



# FORUM ON LEGAL ASPECTS OF CONTRACT FARMING

## *Projects and Activities*

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### **Food and Agriculture Organization of the United Nations (FAO)**

**Website:** <http://www.fao.org/in-action/contract-farming/en/>

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**FAO** is an intergovernmental organization that promotes the inclusion of smallholder farmers in modern markets. The challenge of inclusiveness is closely linked to the efficiency of agrifood systems and their recent transformations. Farmers are facing changing technical requirements in order to overcome the barriers to markets. These issues are closely related to the incomes and welfare of rural populations. Based on these reasons it is at the forefront of FAO's agenda to establish effective institutional mechanisms and foster the inclusion of smallholders in modern agrifood markets. The global demand for improved coordination in agrifood supply chains has led to an increased interest in contract farming as a tool to address such tighter alignments through information sharing and technical assistance. It has the potential to foster poverty reduction, contribute to rural development, employment and food security. Legal considerations and operational aspects must be well-understood and adapted to the environment in which the agreements are being implemented. This is essential to the protection of the interests of all parties. Further, the appropriate implementation of contract farming activities fosters economic and social development, not only through the provision of market access but also through technology transfers and credit facilities.

FAO has been responding to the growing demand and implemented domestic and regional development as well as capacity building programmes, issued publications and recently launched a Contract Farming Resource Centre on the FAO website under <http://www.fao.org/in-action/contract-farming/en/>. The platform serves as a user-friendly and free one-stop site, offering practical guidance and information on the legal and operational aspects of contract farming.

## PROJECTS

Following up on the preparation of the UNIDROIT/FAO/IFAD Legal Guide on Contract Farming, FAO, with IFAD's and UNIDROIT's support, was engaged in a **Project of Implementation of the Legal Guide**, spanning over 2016 and 2017.

This project aimed to facilitate the dissemination of the guide and improve its outreach on the international and field level. The distribution of the core recommendations on contract farming fosters the inclusion of the rural poor into sustainable markets through contractual agreements.

Within the scope of the project, a number of outcomes, including the preparation of outreach materials, capacity building, online dissemination and knowledge transfer, were achieved. Further, the inter-agency collaboration contributed to the efforts related to the promotion of responsible and inclusive contract farming. The specific outputs, with detailed description, are listed below.

### 1. Translation of the Legal Guide into Spanish

FAO has engaged in translating the Legal Guide into Spanish, with a view to making it accessible to key stakeholders in Spanish-speaking countries, in particular in Latin America and the Caribbean. The Spanish version *Aspectos jurídicos de los contratos de producción agrícola* has been finalized and is available under: <http://www.fao.org/3/b-i6711s.pdf>

### 2. Preparation of guidelines for better contract farming operations

Under this activity, FAO is preparing the following accompanying documents summarizing the Legal Guide messages:

#### 1. Legal aspects of contract farming agreements: a synthesis of the UNIDROIT/FAO/IFAD Legal Guide on Contract Farming.

This abridged version of the Legal Guide has been written in non-technical language, making its contents more accessible to a broader audience of professionals interested in CF issues. It has been published in English, French and Spanish.

- English: Legal aspects of contract farming agreements – Synthesis of the UNIDROIT-FAO-IFAD Legal Guide on Contract Farming. Available at: <http://www.fao.org/documents/card/en/c/497bda0d-c09f-4b18-a0a6-c37b1c02fa40>
- Spanish: Aspectos jurídicos de los contratos de producción agrícola. Available at: <http://www.fao.org/3/b-i6711s.pdf>
- French: Les aspects juridiques des contrats de production agricole. Available at: <http://www.fao.org/3/b-i6711f.pdf>

#### 2. Brief on contract farming and the law: what do farmers need to know?

This brief aims to help farmer leaders, farmer organizations and facilitators working with smallholders to achieve a correct understanding of legal and operational aspects of CF issues. It is based on the Legal Guide and on FAO field experience and has been published in English and Spanish. The French version will soon be available.

- English: Contract farming and the law – What do farmers need to know? Available at: <http://www.fao.org/3/a-i7581e.pdf>
- Spanish: Agricultura por contrato y su regulación legal: ¿Qué deberían saber los agricultores? Available at: <http://www.fao.org/3/a-i7581s.pdf>
- French: L'agriculture contractuelle et la législation: Ce que les producteurs agricoles doivent savoir? Currently in the process of being published.

