



Food and Agriculture Organization  
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# A Scoping Assessment of Contract Farming Practices in Belize

For TCP Project “Establishment of a Legislative and Regulatory Framework to Enhance the Contract Farming in the Agriculture Sector ”

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[www.fao.org/in-action/contract-farming](http://www.fao.org/in-action/contract-farming)



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# Introduction

- Overview of CF
  - What is CF? Pros and cons for buyers and producers. When is CF suitable and feasible? & the need for careful assessment
- The scoping CF assessment
  - The project background and objectives
  - Objectives and methodology of the CF scoping assessment



# What is contract farming (CF)?

At the heart of contract farming (CF) is an agreement between agricultural producers and buyers in which both parties agree in advance on the terms and conditions for the production and marketing of agricultural products, usually including the price to be paid, quantity and quality demanded and delivery dates.

The contract may also include information or terms on how the production will be carried out or if any inputs such as seeds and fertilizers, financial assistance, technical advice, and other support services will be provided by the buyer and/or by another party.



## Advantages for producers

- Overcoming some barriers to market participation, access to buyers and markets
- Helping manage/reduce production and market risks, secure more stable income and plan production better
- Improving access to inputs (e.g. seeds, fertilizers), (new) technologies, training and technical assistance, financing solutions (e.g. input on credit, loans or collateral for loans), support services (e.g. transportation, storage, quality control), etc.
- Capacity development (knowledge, skills and experiential learning) for more resilient and sustained growth in productivity, competitiveness, livelihoods and wellbeing.
- Increased commercialization, development of value chains: entrepreneurs, agribusinesses and agro-industries → increased economic opportunities and livelihoods for smallholders



## Advantages for buyers

- More reliable, consistent and efficient supply of agricultural products
- Greater conformity to desirable quality, safety and other standards, easier to respond to market demand
- Reducing risks (supply, price and production risks) and improving planning
- Overcoming land-related constraints for commercial production
- Gains in efficiency and competitiveness through integrated provisions of inputs and support services and a more streamlined supply chain (vertical integration)
- Making it possible to incorporate social and environmental sustainability measures in production and marketing and to meet market demand



## Disadvantages for producers

- Unequal bargaining power and power imbalance dynamics, potential manipulation of contract negotiation and implementation
- Possible delays in payments and input delivery
- Reduced selling options and potential loss of former market linkages
- Risk of indebtedness and increased dependency
- Risks of losing traditional farming practices, environmental risks of monocropping, loss of biodiversity, etc.
- Farmers without land and less resources may be excluded (e.g. smaller farmers, women, youth, marginalized members)



## Disadvantages for buyers

- Risks of farmers breaking contracts and side-selling
- Risks of farmers mis-using or side-selling inputs supplied or not following production guidelines or delivery schedule
- High transaction costs of dealing with large numbers of farmers
- Internalizing support costs
- Loss of flexibility to seek alternative supply sources
- Risk of undermining corporate reputation if things go wrong and not resolved well





# In summary



## ADVANTAGES FOR FARMERS

- Access to markets, inputs, technologies, technical support, credit, services etc.
- Increased commercialization
- Capacity development (knowledge, skills, experience)
- Increased productivity
- More secure market and more stable income

## ADVANTAGES FOR BUYERS

- Consistent supply and quality
- Increased efficiency
- Lower risks and better risk management
- Products complying with standards on quality, safety, social and environmental responsibility
- Overcome land constraint

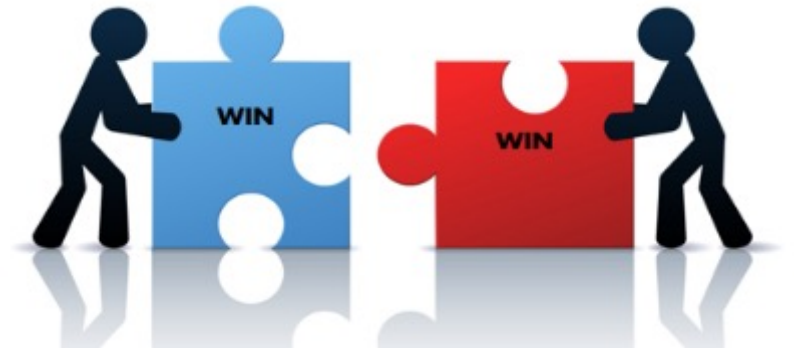
## DISADVANTAGES FOR FARMERS

- Reduced selling options
- Lack of bargaining power
- Possible delays in payments and input delivery
- Possible indebtedness
- Environmental risks of growing only one or certain crops
- Small farmers with fewer resources are excluded

