



Food and Agriculture Organization
of the United Nations



Contract Farming Learning Resources

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Food and Agriculture Organization of the United Nations

2022



FAO Contract Farming Resource Center (CFRC)

Contract farming publications

FAO Contract Farming Resource Center (CFRC)



To access:
www.fao.org/in-action/contract-farming

Contract Farming Resource Centre

[Home](#) [Background](#) [News](#) [Training and Learning Center](#) [Library](#) [Toolkit](#) [FAQ](#)



A Year in Review and Resources added to CFRC

Contract Farming Resource Centre (CFRC) is a free-of-charge, "one-stop" site for news, publications and training materials related to contract farming. FAO is responding to growing demand from Member States, Donor Partners and the Public for technical strengthening in contract farming (CF) operations. Increasingly CF is viewed as a fair and responsible inclusive business modality, formalizing the supply chain linkages between smallholder farmers and agribusiness firms.

Did you know that Contract Farming...

- ...can connect smallholder farmers to buyers?
- ...helps to reduce unpredictability in agricultural production?
- ...reduces risks related to fluctuating prices or natural

Key Documents



Model Agreement for Responsible Contract

New Sample Contracts

Contract for dry beans in Lesotho
30 Nov 2022

FAO Contract Farming Resource Centre (CFRC)



CFRC website in different languages: English, French, Spanish

- **News updates**
 - Projects, workshops, publications, resources added to CFRC, etc.
- **CF background, Q&A**
- **FAO publications**
- **CF training/learning program and materials**
- **CF case studies and sample contracts**
- **Collection of CF literature**
- **CF other resources and tools**

FAO Contract Farming Resource Centre (CFRC)



News updates

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News

[A Year in Review and Resources added to CFRC](#)

08.12.2022



8 December, 2022

FAO's contract farming team comprises core members from the [Agrifood Economics Division \(ESA\)](#) that focuses on agribusiness and economic aspects of contract farming and the [Development Law Service \(LEGN\)](#) on legal and regulatory aspects. Contract farming work at FAO has been a multidisciplinary and collaborative endeavor among our team members [...]

[Contract farming project in Lesotho receives positive exposure to public](#)

01.12.2022



TCP project "Building capacities and facilitating enabling environment for contract farming in Lesotho (TCP/LES/3801)" which had as an objective to contribute to developing an enabling legal environment for CF and increase knowledge and capacity of stakeholders for implementation of CF as an innovative business model gained sound attention from local [...]

[Piloting contract farming for dry beans in Lesotho](#)

18.11.2022



Contract farming (CF) can be an effective model to coordinate linkages between farmers and buyers, improve smallholders' access to market, productive resources, technologies and capacity development, and enhance their competitiveness and livelihood. In close collaboration between FAO and the Ministry of Agriculture, Food Security and Nutrition: Department of Marketing in [...]

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Training modules with case studies

Contract Farming Course Overview

Module 1

Module 2

Module 3

Module 4

Module 5

Module 6

Learning Resources

Training

Interest in contract farming as a mechanism to coordinate linkages between farmers and agribusiness firms has grown considerably in the recent past, in large part because of the international trends towards tighter alignment in agrifood supply chains. The Food and Agriculture Organization of the United Nations (FAO) has been responding to this growing demand for information and technical support on contract farming issues by means of actions that include a series of capacity building workshops on planning and implementing contract farming operations, the dissemination of knowledge through the Contract Farming Resource Centre and the development of publications on conceptual, operational and legal aspects of contract farming.

Building on the above, FAO has prepared this training toolkit on Operational and Legal Aspects of Contract Farming Schemes (CF Training) to offer trainer support and learning materials designed to introduce sustainable principles and tools for contract farming to government officials including law and policy makers, development practitioners, leaders of farmer organizations, professionals from the private agribusiness sector, non-governmental organizations (NGO) and other persons with an interest in contract farming.



Search course

Free text

- select topic -

Keywords

Year

Search

Reset

Training Material

Guided training materials on Operational and Legal Aspects Of Contract Farming Schemes

For more information and to receive training material please contact Contract-Farming@fao.org





CF training modules

- case studies, exercises, discussion materials, presentations.