### **3. Brief on contract farming and the law: what do regulators need to know?**

This brief aims to provide regulators and policy-makers with an overview of CF concepts and legal issues to guide their work. It is also based on the Legal Guide and has been published in English and Spanish. The French version will soon be available.

- English: Contract farming and the law – What do regulators need to know? Available at: <http://www.fao.org/3/a-i7580e.pdf>
- Spanish: Agricultura por contrato y su regulación legal: ¿Qué deberían saber las autoridades de reglamentación? Available at: <http://www.fao.org/3/a-i7580s.pdf>
- French: L'agriculture contractuelle et la législation: Ce que les responsables de la réglementation doivent savoir? Currently in the process of being published.

## **3. Analysis of regulatory frameworks for contract farming**

To complement and enrich the scope of the Legal Guide, FAO together with other partners including UNIDROIT, has analysed key regulatory trends internationally and provide guidance for governments looking to improve their enabling environment for contract farming. The analysis will build on comparative examples to be chosen from different jurisdictions and legal systems. The document is currently in the process of being published.

## **4. Developing contract templates**

FAO is currently collaborating with the International Institute for Sustainable Development (IISD) and IFAD to develop a generic contract template and two commodity-specific templates based on the recommendations of the Guide, addressed to development agents, policy makers, farmer organizations and others interested in CF issues. The generic contract template and sample contracts for contract farming are in the final stages of development.

## **5. Capacity building: preparation and validation of training materials and workshops**

FAO has developed a set of targeted extension training materials to support the design and implementation of responsible contract farming schemes across a range of developing economy contexts. These materials have been further adapted by the team to incorporate new case studies and specific sessions on legal aspects of contract farming drawing from material included in the synthesis of the Guide and the briefs for farmers and regulators. The materials have been validated in three national workshops, conducted under the IFAD Grant in Vietnam, Guatemala and Rwanda.

Further, regional workshops have been held in Thailand, Lao PDR, Ethiopia, Panama, Georgia and Albania. The “*training of trainers*” workshops aimed at strengthening the national and regional capacities for the adoption and dissemination of the principles set forth in Guide. The

trainees were extension agents, development professionals, academics and other actors that have roles in capacity building activities on areas of relevance to contract farming promotion. Further, the training materials have been used in about 20 other training events around the world. Currently, FAO provides training events upon demand.

To promote the sustainability of capacity building activities, these training materials are currently being made available to a broad audience of interested stakeholders through an open platform. The [Contract Farming Resource Centre](#) (CFRC) is a global knowledge platform, functioning as a “one-stop” site where users can find information and practical guidance on sustainable contract farming and related training activities. This platform responds to the need, expressed by organizations including IFAD and the World Bank, to disseminate the contents of the Guide through materials that can be directly used to support the work of international organizations investing in or otherwise supporting agricultural development.

## **6. Guiding questions for contract analysis**

Originally designed as a training tool for the above-mentioned capacity building activities, this set of guiding questions has proven to be useful as well for CF practice. The questions help farmers and buyers to decide whether the contract under analysis is consistent with the good practices recommended by FAO and partners. Through its use, potential areas for improvement in contractual design can be identified. The guiding questions will be available on the CFRC along with a variety of other tools such as the Facilitator Guide or guidance on how to plan a field visit.

## **7. Contract database and publication repository at the “Contract Farming Resource Centre” website**

This FAO website provides free access to hundreds of samples of real world farming contracts from numerous countries, covering a wide range of agrifood products. Complementing this unique source of practical information, the site maintains a selected, up-to-date and searchable database of CF publications, including books, case studies, articles, research papers, project reports and other related documents.

## **8. A checklist for drafting agricultural contracts**

The Checklist provides a quick reference for those drafting contracts and for the farmers who may be signing them. Extension agents, NGOs and others advising farmers will also benefit from this tool. Drawing from the contents of the UNIDROIT/FAO/IFAD Legal Guide on Contract Farming, the list presents the recommended form and contents of contracts and itemizes the types of clauses and conditions that are expected to be included in these CF instruments. It will be available on the CFRC.