## DISADVANTAGES FOR BUYERS

- Reduced supply options
- High transaction costs dealing with many small farmers
- Risks of farmers breaking contracts and side-selling
- Potential misuse of inputs, non-compliance of processes or standards
- Reputation risks if things go wrong

- Increase in CF indicate the positives outweigh the negatives.
- Creating enabling environment and engaging multi-stakeholder collaboration are needed for successful CF



- CF may not be suitable or feasible to organize a commercial relationship. A careful assessment of its applicability and alternatives is needed.



# When CF is suitable and feasible ?

- CF may not be suitable an/or feasible in some situations
- The decision on whether to choose CF should not be taken lightly and should be based on a thorough assessment of the suitability and feasibility of the contract farming arrangement which requires engagement and consultations with farmers and buyers.





# When CF is suitable and feasible ?

- CF arrangement should be mutually beneficial for both parties
  - Potential benefits including profitability for both parties
  - Potential reasons: CF can help overcome market failures, capture market opportunities, meet market demand, mitigate risks, increasing productivity and efficiency, and/or sustainably produce agricultural commodities...
  - Potential risks, issues and concerns
  - Overall the benefits should outweigh these potentially negative aspects of CF.



# When CF is suitable and feasible ?

- Suitable conditions and feasibility:
  - Market outlook and opportunities, demand for production attributes (e.g. quality), export/processing/niche or certain market segment...
  - Market structure, competition, alternatives, side-selling...
  - Characteristics of the commodity and its market
  - Government support, enabling environment
  - Buyer: strong incentives for CF, profitability, capacities of managing contracts & working with producers, etc.
  - Producers: capacities of commercial production, adopting new technologies, farm/business management, marketing, productivity, production site and resources, benefits/profitability from CF, organized or not, etc.
  - Physical and environmental conditions
  - Support services, storage, transportation (if relevant), etc.
  - Training, technical assistance
  - Cultural factors and other considerations...



# When CF is suitable and feasible ?

- While the applicability of CF is fairly general, there is evidence that successful CF schemes are associated with agricultural products that are of high value with quality and other standards and/or for processing/exports/modern supermarket chains/niche markets. A buyer with strong incentives for CF and with capacities to manage contracts and work with farmers is necessary.
- Products more susceptible to side-selling, e.g. those with high local demand or competing buyers/marketing channels, may be problematic for CF.
- When just starting CF, in addition, consider
  - Livestock CF operations usually are more complex than crop CF.
  - Perishable products are trickier than storable commodities for CF.
  - Production CF often are more elaborate than CF just focused on marketing/sales.
  - Some CF models are more complex than others, e.g. centralized vs multipartite models
  - Piloting less-complex CF can build trust, confidence and capacity to expand and grow CF operations—taking a gradual approach.