Course overview: Introduction to the course

- Training objectives; structure of the training; overview of FAO's work on CF

Module 1: Basic concepts of CF

- CF: what, who, how, why; pros and cons of CF; CF models; critical issues for successful CF
- Case study: CF in the poultry sector in Brazil

Module 2: Planning and setting up CF operation

- When is CF needed; initial scoping; roles of CF facilitators; getting stakeholders' buy-in; selecting and preparing farmers; designing and negotiating contracts; preventing conflict; monitoring and evaluation



CF training modules

- case studies, exercises, discussion materials, presentations.

Module 3: Development and negotiation of CF agreement

- Contract negotiation and formation; contract form and content; responsibilities of the parties; contract duration, renewal and termination
- Case studies: CF for rubber in Ghana; CF for potato in India

Module 4: What to do if things go wrong?

- Force majeure; managing risks; breaches and remedies; options to resolve conflicts
- Case study: vanilla in Tonga

Module 5: How to foster an enabling environment for contract farming

- Assessment of regulatory frameworks for CF; policy and strategy design; other alternatives to promote CF
- Case studies: Albania's regulatory framework for CF; CF in Brazil

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CF toolkit

- Check list for contract analysis
- Contract samples
- Briefs on CF
- A selection of CF presentations
- Other tools

[Contract Analysis](#)[Contract Samples](#)[Briefs](#)[Presentations](#)[Other Tools](#)

Toolkit

The aim of the Toolkit is to provide practical information to assist the design and implementation of contract farming schemes. This section of the Centre provides access to sample farming contracts, briefs on different contract issues and a selection of presentation resources.

Contract Samples

Access is provided to sample farming contracts covering various agricultural products worldwide. The contract samples available at the Centre should be considered as illustrative materials only. FAO does not necessarily endorse any of the samples presented on this site. They should not be seen as recommendations, but rather as samples of the types of contractual clauses and general conditions internationally used in contract farming. Several of the contracts have been translated from their original languages into English by contributors and none has been edited. With the exception of the identification of contractual partners, locations and price information that have been removed, the texts were kept as submitted to FAO. Readers wishing to utilize the examples to design contractual instruments are invited to consult relevant legal experts in their countries.

Briefs

Short articles covering contract farming issues are presented in this section. Legal issues involved in the design, negotiation and enforcement of farming contracts are the first set of themes covered by the briefs provided at the Centre.

Presentations



FAO Contract Farming Resource Centre (CFRC)

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Library (publications)

- Reports
- Journal articles
- Research papers
- Others

Library

Records: 401

[Bio-Economy and Sustainable Agri-Food Value Chains: Involvement of Local Stakeholders through Contract Farming](#)

(MI, A., & Tobe, O. K. Bio-Economy and Sustainable Agri-Food Value Chains: Involvement of Local Stakeholders through Contract Farming.)

Due to expanding middle-class populations' increased awareness of food safety and quality as well as the high standards set by developed countries' export markets, contract farming has a bright future. In many [...]

Organization:

Year: 2022

[Contract Farming and Technical Efficiency: A Case of Export-Oriented Organic Rice Farmers in Pakistan](#)

(Mazhar, R., Xuehao, B., Dogot, T., Skominas, R., Tanaskovik, V., Azadi, H., & Wei, Z., 2022. Contract Farming and Technical Efficiency: A Case of Export-Oriented Organic Rice Farmers in Pakistan. Land, 11(11), 1953.)

Although organic rice is a niche market in Pakistan, it has exhibited enormous potential for growth in export-oriented [...]

Organization:

Year: 2022

[Contract farming and everyday acts of resistance: Oil palm contract farmers in the Philippines](#)

[Hambloch, C., 2022. Contract farming and everyday acts of resistance: Oil palm contract farmers in the Philippines.]

Search

Date from

Date to

FAO Publications



BOOKS

- FAO (2001) Contract farming: partnerships for growth
- FAO (2013) Contract farming for inclusive market access
- UNIDROIT/ FAO/IFAD (2015) Legal Guide on CF in English, French, Spanish, Chinese, Portuguese
- FAO/IFAD/UNIDROIT (2017) Legal aspects of contract farming agreements: synthesis of legal guide on CF
- FAO (2018) Enabling regulatory frameworks for contract farming
- FAO/IISD (2018) Model agreement for responsible contract farming

BRIEFS

- Guiding principles for responsible contract farming operations
- Legal fundamentals for the design of contract farming agreements
- Contract farming and law: what do farmers need to know?
- Contract farming and law: what do regulators need to know?