## **9. FAO’s fieldwork activities on contract farming**

In the past the field work programme of ESA and LEGN has focused on assisting member countries:

- Mission to Tirana, Albania in October 2017, under the project TCP/ALB/3605/C5, in order to promote and disseminate the use of contract farming in selected value chains in Albania. The purpose of the mission was to organize and deliver a training workshop on operational and legal aspects of contract farming schemes, mostly targeting senior officials of the Ministry of Agriculture, Rural Development and Water Administration. The primary objective of the training programme was to build the capacity of senior government officials of the Ministry of Agriculture, as well as to validate the contract templates that were prepared in advance for the greenhouse tomato and the melon value chains.

- Mission to Sri Lanka in November 2017, under the project GCP/SRL/062/EC “European Union – Support to District Development Programme”: Delivering a training workshop on legal and operational aspects of contract farming and provide inputs to improve the contract farming schemes for pineapple, green cucumber and manioc value chains as promoted by the FAO-EU project. This training targeted project staff, senior staff of line ministries and representatives of the private sector. Furthermore, the work of FAO in contract farming was presented to the Director of the Department of Planning, senior staff of several line ministries, representatives of the EU delegation and FAO as well as representatives of the private sector.
- As part of the activities of the UTF project “Technical Assistance for Strategic Support for Food Security and Nutrition Project in Laos (UTF/LAO/020/LAO)”, FAO has supported the Government of Laos in improving contract farming (CF) policy, regulations and contractual design and enforcement. Within the scope of this project a South-South Cooperation (SSC) exchange between Laos and Brazil has been established to enable the sharing of experiences, knowledge and technical guidance on design and practice of contract farming in Brazil, which provided useful lessons learnt and best practices for Laos. The following video offers an insight into the project: <https://www.youtube.com/watch?v=Md3BPX9nnR8>

### Sharing of knowledge products and information

- **UNIDROIT/FAO/IFAD Legal Guide on Contract Farming, 2015.** Mindful of the importance of enhancing knowledge and awareness of the legal regime applicable to contract farming operations, FAO, in collaboration with IFAD and UNIDROIT, prepared the UNIDROIT/FAO/IFAD Legal Guide on Contract Farming. The Guide is a useful tool and reference document for international organisations, national governments, non-Governmental organisations, commodity associations and advanced farmer organizations involved in contract farming practice, policy design, legal research and capacity building. It can contribute as well to create a favourable, equitable and sustainable environment for contract farming. <http://www.fao.org/3/a-i4756e.pdf>
- **FAO Guiding Principles for Responsible Contract Farming Operations:** Developed with inputs from experts and practitioners, the publication presents a set of principles that are conducive to responsible CF. It is intended to serve as guidance for farmers and buyers engaged in contractual relationships, thus promoting good business practices and maintaining an atmosphere of trust and respect that is essential for the effectiveness of contract farming partnerships. <http://www.fao.org/docrep/016/i2858e/i2858e.pdf>
- **Contract Farming for Inclusive Market Access, 2013.** This book presents a selection of cases of CF covering different commodities and country contexts, and analyses the market conditions that lead to the need for contracting. The cases were competitively commissioned from researchers and development professionals worldwide. and illustrate the multifaceted nature of contracting as an agrifood chain coordination mechanism to promote inclusiveness and efficiency in supply chains. <http://www.fao.org/uploads/media/cf.pdf>
- **The growing role of contract farming in agrifood systems development: drivers, theory and practice, 2005.** The publication illustrates the nature of recent changes in agrifood systems and outlines the theoretical basis for CF, as well as its advantages, disadvantages and critical success factors. [http://www.fao.org/fileadmin/user\\_upload/ags/publications/AGSF\\_WD\\_9.pdf](http://www.fao.org/fileadmin/user_upload/ags/publications/AGSF_WD_9.pdf)
- **Contract Farming: Partnership for Growth, 2001.** The guide describes in detail the general modus operandi, internal functions and monitoring mechanisms of CF. It emphasizes that sustainable CF arrangements are only possible when the various parties see themselves involved in a long-term partnership. The Guide provides advice to companies on the management actions necessary for success and to government officials seeking to promote CF operations. <http://www.fao.org/docrep/004/y0937e/y0937e00.htm>