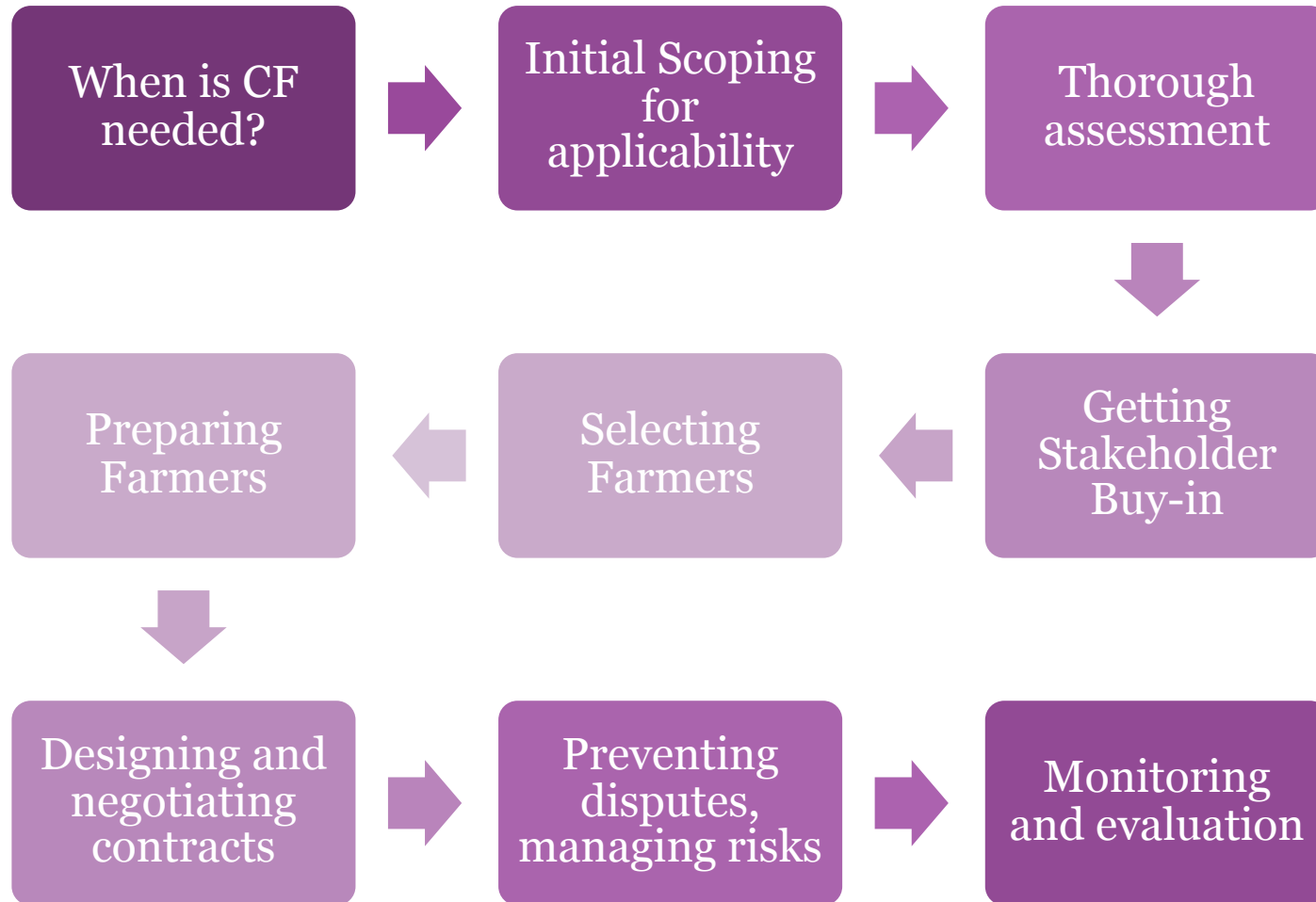


# A scoping CF assessment

- A scoping CF assessment is part of the CF project in Belize
  - Assess the contract farming practices and/or potential for some cases in selected commodities, including needs, challenges and opportunities for growth and improvement
  - Provide recommendations for improving or advancing CF operations, and further assessment and contract farming pilot
- Methodology
  - Field visits and consultation with stakeholders; focus on individual companies and producers/producer groups;
  - Potential pros and cons, suitable conditions and feasibility, and potential opportunities for contract farming
- A scoping CF assessment cannot replace a thorough assessment of CF feasibility of certain potential commercial relationship.



# Careful planning and setting up CF





# The scoping CF assessment for selected commodities

- Honey
- Hot peppers
- Pineapples
- Fresh produce
- Fishery/seafood products





# • Honey

- **Consultation with representative beekeepers from Melting Pot of Honey producer group (MPH) in Orange Walk.**
  
- **Key points:**
  - MPH was 5 years old with 13 members in 2019. Focused on expanding hives/production instead of membership.
  - Sells majority of honey in bulk to BMDC through informal verbal agreement and sells a small amount to local stores and communities.
  - MPH also sells to local store and communities in small amount. It has its simple packaging equipment to bottle and label its product (generic). Although prices are better, the demand is uncertain.



# • Honey

## □ Key points:

- Selling to BMDC through verbal agreements
  - BMDC organizes meeting with producers, informs them about quality, quantity, price and necessary matters and reaches verbal agreement.
  - Price: BMDC \$3.3/pound (\$3.5 highest), retail \$5/bottle-pound
  - Quality is important and is checked upon delivery to determine the price. Producers are encouraged to follow good beekeeping practices (GBP).
  - BMDC does not limit quantity supplies or require exclusive sales.
  - MPH sells in bulk to BMDC that packages, labels and markets honey under its own brand. No labeling info to identify producers.
  - BMDC provides equipment and some inputs through input on credit. No loans are provided or facilitated. MoAFSE provides training and technical support.



