

CONTRACT FARMING FACILITATION TRAINING COURSE MATERIALS

A capacity building training course for district and provincial Government Staff



Department of Planning (DOP) and
Department of Agricultural Extension and
Cooperatives (DAEC),
Ministry of Agriculture and Forestry



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(English Version 1.0)



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The Northern Uplands Development Programme

The Northern Uplands Development Programme (NUDP), is implemented by the Department of Planning, Ministry of Agriculture and Forestry and has received a Grant from donor partners including the European Commission (EC), the Agence Française de Développement (AFD), the Swiss Development Cooperation (SDC) and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) for Development Cooperation. The NUDP sets out to eradicate poverty and achieve sustainable development in the Northern Uplands of Lao PDR targeting three provinces: Luang Prabang, Huaphanh and Phongsaly. The programme has two specific objectives: (1) to secure and improve livelihoods of the rural poor in selected areas of the Northern Uplands based on sustainable land and natural resource management, and community-driven approaches, and (2) to increase aid effectiveness.

The NUDP has 6 main components and 3 cross cutting components. The NUDP-DAEC / LOT C Team is responsible for providing Technical Assistance to provincial and district staff to help them implement activities that contribute towards the achievement of goals set under Component 3 (Farmer Organisations); Component 4 (Pro-Poor environment) and Component 5 (institutional strengthening and extension).

This Contract Farming Facilitation Training Course was developed in order to build the capacity and develop the skills of district and provincial government staff from a wide range of agencies in how to facilitate “fair and equitable” contract farming in their administration areas.

The authors have used materials developed in the “Guidelines for Facilitating Fair Contract Farming” by the Lao Extension Agricultural Project (LEAP) as the main reference material and content of the course, as well as other useful LEAP documents (Economic calculation for crops and livestock and Think Before You Sign materials). Acknowledgement is also due to SADU III / CIAT/NAFRI materials for the Maize Game material that is featured in DAY 1 and background material on Lao Contract Farming authored by David Fullbrook, published by LEAP. Thanks are due to Bounthavy Sayxomephou, and Khamphao Thongtchanh for final Lao editing and to Fabien Bastide for final editing, layout and formatting of the English and Lao version ready for publishing. Finally, thanks to NUDP/DAEC field coordinator Mr Boualy Sengdala for his assistance on coordination and publication and to Matthieu Segard, SOFRECO LOTC team leader whom without his encouragements and direction, these materials would not have been completed.

An effort was made to “bring to life” the key principles and content of the guidelines and assist government staff to apply and adjust these concepts for practical application in the Contract Farming situation that prevails in their districts/ provinces.

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DISCLAIMER

The views, opinions and interpretations expressed in this Training Course Manual are those of the authors at the time of writing and development. They should not be interpreted as representing the official or unofficial views of the donors (AFD, GIZ, EU and SDC) or the Government and their officers or representatives, or any other government or non-government organisations.

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Documents and References prepared for circulation to participants

1. Guidelines in Facilitation of Fair Contract Farming (LEAP) – Lao and English versions
2. “Think before you sign” guidelines (LEAP) – Lao and English versions
3. Economic Calculation Tools – LEAP – Lao and English version
4. Exercises for Capacity Building in Agricultural Market Development: Toolkit for Facilitators: Maize Production Game (CITA/SADU III) - English version
5. LEAP Small holder and contract Farming in Laos – Briefing: David Fullbrook
6. LEAP Smallholder production Agreements in Laos PDR – Qualifying Success; David Fullbrook, Lao and English
7. Rapid Market Appraisal (RMA) Manual – LEAP
8. Relevant Laws and Articles related to Contract Farming in Laos PDR – English version
9. Legal Aspects of Contract Farming: Manolin Thepkhamwong – Lao Bar Association – LEAP – English version

OVERVIEW

1. Background

As widely documented, Laos has seen unprecedented and rapid growth in the transformation of the rural economy over the last 10 years. Among other aspects, this is characterised by the rise in the use of Contract Farming (CF) as a means for investors to find a secure supply of raw agricultural materials and for farmers to find suitable market outlets for their products.

In theory, the bringing together of two parties in the production and marketing of agricultural commodities at an agreed price and conditions should result in a “Win-Win” situation that benefits both parties equally and mutually.

However, NUDP experience in Northern Laos and elsewhere, suggests otherwise. Apart from the lack of open competition due to the support by local government to the granting of monopsonist type concessions or exclusive trading rights by product and area, farmers are often at the raw end of deals struck with companies in terms of low fixed prices over long durations; lack of involvement in contract negotiation or understanding of their obligations; poor health or environmental related conditions; exclusion from possibilities to add value to raw materials; unclear and unfair terms in purchase clauses and so on.

This course has been prepared to improve the understanding of District and Provincial staff of the basic concepts and practices under-pinning good and equitable contract farming together with skills in how to facilitate contract farming that is fair to both parties and incorporates social, economic and environmental related safeguards and other features of best practice.

This course was designed using “Guidelines for Facilitating Fair Contract Farming” produced by a LEAP sponsored working group as the main reference material. The course has been prepared with the purpose of helping staff apply facilitation skills to practical scenarios that DAFO/DOIC staff may face in working with contracts and negotiating with investors together with or on behalf of farmers.

Much time is spent in the course focusing on the need to undertake a full feasibility appraisal of the options open to farmers before committing to engagement in Contract Farming. It is not usually the best option for farmers to engage in contracts, if prices are low and contract conditions are poor. This is why a thorough “feasibility” assessment of ALL options is critical in the process.

Following training, staff will be able to review and evaluate existing contracts registered with the authorities in their own districts or provinces. District staff will also be able to assist with the overall contract management to ensure that farmers get the best quality and price within their existing contracts. Experience gained and lessons learnt may then be channelled into appropriate changes to the overall Contract Farming approach or “strategy” undertaken in their districts.

In some cases, farmers producing outside of contracts would benefit more, but they need assistance to find alternative market outlets for their produce at the good price, rather than commit to contract. This may include improved farmer organisation to buy cheaper inputs in bulk or sell large volumes collectively at higher prices. It may also mean more investment in village level processing and storage facilities to add value or help group members to implement a strategy to “harvest, process, store and sell later” at higher prices.

Any advice given to farmer organisations by the government should be based on solid evidence and understanding of the situation prevailing with regard to the feasibility of the different options and negotiation of contracts. The purpose of this course is to build capacity in this regard.

Finally, in spite of the desire to encourage more open competition in districts that improves the access of farmers to a wider range of investors and traders to engage with, such access remains constrained in many districts. This is partly due to the remoteness and lack of interested investors in much of rural northern Laos. It is also caused by “market distortions” caused by local government policies at district and provincial levels¹. These include policies that support “monopsonist” conditions whereby an area or “territory” (which could cover a kumban, district or several districts) is allocated to just one investor or company, with the sole rights to purchase all the produce from farmers under contract. This situation is considered widespread in the northern uplands of Laos.

In such cases of “closed competition”, it is difficult to set up Farmer Organisations to function effectively for the benefit of farmer members. Farmers are forced to accept low or fixed prices for long contract duration together with other unfair or questionable contract conditions.

The CIAT-managed, SDC-funded, Small-scale Agro-enterprise Development in the Uplands Project dealt directly with the modern manifestation of these practices. As presented in the project case study, Learning Alliance on Agriculture Marketing (undated)²:

During the implementation of the SADU III project it became obvious that working on smallholder access to markets in districts under a monopsony policy was close to impossible. With the local authorities selecting and endorsing exclusive buyer rights to only one buyer for their produce, farmers were literally price-takers with no means to bargain for a fair price for their produce. In addition, the monopsony arrangement killed all incentives for quality enhancement or product diversification.....not only does it impact negatively on the price per unit and farmers' overall income, it also affects the overall tax revenues levied by the district authorities.

From experience with maize contracts in the north, once such agreements are endorsed at the district or province, local government staff are reluctant to intervene on behalf of the farmers at the village level to help facilitate the negotiation of fairer contract prices and conditions with traders or companies who have sole trading rights.

Redressing this imbalance caused by such policies is difficult, given the interests of different groups. An effort to raise awareness with trainees is made on DAY 4 of this training course, in which staff are requested to explain in detail the Contract Farming situation prevailing in their district together with an attempt to seek solutions. It may not be possible to change the situation over night, but the more these issues are discussed and put on the table, the more chance of change from within.

Ultimately, farmers should have the freedom to choose the Trader, Investor or Company to sell to and not the Company choose the farmers or “territory”. It is hoped that the generation of awareness raised in this course takes the achievement of this goal a step further forward.

¹ See Comparing Developments in Agricultural Extension Services in Lao PDR with Global Trends: A literature Review by Michael Jones, Peter Case and John Connell (May 2013) – section 3.3 Market Manipulation p.13

² Ibid: p.14

2. Course Objectives

The course has the following objectives:

1. To provide selected staff from District and Provincial agencies (Project and NGO staff may also be trained) with the knowledge and approaches to help facilitate fair, effective and sustainable contract farming between smallholders or farmer groups and investors in a participatory, transparent, efficient and equitable way.
2. To help district and provincial staff review existing contracts and rate these against a set criteria in terms of structure, content and fairness for both parties and prepare steps to improve the content of contract agreements in the future.
3. To help district and provincial staff to develop a Contract Farming strategy to manage each of the existing contracts prior to field work with FGs and smallholders involved.
4. To build selected staff as Key Resource Persons in their district as trainers who may mentor other district or provincial staff regarding Contract Farming issues in the future.

3. Expected Outcomes

By the end of the training, participants will:

1. Have a clearer understanding of the fundamental principles, concepts and legal aspects that are applied to farmer and investor contract development, negotiation and management.
2. Have an Action Plan for management of existing contracts with follow up field activities identified.
3. Experience and lessons learnt from past and current examples of Contract Farming should lead to further development in the district or provincial level Contract Farming approach or strategy that supports fair and equitable Contract Farming that may be updated in the future.
4. Trainees will have sufficient capacity to act as Key Resource Persons or trainers of trainers (TOT) in their place of work and provide advice to colleagues in the future on Contract Farming.

4. Total Course Duration: 4 days course (3 days with one day field practical work)

5. Course participants

It is recommended that some 20-25 trainees. It is anticipated that staff may be drawn from the list below depending on need. The main agencies would be DAFO and DOIC.

Transportation Office may also be important because in many cases of contract farming, investment in feeder roads constructed by the Investor or Company is a key element in contract farming

District Level	Provincial level
District Governor's office	DPI – Planning department
DOIC – District industry and commerce	PAFO – planning, livestock, crops, forestry,
DAFO – District agriculture and forestry office	PAEC – Agricultural extension and cooperatives
District Planning Office	POIC – Industry and Commerce
Transport agency (Road and Highways)	Transport agency (Road and Highways)
Others ?	

Staff from NGOs or other projects would also benefit and could become Key Resources Persons or TOT.

6. Trainee selection criteria

The staff selected for the course should conform to some of the following criteria:

1. Position at mid or senior level (permanent) Government staff in their respective office
2. Have a background in agricultural economics / economics or similar discipline, as well as good grounding in agricultural science (crops, forestry and livestock) or post harvest technology.
3. Are responsible in their job for overseeing economic development in the district or province related to agriculture (now or in the near future)
4. Have responsibility to facilitate or oversee contract negotiations between farmers and investors (including the assessment of viability and risk of these contracts) or in monitoring the performance of these contracts. Some staff will be required to follow up contracts in the field to ensure the best outcomes for farmers in contract implementation.
5. Have had previous training in marketing and value chain course (e.g. SADU) or with LEAP training in RMA development; “think before you sign” or other related courses to marketing or value chain assessment. Staff selected should have good test results from participant in other previous training courses.
6. The trainee should be capable of working as a “Key Resource Person” in their office in the future. This means that they should be able to provide advice to and mentor staff regarding contract farming facilitation, assessment of risk and viability of agricultural ventures.

7. Training course approach and methods

Course Structure

The course has a duration of 4 days with 3 days allocated to the training room and one day for field practical (on DAY 3).

The first two days focuses on the basic concepts and stages (1 to 11) in the development process of contract farming with particular emphasis on the decision to engage in Contract Farming or not. Only when a decision is made to engage in contract farming (stage7) is there any mention of contract conditions and contract formulation, agreement and signature.

The field practical on DAY 3 gives the trainees an opportunity for them to use facilitation skills gained by discussing contract conditions with farmers in a village currently engaged in contract farming. Outcomes from this activity provide a basis for review of each district's contract farming approach discussed in DAY 4.

District and provincial staff are REQUIRED to bring with them copies of existing Contracts in their administration area. These are then reviewed in DAY 4 for strengths and weaknesses and are evaluated using criteria developed during the course. A plan of action is devised for future steps taken by concerned staff to improve existing or future contracts.

Importantly, on DAY 4, each district is required to review the existing contract farming situation and identify what steps need to be taken to develop and improve the contract farming approach or “Strategy” employed by the district. Such improvements made should ultimately benefit farmers under contract.

Trainers

It is advisable that the following personnel are available during the training course duration:

1. Lead Trainer (1): Full time for 4 days to lead and conduct all the training sessions
2. Training Assistant (1 – 2 persons): The Assistant(s) will help the lead trainer to organise groups and support in administrative and logistical aspects in the training.
3. Legal Advisor: The Legal Advisor has an important input on the morning of Day 4 to give an overview of the legal aspects related to Contract Farming, the relevant decrees and laws and insights in to how to draw up and complete legal documents. The Lao Bar Association is a good source for specialist legal advisors or an expert from the Provincial justice department.

Training methods

1. Presentations by trainers
2. Group work with plenary / feedback sessions
3. Brainstorming activities

Tools and supports

1. Powerpoint presentations
2. Handouts
3. Flip charts, papers, marker boards, tape, cards, pens

Evaluation methods

1. Pre and Post test for rating trainees.
2. Trainees will be monitored to gauge their interest, motivation, and engagement in group work.
3. Trainee scores placed on the database for future reference.

FINAL REMINDER: Course participants are required to bring with them copies of existing or future contracts + any agreements between the districts and companies for specific products. These will be used as reference materials in group work during the course

TRAINING COURSE SESSION PLAN

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CONTRACT FARMING FACILITATION TRAINING SESSION PLAN

Legend

PPT = Powerpoint;

H/O = Handout;

F/N = Facilitator Note

DAY 1					
Time	Sub-Topic	Methods/Activities	Tool /facility	Materials	Facilitators/ Invited Guest
I. INTRODUCTION TO TRAINING: WELCOME, PRE-TEST, COURSE OBJECTIVES ETC; WARM UP GAME					
8.00 – 8.40	I. Opening Ceremony	Welcome participants to the training and invite chairmen to give opening address Opening address			
8.40- 8.50	II. Training Team and Participant Introduction	Self introduction by training participants			
8.50- 9.30	III. Pre-test	<ul style="list-style-type: none"> • Introduction • Answer multiple choice questionnaires • Give answer 	PPT Projector + Screen	PPT No.1 Handout (H/O) 1.a: Test paper Facilitator Notes (F/N) 1.b test results F/N 1.c Results sheet	
9.30- 9.45	IV. Participants' Expectation	<ul style="list-style-type: none"> • Participants write their expectations on color cards. These are summarized with keywords on flipcharts and discussed 	Flipchart	Color cards	
9.45- 10.00	V. Course Objectives; Expected Outputs; Introduction to Agenda and Training Material to be used	<ul style="list-style-type: none"> • Introduction to the course and objectives • Agenda 	PPT Projector + Screen	PPT No. 2 H/O 2.a: Agenda	
10.00 – 10.15	Coffee Break				
10.15 – 11.30	VI. Warm Up Game: Maize Production and	<ul style="list-style-type: none"> • Introduction • Group work: split into 03 groups (3 	PPT Projector + Screen	PPT No. 3Maize game F/N 3.a – the maize game	

	Marketing Game with Discussion of Key Points/Issues arising noted	scenarios) - year of good market and yield - year of bad market and prices; and - year of bad yield ● Plenary session and cross-group reflection ● Conclusions <i>Summary findings by each Group is placed on the wall and may be referred to during follow up reflection and discussion during the course.</i>	Flipchart Color Cards	H/O 3.b:Maize game details F/N 3.c: results sheet PPT No 4: Maize game conclusions	
II. SESSION 02 of the GUIDELINES: BASIC CONCEPTS, PRINCIPLES OF CONTRACT FARMING AND LESSONS LEARNT					
11.30 – 12.00	VII. Introduction to Contract Farming ● Definition of Contract Farming ● Models of Contract Farming ● Characteristics ● The Contract Agreement	Introduction to Contract Farming	PPT Projector + Screen	PPT No 5	
12.00 – 13.30	Lunch				
13.30 – 15.00	● Stakeholders and Their Individual and Common Roles in Contract Farming Facilitation ● Benefits and Risks in Contract Farming	Discussion and exchange Summarizing the points with PPT	PPT Projector + Screen	PPT No 5 continued H/O 5.a: Roles and Responsibilities	
15.00- 15.15	Coffee Break				
15.15- 16.15	VIII. Lessons Learnt on Contract Farming by Participants	● Group Work: Ask participants to present their experience and lessons learnt from their work with Contract Farming for success or failure ● Conclude and group Representatives report	PPT Projector + Screen Flipchart		
16.15 – 16.30	IX. Lesson Learnt in Laos – factors contribute to success or failure	● Give the highlight of key points arising from the Briefing Notes and summary of lessons from 12 case studies.	PPT Projector + Screen	H/O 5.b: case studies of lessons learnt	

DAY 2

Time	Sub-Topic	Methods/Activities	Tool /facility	Materials	Facilitators
III. SESSION 03 of the GUIDELINES: METHODOLOGY “HOW TO DO”					
8.00-8:30	X. Review the Previous Days Training and Summarize Key Points	<ul style="list-style-type: none"> Trainer asks participants to outline what key points they have been trained in yesterday Trainers conclude with key points from the training DAY 1 	Board		
8.30-10:00	XI. Facilitating Fair Contract Farming <ol style="list-style-type: none"> i. Objective and Role of Facilitator ii. Positioning of Facilitators iii. Stages in facilitation of Contract: <p><u>Stage 1:</u> Investment Proposal and Approval</p> <p><u>Stage 2:</u> Initial Interaction and Conceptualization</p> <p><u>Stage 3:</u> Identification of Areas and Farmers</p>	<ul style="list-style-type: none"> Discussion on objective and role of facilitators Trainer present the PPT of the listed objective and role Positioning of Facilitators Discussion on stages in facilitation of contract farming Trainer presents the PPT the facilitation stage 1-3 	PPT Projector + Screen Flipchart	Handout	
10.00-10:15	Coffee break				
10.15 - 10:30	<u>Stage 4:</u> Feasibility Appraisal for Contract Farming	<ul style="list-style-type: none"> Trainer presents the PPT the facilitation stage 4 	Flipchart PPT Projector + Screen	PPT No. 7 Stage 4-6 H/O 6.a <div style="border: 1px solid black; padding: 2px; margin: 5px;">Table 8: Feasibility Assessment</div> <div style="border: 1px solid black; padding: 2px; margin: 5px;">Economic Calculation Format</div>	

10.30-10:45	Stage 5: Decision on areas and farmers and investor for engagement	<ul style="list-style-type: none"> Trainer presents the PPT the facilitation stage 5 	PPT Projector + Screen	H/O 6.a	
10.45-11.15	Stage 6: Contract Development	<ul style="list-style-type: none"> Trainer presents the PPT the facilitation stage 6 Group work: Develop the checklist to review existing contracts. What should be the content of the contracts? Each group to present the content of their checklist. (Compare with Table 9, page 27 of guidelines). 	PPT Projector + Screen Flipchart	H/O 6.a <div style="border: 1px solid black; padding: 2px; display: inline-block;">Table 9</div>	
11.15-12.00	Practice on use of tools	<ul style="list-style-type: none"> PAX split into 4 groups practicing using the following checklists to review and evaluate their existing contracts (PP brought with them their district contracts): <ul style="list-style-type: none"> o Table 6 o Table 7 o Table 8 + Economic Calculation Format <p>Using feasibility appraisal tools (the use of production, input supply, market and value chain information) to help assess different farmer options and the degree of risk the farmer faces:</p> <ol style="list-style-type: none"> Rapid Feasibility Appraisal for CF Screening and Review of Feasibility outcomes <ul style="list-style-type: none"> o Table 9 	PPT Projector + Screen Flipchart	H/O 6.a: Tables 6, 7, 8 (with Economic calculation format) and table 9 Use copy of existing contracts that participants bring with them	
12.00-13:30	Lunch				
13.30-14.15	Plenary session	Representative of each Group presents their findings			

14.15 – 15.15	Stage 7: Contract Negotiation	Role Play: based on information provided, farmer group, private company and 3 rd party (Gov.) discuss and negotiate the potential CF in a village meeting.	Flipchart	PPT No. 8 Stage 7 + Role Play Game F/N 8.a Role Play game facilitator notes H/O 8.b Handout to each group	
Coffee Break					
15.15- 15.30					
15.30- 16.00	Plenary discussion to discuss outcomes of the Role Play exercise	Following the discussion, comments and issues raised for in a plenary session. How good was the DAFO facilitator.....? <ul style="list-style-type: none"> o Introduction o Activities and Conclusion 		PPT No. 9 Role Play conclusions	
16.00 – 16.30	Stage 8: Reaching an Contract Agreement Stage 9: Implementation and Stage 10 M&E Stage 11: Conclusion of Contract	<ul style="list-style-type: none"> • Trainer presents the PPT the facilitation stage 8-11 	PPT Projector + Screen	PPT No. 10: Stages 8 to Stage 11 H/O 6.a <div style="border: 1px solid black; padding: 2px; display: inline-block;"> Figure 7 Table 12 </div>	
16.30- 16.45	XII. Preparation for Practical Session for Day 3 and 4	<ul style="list-style-type: none"> • Introduction and Guideline of Practical Session • Trip planning 	PPT project + screen	PPT No. 11 H/O 11.a: Guideline of Practical Session	

DAY 3					
Time	Sub-Topic	Methods/Activities	Tool	Materials/hand out	Facilitators
IV. PRACTICAL FIELD SESSION					
9.45	Arrive at the village				
9.45- 10.00	XIII. Introduction	Introduce participants; and the purpose of the meeting and expected outputs		H/O 11.a: guidelines for practical session with farmer group to discuss	

10.00-10.20	XIV. Request the village key informants to present information		<ul style="list-style-type: none"> Background to the village (no. of HHs, no. of families, cropping area etc) Background to contract farming in the village (how long; crops; companies etc) Explain current contract conditions with the existing commodity. Highlight current issues or difficulties arising with the implementation of the contract. What solutions have farmer considered? 					Contract Farming F/N 11.b: Wrap up session	
10.20-11.10	XV. Discuss contract farming issues with farmers and key informants		<ul style="list-style-type: none"> Contract model, contract agreement, payment clauses, credit arrangements Production areas Quality of produce, grades, Issues and problems arising Future plans of farmers with regard to contract farming 						
11.10-11.30	XVI. Conclusion and Close		<ul style="list-style-type: none"> Following final conclusions with the meeting participants, request the Village Representative and the senior Government staff to give concluding points Thank everybody and close the meeting 						
PM session			<p>Complete Report of the visit and present report to the plenary session</p> <ul style="list-style-type: none"> Highlight the key findings Prioritise the key issues and propose solutions and plan to improve contract conditions in the future 					F/N 11.b Wrap up session	

DAY 4					
Time	Sub-Topic	Methods/Activities	Tool	Materials/hand out	Facilitators

V. LEGAL PART AND PRACTICAL APPLICATION					
8.00-9.00	XVII. Review previous day	A review learning in the 2 nd day; and reflect and summarize the issues from the FIELD SESSION on the 3 rd day.	flipchart	flipchart	
9.00-10.00	XVIII. Legal Part	<ul style="list-style-type: none"> Trainer/lawyer presents Legal Part Laws and articles to which referred and some principles on page 25-28 of the Guideline Question and answer session 	PPT Projector + Screen	PPT No 12 H/O 12.a Summary of Legal Aspects for Contract Farming H/O 12.b: Contract Template.	
10.00-10.15	Coffee Break				
10.15-12.00	XIX. Group Work: to review and evaluate existing contracts at district and provincial level and specify specific actions required.	<ul style="list-style-type: none"> GROUP WORK by district to further develop criteria to evaluate the content of existing contracts that currently exist in each district or province. Introduce the trainees to summary table identifying key constraints and solutions Introduce the trainees to the Action Plan format and its use to manage improvements to existing contracts at the district level. <p><i>NOTE: Trainees bring a set of existing contracts from each district to the workshop for use in group work</i></p>	PPT Projector + Screen and handouts	PPT 13. F/N 13.a GROUP WORK facilitator notes H/O 13.b: Format to review constraints and solutions for existing contracts at the district H/O 13.c: Action Plan format (in XL) provided to each group for use with individual (or set of) contracts	
12.00-13.30	Lunch				
13.30 – 14.30	XX. Elaborate District approach for Contract Farming	<ul style="list-style-type: none"> Group Work: : Review and discuss the existing Contract Farming situation in your district Flow Chart of key activities with key responsibilities 	PPT Projector + Screen Flipchart	PPT 14	
14.30-15.00	XXI. Presentation of district approach	<ul style="list-style-type: none"> Each group presents their findings and district approach to Contract Farming for the next year. Discuss “what is NEXT for your District” 	Flip Chart or PPT		

Coffee Break				
15.00-15.15				
15.15-15.45	XXII. District level approach to Contract Farming – Discussion	<ul style="list-style-type: none"> • Introduction to district level Contract Farming approach or CF strategy development. • How to use the Guidelines to address different district level contract farming scenarios 	PPT + screen	PPT 14: Handout 14.a
15.45-16.15	XXIII. Post Test	<ul style="list-style-type: none"> • Introduction • Trainees sit the Post Test Multiple Choice test • Give answers 	PPT Projector + Screen	PPT 15 H/O 15.a: PostTest paper F/N 15.b: Post test score card
16.15-16.30	XXIV. Wrap up and conclusions	<ul style="list-style-type: none"> • Facilitator summarize the training • Close 		

PRE & POST TEST MATERIALS

**PRE & POST
TEST MATERIALS**

PPT 1: PRE-POST TEST

DEMONSTRATION

1. The airplane that disappeared on a flight between Malaysia and China in 2014 was from Malaysian airlines !

A. True

A. False

A

B

2. Which is NOT True

- A. Barak Obama is the President of the USA
- B. Germany won the 2014 football World Cup
- C. GIZ is a British Donor Organisation
- D. Micky Mouse is a cartoon character

A

B

C

D

3. The following are cartoon characters

- 1. Mickey Mouse
- 2. Tom and Jerry
- 3. Donald Duck

Which of these is correct ?