Publications



- **Guiding principles for responsible contract farming operations**

- Common purpose
- Adherence to a legal framework
- Clear documentation
- Readability of contracts
- Due attention and review
- Disclosure
- Transparency in price determination
- Transparency and fairness in clauses relating to quality
- Transparency and fairness in clauses related to input supply and use
- Fairness in risk sharing: force majeure and contractual flexibility
- Prevention of unfair practices in buyer-farmer relations
- Honoring contractual terms
- Open dialogue
- Clear mechanisms to settle disputes



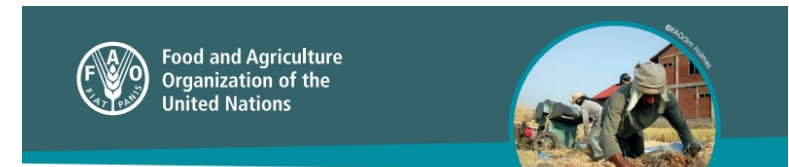
**Guiding principles
for responsible
contract farming
operations**



Publications



- **Contract farming and law: what do farmers need to know?**
 - Why engage in contract farming?
 - What are the benefits of contract farming for smallholders?
 - How are contracts developed
 - Practical advice on how to understand the content of a contract and the legal aspects of contract farming
 - What does a contract usually look like?
 - Who are the parties to a contract?
 - What are the obligations of the parties?
 - How long does a contract last?
 - What to do if things go wrong?
 - How can we solve a disagreement and who do we turn to if we need help?
 - Decision time—should I sign or decline?



Contract farming and the law: What do farmers need to know?

What is contract farming?

At the heart of contract farming is an agreement between farmers and buyers: both partners agree in advance on the terms and conditions for the production and marketing of farm products. These conditions usually specify the price to be paid to the farmer, the quantity and quality of the product demanded by the buyer, and the date for delivery to buyers. The contract may also include more detailed information on how the production will be carried out or if any inputs such as seeds, fertilizers and technical advice will be provided by the buyer.

Purpose of this brief

This brief aims to help farmer leaders, farmer organizations and facilitators working with smallholders to achieve a correct understanding of the legal and operational aspects of contract farming. It is based on information extracted from the *Legal Guide on Contract Farming* (UN-DRIT/FAO/IFAD, 2015), and from field experience in the implementation of contract farming projects by the Food and Agriculture Organization of the United Nations (FAO).

PART 1

WHY ENGAGE IN CONTRACT FARMING?

Why is contract farming important today? Contract farming has been in existence for decades. However, in recent years, its use has increased in popularity, particularly in developing countries. But why is this happening now? Globalization has brought the world closer together and the demand for food and agricultural products has increased dramatically. Food markets have become more competitive as consumers in many countries now live in cities and demand food products that are not only safe to eat, but are also produced in a way that does not damage the environment or harm the workers involved in their production. In this new context, the buyers of agricultural products need to work more closely with their partners in the supply chain so that they can source enough good quality raw materials directly from farmers to meet the demand for food products from their own customers, such as supermarkets, restaurants, hotels, schools and hospitals. Companies that process agricultural products are particularly interested in contracting with farmers, in order to secure a regular supply of raw materials that meet their needs in terms of quality and quantity.

What are the benefits of contract farming for smallholders? Contract farming can help to connect smallholder farmers to buyers. It gives farmers the possibility of knowing in advance when, to whom and at what price they will sell their products. This helps to reduce the unpredictability of agriculture and allows them to better plan their production. It reduces the risks associated with fluctuating prices, and can also help protect farmers against losses associated with natural disasters and climate change as these risks can be shared with the buyer under a contract. When buyers also provide access to inputs including finance and technical assistance, contract farming can lead to significantly increased yields and profits.

Publications



- **Contract farming and law: what do regulators need to know?**
 - Why is the regulatory framework important for contract farming?
 - Content of the Legal Guide
 - Regulatory frameworks for CF
 - Parties, formation and form
 - Obligations of the parties
 - Excuses for non-performance
 - Remedies for breach
 - Duration, renewal and termination
 - Dispute resolution



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Contract farming and the law: What do regulators need to know?

What is contract farming?

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Purpose of this brief

This brief aims to help regulators and policy-makers to achieve a correct understanding of the legal aspects of contract farming (CF). It is based on information extracted from the *Legal Guide on Contract Farming* (UNIDROIT/FAO/IFAD, 2015), and from field experience in the implementation of contract farming projects by the Food and Agriculture Organization of the United Nations (FAO).