# • Honey

## ▫ Key points:

- Needs and challenges
  - Better price from BMDC is desired.
  - Training on marketing and business management is needed. MPH hopes to expand its market and reduce reliance on BMDC in honey sales.
  - More equipment is needed such as safety suits, support needed to deal with mites; credits are needed to sustain operation and expand production (e.g. sugar to bees, equipment).
  - Challenges due to climate changes (adverse weather, deforestation, increasing spray of chemicals and agricultural land). Need to relocate and seek permission in the natural reserve to continue beekeeping.
- MPH has reservation about formal agreement, but recognizes potential benefits (stable sales, working closely with the buyer and gaining business and marketing experience). Members need be consulted and make decisions based on consensus.



# • Honey

## ▫ Potential advantages of CF to beekeepers

- Access to a buyer with consistent demand and additional market channel in addition to stores/supermarkets.
- Clarity and transparency on terms e.g., price, quality, quantity, production practice, to empower negotiations and guide production (better planning for production and resources, risk management), more stable income.
- Improved quality, improved productivity through better training, technical guidance on GBP and quality standards and quality compliance → increased competitiveness for domestic and export markets.
- Clarity and guidance in dealing with disputes and unexpected events.
- Increased communication, engagement and collaboration with BMDC.
- Increased access to productive resources including financing solutions (e.g., input on credit and contract as collateral) to help expand production.
- Increased capacity for commercialized production, business management and marketing through experiential learning



# • Honey

- **Potential advantages of CF to BMDC**
  - Contract farming can help build trusting relations with beekeepers with increased transparency, close collaborations, clear guidelines on dealing with with disputes and unexpected events.
  - More consistent supply and increased volume of honey compliant with quality standard through CF with beekeepers.
  - Better implementation of GBP, quality standard, better quality can be achieved and sustained.
  - As it is more vertically integrated, more efficient and better risk management.
  - Help achieve BMDC's ultimate goal to build smallholders' capacity and improve livelihoods, increase commercialization/market formalization of the sector.



# • Honey

- **Potential advantages of CF for both and the sector**
  - Contract farming can be instrumental to increase quality, productivity, volume and value, increase smallholders' capacity and improve their livelihoods, increase commercialization of the sector and its competitiveness for domestic and export markets.
  - Contract farming is one of the innovative business models to promote commercialization and value chain development.
  - The pilot can also help build capacity for implementing CF in other VCs & sharing best practices and lessons learned.



# • Honey

- **For a detailed analysis and a list of recommendations, please refer to the report on “Piloting Contract Framing for Honey in Belize” developed at the suggestion of the scoping assessment.**
- **Recommendations**
  - There are potentially suitable conditions for CF for honey: market outlook, growth potential on supply and demand sides, government support for the honey sector and increasing intent to support CF...
  - Both buyer and producers appear to have the capacity to advance into formal CF from their ongoing informal CF.
    - BMDC appears to have adequate capacity in procuring, processing and marketing its products;
    - MPH has the capacity for commercial production, although its capacity of marketing and management is to be strengthened.
    - These may be also relevant to other cooperatives as major honey buyers and individual producers or other producer groups that supply to BMDC or other producer organizations.



# • Honey

## □ Recommendations

- Considerations on Public-Private-Partnerships
  - BDMC's goal is to promote smallholders' market access and marketing capacities. CF schemes could help achieve such a goal and build farmers' capacities and competitiveness in order to sell to other outlets. BMDC can use available resources to support more farmers when some farmers become more independent. Terms on exclusive sales are not recommended.
  - BMDC can help pilot CF, share experiences, successes, lessons learned when private sector participation is absent due to lack of incentives. Other stakeholders in the private sector may be motivated to pilot.
  - Pilot CF can build MoAFSE's capacity in promoting, facilitating and supporting CF operations including dealing with potential issues (e.g. through resolutions, mediation and legal provisions), should CF expand.





# • Honey

## □ Recommendations

- Further consultations with BMDC, extension services and other beekeepers and beekeepers' organizations are needed on needs, challenges and their perspectives on market opportunities and contract farming.
- Further assessment is needed on the potential and feasibility including market outlook and opportunities, capacities of BMDCs and beekeepers, benefits and issues, based on desk research and extensive consultation with relevant stakeholders in the honey sector.
- Pilot contract farming is recommended if further assessment confirms with the initial scoping assessment. The project can propose a contract farming pilot through a participatory approach: issues and recommendations for planning and setting up contract farming, a model agreement, issues to consider for negotiation, contract formation and monitoring and implementation.