- A. 1+2
- B. 1+3
- C. 2+3
- D. All of the above ?

A

B

C

D

HANDOUT 1: PRE-TEST QUESTIONNAIRE

Name _____

Position _____

Instruction: Place a ring around the appropriate box:

1. Contract farming is an enforceable arrangement by which farmers agree to a negotiated price system under which they will produce a crop for future delivery to a buyer.

A. True B. False

A		B	
---	--	---	--

2. In the interaction between investors and producers (farmers) in contract negotiation, which of the following is NOT correct:

A. Contract through investor’s representative
 B. Contract through traders
 C. Contract through NGO staff relatives
 D. Contract through Government Agencies

A		B		C		D
---	--	---	--	---	--	---

3. A memorandum of understanding is a binding agreement which can be enforced by law in the justice system in Laos

A. True B. False

A		B	
---	--	---	--

4. The term “3+2” in contract farming model means that the farmers provide 2 aspects and the investor provides 3 aspects relevant to the contract

A. True B. False

A		B	
---	--	---	--

5. What factors contribute to the successful contract farming?

1) written agreements well articulated and negotiated
 2) determination of fair market prices on which to base agreed prices in the contract
 3) consideration of the environmental impact of contract farming as part of contract negotiation
 4) advance payments by the investor
 5) good relationship and development of social interests between farmers and investors

Which of the above applies ?

A. all of the above
 B. 1, 2, 4 and 5,
 C. 1,2 and 4
 D. 1,2,and 5

A		B		C		D
---	--	---	--	---	--	---

6. What factors contribute to the failure in contract farming ?

1) Public authority cannot enforce cases if the investor does not come to buy and leaves farmers to market themselves

- 2) Conflict of interest amongst stakeholders including unclear roles and responsibilities
- 3) Government agencies negotiate with just one buyer without the participation of the farmers in contract negotiation and agreement
- 4) lack of consideration for soil fertility leading to reduced yields and long term decline in fertility
- 5) Risk assessment completed and results applied in the contract negotiation

Which of the above applies ?

- A. all of the above
- B. 1, 2, 4 and 5,
- C. 1,2, 3 and 4
- D. 1,3,and 5

A	B	C	D
---	---	---	---

7. The main responsibilities of the DAFO include the following.

- 1) Provide information on agricultural production (legislation, production techniques, pest /disease control)
- 2) Provide training and capacity building for farmers on production
- 3) Approve and issue investment licences and register these.
- 4) Approve and certify agricultural products for trade

Which of these points above are correct ?

- A. 1,2 and 3
- B. 1, 2 and 4
- C. 2, 3 and 4
- D. All of the above

A	B	C	D
---	---	---	---

8. Which factors below are important in undertaking a feasibility appraisal study for contract farming?

- 1) Land area availability and suitability
- 2) Potential crops and cost of production
- 3) Chemical use and mitigation measures
- 4) Labor, wage and farmer's interest
- 5) Infrastructure and available post harvest facilities
- 6) Producers technical capacity and knowledge
- 7) Line agencies concerned and potential representatives to assist
- 8) Relevant district policies in agriculture and contract farming

- A. 1,2,3,4,and 7
- B. 1,2,4,5, and 6
- C. 1,3,4,6, and 7
- D. All of the above

A	B	C	D
---	---	---	---

9. What elements should be considered during the contract drafting stage for inclusions ?

- 1) clear investment model
- 2) quality and quantity of products to be produced
- 3) farmer's alternative options for marketing themselves
- 4) product price

- 5) input supply
- 6) measures included for damage or crop failure or contract cancellation

- A. all of the above
- B. 1,2,3,4, and 5
- C. 1,2,4,5 and 6
- D. 1, 3, 4, and 6

A

B

C

D

10. A good contract would include the following provisions:

- 1) production targets and quality and quantity clearly defined
- 2) in seasonal contracts (short term), a clause is included that states how production in the following year will be handled in any new contract
- 3) Prices payable, mode of payment and timeframe for payment are clearly defined
- 4) Options for conflict resolution and arbitration are clearly mentioned
- 5) Once signed, it is not necessary to give copies of the contract to all stakeholders, but only village headman, investor and Government staff
- 6) Measures or penalties for breach of contract are clearly defined and may be enforced
- 7) Measures for addressing factors like natural disasters leading to crop failures are defined

- A. all of the above
- B. 1,2, 3,4,6 and 7
- C. 1,3,4, 5, 6 and 7
- D. 1,3,4, 6, and 7

A

B

C

D

Handout 1.b: Pre and Post Test Answers

Score card	Pre test	Post test
1	A	D
2	C	A
3	B	C
4	B	D
5	A	C
6	C	D
7	B	A
8	D	B
9	C	D
10	D	A

POST -TEST QUESTIONNAIRE

Name _____ ENGLISH

Name _____

Position _____ ENGLISH Position

Instruction: Place a ring around the appropriate box:

1. The factors important in implementing successful contract farming are:

- 1) Common agreement and understanding by both parties; farmers are closely involved in the development of terms in the contract
- 2) Transparency and honesty in the implementation of the agreement by the parties
- 3) Terms and conditions are clear in the contract

Which are correct ?

A. 1 and 2

B. 2 and 3

C. 1 and 3

D. All of the above

A

B

C

D

2. In general the farmer's role and responsibilities in contract farming include the following. Which one is NOT correct

- A. Provide labour, land and marketing services as part of contract obligations
- B. Produce and sell the product to the investor or trader as specified in contract
- C. As far as possible try to produce the crop to the quality determined in the contract
- D. Providing information on areas for production and availability of labour and take informed decision on whether to engage in contract farming

A

B

C

D

3. Which of the following roles and responsibilities would NOT be the function of the Provincial Department of Industry and Commerce with regard to Contract Farming ?

- A. Issue trading (import and export) permits and registration of enterprises
- B. Look for new markets / buyers and provide market information
- C. Mobilize farmer and facilitate farmer group development for production purposes
- D. Regular monitoring of product market price

A

B

C

D

4. The generation and analysis of market information is very important prior to any contract negotiation because

- A. It helps farmers to make an informed decision on the possible options to be considered in any contract with investors.
- B. Farmers can assess the price trends based on historical price data and assess whether the price offered is fair or not
- C. Other options for marketing can be considered and the right choice made
- D. All of the above

A

B

C

D

5. Your role as a facilitator in contract farming are as follows; Which one is NOT correct

- A. Promote thoughts and ideas
- B. Provide a process to help farmers and investors discuss their situation
- C. Give preference to the investor you think will benefit the farmers the most
- D. ensure good communication between parties

A

B

C

D

6. What do you think is the most important stage in the facilitation work prior to drawing up a contract between farmers and investors ?

- A. Investment proposal and approval; initial contact with investors and review their proposals with line agencies
- B. Initial contact and conceptualisation with the investors, farmers and other parties to discuss the business idea
- C. Identification of potential areas and farmers
- D. Feasibility appraisal for contract farming and study, using available market information, the different options open to farmers and the degree of risk for each option. Use the information to guide farmers in contractual negotiation with potential investors

A

B

C

D

7. The main roles of the facilitator during review of contract conditions are:

1. to ensure the full participation of all the key stakeholders in contract review
2. ensure that village level consultation meetings are held in all villages included in the contract together with investors, traders or their representatives to discuss contract conditions
3. undertake the meeting at the district level and conclude contract details there with the investor and DAFO staff
4. explain clearly the terms and conditions in the contract so that farmers full understand

Which of these are correct

- A. 1, 2 and 4
- B. 2, 3, and 4
- C. 1, 3 and 4
- D. All of the above

A

B

C

D

8. There are many different contract formats and many types of clauses that may be included covering many different aspects. In reviewing the contract details, it is better for the DAFO and line agency staff to review the contract independently of each other and meet later to discuss rather than jointly review the contract using a contract agreement checklist drawn up specifically to review the contract conditions.

A. True

B. False

A

B

9. In contract negotiations, the need to assess what is a "fair" price is very important. Which of the following are true:

- 1) Investors determine the price by concerning risk and cost associated with transportation of product to the market, uncertainty of the market price.

- 2) Farmers base the price considering consider cost of labor, use of land, and production risks
3) An analysis of season and long term price trends for the concerned commodity at farm gate, wholesale and retail markets prices provide a good basis for setting prices in contracts.

- A. 1 and 2
B. 1 and 3
C. 2 and 3
D. all of the above

A

B

C

D

10. Article 49-64 of the Law on Agriculture mentions that local authority has to provide information and technical tools to local farmers with participation of local farmers. Local authority should avoid making decision on behalf of local farmers without conducting any participatory procedure / process, agreeing and certifying by farmers, because this may affect the rights of people who are farmers.

A. True

B. False

A

B

Test Results Sheet (edit names, position, location, pre and post test scores)

	Name	Position	District / province	Pretest score	Percent	Post test score	percent	% improved
1				1	10%	2	20%	10%
2				1	10%	2	20%	10%
3				1	10%	2	20%	10%
4				1	10%	2	20%	10%
5				1	10%	2	20%	10%
6				1	10%	2	20%	10%
7				1	10%	2	20%	10%
8				1	10%	2	20%	10%
9				1	10%	2	20%	10%
10				1	10%	2	20%	10%
11				1	10%	2	20%	10%
12				1	10%	2	20%	10%
14				1	10%	2	20%	10%
15				1	10%	2	20%	10%
16				1	10%	2	20%	10%
17				1	10%	2	20%	10%
18				1	10%	2	20%	10%
19				1	10%	2	20%	10%
20				1	10%	2	20%	10%
21				1	10%	2	20%	10%
22				1	10%	2	20%	10%
23				1	10%	2	20%	10%
24				1	10%	2	20%	10%

PASS
FAIL

Handout 15.b Pre and Post Test Answers

Score card	Pre test	Post test
1	A	D
2	C	A
3	B	C
4	B	D
5	A	C
6	C	D
7	B	A
8	D	B
9	C	D
10	D	A

TRAINING COURSE AGENDA

TRAINING COURSE AGENDA

Hand out 2.a: CONTRACT FARMING FACILITATION TRAINING AGENDA

DAY 1		
Time	Sub-Topic	Facilitators/ Invited Guest
I. INTRODUCTION TO TRAINING: WELCOME, PRE-TEST, COURSE OBJECTIVES ETC; WARM UP GAME		
8.00 –8.40	I. Opening Ceremony	
8.40-8.50	II. Training Team and Participant Introduction	
8.50-9.30	III. Pre-test	
9.30-9.45	IV. Participants' Expectation	
9.45-10.00	V. Course Objectives; Expected Outputs; Introduction to Agenda and Training Material to be used	
10.00 – 10.15	Coffee Break	
10.15 – 11.30	VI. Warm Up Game: Maize Production and Marketing Game with Discussion of Key Points/Issues arising noted	
II. SESSION 02 of the GUIDELINES: BASIC CONCEPTS, PRINCIPLES OF CONTRACT FARMING AND LESSONS LEARNT		
11.30 – 12.00	VII. Introduction to Contract Farming <ul style="list-style-type: none"> • Definition of Contract Farming • Models of Contract Farming • Characteristics of Contract Farming • The Contract Agreement 	
12.00 – 13.30	Lunch	
13.30 – 15.00	<ul style="list-style-type: none"> • Stakeholders and Their Individual and Common Roles in Contract Farming Facilitation • Benefits and Risks in Contract Farming 	
15.00-15.15	Coffee Break	
15.15-16.15	VIII. Lessons Learnt on Contract Farming by Participants	
16.15 – 16.30	IX. Lesson Learnt in Laos; factors contribute to success or failure	

DAY 2		
Time	Sub-Topic	Facilitators
III. SESSION 03 of the GUIDELINES: METHODOLOGY “HOW TO DO”		
8.00-8:30	X. Review the Previous Days Training and Summarize Key Points	
8.30-10:00	XI. Facilitating Fair Contract Farming i. Objective and Role of Facilitator ii. Positioning of Facilitators	
	iii. Stages in facilitation of Contract: <u>Stage 1</u> : Investment Proposal and Approval <u>Stage 2</u> : Initial Interaction and Conceptualization <u>Stage 3</u> : Identification of Areas and Farmers	
10.00-10:15	Coffee break	
10.15 -10:30	<u>Stage 4</u> : Feasibility Appraisal for Contract Farming	
10.30-10:45	<u>Stage 5</u> : Decision on areas and farmers and investor for engagement in CF process	
10.45– 11.15	<u>Stage 6</u> : Contract Development	
11.15-12.00	<i>Practice on use of Tools</i>	
12.00-13.30	Lunch	
13.30-14.15	<i>Plenary session</i>	
14.15 – 15.15	<u>Stage 7</u> : Contract Negotiation and Role Play Game	
15.15-15.30	Coffee Break	
15.30-16.00	<i>Plenary discussion to discuss outcomes of the Role Play exercise</i>	
16.00 – 16.30	<u>Stage 8</u> : Reaching a Contract Agreement <u>Stage 9</u> : Implementation and <u>Stage 10</u> M&E <u>Stage 11</u> : Conclusion of Contract	
16.30-16.45	XII. Preparation for Practical Session for Day 3 and 4	

DAY 3		
Time	Sub-Topic	Facilitators
IV. PRACTICAL FIELD SESSION		
9.45	<i>Arrive at the village</i>	
9.45-10.00	XIII. Introduction	
10.00-10.20	XIV. Request the village key informants to present information	
10.20-11.10	XV. Follow up the introduction by the key informants with more questions	
11.10-11.30	XVI. Conclusion and Close	
14.00- 15.00	Compile findings of village meeting	
15.00-16.30	Plenary session to discuss village findings and propose solutions for contract improvements	

DAY 4		
Time	Sub-Topic	Facilitators
V. LEGAL PART AND PRACTICAL APPLICATION		
8.00-8.30	XVII. Review previous day	
8.30-10.00	XVIII. Legal Part	
10.00-10.15	Coffee Break	
10.15-12.00	XIX. Group Work: to review and evaluate existing contracts at district and provincial level and specify specific actions required.	
12.00-13.30	Lunch	
13.30 – 14.30	XX. Elaborate District approach for Contract Farming	
14.30-15.00	XXI. Presentation of district approach	
15.00-15.15	Coffee Break	
15.15-15.45	XXII. District level approach to Contract Farming – Discussion	
15.45– 16.15	XXIII. Post Test	
16.15-16.30	XXIV. Wrap up and conclusions	

TRAINING COURSE MATERIALS

DAY 1

**DAY 1
TRAINING COURSE MATERIALS**

**PPT 2:
CONTRACT FARMING
FACILITATION TRAINING
COURSE**

I. Opening Ceremony

II. Introduction of Staff and Trainee

III.Pre-test

IV.Participants' Expectation

Please write your expectation from this training
on the color cards

V. Course Objectives, Expected Outcomes and Introduction to Agenda and Training Materials

Course Objectives

1. To provide staff from DAFO, PAFO, PAEC and POIC with the knowledge and approaches to help facilitate fair, effective and sustainable contract farming between smallholders / farmer groups and investors.
1. To build selected staff as Key Resource Persons on Contract Farming issues in their respective offices.

3. To help staff review existing contracts and rate these against a set criteria in terms of structure, content and fairness for both parties.
3. Help staff to develop a strategy to manage each of the existing contracts prior to field work with FGs and smallholders involved.

Expected Outcomes

1. Have a clearer understanding of the fundamental principles, concepts and legal aspects that are applied to farmer and investor contract development, negotiation and management.
2. Develop an Action Plan for management of existing contracts with follow up field activities identified.

3. Implementation of this plan should lead to concrete impact in the management of specific contracts such that farmers are able to sell their produce to buyers on the best price terms.

4. Trainees will have sufficient capacity to act as Key Resource Persons in their place of work and provide advice to colleagues in the future on Contract Farming.

Introduction to Agenda and Training Materials

- Agenda
- Methods

- **Course Materials**

1. Guidelines for Facilitating Fair Contract Farming (LEAP)
 1. Think before you Sign (LEAP) – together with audio, TV materials in different languages
2. Economic Calculation manual for small scale producers

VI. Introduction to the Warm Up Game

Maize Production and Marketing Game with Discussion of key Points/Issues arising noted

- Introduction
- Group work: split into 03 groups (3 scenarios)
 - year of good market and yield
 - year of bad market but good yield; and
 - year of bad yield
- Plenary session and cross-group reflection
- Conclusions

PPT No 3: MAIZE PRODUCTION GAME



Introduction

- The Maize Production Game simulates a sequence of three production years for smallholder farmers, during which different production strategies, varying from high levels of external inputs to no external inputs, will be applied.
- Production costs, prices and volume data are based on real life data from the Lao PDR (2007 to 2010 pricing figures).

Objectives

The objectives of the Maize Production Game :

- Increase understanding of the need to apply different production strategies
- Remove the perception that low external input systems are “backward” or a refusal to change preferences
- Improve the understanding in the concept of risk mitigation and livelihood resilience, both being primary considerations influencing farmers’ decision-making

- Increase awareness about the consequences of price volatility on farmers’ net profit, thus on farmers’ decision-making
- Increase participants’ awareness that when advising farmers on production systems “one size fits all” advice is not adequate and advice should be tailored to the specific conditions of farmers.

Exercise

1) Ask a question to the entire group:

A smallholder farmer is planning to grow one hectare of maize for commercial purposes and approaches you for advice.

What advice would you give him?

Theory

- Farmers can apply different strategies in producing maize for the market.
- Strategies led by the desire to maximize production may require substantial investments in using external inputs.
- Conversely, strategies can also be led by the desire to minimize risks, requiring little or no investment in external inputs, while accepting lower overall yields.

- Another production strategy is to engage in contract farming with pre-set conditions and a guaranteed price.
- What counts for farmers is, in the end, the NET PROFIT he or she makes.

Formula

$$\begin{array}{|c|} \hline \text{Production} \\ \text{Volume X} \\ \text{Price per} \\ \text{KG} \\ \hline \end{array} - \begin{array}{|c|} \hline \text{Production} \\ \text{costs (KIP)} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{NET} \\ \text{PROFIT} \\ \text{(Or Loss)} \\ \text{(KIP)} \\ \hline \end{array}$$

Farmer strategies

1. Maximise production through high input – output system
2. Maximise price through production of high quality
3. Minimise costs – Low input – Low output system and sell at market prices
4. Produce in contract (inputs supplied but guaranteed agreed price)

HOW DO WE ASSESS THE BEST STRATEGY?

GROUP WORK

1. **Group 1** : maximizing production using improved seeds, fertilizer and chemical inputs AND sell on the open market.
2. **Group 2** : contract farming arrangement, receiving improved seeds, fertilizer and chemicals on a loan basis. They sell at an agreed fixed price of 1,400 Kip/kg (during all three years)
3. **Group 3** : minimizing risks, using local varieties (own seeds) and no other inputs. They will sell on the open market.

Exercise sheet

YEAR 1 : Normal production. Price on open market is 1,800 Kip per kg

YEAR 2 : Normal production. Price on the open market drops to 800 Kip/kg due to global price fall for maize.

YEAR 3: Production fails due to bad weather conditions and drought. Farmers produce only half their normal volume. Price on the open market is 1,000 Kip/kg.

YEAR		YIELD	PRICE	TOTAL	Costs	GROSS MARGIN
		Kgs/ha	KIP/kg		KIP/Ha	
YEAR 1	Gr 1	7,000	1,800	12,600,000	5,000,000	7,600,000
Normal Year	Gr 2	7,000	1,400	9,800,000	6,200,000	3,600,000
	Gr 3	3,000	1,800	5,400,000	-	5,400,000
YEAR 2	Gr 1	7,000	800	5,600,000	5,000,000	600,000
Price drop	Gr 2	7,000	1,400	9,800,000	6,200,000	3,600,000
	Gr 3	3,000	800	2,400,000	-	2,400,000
YEAR 3	Gr 1	3,500	1,000	3,500,000	5,000,000	(1,500,000)
production drop	Gr 2	3,500	1,400	4,900,000	6,200,000	(1,300,000)
	Gr 3	1,500	1,000	1,500,000	-	1,500,000

3.a FACILITATOR'S NOTES FOR THE MAIZE GAME

MAIZE PRODUCTION GAME

Learning about farmers' production strategies

Purpose

In general, governments and government officials, particularly those engaging in agricultural extension, have a strong preference for high input production systems with the goal of maximizing production volumes. Consequently, advice rendered to farmers often aims at convincing farmers to adopt high input agricultural practices. This is also the case in the Lao PDR.

