P80

- Chapter 4: Contracts and their specifications
- Section: The specifications
- This section briefly introduces the “acts of god” term that refers to supervening events that are beyond parties’ management control.

FAO. 2012. *Guiding principles for responsible contract farming operations*. Rome. Available at: <https://www.fao.org/3/i2858e/i2858e.pdf>

P4

- Chapter: Guiding principles
- Section: Fairness in risk sharing: force majeure and contractual flexibility
- This section discusses the risk sharing among parties in case of controllable risks and uncontrollable events (force majeure) that prevent one or both parties from meeting the conditions of the contract. It emphasizes on the importance of contract renegotiation and fairness when sharing costs and benefits.

FAO. 2017a. *Contract farming and the law: what do farmers need to know?* Rome. Available at: <https://www.fao.org/3/i7581e/i7581e.pdf>

P8

- Part 3: Practical advice on how to understand the content of a contract and the legal aspects of contract farming
- Section: 5. What to do if things go wrong?
- This part discusses unforeseen and uncontrollable events that are often defined as force majeure and discusses common solutions to address force majeure and risk-sharing clauses related to force majeure.

FAO. 2017b. *Contract farming and the law: what do regulators need to know?* Rome. Available at: <https://www.fao.org/3/i7580e/i7580e.pdf>

P5-6

- Part 2: Content of the legal guide
- Section: 4. Excuses for non-performance
- This section introduces the disruption of CF relationship caused by unpredictable and inevitable events that are out of the parties' reasonable control and by drastic change of the circumstances surrounding the contract, and discusses excuses or legal responses that can provide justification for parties' failure to perform their obligations under contract. The legal responses include force majeure and change of circumstances.