PART 1

WHY IS THE REGULATORY FRAMEWORK IMPORTANT FOR CONTRACT FARMING?

Appropriate regulatory frameworks are instrumental for clear and balanced CF operations. Legislation recognizes people's rights and protects those rights. It gives security to contractual relations and clarifies the mechanisms available to facilitate agreed solutions.

From a public policy viewpoint, legislation brings stability to agricultural policies, because laws – by the nature of their creation process – are difficult to change. For the parties involved in CF, this sustainability and enforceability of rights provides legal security. They know that their legal rights and obligations will be respected and that they will remain constant in the future. This can give them the peace of mind they need in order to enter into an agricultural production contract.

There are different possibilities for regulating CF. Some countries regulate CF through general contract or agricultural legislation, whereas others introduce CF provisions in commodity based legislation, or enact specific CF legislation. Contractual practices might also be governed by other sources, including legal principles, customary rules, usages and practices.

There is no one best regulatory solution to facilitate CF. The most appropriate regulatory and policy framework will depend on the national policy and regulatory objectives, the existing legislation and legal tradition.

Publications



- **Legal fundamentals for the design of contract farming agreements**
 - Purpose
 - CF definition
 - Legal elements to be considered
 - General principles of contract law applicable to contract farming
 - The freedom to contract
 - Good faith
 - Force majeure and hardship
 - Performance
 - Non-performance
 - Damages
 - Termination
 - Dispute settlement methods



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Legal fundamentals for the design of contract farming agreements

One of the main challenges to successful contract farming in a number of developing countries is the absence of strong legal systems that guarantee an adequate protection to the parties in their contractual relations. The general principles of contract law discussed in this brief, applicable to international commercial contracts, may serve as a model to help overcome this difficulty.

Purpose

The purpose of this brief is to highlight the main legal elements and principles to be considered in the design of farming contracts which are instruments that regulate contract farming operations. The legal elements and principles presented below are applicable to different national systems and may be employed in the contract when the parties have not chosen any specific law to govern it. This brief is a complement of other publications available on the FAO contract farming website (www.fao.org/contract-farming).

Contract farming – definition

Contract farming can be defined as agricultural production carried out according to an agreement between a buyer and farmers, which establishes conditions for the production and marketing of a farm product or products. Typically, the farmer agrees to provide agreed quantities of a specific agricultural product. These should meet the quality standards of the purchaser and be supplied at the time determined by the purchaser. In turn, the buyer commits to purchase the product and, in some cases, to support production through, for example, the supply of farm inputs, land preparation and the provision of technical advice.

Legal elements to be considered

To be valid and enforceable, all contracts, including farming contracts, should comply with five necessary legal elements.

The first legal element for a valid farming contract is the meeting of the minds of farmer and buyer, i.e. the situation where farmers and buyers have a common understanding in the formation of the contract in the sense that they agree to the same matter and in the same sense. This must be based on an offer to contract from a party (i.e. the buyer) and the acceptance of the other (i.e. the farmer).

Secondly, farmer and buyer consent must be free, i.e. it should not be obtained by coercion, under influence, fraud or mistake.

In addition, for a valid farming contract farmer and buyer should have the capacity to contract, i.e. the ability, recognized by law, to assume obligations and enter into contracts (for example minors or people who are mentally incapacitated do not usually have the capacity to form contracts). Such agreement should be made for a licit good or service which constitutes the obligation of farmer and buyer, such as the sale of a designated crop by the farmer and the payment of money by the buyer. This is the object of the contract and the 4th element to be considered.

The last requirement for the creation of a valid farming contract is the detail of the farmer and the buyer's duties and responsibilities including the price and the method of payment (cause of the contract).

General principles of contract law applicable to contract farming

To be valid and enforceable, all contracts, including farming contracts should respect the following general principles of contract law.