# • Honey

## □ Recommendations

- If CF is decided to be used, written contracts should be used. Such contracts should align with the guidance provided in the UNIDROIT/FAO/IFAD Legal Guide on Contract Farming.
- CF with a written contract, particularly one with clear dispute resolution sections, would also be particularly beneficial for the producers and may alleviate their concerns for dealing with a partner.
- Both parties and relevant stakeholders should be consulted in design the pilot and the model agreement. The exact content should be agreed in direct negotiations between producers and the CPBL, with potential participation of third-party facilitators (such as government extension service providers).



# • Honey

- **Recommendations (Potential issues to consider)**
  - Overall increased communication and engagement, working more closely together focusing on building trust facilitated by CF. For contract farming to sustain, it must facilitate TRUST BUILDING, and both parties must mutually benefit from it.
  - Increased clear communication on price setting for honey and inputs & other terms on delivery etc. BMDC can help beekeepers better understand the market, price, costs of production, business operation, processing and marketing, etc. Beekeepers are encouraged to discuss/negotiate.
  - Clear communication on quality standards: its long-term goal to promote GBP, increase and sustain high quality and increase competitiveness
  - Clear communication and understanding on ways and options to deal with disputes and unexpected events
  - Beekeepers to be more organized, have a collective bargaining power/actions, share best practices and lessons, knowledge and skills



# • Hot peppers

- **Consultations with two food processing companies for hot pepper sauce:**
  - Marie Sharp's Find Foods, Ltd. (MSFF) in Stann Creek district
  - Hot Mama's (HM) in Cayo district
  
- **Key points:**
  - Both MSFF and HM are established agribusinesses (e.g. commercial processing, marketing and exporting, business dealings in sales, finance, logistics, agreements).
  - Both sell to domestic market: supermarkets, hospitality and tourism sectors. MSFF exports to North America, Europe, Asia...and has various quality standard certifications for export. Market outlook appears to be good.



# • Hot peppers

## □ Key points:

- Both are experienced in sourcing from farmers through informal verbal agreement (e.g. informal nucleus estate CF model for MSFF and informal centralized CF model for HM) and rely on trust.
  - Working with individual farmers
  - Meeting with farmers before production season and agree on quality, quantity, price, delivery and other matters as needed.
  - Provision of inputs and credit
  - Provision of training and technical support (MoAFSE).
- Both indicated that reliable supply of peppers of consistent quality is important to their businesses. Quality and the desired varieties are important. Certain production and harvest practices are needed to achieve the desired quality.



# • Hot peppers

## ▫ Key points:

- HM encouraged producers to seek alternative buyers and market.
- The project team did not meet pepper producers. The producers, who supply to either, seem to have adequate capacity for commercial production in meeting requirements on quality, quantity and delivery and some have experience with input on credit arrangement and loans. MoAFSE provides training, and it was common or even necessary to obtain a training certificate from MoAFSE. Consultations with producers are needed to further assess CF potential.



# • Hot peppers

- **Potential advantages for pepper producers and buyers**
  - For pepper producers:
    - Stabler income, better management of risks, better planning
    - Access to productive resources, technical support and training
    - Increased capacity in marketing and business management for commercialized production, increased productivity, competitiveness
    - Farmers may have the option to sell to others under agreement
  - For buyers:
    - More reliable supply, greater conformity in quality and standards, easier to respond to market demand and expand exports.
    - Vertical integration through direct sourcing and input provisions, increased efficiency and competitiveness.
    - Overcoming lack of productive resources to produce enough on own commercial farms.



# • Hot peppers

- **Potential concerns/hinderance for formal agreements:**
  - Farmers are not organized and may not have incentive to pursue CF:
    - Do not have collective power and know-how to negotiate terms of agreement. Not knowledgeable enough about formal agreement or its pros and cons.
    - (from general consultation), distrust in formal agreements and perception that they would be taken advantage of.
  - For buyers:
    - Both prefer current verbal agreement to formal agreement. They have built trust with farmers, revolved issues as they rose, overall managed well and had expressed no incentive to change.
    - They are concerned about loss of flexibility to seek alternative supply sources and deal with issues and about liabilities under formal agreement.
    - They are clearly the more powerful party in the relation and will only pursue formal agreement if it is advantageous for them to do so.