However, from the farmers' perspective, high input also means high risk. Many farmers are not willing to take this risk, and with very good reason, as this exercise demonstrates.

The Maize Production Game simulates a sequence of three production years for smallholder farmers, during which different production strategies, varying from high levels of external inputs to no external inputs, will be applied. Production costs, prices and volume data are based on real life data from the Lao PDR (2007 to 2010 pricing figures).

Objectives

The objectives of the Maize Production Game are to:

- Increase understanding of the reasoning that motivates farmers to apply different production strategies
- Remove the perception that low external input systems are “backward” or a refusal to change preferences
- Improve the understanding and insight of participants in the concept of risk mitigation and livelihood resilience, both being primary considerations influencing farmers' decision-making
- Increase awareness about the consequences of price volatility on farmers' net profit, thus on farmers' decision-making
- Increase participants' awareness that when advising farmers on production systems “one size fits all” advice is not adequate and advice should be tailored to the specific conditions of farmers.



Facilitator's notes

Time required:	90 minutes
Materials required:	Pen and paper for all participants. White board or flip-over chart for the facilitator
Venue:	Adequate space to split participants in to three groups
Target participants:	Government extension officers, DAFO staff and other project staff working directly with farmers. The exercise can be conducted with small groups (five or six participants), as well as with large groups of up to 30 people.
Target facilitator:	Government extension workers/DAFO staff or project staff dealing with farmers.

Description of the exercise

1) Introduction (5 minutes)

Make the following statement and get it confirmed:

Amongst the participants there will be many that render advice to farmers on a daily basis.

Ask a question to the entire group:

A smallholder farmer is planning to grow one hectare of maize for commercial purposes and approaches you for advice. What advice would you give him?

Let any volunteers who want to respond, answer the question.

2) Theory (10 minutes)

Introduce the theory:

Farmers can apply different strategies in producing for the market. Strategies led by the desire to maximize production may require substantial investments in using external inputs. Conversely, strategies can also be led by the desire to minimize risks, requiring little or no investment in external inputs, while accepting lower overall yields. Another production strategy is to engage in contract farming with pre-set conditions and a guaranteed price.

What counts for farmers is, in the end, the NET PROFIT he or she makes.

Draw the formula below on a white board or flip-chart:

Emphasise the following points:

Applied strategies can focus on the first block: trying to maximize production figures and/or maximize price per unit by producing premium quality.

Alternatively, another strategy is to focus on the second block in an effort to reduce costs through minimizing production costs.

3) Explain the game (10 minutes)

In this simulation game, every participant is a farmer with one hectare of maize.

We are going produce for the market.

We will follow a sequence of three years of production with some variables.

Different strategies will be assigned to each individual or each group.

4) Division of assignments (5 minutes)

Divide participants into three groups. If the number of participants is small, assign a strategy to each participant. If the group is large, sub-groups should be formed that jointly work on a strategy assigned to them.

Assign a strategy (1, 2 or 3) to each individual or each sub-group.

Explain the strategies to participants:

- Group 1 goes for maximizing production using improved seeds, fertilizer and chemical inputs. They will sell on the open market.
- Group 2 goes for a contract farming arrangement, receiving improved seeds, fertilizer and chemicals on a loan basis. They sell at an agreed fixed price of 1,400 Kip/kg (during all three years).
- Group 3 goes for minimizing risks, using local varieties (own seeds) and no other inputs. They will sell on the open market.

The production costs are:

- Group 1: Improved seeds, fertilizer and pesticides: 5.000.000 Kip / hectare
- Group 2: Loan for inputs in contract farming scheme to be paid back after harvest: 6.200.000 Kip
- Group 3: No costs.

The production figures are:

- Groups 1 and 2 using improved varieties and inputs: 7 tons
- Group 3 using local varieties and no inputs: 3 tons.

5) Conduct the game (30 minutes)

Announce conditions:

YEAR 1

Normal production.

Price on the open market is 1,800 Kip/kg.

Ask participants to calculate the net profit gained by applying the strategy assigned to them.

Compare net profit of all three strategies and ask participants for comments.

Announce new conditions:

YEAR 2

Normal production.

Price on the open market drops to 800 Kip/kg due to global price fall for maize.

Ask participants to calculate net profit for their assigned strategy for year 2.

Announce new conditions:

YEAR 3

Production fails due to bad weather conditions and drought.

Farmers produce only half their normal volume.

Price on the open market is 1,000 Kip/kg.

Ask participants to calculate net profits.

Compare and ask for comments from the groups.

Finally, ask participants to total profits over the three year period per strategy and comment on the results.

6) Discussion and feedback (30 minutes)

Facilitate discussion around the following questions:

1. What does this tell you about the advice we give to farmers in terms of production methods?
2. What strategy would you recommend to poor farmers living in areas where natural disasters such as floods and droughts are frequent?
3. What could we do to improve contract farming to increase benefits for farmers?

If there is no or limited response to question three, discuss the benefits of the following improvements:

- Inclusion of a clause about partial repayment of loans in the event of natural disasters
- Setting a guaranteed price that follows the market price, in case market price is higher than minimum price guaranteed
- Ensure transparent, fair contracts and compliance with contracts, ensure quality of inputs and set up conflict mitigation measures.

Produced volume X price per unit

-

minus

Total production costs

=

equals

**Net profit
(or loss)**

Explain how net profit is calculated through the above calculation.

NOTES FOR FACILITATOR: CONDITIONS PER YEAR AND RESULTS

YEAR 1: Conditions: Good year. Price on open market 1.800 kip/kg

	Volume	Price	Volume X Price	Production costs	Net profit (or loss)
Group 1 Improved inputs	7 tons	1.800 kip/kg	12.600.000 kip	5.000.000 kip	7.600.000 kip
Group 2 Contract farming	7 tons	1.400 kip/kg	9.800.000 kip	6.200.000 kip (repayment of loan)	3.600.000 kip
Group 3 Not using inputs	3 tons	1.800 kip/kg	5.400.000 kip	0	5.400.000 kip

YEAR 2: Conditions: Global crises. Price drops to 800 kip/kg

	Volume	Price	Volume X Price	Production costs	Net profit (or loss)
Group 1 Improved inputs	7 tons	800 kip/kg	5.600.000 kip	5.000.000 kip	600.000 kip
Group 2 Contract farming	7 tons	1.400 kip/kg	9.800.000 kip	6.200.000 kip (repayment of loan)	3.600.000 kip
Group 3 Not using inputs	3 tons	800 kip/kg	2.400.000 kip	0	2.400.000 kip

YEAR 3: Conditions: Drought causes a 50% loss of harvest. Price 1000 kip/kg on open market

	Volume	Price	Volume X Price	Production costs	Net profit (or loss)
Group 1 Improved inputs	3.5 tons	1000 kip/kg	3.500.000 kip	5.000.000 kip	-1.500.000 kip
Group 2 Contract farming	3.5 tons	1.400 kip/kg	4.900.000 kip	6.200.000 kip (repayment of loan)	-1.300.000 kip
Group 3 Not using inputs	1.5 tons	1000 kip/kg	1.500.000 kip	0	1.500.000 kip

TOTAL RESULTS OVER THREE YEARS:

Group 1: 7.600.000 + 600.000 – 1.500.000 = **6.700.000 kip**

Group 2: 3.600.000 + 3.600.000 – 1.300.000 = **5.800.000 kip**

Group 3: 5.400.000 + 2.400.000 + 1.500.000 = **9.300.000 kip**

Handout 3 b: MAIZE PRODUCTION GAME: EXERCISE SHEET (HANDOUT)

GROUP 1

Strategy : maximizing production using improved seeds, fertilizer and chemical inputs. They will sell on the open market.

PRODUCTION COSTS Group 1: Improved seeds, fertilizer and pesticides: 5.000.000 Kip / hectare

PRODUCTION FIGURES: using improved varieties and inputs: 7 tons

GROUP 2

Strategy : contract farming arrangement, receiving improved seeds, fertilizer and chemicals on a loan basis. They sell at an agreed fixed price of 1,400 Kip/kg (during all three years).

PRODUCTION COSTS Group 2: Loan for inputs in contract farming scheme to be paid back after harvest: 6.200.000 Kip

PRODUCTION FIGURES: using improved varieties and inputs: 7 tons

GROUP 3

Strategy : minimizing risks, using local varieties (own seeds) and no other inputs. They will sell on the open market.

PRODUCTION COSTS Group 3: No costs.

PRODUCTION FIGURES: using local varieties and no inputs: 3 tons.

CONDITIONS

YEAR 1

Normal production. Price on the open market is 1,800 Kip/kg

YEAR 2

Normal production. Price on the open market drops to 800 Kip/kg due to global price fall for maize.

YEAR 3

Production fails due to bad weather conditions and drought. Farmers produce only half their normal volume. Price on the open market is 1,000 Kip/kg.

YEAR	YIELD	PRICE	TOTAL	Minus COSTS	Equals GROSS MARGIN
YEAR 1					
YEAR 2					
YEAR 3					

CONCLUSIONS / POINTS ARISING

Handout 3.c: Maize Game Results

YEAR		YIELD	PRICE	TOTAL	Costs	GROSS MARGIN
		Kgs/ha	KIP/kg		KIP/ha	
YEAR 1	Gr 1	7,000	1,800	12,600,000	5,000,000	7,600,000
Normal Year	Gr 2	7,000	1,400	9,800,000	6,200,000	3,600,000
	Gr 3	3,000	1,800	5,400,000	-	5,400,000
YEAR 2	Gr 1	7,000	800	5,600,000	5,000,000	600,000
Price drop	Gr 2	7,000	1,400	9,800,000	6,200,000	3,600,000
	Gr 3	3,000	800	2,400,000	-	2,400,000
YEAR 3	Gr 1	3,500	1,000	3,500,000	5,000,000	(1,500,000)
production drop	Gr 2	3,500	1,400	4,900,000	6,200,000	(1,300,000)
	Gr 3	1,500	1,000	1,500,000	-	1,500,000

PPT No 4: MAIZE PRODUCTION GAME conclusions



DISCUSSION POINTS

1. What does this tell you about the advice we give to farmers in terms of production methods?
2. What strategy would you recommend to poor farmers living in areas where natural disasters such as floods and droughts are frequent?
3. What could we do to improve contract farming to increase benefits for farmers?

Other Issues

How to improve contract conditions:

- Inclusion of a clause about partial repayment of loans in the event of natural disasters
- Setting a guaranteed price that follows the market price, in case market price is higher than minimum price guaranteed
- Ensure transparent, fair contracts and compliance with contracts, ensure quality of inputs and set up conflict mitigation measures.

Review the Formula

$$\begin{array}{ccc} \text{Production} & & \\ \text{Volume X} & - & \text{Production} \\ \text{Price per} & & \text{costs (KIP)} \\ \text{KG} & & = \\ & & \text{NET} \\ & & \text{PROFIT} \\ & & \text{(Or Loss)} \\ & & \text{(KIP)} \end{array}$$

YIELD (Kgs per hectare)

- Production capacity of land ? What yield can you get ?
- Future sustainability and productivity (e.g. maize production over many years ?)
- Suitability of the crop for altitude, soils, climate etc
- Farmer skills and capacity to grow
- Technical recommendations in production techniques
- Quality of produce
- Post harvest, processing and storage

PRICE (kip per kg)

- Farm gate price information
- price conditions under contract (fixed, guaranteed but linked to market price, open (spot) prices at time of sale)
- long term price trends for farm gate, wholesale, export prices
- prices related to quality / variety etc
- What we need to know (MARKET INFORMATION) ?
- How to increase farmer prices ?

COSTS (input costs)

- input supply systems (how to get inputs with good quality ?)
- cost of inputs (in contract / out side of contract conditions)
- knowledge in use of inputs (technical recommendations, health aspects, safety for environment)
- How to reduce input costs (bulk buying in Farmer Groups)
- How to reduce labour use ?(mechanisation etc)

Margins (net Income)

- How to maximise the return to farmers from crop production (net income from production and sale) BUT do this sustainably (maintain soil fertility)?
- Compare different options (different crops , different contract conditions, different marketing strategies, eg. Contract or sell on open market)
- Better prices, lower costs = increased farmer incomes = better livelihoods = reduced poverty

SUMMARY POINTS

1. We must be well informed of production conditions and market opportunities
2. We must understand the farmer's capacity, skills and needs
3. We need up-to-date market information (supply, demand, price trends, buyer information, quality required etc) to help assess the feasibility of each option
4. We must assess the level of RISK for farmers for different options (crop selection, contract conditions) to help them in their decision making

ROLES

1. What do you think your roles are in assisting farmers to engage in contract farming ?
 - ✓ PAFO/DAFO
 - ✓ POIC/DOIC
 - ✓ PDI/ District office

PPT 5: INTRODUCTION TO CONTRACT FARMING

VII. Introduction to Contract Farming

1. Contract farming definition
2. Contract farming models
3. Characteristics of Contracts
4. The Contract Agreement
5. Stakeholders and their role in contract farming
6. Benefits and risks to farmers and investors in contract farming

1. Definitions of Contract Farming

- Contract farming is an agreement between farmers and processing and/or marketing firms for production and supply of agricultural products under forward agreements, frequently at predetermined prices.

➤ Glover and Teck-Ghee (1992) - A way of co-ordinating flow of goods through a vertical chain of production and marketing. The arrangement also invariably involves the purchaser in providing a degree of production support through, for example, the supply of inputs and the provision of technical advice. The basis of such arrangements is a commitment on the part of the farmer to provide a specific commodity in quantities and at quality standards determined by the purchaser and a commitment on the part of the company to support the farmer's production and to purchase the commodity.

➤ Contract farming is an enforceable arrangement by which farmers agree to a price regime under which they will produce a crop for future delivery to a buyer who in addition to representing the market may also provide financing and technology. A contract is a binding agreement which can be enforced by recourse to means provided by law and mechanisms for hearing complaints and dispensing justice, such as courts (Fullbrook, 2011).

- In Lao language, contract farming is often referred to “*sanya phoukphan songson*” which means production agreement between two parties – individual or group of investor or trader and producer entering an agreement for producing and selling agriculture products. In this guideline, the word investor is used, however these also includes traders and is interchangeable.

Conditions of Contract Farming

- Buyers often provide services as part of the agreement, which are integral to the conditions specified in the contract:
 - a) Upfront delivery of inputs (seeds, fertilisers, chemicals etc)
 - b) Pre-financing of inputs on credit
 - c) Other non-financial services (e.g extension, technical, transport etc)

2. Models of Contract Farming

A. Model based on interaction between investor and producers:

1. Direct contract between investor and farmers
2. Contract through investor's representatives
3. Contract through government agencies
4. Contract through traders

Contract: Investor with farmer

Company has its own office in region. Technical staff give technical support, inputs organise FGs. Tobacco, Coffee

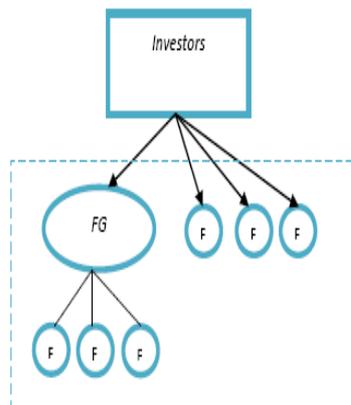


Figure 1: Direct contract between investor and farmer model

Contract with Investor Representative

A company organises farmers and contracts through a representative (e.g Village Headman), who signs agreements on behalf of the investor. E.g. maize, rubber, sugarcane

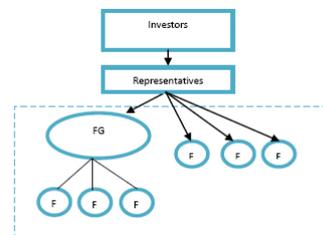


Figure 2: Contract through investor's representative

Government agency involvement:

Long term large contracts. Government agency acts as the Investor's Representative. They sign or witness on behalf of farmers

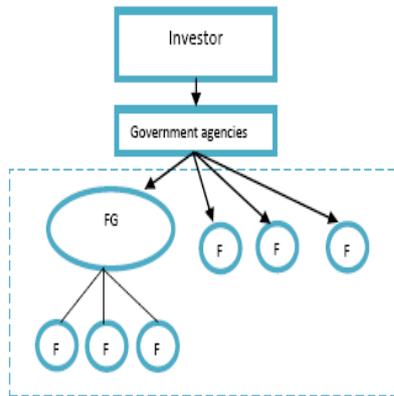


Figure 3: Contract through Government agencies

Local traders

act as the investor's representatives. They buy from farmers to sell to the investor

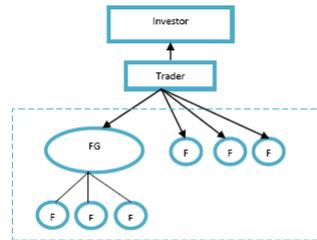


Figure 4: Contract through traders

B. Model based on investment and risk sharing between producers and investors

For example, 2+3; 3+2; 4+1; 1+4

ASK the trainees what they think 2+ 3 or 1 + 4 means?

Model	Farmers provides....	Investor provides...
2+3	Land and Labor	Market, capital or finance, technology
3+2	Land, Labour and Capital	Market and technology
4+1	Land, Labour, Capital and Technology	Market
1+4	Land	Labor, Capital, technology and market

3. Characteristics of Contracts

3.1. Bonds or deposit by investor

3.2. Prices set in the contract (3 ways)

3.3. Duration of contract

3.1. Guarantee deposit of bond

- Investor required to deposit a bond with the DAFO, Governor's office. This is paid back once contract is completed and fulfilled.
- The bond is to guarantee that investor will fulfill his side of the contract. If he does not buy, farmers are compensated for loss of production costs.
- NO explicit mechanism exists for bond management: it depends on farmers, investors, Government agencies involved, request, willingness of investor, financial capacity of investor, negotiation etc.

ANY CASES FROM TRAINEES ON THIS ???

Bond: advantages and disadvantages

	Farmers	Investors
Advantages	<ul style="list-style-type: none"> • Investors have to fulfill their commitments • Reduce risk for producers • Help to screen investors (only serious investor puts money down) • Encourage farmers to produce well 	<ul style="list-style-type: none"> • Increase goodwill of farmers • Improves trust
Disadvantage / risk	<ul style="list-style-type: none"> • Poor management of deposit cause conflict • Cost of bond paid for through lower prices given to farmers 	<ul style="list-style-type: none"> • Small and new investors discouraged • risk bond money not returned • increased risk of investor and he could lose deposit

3.2. Prices set in Contract

Prices set in 3 ways:

1. **Market Price:** Often means “farm gate price” proposed by investor...it is referenced from local and regional prices
2. **Fixed price:** price agreed by both parties. It is a set price and does not change (up or down). It is influenced by price trends. It may increase year on year.
3. **Guaranteed price:** a minimum price is set in the contract , but may increase with the market price. Farmers are guaranteed (at least) that price. If the price goes up 10 %, then they will receive an increase. If it falls, then farmers still get this price.

Prices: advantages & disadvantages

Price Mode	Actors	
1. Fixed price	farmers	investors
Advantages	<ul style="list-style-type: none"> ➤ Good for uncertain market / new product ➤ Assure some income at fixed price 	<ul style="list-style-type: none"> ➤ fixed price lower than market price, so good for profits
Disadvantages / risk	<ul style="list-style-type: none"> ➤ market price drop, investor may try to pay less than fixed price ! 	<ul style="list-style-type: none"> ➤ Market price drops, investors lose money
2. Market price	farmers	investors
Advantages	<ul style="list-style-type: none"> ➤ fair for farmers 	<ul style="list-style-type: none"> ➤ fair for investors
Disadvantages / risk	<ul style="list-style-type: none"> ➤ Lose benefits if price drops 	<ul style="list-style-type: none"> ➤ Lose benefits if price drops
3. Guarantee price	Farmers	Investors
Advantages	<ul style="list-style-type: none"> ➤ If market price goes up, farmers benefit ➤ If drops below guaranteed price, farmers still get this price 	<ul style="list-style-type: none"> ➤ investor gain less if market price goes up
Disadvantages / risk	<ul style="list-style-type: none"> ➤ guaranteed price is set pretty low normally 	<ul style="list-style-type: none"> ➤ Lose money if price drops below guaranteed price

3.3. Duration of contract

Three types of duration:

1. Short term – Seasonal
2. Annual contract: can be long term but with annual updates based on price trends
3. Long term – perennial crops

Contract duration:

Duration	Actors	
Short term	Farmer	Investor
Advantages	<ul style="list-style-type: none"> ➤ more choice / can switch investors or crops each season ➤ Price higher than long term contract 	
Disadvantages / risk	<ul style="list-style-type: none"> ➤ hard to assess profits ➤ hard to upgrade production techniques (industrial crops) 	<ul style="list-style-type: none"> ➤ numbers of producers and supply never certain ➤ risk as number of farmers may change ➤ hard to assess supply and potential profits ➤ Hard to upgrade production techniques
Long Term	Farmers	Investors
Advantages	<ul style="list-style-type: none"> ➤ Provision of machines or infra by investor if long term contract ➤ better package for farmers 	<ul style="list-style-type: none"> ➤ easier to plan with certainty
Disadvantages / risk	<ul style="list-style-type: none"> ➤ limit opportunities with other investors ➤ monopolization / control ➤ Low profit margin in long term 	<ul style="list-style-type: none"> ➤ May incur higher investment costs in long run

4. The Contract Agreement

A. **VERBAL AGREEMENT:** A verbal agreement between farmers and buyer

B. **WRITTEN AGREEMENT:** includes the following:-

- Investment model
- Quantity and quality of products, prices,
- Production and transport techniques
- Responsibilities of investor and farmer or FGs
- Timeframe,
- Conditions of input supply
- How to change, cancel contract
- Solutions in case of damage, failure or delayed delivery

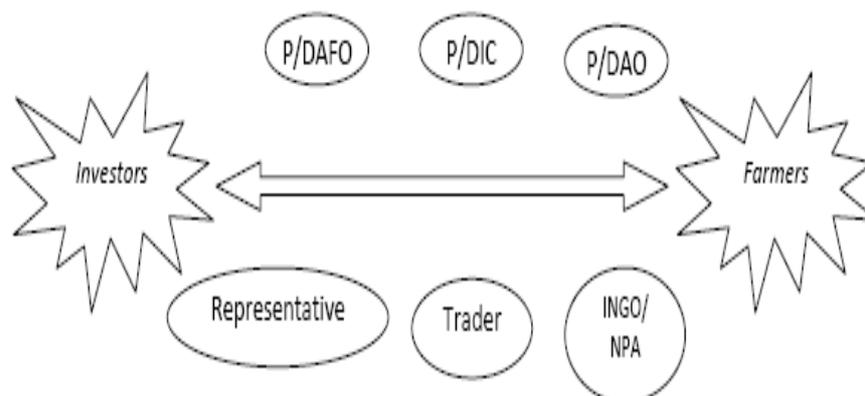
LUNCH break

5. Stakeholders and their roles in Contract Farming

Three parties involved:

1. Farmers / Farmer Groups
2. Investor/ traders (local and foreign)
3. 3rd Party:
public organization (Government authorities)
includes PAFO/DAFO or POIC/DIC or P/DAO);
Village organization, NGOs or representative.....