Publications



- Rural 21: Better coordination through contract farming (2019)
- ***Contract farming for inclusive market access (2013)**
- ***Contract farming: partnerships for growth (2001)**

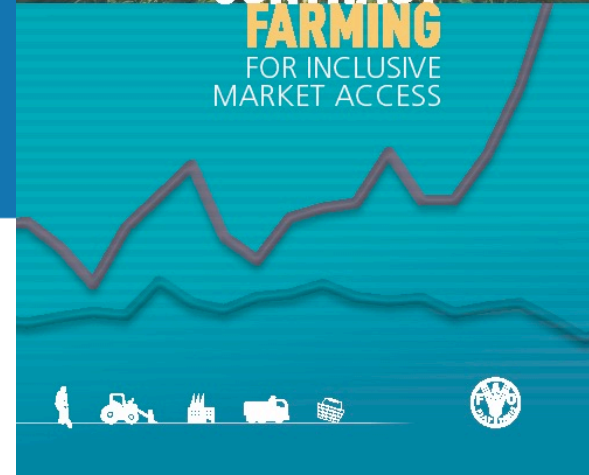
Contract farming
Partnerships for growth

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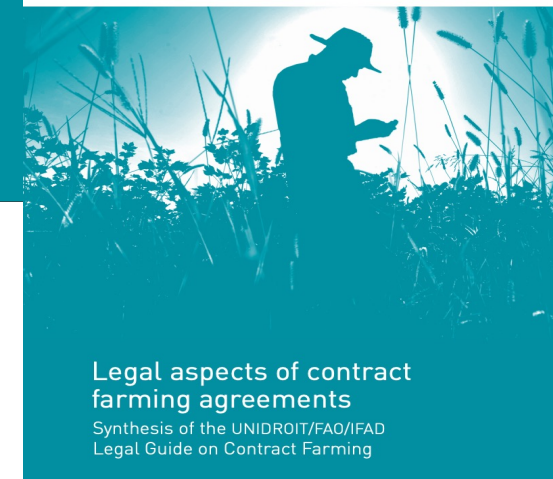
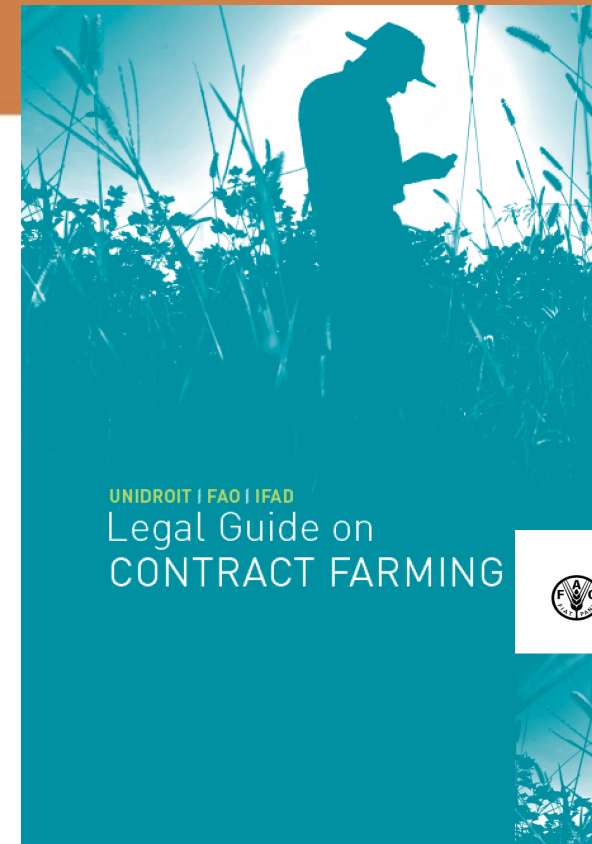
**CONTRACT
FARMING**
FOR INCLUSIVE
MARKET ACCESS