# • Hot peppers

## □ Recommendations

- Informal verbal agreements with an established buyer can offer benefits to producers and buyers compared with the option of no pre-agreed production, less planning and relying on traders and open market. These practices should be supported so that they can be improved and evolved into formal agreements.
- CF with written contracts should be recommended whenever possible. Such contracts should align with the guidance provided in the UNIDROIT/FAO/IFAD Legal Guide on Contract Farming. As recommended for CF for honey.
- It is important to engage producers and the companies to raise awareness and provide education on the relevance and benefits of formal contract farming and how to plan and set up CF.



# • Hot peppers

## □ Recommendations

- It is beneficial for producers to become more organized:
  - Collective actions to market their products, collective power in negotiating and dealing issues with buyers. Without it, challenging to push for better terms and formal agreement.
  - Sharing knowledge, skills, information and resources for production and marketing. Having collective action to acquire productive resources (e.g. bulk purchasing inputs, sharing transportation, obtaining credits).
  - Benefiting from pooled knowledge, skills and talents. Some farmers are good at production while others in management and marketing.
  - Collective solution to deal with challenges imposed by climate change, such as crop insurance and salvation funds.



# • Hot peppers

## □ Recommendations

- Producers need training and technical support:
  - Training on and support to marketing and business management
  - Training to improve productivity and increase resilience through climate-smart practices given adverse climatic events are identified by both buyers and producers as one of the most significant challenges.
- Both buyers were reluctant to engage in formal agreement with farmers. But HM expressed willingness to pilot CF, if necessary, with MoAFSE's support. MoAFSE can focus on raising awareness, building capacities, and facilitating the pilot if both parties are willing.
- Creating enabling environment (regulatory, political and institutional setting) is important to sustain successful CF.



# • Hot peppers

## □ Recommendations

- Update 2021: at the closing of the project, MSFF reached out to MoAFSE for support to ascertain CF potential and pilot. It is also potentially advantageous to engage HM to assess the potential.
- It is recommended to conduct a feasibility assessment, and design the pilot and modal agreement, based on close engagement and consultations with relevant stakeholders, especially producers and MSFF and/or HM.
- The assessment studies conducted for honey and pineapples can be replicated with necessary adjustments.
- The pilot with the modal agreement for honey can be adapted for hot peppers. The process of engaging and consulting stakeholders, facilitating the processes, formulating the contract, planning and setting up the pilot for honey can be adapted for hot peppers.



# • Pineapples

- **Consultation with pineapple producers in Stann Creek district. Meeting held at the farm of Citrus Product of Belize Ltd. (CPBL) where they were attending training.**
- **Key points:**
  - CPBL is the only established processor on the market, mostly processing citrus, and has its own commercial farm. Farmers mostly traded in informal market through traders who often come to pick up their produce when called.
  - Farmers cultivate the Sugar Loaf variety on 4-10 acres, traditionally cultivated and cheaper to grow, suitable for fresh consumption, less desirable for processing.



# • Pineapples

## ▫ Key points:

- Producers previously sold pineapples to CBPL via verbal agreement. But various issues esp. late payments eroded trust and they no longer sell pineapples to CBPL. They did not perceive CPBL offered better prices.
- CPBL requires a new variety MD2, suitable for processing into juice concentrate with export potential. The seeds are imported and expensive. Investments in seeds and inputs and training are required to grow MD2. The farmers were unsure about the demand for MD2.
- Producers desired to expand production and reported the need for training on marketing, business management and access to financing solutions.



# • Pineapples

## □ Recommendations

- Update 2020-21: There has been an increasing MD2 pineapple production and processing. These recent developments have shed light on promising opportunities for CF for pineapples.
- As a result, a further assessment for the contract farming potential in the pineapple sector has been conducted.
- **Please refer to the assessment and recommendations in the study report “An Assessment of Contract Farming Potential for Pineapples in Belize”**



# • Fresh Produce

- **Consultation with representatives of the Valley of Peace producer association (VP) in Valley of Peace.**
- **Key points:**
  - VP consists of 30 families of farmers (about 89 members), refugees from Central America, farming about 150 acres of common land.
  - There is a need and potential to improve production practices and productivity. Capacity for commercialized production needs be improved. Access to finance, inputs, machinery, storage and other productive resources, training and technical support are needed.
  - Training is needed to build capacity in marketing and management. Three members are traders and undertake marketing of its products.
  - Farmers are organized, and they share productive resources, skills and knowledge and VP has the potential to develop capacities for CF.