Stakeholders



Stakeholders Roles and Responsibilities

- Investors
- Farmers
- 3rd Parties

Investors Roles and Responsibilities:

1. Contract arrangements (done directly or through 3rd party)
2. Feasibility of the contract farming
3. Provision of inputs and /or other services
4. Capacity building, extension of production techniques and technologies
5. Access to market
6. Investment capital

Farmers Roles and Responsibilities:

1. Provide information on production area, labour and degree of interest to engage in CF
2. Investment in production resources: mainly land and labour but sometimes capital and technology for production
3. Production and sell direct to investor (under contract)

Other Stakeholders Roles and Responsibilities:

Government involvement:

- Usually PAFO/DAFO take the lead in coordination of contract farming, but no clear guidance on this.
- Depends on the district and province.
- Sometimes different responsibilities given to P/DAFO, P/DIC and P/DAO causing overlap.
- Key Roles and Responsibilities – but need to be articulated and coordinated

Roles and responsibilities of different stakeholders		
Agencies	Key roles and responsibilities	Coordination and Joint responsibilities of all stakeholders
P/DAFO	<ul style="list-style-type: none"> a. Provide and disseminate information on agriculture production (legislation, land availability and suitability, production and production techniques, disease and pest outbreak and control , production areas) b. Monitor the progress of production in the field c. Provide training and capacity building of farmers on production d. Support in control and prevention of disease and insect outbreak e. Approve and/or certify agricultural products for trade (origins, production process, quality and techniques) f. Monitor import and export, utilization, trading and transportation of the chemicals and agricultural inputs. e.g. pesticide, fertilizer etc 	<ul style="list-style-type: none"> a. Review and provide comments and suggestion to the contract agreement b. Monitoring and evaluation of the contract including production, monitoring export of agricultural commodities at the border check points c. Promote and introduce reliable investor to farmers or vice versa and support in matchmaking d. Facilitate to access market and market information e. Facilitate negotiation between farmers and investors to finalize fair and equitable contract agreement f. Sign the contract agreement as witness g. Joint monitoring and evaluation of the contract farming and cultivation h. Assist in solving problems and conflicts in implementing contract agreement i. Support in conducting survey and feasibility for initiating contract farming
P/DIC	<ul style="list-style-type: none"> a. Regular monitoring of product market price b. Monitoring the standard of products for trade c. Looking for new market / buyers and provide market information d. Bring in new investors and traders for contract farming and matchmaking e. Issue trading (import and export) permits and registration of enterprises 	
P/DPI	<ul style="list-style-type: none"> a. Develop and provide information related to investment b. Screen and review investment proposal by conducting feasibility of the company/investor c. Facilitate in preparation of investment documents d. Approve investment and issue investment license Maintain and compile data on investment registration e. Monitor and evaluate performance of investment including the registered capital and deposit 	
P/DAO	<ul style="list-style-type: none"> a. Approval of investment license after coordination with all relevant sectors (provincial governor or vice, chairman of the investment steering committee) 	
Village committee	<ul style="list-style-type: none"> a. Compile and provide information on socio economic development including production data b. Mediating and matchmaking between investor/trader and farmers including coordinate with different line agencies c. Disseminating production techniques and market information in the village d. Mobilize farmer and facilitate farmer group development for production e. Monitor and evaluate inputs supply, production and sale of production f. Facilitate conflicts resolution in the local level 	

Readable extra paper distribute

6. Benefits and Risks

Main Benefits for Farmers:

1. Higher more stable incomes
2. Improved market access
3. Access to credit and inputs
4. Access to technologies and information
5. Reduced production and marketing risks
6. Produce with certainty that you have a buyer

Main benefits for Investors

1. Ability to generate volumes of commodities with a degree of certainty
2. Supply with quality better assured
3. Buying commodities in bulk reduces costs (inputs costs and labour costs)
4. Reduced risk and
5. Prices less than buying in “Spot Markets”.

Main Risks for Farmers

- Investors don't come to buy as agreed
- Manipulation by investors on price and conditions
- No flexibility in choice of markets
- Decline in real prices in the long run
- Loss of previous market linkages
- Risk of monoculture/ loss of traditional farming practices
- Risk of debt / risk of dependency increases

Main Risks for Investors

- Risk of side-selling (outside of contract, if farmers get offered better prices)
- Loss of flexibility to seek alternative supply sources
- Transaction costs can be high with many small farmers

Coffee / tea break

VIII. Lessons Learnt on Contract Farming by Participants

- Group Work: Please tell and share your Experience and lessons learnt from your work with Contract Farming for success or failures
- Conclude and Group representatives report

IX. Lessons Learnt in Laos _Factors Contributing to Success or Failures

1. Ultimately, farmers have the most to LOSE or GAIN from Contract Farming
 2. Farmers need to have the skills / know-how to assess the costs, returns and profits (benefits) from different production and marketing options
- Understand local and regional price trends, pricing options

3. Environmental and agro-ecological costs and benefits should be assessed:
 - COSTS: loss of soil nutrients, failing yields, unsustainable cropping practice, agri-chemicals and use /impacts
 - BENEFITS: N-fixing crops, intercropping, relay cropping to offset nutrient loss, selection of perennial tree crops that give soil cover and reduce slash and burn
4. Social costs and benefits are important: impact on livelihoods and incomes; level of debt rising

- There is no BLUE-PRINT contract format that “one-size-fits-all”. This depends on situation (remoteness, competition, capacity of farmers, organizational structure (FGs), attitudes to risk, entrepreneurism etc
- Long term business relationship between farmers and buyers requires good coordination, confidence and TRUST to work

Highlight of Some from 12 Case studies
(See the handout)

Internal Factors for success:

1. **Written agreements** - A mechanism for transparency, certainty and confidence
2. **Market price** - Specified in an agreement as the benchmark which provides the best 'independent' price locally, sometimes subject to a floor price
3. **Advance payments** - Demonstrates investor commitment and if investor fails provides compensation for farmers who in turn may feel greater duty to perform (eg Land-use fees, Universal interest-free credit or Bonded investment)
4. **Certified production systems** - Assures buyers of production quality and terms which can earn higher prices in some markets

External Factors for Success:

1. **Relationships and social interests** - Relationships take time and benefit from social ties and reputation concerns
2. **Facilitators** - Bridge gaps to lubricate agreements between investors and farmers for social or commercial reasons
3. **Market information** - Helps farmers make better decisions and negotiate fairer agreements with investors
4. **Balancing traders and investors** - Farmers split production between investors and traders to improve terms
5. **Support from agencies** eg DAFO - DAFO matches crops to local conditions and requires bonds to deter weak investors

Conditions for Enforcement:

MEANS (Ways to enforce contracts)

1. **Economic** - Understanding, reputation and a good return gives farmers and investors a strong interest in an agreement even when problems arise
2. **Social** - Extended family ties, social standing, and other relationships give farmers and investors from the same community reason to perform
3. **Administrative** means
 1. Recorded – e.g. bonded investment / advance payments
 2. Expected assistance – e.g. DAFO/kumban mediation
4. **Legal** – Young under-developed legal system is inaccessible

Efficiency and Effectiveness Factors:

1. **Economic and social means** are simplest and most effective to influence successful outcomes
2. **Administrative and legal means** are complicated, ill-defined, inconsistent, under-resourced and at risk of bias

Reasons for FAILURE

1. Production beyond the thresholds of ecological sustainability or carrying capacity which risking long-term decline in yields and incomes;
2. Public authority could not enforce in case of investor absconds leaving farmers without a market;
3. Unclear, unfair contract and inconsistent implementation.

4. Lack and low capacity on agricultural production and business planning for example selection of suitable crops for suitable land and market; calculation of financial and labor need for production;
5. Conflicts interest amongst stakeholders including unclear roles and responsibility in supporting contract farming;
6. Lack of monitoring including budget for monitoring and field support;

Free discussion, Questions, and end of
Session

Handout 5a: Roles and responsibilities of different stakeholdersⁱ

Agencies	Key roles and responsibilities	Coordination and Joint responsibilities of all stakeholders
P/DAFO	<ul style="list-style-type: none"> a. Provide and disseminate information on agriculture production (legislation, land availability and suitability, production and production techniques, disease and pest outbreak and control , production areas) b. Monitor the progress of production in the field c. Provide training and capacity building of farmers on production d. Support in control and prevention of disease and insect outbreak e. Approve and/or certify agricultural products for trade (origins, production process, quality and techniques) f. Monitor import and export, utilization, trading and transportation of the chemicals and agricultural inputs e.g. pesticide, fertilizer etc 	<ul style="list-style-type: none"> a. Review and provide comments and suggestion to the contract agreement b. Monitoring and evaluation of the contract including production, monitoring export of agricultural commodities at the border check points c. Promote and introduce reliable investor to farmers or vice versa and support in matchmaking
P/DIC	<ul style="list-style-type: none"> a. Regular monitoring of product market price b. Monitoring the standard of products for trade c. Looking for new market / buyers and provide market information d. Bring in new investors and traders for contract farming and matchmaking e. Issue trading (import and export) permits and registration of enterprises 	<ul style="list-style-type: none"> d. Facilitate to access market and market information e. Facilitate negotiation between farmers and investors to finalize fair and equitable contract agreement
P/DPI	<ul style="list-style-type: none"> a. Develop and provide information related to investment a. Screen and review investment proposal by conducting feasibility of the company/investor b. Facilitate in preparation of investment documents c. Approve investment and issue investment license Maintain and compile data on investment registration d. Monitor and evaluate performance of investment including the registered capital and deposit 	<ul style="list-style-type: none"> f. Sign the contract agreement as witness g. Joint monitoring and evaluation of the contract farming and cultivation
P/DAO	<ul style="list-style-type: none"> a. Approval of investment license after coordination with all relevant sectors (provincial governor or vice, chairman of the investment steering committee) 	<ul style="list-style-type: none"> h. Assist in solving problems and conflicts in implementing contract agreement
Village committee	<ul style="list-style-type: none"> a. Compile and provide information on socio economic development including production data b. Mediating and matchmaking between investor/trader and farmers including coordinate with different line agencies 	<ul style="list-style-type: none"> i. Support in conducting survey and feasibility for initiating contract farming

- | | | |
|--|---|--|
| | <ul style="list-style-type: none">c. Disseminating production techniques and market information in the villaged. Mobilize farmer and facilitate farmer group development for productione. Monitor and evaluate inputs supply, production and sale of productionf. Facilitate conflicts resolution in the local level | |
|--|---|--|

ⁱ Note: although organizations have their mandated roles and responsibilities, it is not necessary that each organization performs all these above listed specific roles and responsibilities and functions well. It was also well noted that roles and responsibilities of different organizations in supporting contract farming differed from one district to another.

Handout 5.b Highlight of 12 Case Studies: Stallholders Production Agreement in Lao PDR _Qualifying Success _Briefing

Case 1 Facilitators	Case 2 Land Incentives	Case 3 Investor Reliability
<p>Facilitators can connect farmers to distant niche market for higher income:</p> <ul style="list-style-type: none"> • Equitable and quality • Secure supply, long term relationship and production agreement • Information by intermeditate against distance and ignorance • Techno assist. for certifiable equitable production system 	<p>Screening farmers and offering land may lead to better farmer performance:</p> <ul style="list-style-type: none"> • As land provision can be incentive to F • Attracting investment and CF 	<p>A reliable investor providing close support can help farmers secure better income</p> <ul style="list-style-type: none"> • Trust and confidence strengthen relationship and agreement • Reliable buyers and represent F in downstream markets
Case 4 Cartels and Benefits	Case 5 Sustainability	Case 6 Bonded Investment
<p>Local investors may act as cartels but this maybe the pride of providing reliability and credit services to farmers</p> <ul style="list-style-type: none"> • Social interest • Network and good relationship help achieve scale efficiency 	<p>Intensity of production under agreement may exceed ecological sustainability posing long-term risks to livelihood</p> <ul style="list-style-type: none"> • Successful production agreement pushes attempt to increase and expand the production • Soil runs out of nutrient 	<p>Performance-assurance bonds can screen out weak investors</p> <ul style="list-style-type: none"> • It may deter weak investors and build confidence • As a tool for economic enforcement of investor commitment
Case 7 Commercial Facilitators	Case 8 Beyond Agency Limits	Case 9 Information and Risks
<p>Kin ties facilitate trans-national production for distant markets</p> <ul style="list-style-type: none"> • Family and kinship as the commercial facilitators for long distant transaction 	<p>Farmers and investors avoid costly rules and regulation</p> <ul style="list-style-type: none"> • Agencies' services perceived little value VS official costs to pay • Attempt to multiple profit by avoiding official transaction costs • So often the agreement made without official involvement 	<p>Informed farmers can negotiate better bargains with investors despite shortcoming of DAFO</p> <ul style="list-style-type: none"> • Information through DAFO • Matching crop varieties and cultivation methods with local condition _need good information • Trade-off between food security, poverty reduction and investors interests _needs correct information, decision making and planning
Case 10 Investor Competition	Case 11 Investors and Traders	Case 12 Reputation Matters
<p>Fraternal network facilitate trans-national production with foreign investors</p> <ul style="list-style-type: none"> • Lao and Chinese ties support agreement and increase local competition • DAFO's preferred investors VS general private sectors (or Chinese traders) 	<p>Farmer improve livelihood security and reduce risks by splitting production between investors and traders</p> <ul style="list-style-type: none"> • Farmers supply investors and at the same time to traders promoting competition and insuring against buyer failure 	<p>DAFO cannot obtain compensation when a promoted investors abandons farmers</p> <ul style="list-style-type: none"> • Picking investors is risky because of uncertainties over quality or intentions

TRAINING COURSE MATERIALS

DAY 2

**DAY 2
TRAINING COURSE MATERIALS**

PPT 6: Stages 1-3 Facilitation of Contract Farming

X. Review the Previous Days Training and Summarize Key Points

Please, outline the key points you learnt yesterday

XI. Facilitating Fair Contract Farming

- What are the objectives and role of facilitators in Contract Farming ?
- How do the CF facilitators position themselves in relation to other parties during the process ?

Refer trainees to the Handout 6a. Tables and Figures

i. Objectives and Role of Facilitators

Objectives:

- To provide opportunity for income and employment generation for sustainable development through the promotion of commercial agriculture by establishing better linkages between producers and markets.
- The purpose of facilitating the contract farming process is to help design and implement interventions that can realize the above mentioned goal.

Your Role as “Facilitator”

1. “Promote thoughts and ideas” coming from both the producers and investors
2. “Provide a process” which will help actors and key stakeholders to discuss their situation, identify, prioritize and formulate plans to implement and resolve their production and marketing constraints and problems
3. “Ensure good communication” so that they can make a pre-informed decision whether or not to engage in a contract; as well as terms and conditions in any contract agreement made.
4. “Unbiased” giving both parties freedom to make their own decisions in an informed way.

ii. Positioning of facilitators

a. Control Model

- Facilitator pushes him/herself into the facilitation of the CF relationship
- Involuntarily (“not at one’s choice”) invited

b. Nurture Model

- Facilitator observes and supports from a distance,
- Invited when necessary and needed for specific cases or specialist assistance
- Whole sector focus rather than on small segments of the sector

c. Facilitating Model

- Voluntarily invited, support Farmer, Investor and enabling environment for Contract Farming:

QUESTION:

Which of the above models apply to your province or district ?

iii. Stages of Facilitating Contract Farming

Based on your experience or your opinion, what do you think could be possible stages or steps required in the facilitation of Contract Farming ?

DISCUSS

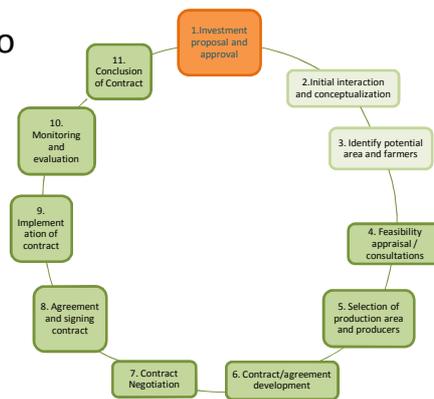
Stages of Facilitating Contract Farming



Stage 1. Investment Proposal & Appraisal

- New interested investors proposed or identified
- Develop proposal and apply to respective line agencies for approval /issue license
- Facilitators should provide comment and suggestions to line agencies

This step doesn't exist with Contracts already registered/ licensed investors and traders



Steps to screen a good investor

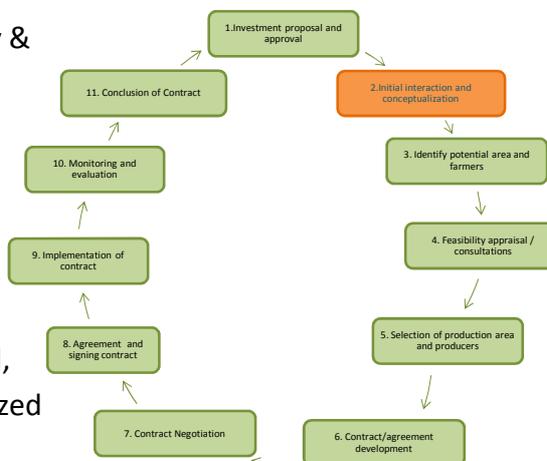
- Investors that are COMMITTED is key to successful CF
- Challenge is HOW to identify and judge Potential Investors – are they “good” or are they “poor”
- A Checklist to Assess the Quality of Investors can be used by facilitators and producers (see table below)
- The Checklist has questions to check the investors / traders personal and business background, financial status, track record in previous contracts, objectives and purpose

Table 6: Checklist to assess the quality of investor

No	Key elements	Answer			Further explanation
		Yes	No	Not sure	
Address and personal background					
1.	Do you know the name, nationality and contact address of investor/company?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
2.	Do you know investor and/or their representative well?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
3.	What is the reputation of the investor in the area?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Business background					
4.	Does the investor operate business elsewhere?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
5.	Is his/her business successful / renowned and recommended by many people?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Proposed business and feasibility					
6.	Does the investor provide attractive investment model?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
7.	Is investor ready to keep guarantee deposit bond?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
8.	Does investor have or likely to have enough technical staff and expertise?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
9.	Does investor have license and other permit to operate the business?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
10.	Does proposed product have a reliable market?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

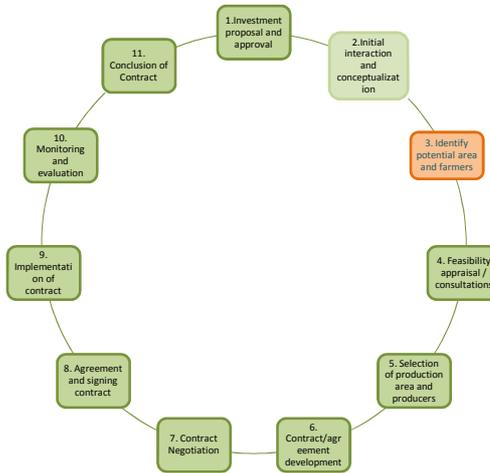
Stage 2. Initial Interaction and Conceptualization

- Initial interaction with investors, traders, farmers & facilitators to conceptualize and discuss the business idea.
- Mostly organized formally & bilaterally with different actors with the investor.
- Can be either direct or indirect interaction
- Preliminary information related to the business/ trade potential is gathered, discussed and conceptualized



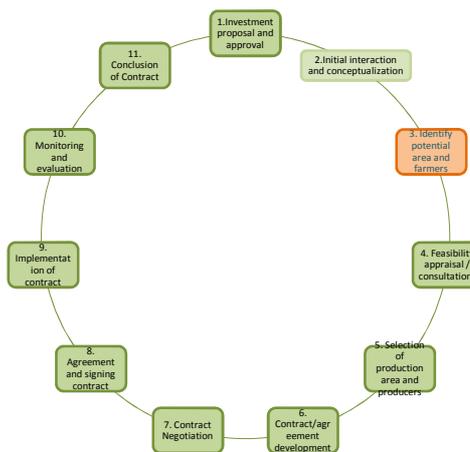
Stage 3. Identification of Potential Areas and Farmers

- Preliminary identification of potential area/producer
- Information on suitable area for a particular product is directly/indirectly collected by investors
- Investors may mobilize their own staff or request assistance from line agencies technical staff



Stage 3. Identification of Potential Areas and Farmers

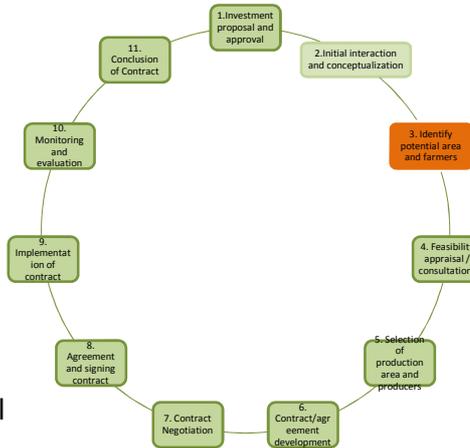
- In most cases, field visits are conducted, meetings with different line agencies and potential Farmers are held;
- Data collected and analyzed (land availability & suitability, weather patterns, existing production systems, labour skills, transport and other risks and costs);
- The interests of the authorities and farmers interests are also assessed.