Publications



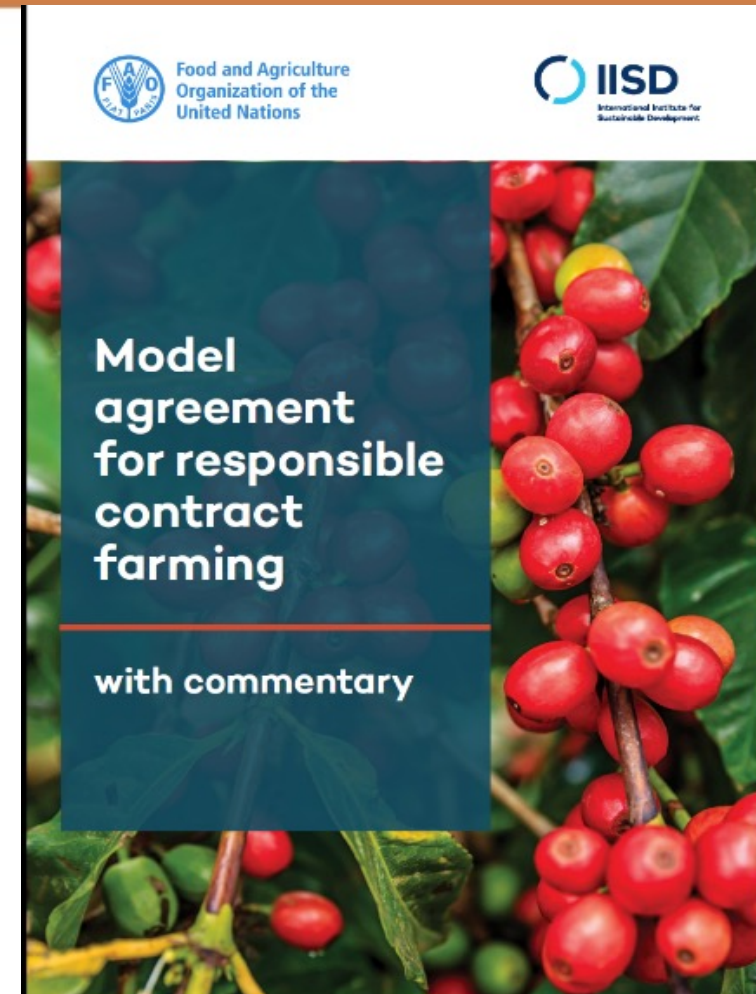
- **UNIDROIT/FAO/IFAD Legal guide on contract farming in English, French, Spanish, Chinese, Portuguese (2015)**
 - A useful tool and reference for a broad range of users involved in CF practice, capacity building, policy design and legal research.
 - Promoting an equitable, responsible and sustainable environment for CF.
- **Legal aspects of contract farming agreements: synthesis of UNIDROIT/ FAO/IFAD legal guide (2017)**
 - Legal framework for CF
 - The contract
 - Obligations of contract parties
 - Excuses of non-performance and force majeure
 - Remedies for breach of contract
 - Contract duration, renewal and termination
 - Dispute resolution



Publications



- **Model agreement for responsible contract farming: with commentary (FAO & IISD) (2018)**
- It draws on the Legal Guide and supports the implementation of global principles and guidelines to help make responsible agricultural investment a reality.
 - Introduction of CF
 - Preparing for negotiations
 - The model agreement
 - The parties; Purpose; Production site; Product; Delivery and acceptance; Pricing mechanism; Force majeure; Remedies; Duration, renewal and termination; Dispute resolution; Signature; Annexes to support the implementation of the contract
 - Model contracts: simple and customizable templates can be adapted by the parties to suit the commodity, specific context and needs
 - Generic; Tomatoes; Coffee





- **Legislative study: Enabling regulatory frameworks for contract farming (2018)**
- It provides guidance to regulators and other interested readers on how to appraise and potentially reform domestic regulatory frameworks to achieve responsible CF.
 - What is agricultural production contract?
 - Assessing the legal framework governing CF
 - How could government develop an enabling environment for responsible CF
 - Elements for improving regulatory frameworks for responsible CF in different context.





Other key references

Food Chain (2013) Volume 3, Issue 3: special issue on contract farming

<https://practicalactionpublishing.com/issue/81/contract-farming>

Technoserve & IFAD (2011) Outgrower schemes – enhancing profitability (technical brief)

<https://www.ifad.org/documents/38714170/39144386/technoserve.pdf/5855ee64-9068-4510-8003-5d2301be2cbe>

UNIDROIT (2012) Overview of contract farming legal issues and challenges

https://www.fao.org/fileadmin/user_upload/contract_farming/Uniform%20Law%20review_Pultrone.pdf

Other key references



***World Bank, a short brief on CF**

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World Bank (2014) An analytical toolkit for support to contract farming

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***GIZ (2015) Contract farming handbook volume II: selected tools and case examples**

<https://www.snrd-africa.net/wp-content/uploads/2019/07/GIZ-Contract-Farming-Manual-2.pdf>

GIZ (2017) ICT Toolbox for contract farming professionals

<https://www.giz.de/en/downloads/giz2018-en-toolbox-for-contract-farming-professionals.pdf>



Thank you!

FAO Contract Farming Resource Center

Please visit CFRC for more information and resources on contract farming

www.fao.org/in-action/contract-farming

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