# • Fresh Produce

## ▫ Key points:

- VP usually sells to local traders who they usually work with. Producers lack information or understanding about the market, demand and buyers.
- The market for fresh produce is dominated by informal or traditional marketing channels and traders play a central role. Established commercial buyers who directly buy from producers or have strong incentives to do so are not identified in this scoping assessment, i.e. processors, hospitality businesses, or supermarkets. Hospitality businesses also rely on traders to source their produce. But they indicated the demand for reliable and consistent supply of quality fresh produce.



# • Fresh Produce

## □ Recommendations

- CF potential for fresh produce in Belize is not particularly favourable, especially aimed at small producers interviewed, based on the scoping assessment. This is because
  - The buyer(s) who would have strong incentives for CF has not been identified (e.g. the demand for quality produce, profitability, benefits, risks, capacities to manage contracts and sourcing from farmers)
  - The requirements on quality, delivery and quantity that could benefit from CF are not clear.
  - The demand and market size for quality fresh produce are to be determined. Fresh produce is mostly for domestic market and not for export.



# • Fresh Produce

## □ Recommendations

- CF potential for fresh produce in Belize is not particularly favourable, especially aimed at small producers interviewed, based on the scoping assessment. This is because
  - The market is largely informal. If the above requirements, demand, incentives are not clear, traders would meet the demand. Benefits from CF need to offset the operation costs of CF. Whether CF is a profitable business model is to be examined.
  - The fresh produce can be more susceptible to spoilage and may have complications in harvesting, storage and transportation compared with storable commodities.
  - Producers consulted need to gain capacity for commercialized production (e.g. increase productivity, marketable produce, business management) or managing contractual arrangement, as they have not managed informal agreements. Capacity development, facilitation and support are needed.



# • Fresh Produce

- **Recommendations (some evidence and considerations)**
  - Some evidence suggests that CF is often for markets willing to pay a premium price for certain product attributes (e.g. quality), such as for export, modern supermarket chains, processing, organic and other niche markets.
  - Rarely do small-scale traders or even wholesalers offer farmers pre-planting contracts.
  - CF comes with fixed and transaction costs to set up and manage the operations. Larger firms have greater incentives to ensure steady supply, and more resources and greater capacities to manage CF, offset transaction costs with efficiency gains and offer fixed prices.
    - In part, Mino and Ronchi (2014) “Risks and Benefits of Partnership between Farmers and Firms” the World Bank Viewpoint.
    - Please also see “When CF is suitable and feasible?”, Slides 12 and 13.



# • Fresh Produce

## ▫ Recommendations

- If there is further interests in exploring CF potential, it is important to conduct a thorough assessment on CF feasibility. It is crucial to engage and consult with relevant stakeholders.
- Buyers with strong incentives and capacities; requirements on quality, quantity, delivery & production processes; demand and market size for quality produce; market structure and competition, side-selling risks; profitability of CF vs. alternative business models/market channels, etc.
- The potential buyers may include hospitality businesses, supermarkets and successful and commercialized traders. However, they may not have the incentive or capacity to manage CF and sourcing themselves. Traders may not find sufficient buyers for quality produce and may find CF costly.
- It is advisable to explore different ways to develop the value chains, such as accessible and improved marketplaces, online marketing/auctions, improving market/price information, quality and safety standards, developing processing and other value addition opportunities, etc.