Stage 3: facilitator's role

Facilitator Role in this stage

- Provide precise information about potential areas and villages with potential for production and awareness on relevant government policy awareness
- Provide comments and suggestion on process of developing the business model



Stage 3: facilitator's role

Assessing the farmers' readiness

- An assessment of the readiness of the investor and farmers to commit themselves to CF relationship is also an important determinant to success
- The Facilitator should support the producers for a “self-evaluation” prior to engaging in CF process
- The following criteria (table below) is designed for this self-assessment process to help identify weakness and areas that need improvement prior to any further engagement in Contract Farming

Table 7: Checklist for assessing producers

No	Elements	Answer			Further explanation	Evaluation Scale (1-5)
		Yes	No	Not sure		
1.	Is this product suitable for production in your land, climatic conditions?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
2.	Is the investment policy and models attractive?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
3.	Do I have enough land for production?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
4.	Do I have experience and familiar with this type of crop?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
5.	Do I have enough labor throughout the production process?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
6.	Do I have enough time?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
7.	Do I have capital for investment and can I borrow for investment?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
8.	Does production of this product / <u>business cause</u> any difficulty to the family and labor?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
9.	Does it generate attractive profit and return on investment?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
10.	Does it affect other production systems?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
					Total Score	
					Average Score	

Handout 6.a TABLES AND FIGURES FOR USE ON DAY 2 “HOW TO DO”

The content of this handout is taken from the “Guidelines for Contract Farming Facilitation (LEAP). Table and Figure numbers remain the same as in the Guidelines (e.g. Table 6 or Figure 1)

Figure 1: Key stages in facilitating a contract farming process

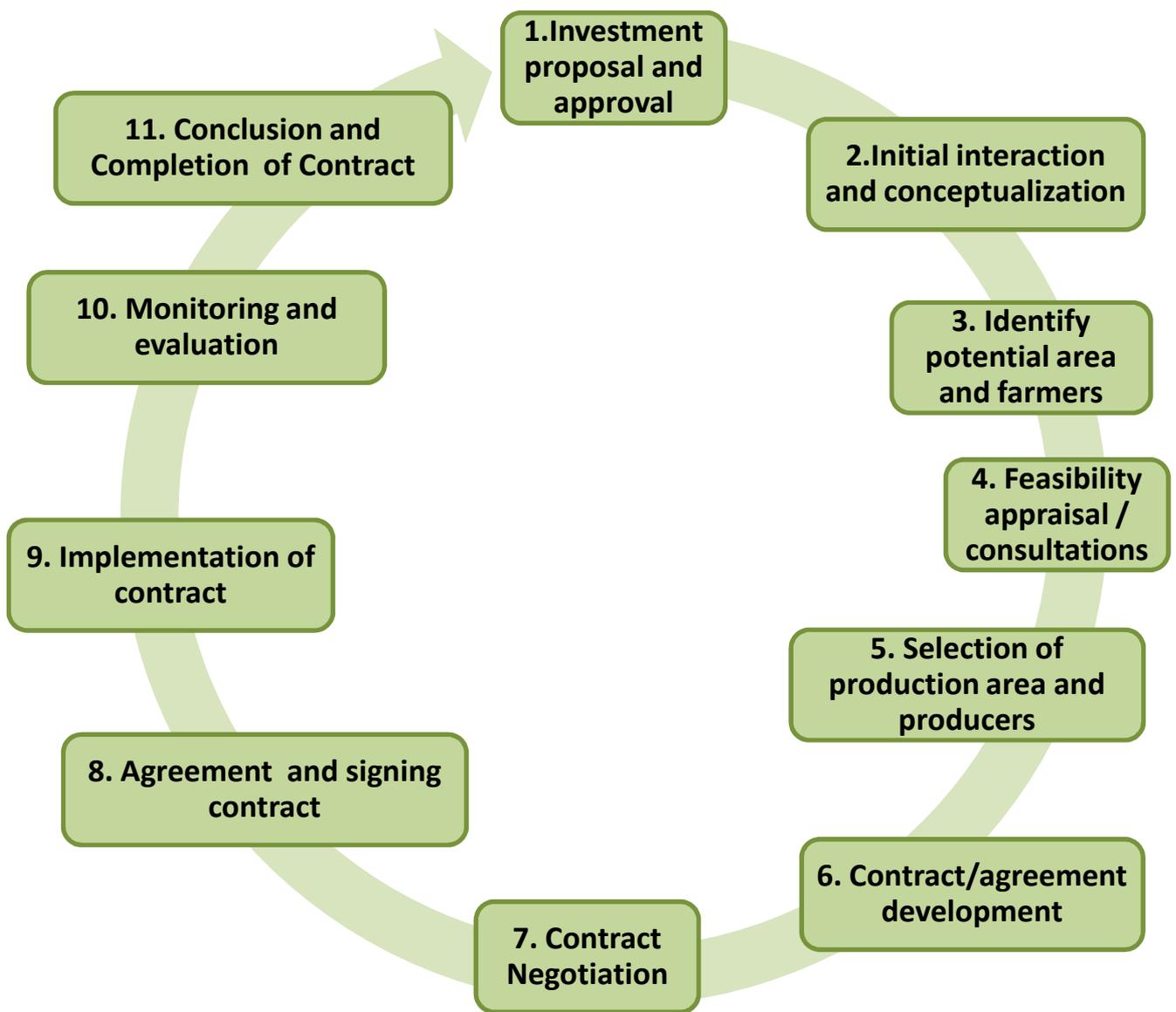


Table 6: Checklist to assess the quality of investor

No	Key elements	Answer			Further explanation	Evaluation Scale (1-5)
		Yes	No	Not sure		
Address and personal background						
1.	Do you know the name, nationality and contact address of investor/company?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
2.	Do you know investor and/or their representative well?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
3.	What is the reputation of the investor in the area?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
Business background						
4.	Does the investor operate business elsewhere?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
5.	Is his/her business successful / renowned and recommended by many people?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
Proposed business and feasibility						
6.	Does the investor provide attractive investment model?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
7.	Is investor ready to keep guarantee deposit bond?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
8.	Does investor have or likely to have enough technical staff and expertise?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
9.	Does investor have license and other permit to operate the business?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
10.	Does proposed product have a reliable market?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
					Total Score	
					Average Score	

Table 7 : Checklist for assessing producers

No	Elements	Answer			Further explanation	Evaluation Scale (1-5)
		Yes	No	Not sure		
1.	Is this product suitable for production in your land, climatic conditions?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
2.	Is the investment policy and models attractive?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
3.	Do I have enough land for production?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
4.	Do I have experience and familiar with this type of crop?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
5.	Do I have enough labor throughout the production process?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
6.	Do I have enough time?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
7.	Do I have capital for investment and can I borrow for investment?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
8.	Does production of this product / business cause any difficulty to the family and labor?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
9.	Does it generate attractive profit and return on investment?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
10.	Does it affect other production systems?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
					Total Score	
					Average Score	

Table 8: Key areas for feasibility assessment

Areas and information for feasibility screening or review	Evaluation Scale (1-5)
1) Market - Where is the final markets, quantity demand, quality specification and price for specific quality ?	
2) Administration or management - Planed organization structure, quantity, quality and number of staff including, responsibilities including staff to base in the fields.	
3) Economic - Expected economic benefits, return on investment, investment and sources of investment, tax to the Government	
4) Production - Planed or expected quantity and quality of the products, labour, infrastructure, transport, import of inputs and export of products	
5) Finance or capital - Planed cost of investment, financial plan, projection and flow of money including sources of funds	
6) Technology and techniques - Crop model, production process, capacity of the staff, technique, methodologies, machineries and equipments, inputs etc	
7) Environment - Chemical uses, impact forecast and mitigations measures to reduce and avoid the impacts on environment, health etc	
8) Social - Social issues and benefits including mitigations measures for addressing potential impacts	
Total Score	
Average Score	

Table 9: Contract agreement checklist

No	Are these elements in the contract clearly / well defined?	Answer			Further explanation	Evaluation Scale (1-5)
		Yes	No	Not sure		
1.	Is the objective and timeframe of the contract agreement clearly mentioned?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
2.	Is contact person and contact address of all the parties clearly mentioned?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
3.	Are responsibilities of all the parties clearly defined?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
4.	Are productions and buy back quantity and quality of the products defined clearly?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
5.	Are product standards and quality specifications including attributes to measure clearly mentioned?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
6.	Is price for each quality/standard, mode of payment and currency clearly mentioned?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
7.	Are conditions and responsibilities of investment in input supply (e.g. fertilizers, pesticide, herbicide, equipments), land preparation, provision of technology mentioned clearly?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
8.	Are location and responsibilities of each party for collection of product well defined?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
9.	Are conditions and options for contract amendment and termination well defined?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
10.	Are options for arbitration or conflicts resolutions well defined?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
11.	Are measures for penalty for breach of contract clearly defined and enforceable?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
12.	Are measures for addressing uncontrolled factors e.g. natural disaster roles of all parties clearly defined?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
13.	Are parties that sign the contract and witness suitable?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
14.	Are all the points mentioned in the contact understandable and acceptable to you?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
15.	Do you or your authorized representative get a copy of signed contracts?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
					Total Score	
					Average Score	

Figure 6: Example of pricing

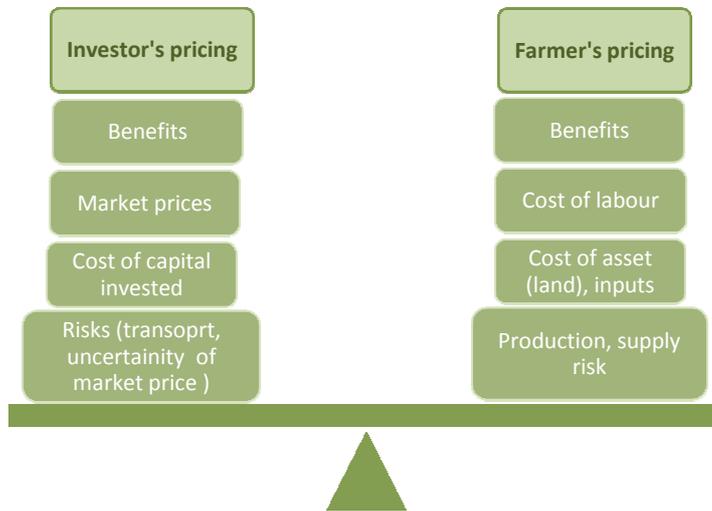


Table 10: Changes in price and implication for investors & farmers

Type of price (in contract)	Change of end market price	Investors	Farmers
Market price	↑	😊	😊
	↓	😞	😞
Fixed price	↑	😊	😐
	↓	😞	😐
Guaranteed minimum price	↑	😊	😊
	↓	😞	😐

Table 11: Example of the quality assurance matrix

No	Name of commodity	Quality parameters	Methods and tools for measure	When (Date)	Where (Location)	By whom	Remark
1	e.g. Commodity 1	Weight per unit, size, shape, colour, taste, moisture content, mixture of other materials, packaging etc					e.g. immeasurable or complicated parameters might be excluded or explanation

Table 12: Example of the production check matrix

No	Activities	Methods/technique and tools	When	Where	Who	Remark	Evaluation Scale (1-5)
1.	Land preparation						
2.	Inputs supply 1						
3.	Nursery and planting						
4.	Inputs supply 2						
5.	Maintenance						
6.	Harvesting						
7.	Storage						
8.	Production collection						
9.	Production transportation						
						Total Score	
						Average Score	

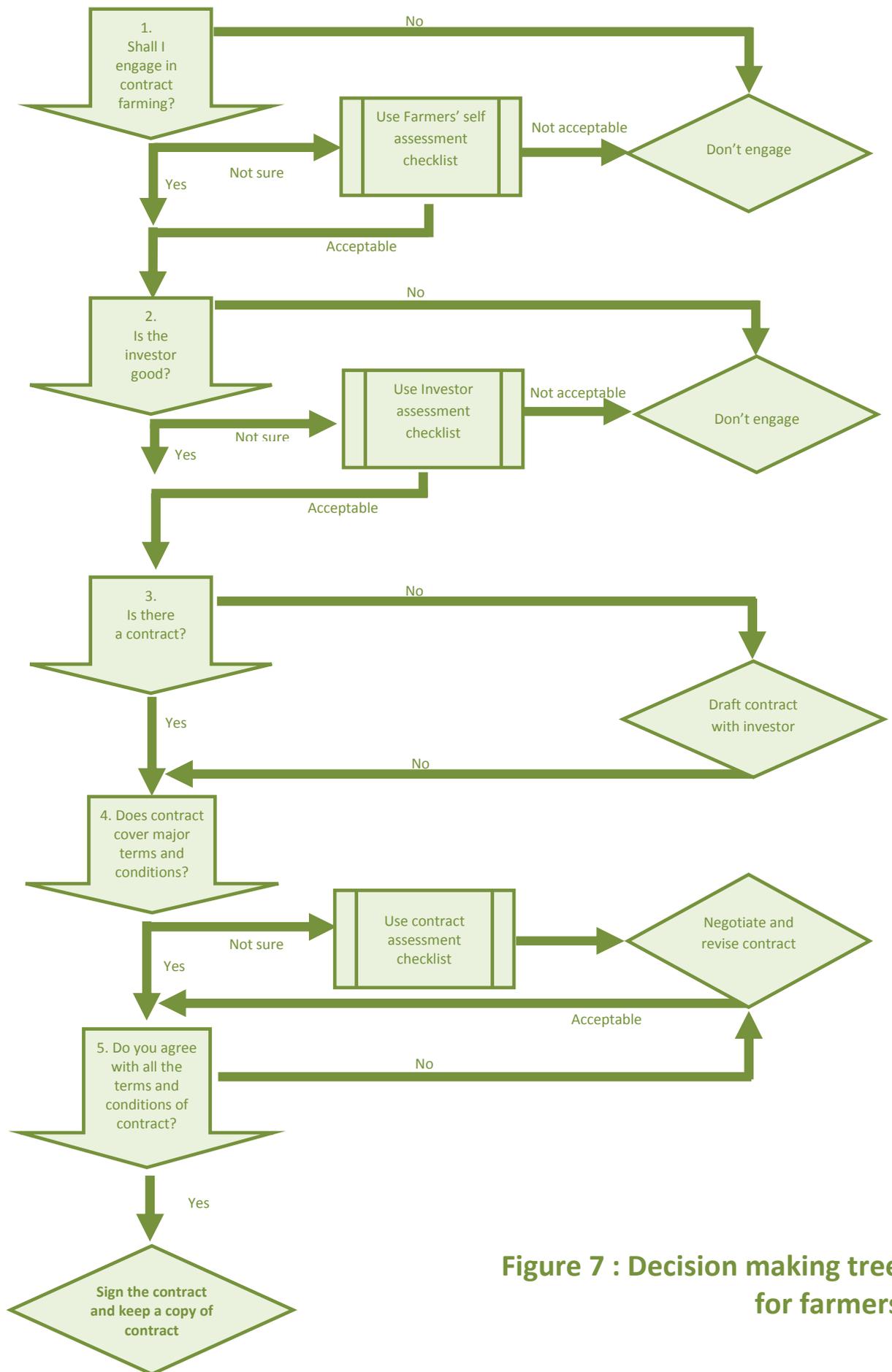


Figure 7 : Decision making tree for farmers

Table 13: Monitoring and evaluation matrix

No	Activities or issues to be monitored	Information for monitoring	When	From whom	Remark (Describe issues and solutions)
1	Land preparation	Methods/technique and tools used, no. and size of areas, no. of villages, households			
2	Inputs supply	Types, quantity, quality, village, no. of recipient including next delivery			
3	Nursery or seedlings provided	No. of nursery, areas; seedlings produced or provided and delivered; no. of recipient			
	Planting	No. and areas planted; planted villages, households; planting techniques ¹ employed, total seedlings used			
5	Maintenance	Techniques, no. of time for weeding, pruning, thinning, fertilizing, insecticide spraying including mortality rate, no. of re-planting or replacing unhealthy crops including maintained areas			
6	Harvesting	No. of crops, areas remains until harvest; yields, harvest techniques,			
7	Storage	Type and characteristics of storage place, size, locations etc			
8	Collection				
9	Transport and export				

¹ Seedlings selection, planting and soil cover, size of spacing, pit, fertilizing etc

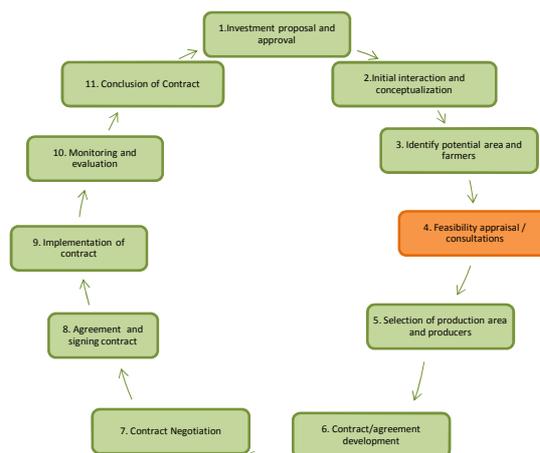
PPT 7 Stages 4-6

Stage 4. Feasibility Appraisal (FA) for Contract Farming

➤ The Feasibility Appraisal is used to assess the viability of the detailed CF investment and trading plan

➤ Its purpose is to avoid failure or poor results from CF and assess the degree of RISK facing each partner

➤ Help design appropriate mitigation measures – in particular to safeguard farmers, their health and the impact on the local environment.



Stage 4: Feasibility Appraisal

Key factors included in feasibility assessments include:

- Land area availability and suitability
- Potential crops and cost of production
- Labor, wage and farmer's interest (economic and financial return)
- Infrastructure and available facilities for marketing and value addition
- Producers technical capacity and knowledge skills
- Line agencies concerned and potential representatives that ca
- Relevant policies

A general checklist is given below + Introduction to Economic Assessment tools will be highlighted in the Group Work later.

Table 8: key areas for feasibility screening or review

Areas and information for feasibility screening or review	
1) Market	- Where is the final markets, quantity demand, quality specification and price for specific quality ?
2) Administration or management	- Planed organization structure, quantity, quality and number of staff including, responsibilities including staff to base in the fields.
3) Economic	- Expected economic benefits, return on investment, investment and sources of investment, tax to the Government
4) Production	- Planed or expected quantity and quality of the products, labour, infrastructure, transport, import of inputs and export of products
5) Finance or capital	- Planed cost of investment, financial plan, projection and flow of money including sources of funds
6) Technology and techniques	- Crop model, production process, capacity of the staff, technique, methodologies, machineries and equipments, inputs etc
7) Environment	- Chemical uses, impact forecast and mitigations measures to reduce and avoid the impacts on environment, health etc
8) Social	- Social issues and benefits including mitigations measures for addressing potential impacts

ການຄິດໄລ່ເສດຖະກິດສໍາລັບການຜູ້ກໍ່ເງິນ (ຕໍ)

3. ຕົວຕັ້ງ

3.1. ມູນຄ່າອຸກອນກິນໄວ້	ຕົວຕັ້ງ	ຈໍານວນ ຕົວຕັ້ງ	ລາຄາຕົວຕັ້ງ ຕົວຕັ້ງ	ຄ່າປົນເປັນ (ກີບ)	
				ຈໍານວນ	ລາຄາຕົວຕັ້ງ
ມີເສດຖະກິດຕົວຕັ້ງສໍາລັບ					
ມີເສດຖະກິດຕົວຕັ້ງສໍາລັບທີ່ມີໃຊ້ໃນເສດຖະກິດ					
ມີເສດຖະກິດຕົວຕັ້ງສໍາລັບທີ່ມີໃຊ້ໃນເສດຖະກິດທີ່ມີອຸກອນ					
ມີເສດຖະກິດຕົວຕັ້ງສໍາລັບທີ່ມີໃຊ້ໃນເສດຖະກິດທີ່ມີອຸກອນທີ່ມີອຸກອນ					
ມີເສດຖະກິດຕົວຕັ້ງສໍາລັບທີ່ມີໃຊ້ໃນເສດຖະກິດທີ່ມີອຸກອນທີ່ມີອຸກອນທີ່ມີອຸກອນ					
ລວມ		(A)	(B)		(C)
ລວມມູນຄ່າຕົວຕັ້ງສໍາລັບ		(D) = (A) + (B)		(E)	0

3.2. ມູນຄ່າຕົວຕັ້ງທີ່ຖືກເອກະ	ຕົວຕັ້ງ	ຈໍານວນ	ລາຄາຕົວຕັ້ງຕົວຕັ້ງ	ຄ່າປົນເປັນ (ກີບ)
ມີເສດຖະກິດຕົວຕັ້ງທີ່ຖືກເອກະ				
ສາຍເສດ:				

4. ການຄິດໄລ່ເສດຖະກິດ

4.1. ການຄິດໄລ່ມີມາດຕະຖານ

ມີມາດຕະຖານ	ສະເໜີຫຼືຕົວຕັ້ງ	ລວມຕົວຕັ້ງ (ກີບ)
ມີມາດຕະຖານ	(D) = (B) - (E)	(F)
ລວມມາດຕະຖານ	(G) = (D) - (F)	(H)

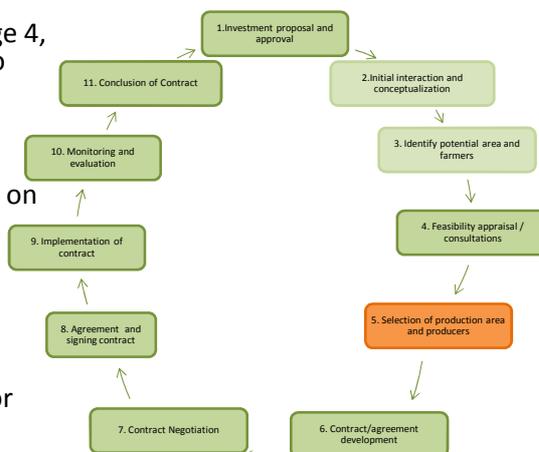
4.2. ການວິເຄາະມີມາດຕະຖານ

ມີມາດຕະຖານ / ມີມາດຕະຖານ	(I) = (G) / (F)	(J)
ມີມາດຕະຖານ / ມີມາດຕະຖານ	(K) = (H) / (G)	(L)

Stage 5. Decision made on Production Area, Farmers and Investor(s) for Contract Farming

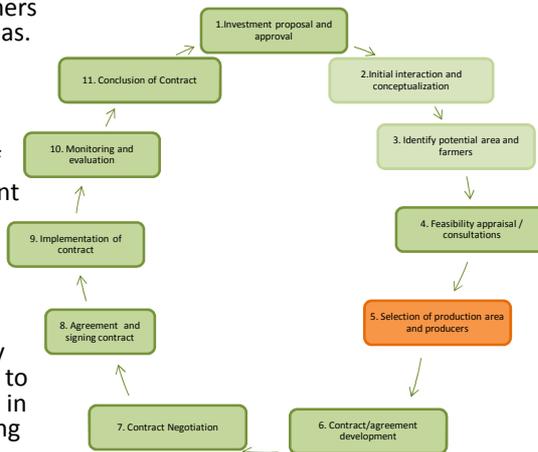
Based on the finding from stage 4, a decision is made whether to engage in Contract Farming or not

- The decision making depends on the interests of both the farmers and investors
- However, the checklists in stage 1 (investors) & 3 (producers) are referred to (for cross party learning and cross checking).



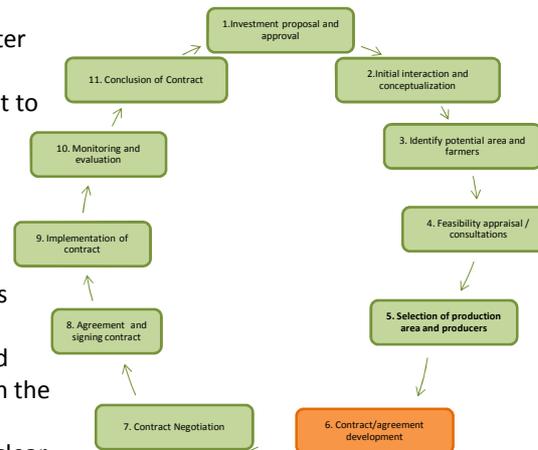
Facilitator Role in this stage:

- During this time, the Facilitator should further validate and check the circumstances by undertaking follow – up visits to the farmers and potential production areas.
- This is to gauge suitability of the production area, interest of farmers and the degree of impact arising and assessment of the sustainability of the proposed Contract Farming venture
- Facilitators should assess any mitigation measures needed to avert or reduce risk entailed in the proposed contract farming proposal.



