



## **Guiding questions for contract analysis**

In contract farming schemes, the process of developing the contract is very important for building long-lasting trust between farmers and buyers. As a common best practice, the whole contract formation process should be carried out in a fair and transparent manner and in good faith. A good practice is for farmers to be involved in discussions with the buyer from the beginning of the negotiation and contract formation phases, to make sure they understand all the conditions included in the contract, and to ensure that their interests and rights are considered.

The following questions aim to serve as a guiding tool for analyzing contracts and can be used by all involved parties. The signing of the contract should only take place after a full agreement on all the conditions has been reached and the negotiation phase is completed.

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- 1 Are the parties clearly identified in the contract?**

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  - 2 What is the purpose of the contract?**

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  - 3 Is the production site identified in the contract?  
Which is the size and location of the contracted land?**

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  - 4 Are the contractual obligations of the parties indicated? Which are they?**

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  - 5 The quantity and quality requirements are sufficiently specified in the contract?**

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  - 6 Is it clear as to how much will the farmer be paid? (method for price determination)**

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  - 7 Is a method of payment clearly indicated?**

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  - 8 When will the farmer be paid?**

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  - 9 Where the farm product shall be delivered?**

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  - 10 Does the agreement identify the production inputs? Who is responsible to supply them?  
Is their price or their method of calculation clearly explained in the contract?**
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- 11** Who is responsible to arrange for transportation?
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- 12** What is the contract duration?
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- 13** Are excuses for non-performance contemplated in the contract (such as force majeure events, changing of government policies, market price fluctuations, etc.)?  
How are the parties expected to deal with risk?
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- 14** Does the contract include designated remedies in the event that one party fails to meet its obligations?
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- 15** Does the contract contemplate the possibility to renew the contract?
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- 16** Are the cases for contract termination equally contemplated for both parties? Does the contract specify the situations and requirements for termination (such as a notice period)?
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- 17** Is a method for dispute resolution indicated in the contract?
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- 18** Which law will govern the contract?
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- 19** Does the contract include the signature of both parties? Does the contract provide that the parties should sign in presence of witnesses?
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- 20** General perception: do you consider this contract to be in compliance with FAO's "Guidelines for responsible contract farming operations"?
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- 21** Would you sign this contract?
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## **TO KNOW MORE**

Website – [www.fao.org/contract-farming](http://www.fao.org/contract-farming)