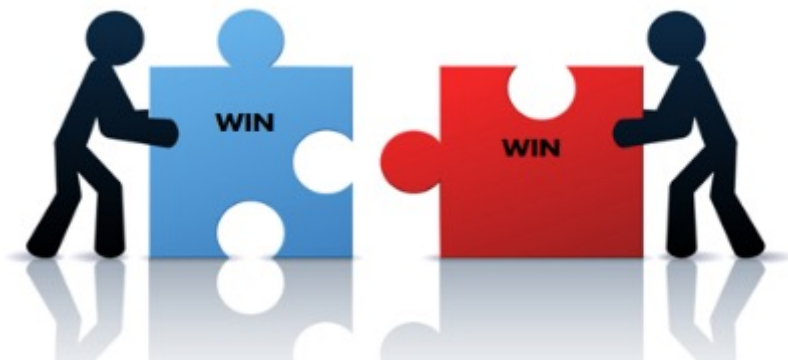


# • Fishery products

- **National Fishermen Cooperative (NFC) and Northern Fishermen Cooperative (NTFC) in Belize city.**
- **Recommendations**
  - Both face various challenges and try to improve cooperative governance, efficiency and viability (e.g. retaining members, credit support and default). Both face strong competition from a private company that offers better prices and attracts cooperative members to supply to them.
  - CF is not recommended at this time, because 1) good cooperative performance is necessary for successful CF, 2) side-selling is a challenging issue for CF and already present.
  - When cooperatives become stronger, CF may be considered to enhance its operations, as it brings more structured and clearly defined provisions and responsibilities and could provide mutual benefits for well functioning cooperatives and its members.



# A summary of recommendations





- CF is increasingly relevant in developing regions due to globalization and transformation of agri-food systems → more efficient and better coordinated value chains to meet new challenges and uncertainties.
- CF offers essential benefits to both parties with pros and cons. Fairness, mutual benefits, trust and collaboration between parties are vital for sustainable and successful CF.
- CF is not a silver bullet, and maybe ill-advised under some circumstances. Sound analysis to assess CF feasibility is crucial.
- Thorough assessment, good planning and careful preparations, transparent and effective implementation, monitoring and evaluation are critical to successful CF.





- Markets for the selected commodities are largely informal. Informal CF via verbal agreements exist e.g. for honey, hot peppers and pineapples and have the potential to transition into formal CF with written agreements.
- CF with written contracts should be recommended whenever possible. Such contracts should align with the guidance provided in the UNIDROIT/FAO/IFAD Legal Guide on Contract Farming.
- Promoting and supporting informal CF when appropriate and formal CF infeasible as it offers benefits for both parties as opposed to selling to traders or at open markets and could build capacities and evolve into formal CF.



- Mutual benefits should be recognized by both parties as the main incentives to participate in contract farming.
- It is advisable to adopt a gradual approach when piloting CF, e.g. with a centralized model focusing on sales, and with small number of participants.
- In absence of incentives from the private sector, the public sector (e.g. government agencies, NGOs, international organizations) can facilitate and support pilot CF and build stakeholders' capacities, especially via Public-Private-Partnerships.



- There are many advantages of organizing producers to gain bargaining power and collective actions, especially for CF.
- It is helpful to build a community of CF practitioners to share experiences and best practices, including commodity sectors more commercialized and practicing CF, and those with high potential for CF.
- Capacity development for MoAFSE, producers, and buyers are critical, in marketing and business management, in assessing, planning and managing CF. Experiential learning (e.g. via piloting CF with facilitation and support or through PPPs) is beneficial.



- The government can facilitate and support CF arrangements in various ways, and more importantly can help create an enabling environment and play an important role in promoting inclusive and sustainable CF.
- An enabling environment, including institutional, regulatory, and political settings, public policies and investments, is key to successful CF. Need to countervail uneven power through promoting producer organizations, third-party mediation and legal provisions.



- The systems approach is the key to developing prosperous, inclusive, sustainable and resilient agri-food value chains and systems.
- CF has the potential to have sustainable impact and promote sustainable development in all three—economic, social and environmental—dimensions.
- Social inclusion and environment sustainability are not automatic. It requires political will and enabling environment. Multi-stakeholder engagement and partnerships are needed for maximizing CF impacts.



- Honey: high potential
  - Further assessment has been conducted.
  - A pilot and a model agreement have been developed.
- Pineapples: high potential
  - Further assessment has been conducted.
    - Consultations with producers, CPBL, CGA and relevant stakeholders are needed to further assess the feasibility.
  - It is recommended to ascertain a CF pilot.
- Hot peppers: high potential
  - An assessment is needed and recommended.
  - A pilot is recommended and can be ascertained.



- For recommendations on CF for honey and pineapples and on piloting CF for honey, which are relevant to other commodities and value chains, please see the two reports developed under the project:
- **“Piloting Contract Farming for Honey in Belize—An Assessment of Contract Farming Potential & A Proposal for Piloting Contract Farming with A Model Agreement”**
- **“An assessment of the Contract Farming Potential for Pineapples in Belize”**



# 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](http://www.fao.org/in-action/contract-farming)

Please contact us at

[contract-farming@fao.org](mailto:contract-farming@fao.org)