Stage 6. Contract Development

- Following agreement in principle, the next step is contract development. This is of immense importance – particularly for farmers.
- The Contract must be fair, acceptable and implementable
- Usually the first contract draft is drafted by investor; BUT it is better that a Contract Template is used by facilitators as the starting point to reduce “the bias of the Investor” and ensure that (at least) all aspects of “fair and reasonable” contract development are “considered”. Obviously the Investor will only have the clauses that HE wants
- Producers, facilitators, concerned agencies, should give feedback on the first (and subsequent) draft
- The Contract must be complete, clear and fair to all participants / parties to the contract

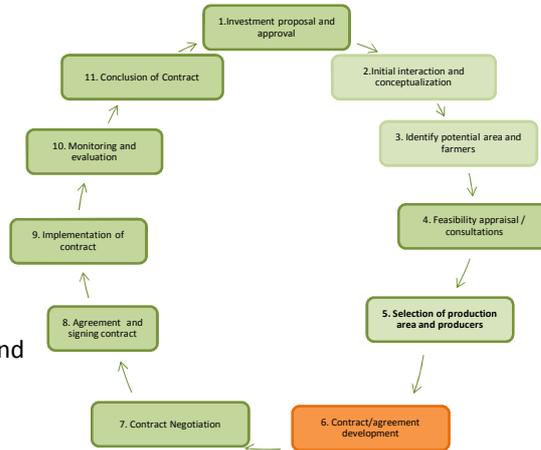


Contract Drafting

- Contract in Lao. Should be readable and understandable by all parties
- Can be either written or verbal:
written is more common for investor while *verbal* more common between traders and farmers.

Written contract agreement done through the following 4 main steps:

1. Drafting Contract
2. Soliciting comment and suggestions from farmers and relevant agencies
3. Negotiation and reaching agreement
4. Signing of the contract

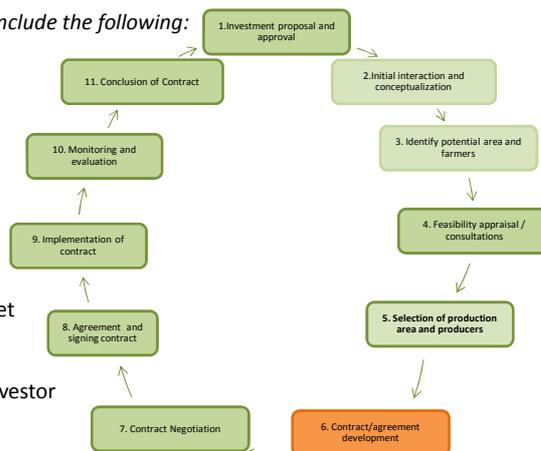


1. Contract Drafting

- If possible, use a Contract Template that covers "or forces in ?" clauses covering all the different elements of a "fair and reasonable" contract conditions.

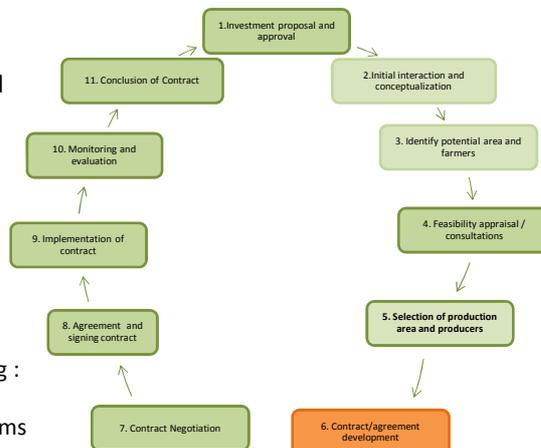
- Key elements in the contract should include the following:

1. Investment Model
2. Conditions for input supply quality and quantities specified
3. Production areas, HHs and expected volumes
4. Technical advice provided by the Investor or 3rd party
5. Post harvest, marketing and transportation agreements
6. Prices (guaranteed; in line with market movements etc) + methods of repayment for inputs provided
7. Responsibilities of parties (Farmer, Investor and 3rd parties)
8. Contract Timeframe
9. Solution and/or measure for damage and failure caused by act of god or hum-made conditions for change or cancellation
10. Company payment of Contract Bond and terms related to its management and release



2. Soliciting Comments, Feedback and improved Contract Content

- Ensure the participation of stakeholders for feedback
- Key parties together review all relevant contract information and discuss “clause by clause” of the final draft contract
- All stakeholders have copy of draft contract in advance before discussion
- Gaining views on Draft Contracts is conducted at 2 levels:
 1. Village level consultation meeting : all main parties should attend. The Facilitator should explain all the terms and conditions
 2. District level
- Final agreement made and key parties sign the Final Contract and witnessed



3. Elements of Contract Agreement

- There is no standard format for contract agreement, although templates exist. The contract should cover elements with regards to specific *terms* and *conditions*; and responsibilities of different parties involved in the contract. See checklist below:
- Group work: Develop the checklist to review existing contracts.
 - What should be the content of the contracts?
 - Each group to present the content of their checklist.
 - (Compare with Table 9, page 27 of guidelines).

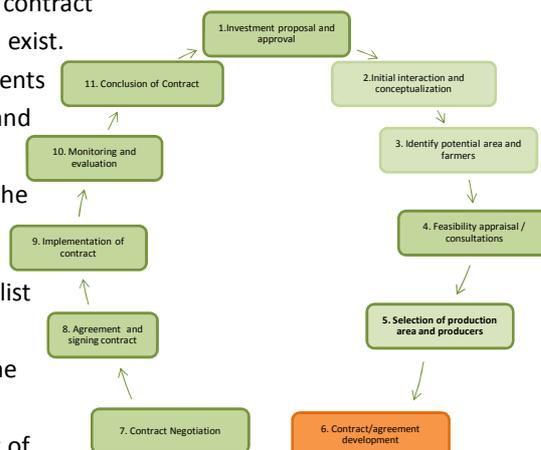


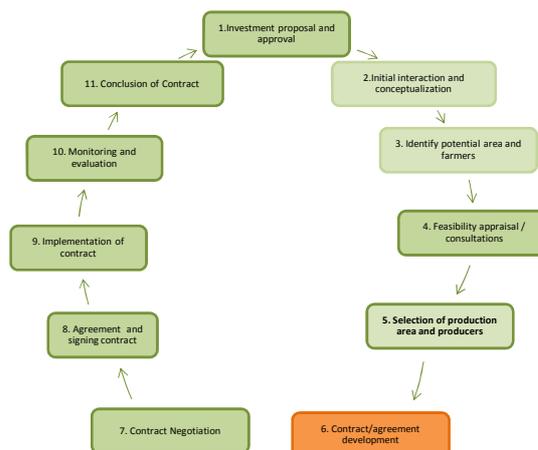
Table 9: Contract agreement checklist

No	Are these elements in the contract clearly / well defined?	Answer			Further explanation	Evaluation Scale (1-5)
		Yes	No	Not sure		
1.	Is the objective and timeframe of the contract agreement clearly mentioned?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
2.	Is contact person and contact address of all the parties clearly mentioned?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
3.	Are responsibilities of all the parties clearly defined?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
4.	Are productions and buy back quantity and quality of the products defined clearly?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
5.	Are product standards and quality specifications including attributes to measure clearly mentioned?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
6.	Is price for each quality/standard, mode of payment and currency clearly mentioned?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
7.	Are conditions and responsibilities of investment in input supply (e.g. fertilizers, pesticide, herbicide, equipments), land preparation, provision of technology mentioned clearly?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
8.	Are location and responsibilities of each party for collection of product well defined?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
9.	Are conditions and options for contract amendment and termination well defined?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
10.	Are options for arbitration or conflicts resolutions well defined?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
11.	Are measures for penalty for breach of contract clearly defined and enforceable?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
12.	Are measures for addressing uncontrolled factors e.g. natural disaster roles of all parties clearly defined?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
13.	Are parties that sign the contract and witness suitable?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
14.	Are all the points mentioned in the contract understandable and acceptable to you?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
15.	Do you or your authorized representative get a copy of signed contracts?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
Total Score						
Average Score						

Group work

Develop the checklist to review existing contracts.

- What should be the content of The contracts?
- Each group to present the content of their checklist.



(compare with Table 9, page 27 of guidelines).

GROUP WORK: Practice on use of Tools:

PAX split into 4 groups practicing using the following checklists to review and evaluate their existing contracts (PP brought with them their district contracts):

- Table 6
- Table 7
- Table 8 + Economic Calculation Format

Using feasibility appraisal tools (the use of production, input supply, market and value chain information) to help assess

different farmer options and the degree of risk the farmer faces:

a. Rapid Feasibility Appraisal for CF

b. Screening and Review of Feasibility outcomes

- Table 9

Plenary Session

Handout 7.a: GUIDELINES IN THE USE OF CONTRACT FARMING ASSESSMENT TOOLS

OBJECTIVE

To give Trainees practical experience in how to use the different checklists provided in the Guidelines to assess:

- (1) Investor credibility and quality
- (2) Producers capability
- (3) Key areas for consideration in Feasibility Assessment and the use of formats to assess the economic viability of the proposed venture and
- (4) the criteria to rate the quality of the Contract.

EXPECTED OUTCOMES

1. Improved understanding of the process to review and assess the feasibility of potential agricultural enterprises and the necessity to enter into contract conditions or not. If agreeable and of benefit to all parties, then the contract conditions should be carefully formulated and reviewed.
2. Trainees are better equipped to review business ventures and economic feasibility

METHODOLOGY

The following steps should be followed.

STEP 1: Set up 4 Groups – by district or province.

STEP 2: Give one table to each group

Group 1: Table 6 (Investor assessment)

Group 2: Table 7 (producer capability assessment)

Group 3: Table 8 (Key areas for consideration in Feasibility Assessment + economic calculation)

Group 4: Table 9 (criteria to rate the quality of the Contract).

STEP 3: Request each group to review the criteria in the table and edit or add additional criteria to improve the list.

STEP 4: Using the existing contract(s) in each district (NOTE: each district is requested to bring samples of existing contracts with them to the training course), ask each group (based on their knowledge of the contract) to use the criteria they have to assess the situation.

STEP 5: ask each group is required to report back their findings to the plenary group and note down lessons learnt from their work for discussion.

Use the 4 tables provided below

Table 6: Checklist to assess the quality of investor

No	Key elements	Answer			Further explanation	Evaluation Scale (1-5)
		Yes	No	Not sure		
Address and personal background						
1.	Do you know the name, nationality and contact address of investor/company?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
2.	Do you know investor and/or their representative well?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
3.	What is the reputation of the investor in the area?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
Business background						
4.	Does the investor operate business elsewhere?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
5.	Is his/her business successful / renowned and recommended by many people?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
Proposed business and feasibility						
6.	Does the investor provide attractive investment model?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
7.	Is investor ready to keep guarantee deposit bond?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
8.	Does investor have or likely to have enough technical staff and expertise?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
9.	Does investor have license and other permit to operate the business?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
10.	Does proposed product have a reliable market?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
						Total Score
						Average Score

Table 7 : Checklist for assessing producers

No	Elements	Answer			Further explanation	Evaluation Scale (1-5)
		Yes	No	Not sure		
1.	Is this product suitable for production in your land, climatic conditions?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
2.	Is the investment policy and models attractive?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
3.	Do I have enough land for production?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
4.	Do I have experience and familiar with this type of crop?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
5.	Do I have enough labor throughout the production process?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
6.	Do I have enough time?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
7.	Do I have capital for investment and can I borrow for investment?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
8.	Does production of this product / business cause any difficulty to the family and labor?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
9.	Does it generate attractive profit and return on investment?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
10.	Does it affect other production systems?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
					Total Score	
					Average Score	

Table 8: Key areas for feasibility assessment

Areas and information for feasibility screening or review	Evaluation Scale (1-5)
1) Market - Where is the final markets, quantity demand, quality specification and price for specific quality ?	
2) Administration or management - Planed organization structure, quantity, quality and number of staff including, responsibilities including staff to base in the fields.	
3) Economic - Expected economic benefits, return on investment, investment and sources of investment, tax to the Government	
4) Production - Planed or expected quantity and quality of the products, labour, infrastructure, transport, import of inputs and export of products	
5) Finance or capital - Planed cost of investment, financial plan, projection and flow of money including sources of funds	
6) Technology and techniques - Crop model, production process, capacity of the staff, technique, methodologies, machineries and equipments, inputs etc	
7) Environment - Chemical uses, impact forecast and mitigations measures to reduce and avoid the impacts on environment, health etc	
8) Social - Social issues and benefits including mitigations measures for addressing potential impacts	
Total Score	
Average Score	

Table 9: Contract agreement checklist

No	Are these elements in the contract clearly / well defined?	Answer			Further explanation	Evaluation Scale (1-5)
		Yes	No	Not sure		
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Total Score						
Average Score						

PPT 8

Stage 7. Contract Negotiation

- Important step of the negotiation of the Contract terms and conditions.
- Normally done through a consultation meeting with all key stakeholders involvement
- The role of the Government is to help facilitate the process but avoid making decisions directly. This is important to enable a win-win situation where both parties benefit
- Negotiation usually done in areas of price, price and quality, etc
- Agreement on the type of Contract model

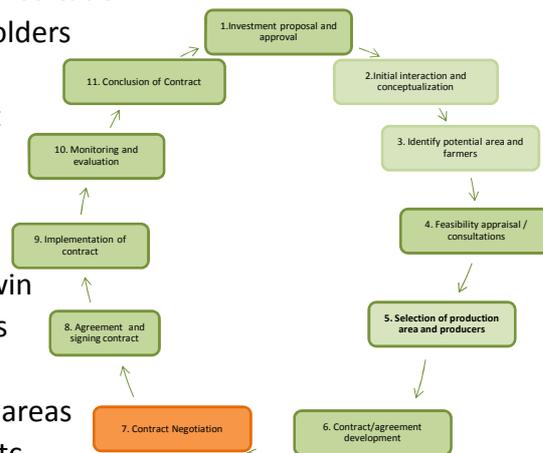
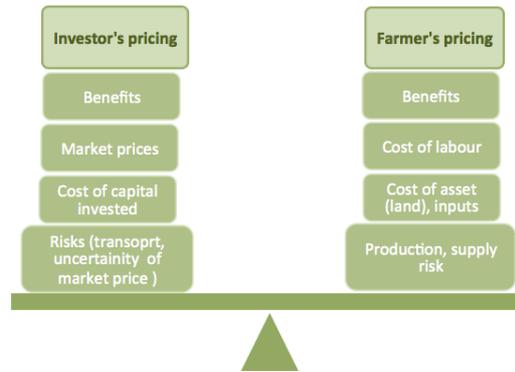


Figure 2: Example of pricing



1. Pricing

- How do you define prices that are FAIR to both parties
- Prices reflect the level of risk related to the investment, market price trends, demand and supply situation of specific products market.
- In practice, investors based on risk and cost of transport and capital, uncertainty of market price while Farmers base prices on cost of labor, use of land, inputs and production risks.

Contract Pricing agreements

1. **MARKET PRICE:** prices paid are linked closely to the market price at the next point of sale (if with a wholesaler, processor or retailer). The difficulty is that farmers don't have access to timely price information at the time of sale, so often cannot tell if they got a good price or not.
2. **FIXED PRICE:** A fixed price is agreed in the contract irrespective on the market price at the time of sale. Usually fixed at low price. The investor is more likely to benefit directly from price increases at the time of sale. Farmers generally lose out as Investors set fixed prices as low as they can !
3. **GUARANTEED MINIMUM PRICE + LINKS TO FINAL MARKET PRICE:** A guaranteed price is set, such that market prices paid will not be less than this price (e.g. 1,000 Kip /kg). However, the final price paid will depend on the market price at the time of sale, which would allow for a reasonable increase on the final price paid to the farmer. This requires that price data is collected (e.g. by the Dept of Industry and Commerce) and a "fair" price negotiated between the Investor and the Farmer Group at the time of sale. Key constraints are "access to price information" and readiness of Investors to agree to pay more (in line with market prices).

Table 10: Changes in price and implication for investors & farmers

Type of price (in contract)	Change of end market price	Investors	Farmers
Market price	↑	😊	😊
	↓	😞	😞
Fixed price	↑	😊	😐
	↓	😞	😐
Guaranteed minimum price	↑	😊	😊
	↓	😞	😐

2. Quality Standard of Product

- Quality is a key issues raised during contract negotiation
- Prices set related to quality/ grade produced
- Both parties have to be clear on parameter or specification: maturity or age, weight, size, shape, color, taste, moisture.
- In the initial phase, the Investor would provide essential post harvest processing equipment and techniques. However, as Farmer Groups evolve, they may seek to share more risk to gain a higher price and invest in processing equipment (to add value)
- Agree a plan for regular monitoring and Quality assessment included in the contract. See Table 11 below

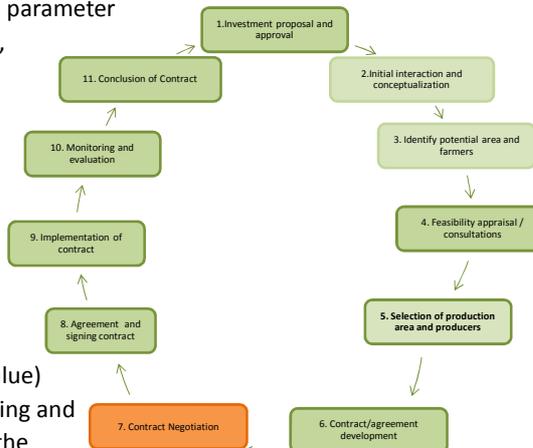


Table 11: Example of the quality assurance matrix

No	Name of commodity	Quality parameters	Methods and tools for measure	When (Date)	Where (Location)	By whom	Remark
1	e.g. Commodity 1	Weight per unit, size, shape, colour, taste, moisture content, mixture of other materials, packaging etc					e.g. immeasurable or complicated parameters might be excluded or explanation

Production Matrix Checklist

No	Activities	Methods/technique and tools	When	Where	Who	Remark
	Land preparation					
	Inputs supply 1					
	Nursery and planting					
	Inputs supply 2					
	Maintenance					
	Harvesting					
	Storage					
	Production collection					
	Production transportation					

3. Production Phase

Both parties must be clear on production process & techniques including land preparation, input supply and use, nursery and planting, crop management, harvest and post harvest management, bulking, packaging and collection etc. Use the above matrix format to manage and monitor the Production Phase

INTRODUCTION TO THE CONTRACT NEGOTIATION ROLE PLAY GAME

Based on information provided, discuss and negotiate the terms and conditions in a MAIZE contract during a village meeting.

1. Organise the trainees into 5 groups to represent;
 - the Company
 - the 2 villages (2 groups)
 - Select the Village Representative (“Mr Oh Yeah”)
 - Select the 3 Gov representatives and Lawyer (DAFO, DOIC and lawyer)
2. Provide each group with their Brief and explain how to interpret their situation and how they respond to different interest groups.
3. Hold the Role Play Game.
4. Following the game, collate comments and issues raised in a plenary session and make conclusions.
 - WHAT were the findings ?
 - How well was the meeting facilitated by DAFO, DOIC, and Lawyer
 - What lessons did we learn ?

8.a FACILITATOR NOTES FOR THE GROUP ROLE PLAY ACTIVITY

KUMBARN/VILLAGE LEVEL CONTRACT NEGOTIATIONS

OBJECTIVE: To learn lessons through a role play activity in situations that arise during contract farming facilitation exercises in the field

PURPOSE: The purpose of this activity is to try to simulate the type of situations that may arise at a village or kumban level consultation meeting as part of the negotiation of the contract. The aim is to utilise the facilitation skills learnt in the course work in a “real” field situation. The dialogue during the role play should give an example of how to cope with different actors and stakeholders and lead to discussion of important points

EXPECTED OUTCOME: through discussion it should be possible to arrive at a WIN-WIN situation depending on the strategy and needs of each group.

METHOD There are 5 actors in this role play group:

1. Village elder:
2. Investor representative:
3. Poor Farmers from far away village with no contract farming experience:
4. Maize Farmer Group from village close to road with Contract Farming Experience;
5. DAFO staff/ DOIC and lawyer who are assisting the farmers and the company to reach an agreement.

SITUATION

1. The Company “Borisuth Oa Preahap gassisum xayly” wants to get agreement from two villages in one kumban. It wants 100 hectares of maize planted in these two villages.
2. One is far from the road “Horte Yarg” and the one is close to the town “Moo ban ruah”.
3. Villagers in Horte yarg want to start to work with contract farming.
4. Farmer Group members from Ban Ruah want to see what conditions the company is offering before they decide
5. A village elder (respected person) from Ban Horte Yarg is helping the investor representative (his friend) to get the villagers signed up.
6. The DAFO, DOIC and lawyer want to help the villagers get a fair deal, better contract conditions and also provide technical and extension advice.

STEPS

1. Read your brief and learn your part
2. stick to the conditions set for your group
3. Argue for what you want first, but be prepared to accept less based on “the least you will accept”
4. DAFO /DOIC and lawyer will conclude and summarise the conditions and the next steps.

The objective is to come to some agreement between the parties in contract negotiation that represents a WIN-WIN situation.

Following the role play discussion, review the issues and points arising in the circumstances.

<p>GROUP 1: DAFO/ DOIC with Lawyer (3 persons, one from each)</p> <p>Role: you work at the local DAFO / DOIC office and you have set the meeting up to further discuss and negotiate the proposed contract put forward by “Take advantage of maize farmers Co Ltd” in the kumban level for contract farming for maize.</p> <p>You have to facilitate the meeting with the purpose of getting agreement of the conditions in the contract between the investor and the farmers/ FG members.</p> <p>You want to protect the farmers and make sure that they get the best deal. You also want key environment and social conditions upheld and included (e.g. good soil practice, cross contour planting etc)</p>	<p>GROUP 2: INVESTOR REPRESENTATIVE FOR “Take advantage of maize farmers Co Ltd” ; “Borisath Oaw preaph gassigum xalee” Ltd</p> <p>Role: you represent the company. Your brief is to get the same fixed price as last year for farmers (750 Kip per kg) on which you would get a handsome bonus. IF prices goes above 1,100 Kip per kg, you lose the bonus. You are only interested to get the lowest price& least cost for transport /pick up arrangements. You want to provide LVN10 maize seed variety (above the market price) and deduct costs at harvest. You have to get both villages in your contract to meet your quota. As a “sweetener”, you are prepared to give some social benefits to the community if they accept your price. This includes a lump sum of money deposited in the Village (controlled by the Village Headman) for 5 million Kip for medical and health care for families who sign up with you in Ban Horte Yarg and Ban Ruah. But only do so, if you are requested.</p>	<p>GROUP 3: VILLAGE elder (Moo Barn Horte Yarg) “Mr Oh Yeah”</p> <p>Role: you are a respected person from the village but have a special interest in supporting the Company in getting the conditions they want. The reason is that the investor Representative is your friend and the company will give you some benefit if if you can get the target area (100 ha) planted with farmers achieved and make sure that the fixed price is 750 Kip / kg. if the final price is 900 Kip/kg – you get no incentive from the Company.</p>	<p>GROUP 4: POOR FARMERS FROM “DIFFICULT TO REACH VILLAGE” – “MOO BARN Horte Yarg”</p> <p>Role: you represent farmers from a far flung village. Usually you plant local varieties of maize and sell yourself in the open market, but prices are low.</p> <p>You have never engaged in contract farming before but have heard good stories so you are interested to start and hope that this is your opportunity if you can find an investor.</p> <p>You have no capital to by hybrid varieties and want the company to buy directly from the village.</p>	<p>MAIZE FARMER GROUP MEMBERS FROM “BETTER OFF VILLAGE” – “MOO BARN RUAH ”</p> <p>Role: You represent a village that is closer to the road and have good access. You have been engaged in contract farming for 3 years now. Recently you formed a Maize FG and have 25 HH members.</p> <p>Last year, you grew maize under contract, but the fixed price was low at 800 Kip per kg at the farm gate. You know that in another kumbarn in your district, farmers received 1,200 Kip per kg farm gate from another company.</p> <p>Usually you buy your own LVN 10 hybrid seed from a local supplier.</p> <p>Your main interest in attending the meeting is to see what price conditions the company will offer you.</p>
<p>Behaviour: pleasant, understanding, reconciliatory, instructive, use market information to back up the different options that help farmers get better prices and conditions.</p> <p>You take the lead facilitation role.</p>	<p>Behaviour: unlike the Village representative, you are patient, but firm about what your company wants and defensive to ideas proposed by others that would increase your costs and reduce your profits. You do have to make a deal</p>	<p>Behaviour: firm and pushing to support the Company’s position. React if the price negotiated rises to keep prices down. You only want to get the farmers to agree to the Company conditions. You can have influence over farmers from “moo</p>	<p>Behaviour: you want to listen and learn. You really want to work with this company as this is your first opportunity to grow crops under contract. You are happy to agree with most of their conditions, but prefer to</p>	<p>Behaviour: Knowledgeable and firm in what you want from any contract farming. Mostly polite in your questions and answers. You do not let the village elder intimidate you.</p>

<p>GROUP 1: DAFO/ DOIC with Lawyer (3 persons, one from each)</p> <p>You introduce everyone in the meeting; state the objective / purpose of the meeting. You then request the Company representatives to present their terms, before discussing the situation of each village. After discussion, you ask the lawyer to summarise the key issues and points arising with regard to the clauses in the contract to make sure the position is clear.</p> <p>You want to include the following clauses in the contract:</p> <ol style="list-style-type: none"> 1. You are concerned on the need to negotiate a clause in the contract in case of damage from natural causes. 2. As you are not sure about the company, you would like them to place a deposit in the bank (and released on successful conclusion of the contract). You would like a deposit of 50 million Kip. 3. DAFO will support farmers with technical advice on planting and particularly post harvest and storage. 4. You will also give advice on soil conservation (and set up a demonstration for minimum tillage 	<p>GROUP 2: INVESTOR REPRESENTATIVE FOR "Take advantage of maize farmers Co Ltd" ; "Borisath Oaw preaph gassigum xalee" Ltd</p> <p>however, so have room to manoeuvre on prices and conditions.</p>	<p>GROUP 3: VILLAGE elder (Moo Barn Horte Yarg) "Mr Oh Yeah"</p> <p>ban horte yarg", but more difficult to influence the FG from Moobarn ruah guah (but try).</p>	<p>GROUP 4: POOR FARMERS FROM "DIFFICULT TO REACH VILLAGE" – "MOO BARN Horte Yarg"</p> <p>grow the local variety as you don't like being in debt, but you are prepared to try. If the village representative shouts at you to be quiet, you do so.</p>	<p>MAIZE FARMER GROUP MEMBERS FROM "BETTER OFF VILLAGE" – "MOO BARN RUAH "</p>
<p>You want to include the following clauses in the contract:</p> <ol style="list-style-type: none"> 1. You are concerned on the need to negotiate a clause in the contract in case of damage from natural causes. 2. As you are not sure about the company, you would like them to place a deposit in the bank (and released on successful conclusion of the contract). You would like a deposit of 50 million Kip. 3. DAFO will support farmers with technical advice on planting and particularly post harvest and storage. 4. You will also give advice on soil conservation (and set up a demonstration for minimum tillage 	<p>What you want:</p> <ol style="list-style-type: none"> 1. Total area of 100 hectares planted total covering areas in both villages 2. Best price on contract is fixed price 800 Kip per kg 3. Hybrid maize LVN10 produced with good quality. No Aflotoxin or insect damage. 4. You will give seed on credit at 35,000 Kip per kg (595,000 Kip per hectare) at 17 kgs per hectare 5. You will pick up the grain from the village directly and arrange transport out from village to warehouse in Sam Neua then to 	<p>What you want: the same as the Investor Representative:</p> <ol style="list-style-type: none"> 1. Total area of 100 hectares planted total covering areas in both villages 2. Best price on contract is fixed price 750 Kip per kg 3. Hybrid maize LVN10 produced with good quality. No Aflotoxin or insect damage. 4. You will give seed on credit at 35,000 Kip per kg (595,000 Kip per hectare). 5. You will pick up the grain from the village directly and arrange transport out from village to warehouse in Sam Neua then to 	<p>What you want:</p> <ol style="list-style-type: none"> 1. you have 75 hectares for maize planting this year. You normally get 3 tonnes per hectare 2. you would like 900 Kip per kg 3. you want to grow local variety but might change if you can get seed on credit from the company. 4. You are worried if you grow the new variety, whether you would cover costs. 4. due to poor road access in wet season, you are worried about meeting quality demands. Could the company or DAFO help with 	<p>What you want:</p> <ol style="list-style-type: none"> 1. you have over 25 hectares for maize planning (1 hectare per FG member). Growing LVN10 you can get 5 tonnes per hectare on average. 2. You would like a fixed price of 1200 Kip per kg OR a guaranteed price of 900 but linked to the market price trend data of DOIC/POIC. 3. you will grow the LVN10 variety but buy it yourself (cheaper than the company) at 25,000 Kip per kg (17 kgs per hectare). 4. You want some guaranteed in the contract that if there is damage from floods or drought, that there would be some compensation from the

<p>GROUP 1: DAFO/ DOIC with Lawyer (3 persons, one from each)</p> <p>with cover crops) as you are worried about future soil fertility and maintaining yields.</p> <p>5. The NUDP can assist the Farmer Group with storage facilities under the FOISF as long as it is less than 5,000 Euros.</p> <p>6. You need to make clear for contract conditions the following:</p> <ul style="list-style-type: none"> • Investment model type • Input supply conditions • Price conditions (guaranteed price linked to the market price; based on price data held at DOIC or POIC) • Bond paid by investor in case of natural damage. • Quality aspects • Transportation agreements • Roles and responsibilities of the parties <p>7. Finally, you will summarise conditions at the end of the meeting.</p> <p>Will provide:</p> <ol style="list-style-type: none"> 1. Extension service (demonstration of soil conservation) 2. Assistance to help monitor price trends 3. will help investor revise contract conditions based on the meeting 	<p>GROUP 2: INVESTOR REPRESENTATIVE FOR "Take advantage of maize farmers Co Ltd"; "Borisath Oaw preaph gassigum xalee" Ltd</p> <p>final destination in Vietnam</p> <p>6. You do not want to pay a deposit of 50 million Kip as requested by the DAFO staff, but would accept less (say 25 million Kip).</p> <p>7. You want a verbal contract or if necessary, you argue for a Memorandum of Association; this is because you prefer conditions that are "more flexible" that cannot be enforced in the law courts.</p>	<p>GROUP 3: VILLAGE elder (Moo Barn Horte Yarg) "Mr Oh Yeah"</p> <p>final destination in Vietnam.</p> <p>6. You do not want to pay a deposit of 50 million Kip as requested by the DAFO staff, but would accept less (say 25 million Kip).</p> <p>7. You want a verbal contract or if necessary, you argue for a Memorandum of Association; this is because you prefer conditions that are "more flexible" that cannot be enforced in the law courts.</p>	<p>GROUP 4: POOR FARMERS FROM "DIFFICULT TO REACH VILLAGE" – "MOO BARN Horte Yarg"</p> <p>storage facilities and technical advice ?</p> <p>5. You would be prepared to form a Farmer Group to interact with the company, but need assistance from DAFO</p> <p>6. You want the company to help you with some social benefits. You don't think that 3 million Kip "Health Fund" for medical expenses is enough (only 40,000 Kip per family) and demand more (25 million Kip).</p>	<p>MAIZE FARMER GROUP MEMBERS FROM "BETTER OFF VILLAGE" – "MOO BARN RUAH "</p> <p>investor. The investor should give a bond in the bank in case of such situation. You don't want to cover all the risks.</p> <p>5. You want a written contract. You don't want a verbal contract or MOU (because you were cheated before by another company).</p>
	<p>What you will finally accept ?</p> <ol style="list-style-type: none"> 1. deposit of 25 million 2. fixed price of 900 Kip but linked to market trends. 3. credit of seed to Horte Yarg village. 4. transport to pick up maize 	<p>What you will finally accept ? Same as Investor</p> <ol style="list-style-type: none"> 1. deposit of 25 million 2. fixed price of 900 Kip but linked to market trends. 3. credit of seed to Horte Yarg village. 	<p>What you will accept ?</p> <ol style="list-style-type: none"> 1. 900 kip per kgs (linked to market price) 2. assistance from DAFO for technical and post harvest arrangements 3. want to form a Farmer Group 	<p>What you will accept ?</p> <ol style="list-style-type: none"> 1. fixed price of 1,100 Kip per kg OR 2. guaranteed price of 900 Kip but linked to market price trends. 3. buy your own seed inputs 4. agree to establish a demonstration for soil conservation

<p>GROUP 1: DAFO/ DOIC with Lawyer (3 persons, one from each)</p> <p>4. Help farmers to form a Farmer Group and link them to the FOISF (NUDP for under 50 Million Kip) for processing and drying equipment 5. Assist the company to set up the bond in the bank</p>	<p>GROUP 2: INVESTOR REPRESENTATIVE FOR "Take advantage of maize farmers Co Ltd" ; "Borisath Oaw preaph gassigum xalee" Ltd</p> <p>5. Lump sum of 20,000,000 Kip for medical/health expenses of families who sign up 6. A contract (if you don't accept this, the villages won't grow for you)</p>	<p>GROUP 3: VILLAGE elder (Moo Barn Horte Yarg) "Mr Oh Yeah"</p> <p>4. transport to pick up maize</p>	<p>GROUP 4: POOR FARMERS FROM "DIFFICULT TO REACH VILLAGE" – "MOO BARN Horte Yarg"</p> <p>for maize. 4. help establish a demonstration for soil conservation 5. agree to establish a demonstration for soil conservation 6. accept a "health fund" of 15 million kip (200,000 Kip per family)</p>	<p>MAIZE FARMER GROUP MEMBERS FROM "BETTER OFF VILLAGE" – "MOO BARN RUAH "</p> <p>5. You agree to health fund of 5 million Kip for your members families.</p>
<p>Need to check: Value Chain and market information Price trends and how to monitor market price as basis for price conditions. Technical aspects of zero tillage and cover crops to maintain soil fertility.Contract conditions How to place a bond as security at the bank</p>	<p>Need to check:</p>	<p>Need to check:</p>	<p>Need to check: Gross margin of growing maize and the risk.</p>	<p>Need to check: Gross margin of growing maize and the risk.</p>

GROUP 1: Government staff: DAFO/ DOIC with Lawyer (3 persons, one from each)

Role: you work at the local DAFO / DOIC offices and you have set the meeting up to further discuss and negotiate terms put forward by “Take advantage of maize farmers Co Ltd” in the kumban level for contract farming for maize. You have to facilitate the meeting with the purpose of getting agreement of the conditions in the contract between the investor and the farmers/ FG members. You want to protect the farmers and make sure that they get the best deal. You also want key environment and social conditions upheld and included (e.g. good soil management practices.etc)

Behaviour: You are understanding, reconciliatory and facilitate different opinions from the stakeholders. You have market information to back up the different options that help farmers get better prices and conditions.

You take the lead facilitation role. You introduce everyone in the meeting; state the objective / purpose of the meeting. You then request the Company representatives to present their terms, before discussing the situation of each village. After discussion, you ask the lawyer to summarise the key issues and points arising with regard to the clauses in the contract to make sure the position is clear.

You want the following:

1. You don't accept the Company's request for verbal agreement or MoU. You want to protect the farmers by developing a contract.
2. As you are not sure about the company, you would like them to place a deposit in the bank (and released on successful conclusion of the contract). You would like a deposit of 50 million Kip. You also need to negotiate a clause in the contract in case of damage from natural causes.
3. DAFO will support farmers with technical advice on planting and post harvest and storage. This includes setting up a maize farmer group in Ban Horte Yarg.
4. You will also give advice on soil conservation (and set up a demonstration for minimum tillage with cover crops) as you are worried about future soil fertility and maintaining yields. You have a policy to phase out maize and replace with other more sustainable cash crops.
5. The NUDP can assist the Farmer Group with storage facilities under the FOISF as long as it is less than 5,000 Euro (50 Million Kip)
6. You need to make clear for contract conditions the following:
 - *Investment model type*
 - *Input supply conditions*
 - *Price conditions (guaranteed price linked to the market price; based on price data held at DOIC)*
 - *Quality aspects of product.*
 - *Transportation agreements*
 - *Roles and responsibilities of the parties*
 - *Bond paid by investor in case of natural damage (paid into a bank)*
7. Finally, you will summarise conditions at the end of the meeting.

The GOV will provide the following (with NUDP assistance):

1. Extension service (demonstration of soil conservation) with NUDP support
2. Assistance to help monitor price trends
3. Will help investor revise contract conditions based on the meeting
4. Help farmers to form a Farmer Group and link them to the FOISF (NUDP for under 50 Million Kip) for processing and drying equipment for maize.
5. Assist the company to set up a bond in the bank

Need to check: Value Chain and market information; Price trends and how to monitor market price as basis for price conditions; Technical aspects of zero tillage and cover crops to maintain soil fertility
Contract conditions; How to place a bond as security at the bank

GROUP 2: INVESTOR REPRESENTATIVE FOR “Take advantage of maize farmers Co Ltd”; “Borisath Oaw preaph gassigum xalee” Ltd

Role: You represent the company. Your brief is to get the same fixed price as last year for farmers (800 Kip per kg) on which you would get a handsome bonus. IF prices goes above 1,100 Kip per kg, you lose the bonus.

You are only interested in getting the lowest price and least cost for transportation / pick up arrangements.

You want to provide LVN10 maize seed variety (above the market price) and deduct costs at harvest time.

You have to get both villages to agree to produce for you so you can meet your quota with the company.

As a “sweetener”, you are prepared to give some social benefits to the community if they accept your price. This includes a lump sum of money deposited in the Village (controlled by the Village Headman) for 5 million Kip for medical and health care for families who sign up with you in Ban Horte Yarg and Ban Ruah. But only do so, if you are requested.

Behaviour: unlike the Village representative, you are patient, but firm about what your company wants and defensive to ideas proposed by others that would increase your costs and reduce your profits. You do have to make a deal however, so have room to manoeuvre on prices and conditions.

What you want:

1. Total area of 100 hectares planted total covering areas in both villages
2. Best price on contract is fixed price 800 Kip per kg for maize
3. Hybrid maize LVN10 produced with good quality. No Aflotoxin or insect damage.
4. You will give seed on credit at 35,000 Kip per kg (595,000 Kip per hectare). 17 kgs seed planted per hectare.
5. You will pick up the grain from the village directly and arrange transport out from village to warehouse in Sam Neua then to final destination in Vietnam
6. You do not want to pay a deposit of 50 million Kip as requested by the DAFO staff, but would accept less (say 25 million Kip).
7. You want a verbal contract or if necessary, you argue for a Memorandum of Association; this is because you prefer conditions that are “more flexible” that cannot be enforced in the law courts.

What you will finally accept ?

1. deposit of 25 million
2. guaranteed price of 1,000 Kip but linked to market price trends.
3. credit of seed to Horte Yarg village.
4. transport to pick up maize
5. Lump sum of 20,000,000 Kip for medical/health expenses of families who sign up
6. A contract (if you don't accept this, the villages won't grow for you !)

Need to check:

GROUP 3: VILLAGE elder (Moo Barn Horte Yarg): “Mr Oh Yeah”

Role: you are a respected person from the village but have a special interest in supporting the Company in getting the conditions they want. The reason is that the Investor Representative is your friend and the company will give you some benefit if you can get the target area (100 ha) planted with farmers achieved and make sure that the fixed price is 800 Kip / kg. If the final price is above 1,000 Kip/kg – you get no incentive from the Company.

Behaviour: firm and pushing to support the Company’s position. React if the price negotiated rises to keep prices down. You only want to get the farmers to agree to the Company conditions. You can have influence over farmers from “moo ban horte yarg”, but more difficult to influence the FG from Moo ban Ruah (but try).

What you want: the same as the Investor Representative:

1. Total area of 100 hectares planted total covering areas in both villages
2. Best price on contract is fixed price 800 Kip per kg of maize
3. Hybrid maize LVN10 produced with good quality. No Aflatoxin or insect damage.
4. You will give seed on credit at 35,000 Kip per kg (595,000 Kip per hectare).
5. You will pick up the grain from the village directly and arrange transport out.
6. You do not want to pay a deposit of 50 million Kip as requested by the DAFO staff, but would accept less (say 25 million Kip).
7. You want a verbal contract or if necessary, you argue for a Memorandum of Association

What you will finally accept ? Same as Investor

1. deposit of 25 million to help subsidise any loss from natural disaster and reduce risk.
2. guaranteed price of 1,000 Kip but linked to market price trends.
3. credit of seed to Horte Yarg village.
4. transport to pick up maize
5. Lump sum of 20,000,000 Kip for medical/health expenses of families who sign up
6. Written contract is ok

Need to check:

GROUP 4: POOR FARMERS FROM “DIFFICULT TO REACH VILLAGE” – “MOO BARN Horte Yarg”

Role: you represent farmers from a far flung village. Usually you plant local varieties of maize and sell yourself in the open market, but prices are low.

You have never engaged in contract farming before but have heard good stories so you are interested to start and hope that this is your opportunity if you can find an investor.

You have no capital to buy hybrid varieties and want the company to buy directly from the village.

Behaviour: you want to listen and learn. You really want to work with this company as this is your first opportunity to grow crops under contract. You are happy to agree with most of their conditions, but prefer to grow the local variety as you don't like being in debt, but you are prepared to try. If the village representative wants you to be quiet, you do so.

What you want:

1. you have 75 hectares for maize planting this year. You normally get 3 tonnes per hectare using local varieties
2. As last year you found it hard to sell your maize, you would like 900 Kip per kg
3. you want to grow local variety but might change if you can get seed on credit from the company.
4. You are worried if you grow the new variety, whether you would cover the extra costs.
4. due to poor road access in wet season, you are worried about meeting quality demands. Could the company or DAFO help with storage facilities and technical advice ? If so what can they help you with ?
5. You would be prepared to form a Farmer Group to interact with the company, but need assistance from DAFO
6. You want the company to help you with some social benefits. You don't think that 3 million Kip “Health Fund” for medical expenses is enough (only 40,000 Kip per family) and demand more (25 million Kip).

What you will accept ?

1. At least a fixed price of 900 kip per kgs
2. assistance from DAFO for technical and post harvest arrangements
3. you want to form a Farmer Group for maize.
4. agree to establish a demonstration for soil conservation
5. accept a “health fund” of 15 million kip (200,000 Kip per family)

Need to check: Gross margin of growing maize and the risk.

Group 5: MAIZE FARMER GROUP FROM “BETTER OFF VILLAGE” – “MOO BAN RUAH ”

Role: You are from a village that is closer to the road and have good access. You have been engaged in contract farming for 3 years now. Recently you formed a Maize FG and have 25 HH members.

Last year, you grew maize under contract, but the fixed price was low at 800 Kip per kg at the farm gate. You know that in another kumbarn in your district, farmers received 1,500 Kip per kg farm gate from another company.

Usually you buy your own LVN 10 hybrid seed from a local supplier.

Your main interest in attending the meeting is to see what price conditions the company will offer you.

Behaviour: Knowledgeable and firm in what you want from any contract farming. Mostly polite in your questions and answers. You do not let the village elder dominate you.

What you want:

1. you have over 25 hectares for maize planning (1 hectare per FG member). Growing LVN10 you can get 5 tonnes per hectare on average.
2. You would like a fixed price of 1200 Kip per kg OR a guaranteed price of 900 but linked to the market price trend data of DOIC/POIC.
3. You will grow the LVN10 variety but buy it yourself (cheaper than the company) at 25,000 Kip per kg (17 kgs per hectare).
4. You want some guarantee in the contract that if there is damage from floods or drought, that there would be some compensation from the investor. The investor should give a bond in the bank in case of such situation. You don't want to cover all the risks.
5. You want a written contract. You don't want a verbal contract or MOU (because you were cheated before by another company).

What you will accept ?

1. fixed price of 1,200 Kip per kg OR
2. guaranteed price of 1,000 Kip but linked to market price trends.
3. buy your own seed inputs
4. agree to establish a demonstration for soil conservation with the help of DAFO
5. You agree to health fund of 5 million Kip for your farmer's families.

Need to check: Gross margin of growing maize and the risk.

8.b HANDOUT: ROLE PLAY GAME

GROUP 1: Government staff: DAFO/ DOIC with Lawyer (3 persons, one from each)

Role: you work at the local DAFO / DOIC offices and you have set the meeting up to further discuss and negotiate terms put forward by “Take advantage of maize farmers Co Ltd” in the kumban level for contract farming for maize. You have to facilitate the meeting with the purpose of getting agreement of the conditions in the contract between the investor and the farmers/ FG members. You want to protect the farmers and make sure that they get the best deal. You also want key environment and social conditions upheld and included (e.g. good soil management practices.etc)

Behaviour: You are understanding, reconciliatory and facilitate different opinions from the stakeholders. You have market information to back up the different options that help farmers get better prices and conditions.

You take the lead facilitation role. You introduce everyone in the meeting; state the objective / purpose of the meeting. You then request the Company representatives to present their terms, before discussing the situation of each village. After discussion, you ask the lawyer to summarise the key issues and points arising with regard to the clauses in the contract to make sure the position is clear.

You want the following:

1. You don't accept the Company's request for verbal agreement or MoU. You want to protect the farmers by developing a contract.
2. As you are not sure about the company, you would like them to place a deposit in the bank (and released on successful conclusion of the contract). You would like a deposit of 50 million Kip. You also need to negotiate a clause in the contract in case of damage from natural causes.
3. DAFO will support farmers with technical advice on planting and post harvest and storage. This includes setting up a maize farmer group in Ban Horte Yarg.
4. You will also give advice on soil conservation (and set up a demonstration for minimum tillage with cover crops) as you are worried about future soil fertility and maintaining yields. You have a policy to phase out maize and replace with other more sustainable cash crops.
5. The NUDP can assist the Farmer Group with storage facilities under the FOISF as long as it is less than 5,000 Euro (50 Million Kip)
6. You need to make clear for contract conditions the following:
 - *Investment model type*
 - *Input supply conditions*
 - *Price conditions (guaranteed price linked to the market price; based on price data held at DOIC)*
 - *Quality aspects of product.*
 - *Transportation agreements*
 - *Roles and responsibilities of the parties*
 - *Bond paid by investor in case of natural damage (paid into a bank)*
7. Finally, you will summarise conditions at the end of the meeting.

The GOV will provide the following (with NUDP assistance):

1. Extension service (demonstration of soil conservation) with NUDP support
2. Assistance to help monitor price trends
3. Will help investor revise contract conditions based on the meeting
4. Help farmers to form a Farmer Group and link them to the FOISF (NUDP for under 50 Million Kip) for processing and drying equipment for maize.
5. Assist the company to set up a bond in the bank

Need to check: Value Chain and market information; Price trends and how to monitor market price as basis for price conditions; Technical aspects of zero tillage and cover crops to maintain soil fertility
Contract conditions; How to place a bond as security at the bank

GROUP 2: INVESTOR REPRESENTATIVE FOR “Take advantage of maize farmers Co Ltd”; “Borisath Oaw preaph gassigum xalee” Ltd

Role: You represent the company. Your brief is to get the same fixed price as last year for farmers (800 Kip per kg) on which you would get a handsome bonus. IF prices goes above 1,100 Kip per kg, you lose the bonus.

You are only interested in getting the lowest price and least cost for transportation / pick up arrangements.

You want to provide LVN10 maize seed variety (above the market price) and deduct costs at harvest time.

You have to get both villages to agree to produce for you so you can meet your quota with the company.

As a “sweetener”, you are prepared to give some social benefits to the community if they accept your price. This includes a lump sum of money deposited in the Village (controlled by the Village Headman) for 5 million Kip for medical and health care for families who sign up with you in Ban Horte Yarg and Ban Ruah. But only do so, if you are requested.

Behaviour: unlike the Village representative, you are patient, but firm about what your company wants and defensive to ideas proposed by others that would increase your costs and reduce your profits. You do have to make a deal however, so have room to manoeuvre on prices and conditions.

What you want:

1. Total area of 100 hectares planted total covering areas in both villages
2. Best price on contract is fixed price 800 Kip per kg for maize
3. Hybrid maize LVN10 produced with good quality. No Aflotoxin or insect damage.
4. You will give seed on credit at 35,000 Kip per kg (595,000 Kip per hectare). 17 kgs seed planted per hectare.
5. You will pick up the grain from the village directly and arrange transport out from village to warehouse in Sam Neua then to final destination in Vietnam
6. You do not want to pay a deposit of 50 million Kip as requested by the DAFO staff, but would accept less (say 25 million Kip).
7. You want a verbal contract or if necessary, you argue for a Memorandum of Association; this is because you prefer conditions that are “more flexible” that cannot be enforced in the law courts.

What you will finally accept ?

1. deposit of 25 million
2. guaranteed price of 1,000 Kip but linked to market price trends.
3. credit of seed to Horte Yarg village.
4. transport to pick up maize
5. Lump sum of 20,000,000 Kip for medical/health expenses of families who sign up
6. A contract (if you don't accept this, the villages won't grow for you !)

Need to check:

GROUP 3: VILLAGE elder (Moo Barn Horte Yarg): “Mr Oh Yeah”

Role: you are a respected person from the village but have a special interest in supporting the Company in getting the conditions they want. The reason is that the Investor Representative is your friend and the company will give you some benefit if you can get the target area (100 ha) planted with farmers achieved and make sure that the fixed price is 800 Kip / kg. If the final price is above 1,000 Kip/kg – you get no incentive from the Company.

Behaviour: firm and pushing to support the Company’s position. React if the price negotiated rises to keep prices down. You only want to get the farmers to agree to the Company conditions. You can have influence over farmers from “moo ban horte yarg”, but more difficult to influence the FG from Moo ban Ruah (but try).

What you want: the same as the Investor Representative:

1. Total area of 100 hectares planted total covering areas in both villages
2. Best price on contract is fixed price 800 Kip per kg of maize
3. Hybrid maize LVN10 produced with good quality. No Aflotoxin or insect damage.
4. You will give seed on credit at 35,000 Kip per kg (595,000 Kip per hectare).
5. You will pick up the grain from the village directly and arrange transport out.
6. You do not want to pay a deposit of 50 million Kip as requested by the DAFO staff, but would accept less (say 25 million Kip).
7. You want a verbal contract or if necessary, you argue for a Memorandum of Association

What you will finally accept ? Same as Investor

1. deposit of 25 million to help subsidise any loss from natural disaster and reduce risk.
2. guaranteed price of 1,000 Kip but linked to market price trends.
3. credit of seed to Horte Yarg village.
4. transport to pick up maize
5. Lump sum of 20,000,000 Kip for medical/health expenses of families who sign up
6. Written contract is ok

Need to check:

GROUP 4: POOR FARMERS FROM “DIFFICULT TO REACH VILLAGE” – “MOO BARN Horte Yarg”

Role: you represent farmers from a far flung village. Usually you plant local varieties of maize and sell yourself in the open market, but prices are low.

You have never engaged in contract farming before but have heard good stories so you are interested to start and hope that this is your opportunity if you can find an investor.

You have no capital to buy hybrid varieties and want the company to buy directly from the village.

Behaviour: you want to listen and learn. You really want to work with this company as this is your first opportunity to grow crops under contract. You are happy to agree with most of their conditions, but prefer to grow the local variety as you don't like being in debt, but you are prepared to try. If the village representative wants you to be quiet, you do so.

What you want:

1. you have 75 hectares for maize planting this year. You normally get 3 tonnes per hectare using local varieties
2. As last year you found it hard to sell your maize, you would like 900 Kip per kg
3. you want to grow local variety but might change if you can get seed on credit from the company.
4. You are worried if you grow the new variety, whether you would cover the extra costs.
4. due to poor road access in wet season, you are worried about meeting quality demands. Could the company or DAFO help with storage facilities and technical advice ? If so what can they help you with ?
5. You would be prepared to form a Farmer Group to interact with the company, but need assistance from DAFO
6. You want the company to help you with some social benefits. You don't think that 3 million Kip “Health Fund” for medical expenses is enough (only 40,000 Kip per family) and demand more (25 million Kip).

What you will accept ?

1. At least a fixed price of 900 kip per kgs
2. assistance from DAFO for technical and post harvest arrangements
3. you want to form a Farmer Group for maize.
4. agree to establish a demonstration for soil conservation
5. accept a “health fund” of 15 million kip (200,000 Kip per family)

Need to check: Gross margin of growing maize and the risk.

Group 5: MAIZE FARMER GROUP FROM “BETTER OFF VILLAGE” – “MOO BAN RUAH ”

Role: You are from a village that is closer to the road and have good access. You have been engaged in contract farming for 3 years now. Recently you formed a Maize FG and have 25 HH members.

Last year, you grew maize under contract, but the fixed price was low at 800 Kip per kg at the farm gate. You know that in another kumbarn in your district, farmers received 1,500 Kip per kg farm gate from another company.

Usually you buy your own LVN 10 hybrid seed from a local supplier.

Your main interest in attending the meeting is to see what price conditions the company will offer you.

Behaviour: Knowledgeable and firm in what you want from any contract farming. Mostly polite in your questions and answers. You do not let the village elder dominate you.

What you want:

1. you have over 25 hectares for maize planning (1 hectare per FG member). Growing LVN10 you can get 5 tonnes per hectare on average.
2. You would like a fixed price of 1200 Kip per kg OR a guaranteed price of 900 but linked to the market price trend data of DOIC/POIC.
3. You will grow the LVN10 variety but buy it yourself (cheaper than the company) at 25,000 Kip per kg (17 kgs per hectare).
4. You want some guarantee in the contract that if there is damage from floods or drought, that there would be some compensation from the investor. The investor should give a bond in the bank in case of such situation. You don't want to cover all the risks.
5. You want a written contract. You don't want a verbal contract or MOU (because you were cheated before by another company).

What you will accept ?

1. fixed price of 1,200 Kip per kg OR
2. guaranteed price of 1,000 Kip but linked to market price trends.
3. buy your own seed inputs
4. agree to establish a demonstration for soil conservation with the help of DAFO
5. You agree to health fund of 5 million Kip for your farmer's families.

Need to check: Gross margin of growing maize and the risk.

PPT 9

CONCLUSIONS



CONTRACT NEGOTIATION ROLE PLAY GAME CONCLUSIONS

Benefits Arising

1. Increase in price from 800 Kip per KG to 1,000 Kip per kg linked to market price. Increased benefit = 300 Kip / kg (if price is 1,100 Kip per kg)

100 hectares x 5,000 kgs/ha x 300 Kip / kg =150 million kip (\$20,000)

This is considered increased profit for farmers

Benefits

2. Reduced cost of seed from 35,000 to 25,000 Kip per kg = 10,000 Kip per kg

100 ha x 20 kg / hectare x 10,000 Kip = 20 million kip (\$2,666)

3. **TOTAL money benefit = 150 m + 20 m = 170 million kip (\$22, 666):**

This is 1,700,000 kip or \$226 per HH

4. 25 million Kip Bank Deposit + Health fund

Future strategic direction

What activities do you propose in 2015 – 2016 in your district to change the direction in NUPD work to focus on Contract Farming issues ?

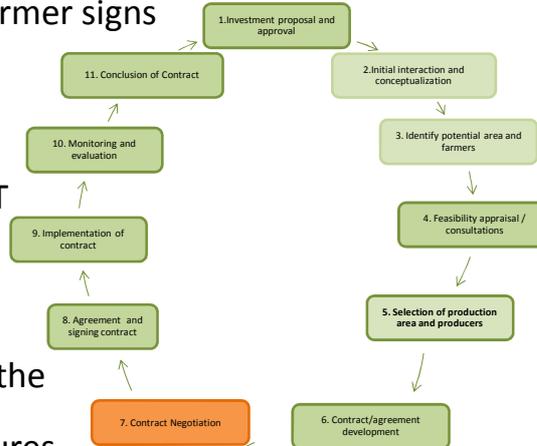
Discussion

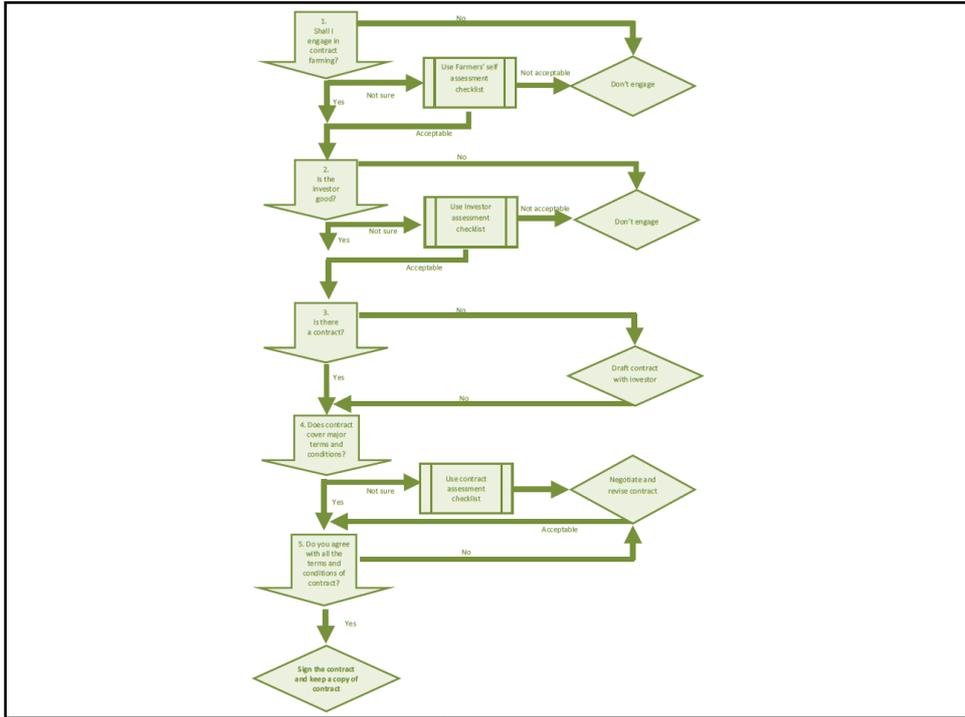
Stage 8 Reaching an Agreement and signing the Contract

- Both parties sign or sometime other stakeholders sign on the farmers' behalf (e.g. Village headman)
- The district staff usually sign as witness
- On rare cases, each Farmer signs

Think before You Sign The Contract

- Below is a FLOWCHART highlighting the Decision Process followed in deciding whether to engage in Contract Farming and the steps leading to final agreement and signatures to contract





ព័ត៌មានសំខាន់ៗសម្រាប់អ្នកប្រើប្រាស់

ស្ថិតិទិន្នផលកម្រិតខ្ពស់

ប្រើប្រាស់បច្ចេកទេសដាំដុះដ៏ទៃទៀត ដើម្បីទទួលបានផលិតផលដែលមានគុណភាពខ្ពស់ និងមានទិន្នផលខ្ពស់ជាងបច្ចេកទេសដាំដុះដ៏ទៃទៀត។

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ដំណើរការដាំដុះដ៏ទៃទៀត

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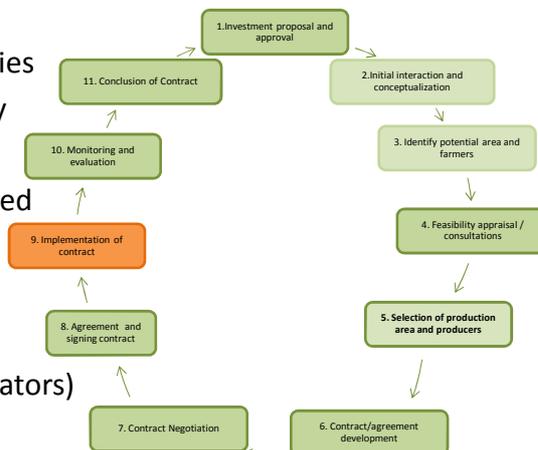
វិបល្លាសផលិតផល

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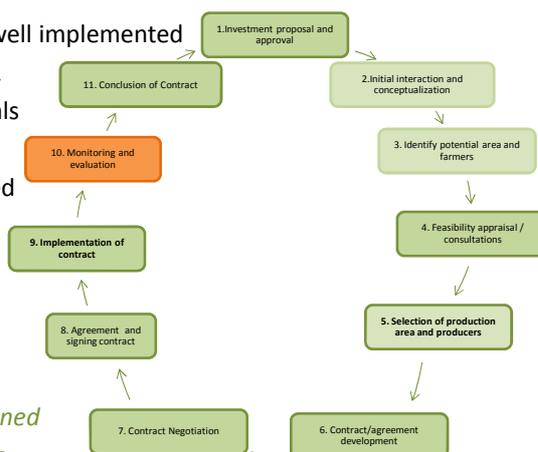
Stage 9. Contract Implementation

- Based on roles and responsibilities and other terms and conditions in the contract signed, the parties implement their part of the agreement
- Plans agreed by both parties should be followed closely
- Any deviation or conflicts arising should be addressed through regular communication between the two parties, but also with 3rd parties (the facilitators) when required



Stage 10. Monitoring and Evaluation

- M&E ensures contracts are well implemented
- All agreement are on track & leading towards meeting goals
- Ensure all problems & conflicts arising are addressed and resolved
- The scope, elements & budgets for M&E should be discussed and agreed



Monitoring matrix may be designed to identify Activities and items to monitor during the production, harvesting, bulking, collection, payment and marketing processes (see table below)..this is NEW

Table 12: Monitoring and evaluation matrix

Activities or issues to be monitored	Information for monitoring	When	From whom	Remarks (describe issues and solutions)
Land preparation	Methods/Technique and tools used, no. and size of areas, no. of villages, households			
Inputs supply	Type, quantity, quality, village, no. of recipient including next delivery			
Nursery or seedlings provided	Number of nursery areas, seedling produced or provided and delivered, no. of recipient			
Planting	No. and areas planted, planted villages, households, planting techniques employed, total seedlings used			
Maintenance	Techniques, no. of time for weeding, pruning, thinning, fertilizing, insecticide spraying including mortality rate, no. of replanting or replacing unhealthy crops including maintained areas			
Harvesting	No. of crops, areas remains until harvest, yield, harvest techniques			
Storage	Type and characteristics of storage place, size, location, etc.			
Collection				
Transport and export				
Etc.				
Etc.				

Stage 10: M&E (Contract Review process)

➤ Final Contract Review should be organized between the farmers, the investor and 3rd party (the Government staff)

➤ Open discussion on success, failure & lesson

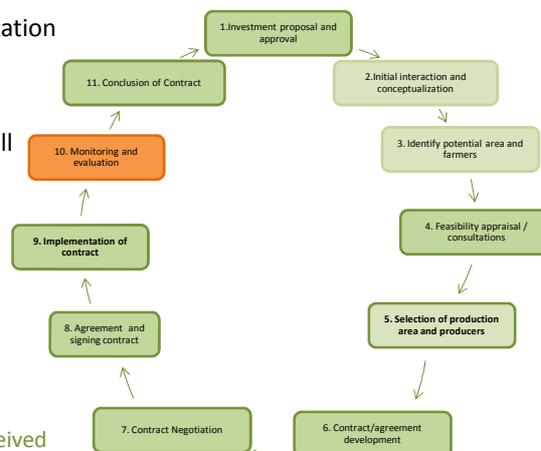
learnt from the contract implementation

➤ Plan for future should include appropriate mitigation measures

➤ Discussion must cover the overall performance (socioeconomic and environmental Impacts, performance and overall satisfaction of all parties.

Key elements include:

- Production process
- Input supply & delivery
- Quality and prices paid and received
- Collection/buying process
- Payments on time

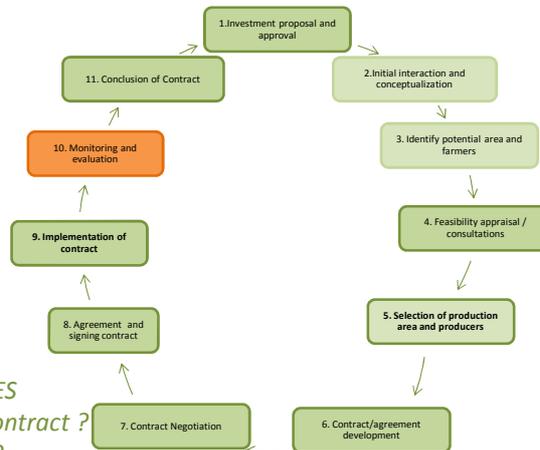


Stage 10: M&E (Contract Review Process)

The review would assess:

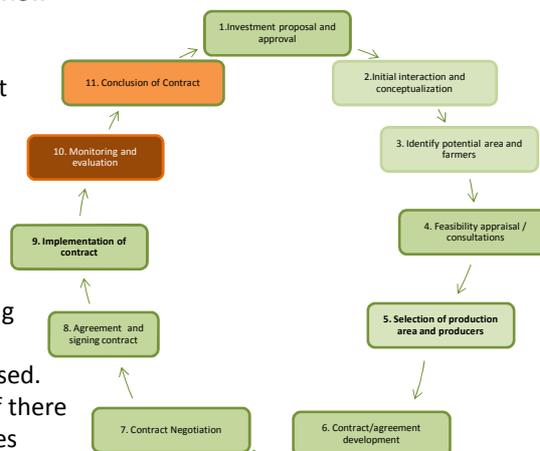
- the overall achievement of the Contract Implementation
- The performance of Investors and Farmer
- Answer the following questions:

- *To what extent did the parties benefit through contract implementation?*
- *What are the reasons of success or failure; factors for success and failure ?*
- *Were the Contract OUTCOMES in with the intention in the contract ?*
- *Are OUTCOMES sustainable ?*



Stage 11. Conclusion of the Contract

- On the due date of contract, both side will conclude the following together – this could be part of the Contract Review Process (Stage 10):
- An agreement should be signed by all parties to the contract that concludes that all the terms and conditions specified in the contract have now been fully fulfilled and the contract is COMPLETED.
- This Completion Form is important if the district is holding a BOND from the Investor. Once signed, the money may be released.
- The form should not be signed if there are still outstanding discrepancies that need further resolution (e.g. final payments)



DAY 3
TRAINING COURSE MATERIALS

DAY 3
TRAINING COURSE MATERIALS

PPT 11

XII. Preparation for Practical Session for Day 3

- Introduction and Guideline for Practical Session for the field trip to facilitate a review existing contract in a local village
- Trip Planning (make sure to plan the trip at the beginning of the training course so meetings can be arranged with farmers or farmer groups)
- Ask each group to prepare a **SHORT REPORT** and present later at the training room regarding facilitation of meeting; key issues arising and lessons learnt from the meeting with Contract Farmers

Handout 11.a: PRACTICAL FIELD SESSION

VILLAGE LEVEL DISCUSSION WITH FARMERS WHO ALREADY ENGAGE IN CONTRACT FARMING

OBJECTIVE: Further understand the situation of local farmers in the context of contract farming and make future plans for assistance with the objective of improving the fulfilment of farmer obligations in existing contracts and for future contract work

PURPOSE: The Purpose is to:

1. To practice facilitation techniques and apply knowledge gained in the course.
2. Gain feedback and learn from the farmers in the village about their experience and concerns with their existing contract
3. Based on feedback, seek means to help the farmers fulfil their contract obligations for this coming season (technical assistance, post harvest / processing aspects, quality control etc)
4. Identify key issues to be addressed in future contract negotiation for next year

EXPECTED OUTCOMES:

1. Improved understanding of the contract conditions and impact on contracted farmers
2. Develop an action plan to help farmers fulfil their contract obligations and make the best income out of their existing contract (best quality, highest income etc).
3. Implement the action plan. This could include technical advice on processing techniques, storage, checking sale conditions, ensuring that weighing scales used by are fair and correct.
4. Completed plan of action to provide assistance to farmers in preparation for next year production season. This may include a review of contract conditions; formation of Farmer Group for commodity marketing; undertake VC and market studies with farmers to understand market conditions and trends; increased access to other buyers; extension of new technology, processing and post harvest techniques and capital investment.

NOTE: Please make an appointment with the village at least 3-4 days prior to the meeting

MEETING PARTICIPANTS:

1. District staff from DAFO and DOIC
2. Provincial staff from PPCO, PAFO and PAEC
3. TA and Government staff
4. Village leaders and key informants
5. Farmers involved in contract farming

METHODOLOGY TO CONDUCT THE MEETING:

1. Select one government staff to facilitate the meeting. His/her role is to:
 - introduce participants
 - introduce the purpose of the meeting and expected outputs
 - request the key informants to present information on the following topics.
 - background to the village (no. of HHs, no. of families, cropping area etc)
 - background to contract farming in the village (how long, which crops, which companies etc)
 - explain current contract conditions with the existing commodity.
 - Highlight current issues or difficulties arising with the implementation of the contract. What solutions have farmer considered ?

- Follow up the introduction by the key informants with more questions. Try to complete answers to the following issues:
 - i. names of companies, contract model,
 - ii. What are the contract conditions ? Include duration of contract, prices, quality, timing, investment made by company (e.g. seeds on credit, feeder roads, social schemes like health provision; loans if any to farmers), post harvest and processing conditions, collection and transport conditions.
 - iii. What are the payment conditions ?
 - iv. What was the process for contract development, negotiation and final agreement. Is the contract verbal, MOU or written. Who signed and witnesses the contract ? Is it properly registered with the correct authorities ? Do all the farmers know the content of the agreement or contract ? Please get a copy of the contract (or take a picture of it !)
 - v. Note any issues arising with any of the conditions. Make sure the situation is clear as sometimes there are different versions from different informants.
 - vi. Discuss what needs to be done to implement the existing contract properly this year (technical advice, processing, storage, sale etc).
 - vii. Discuss what farmers would like to do next year. This could include:
 - Organise a farmer group to represent farmers interests in the next production year
 - Review other companies and increase the options available to farmers to increase prices and reduce costs (thereby increasing income)
 - Undertake market studies with the farmers to increase their knowledge on how to assess marketing options in the future
 - Assist in contract negotiation and signing
- On a flip chart, note down key conclusions of the meeting under 3 headings:
 1. What to do with this year's contract? Include action points and timeframe, and responsible group.
 2. How NUDP can assist farmers in preparation for next years production ? Include action points, timeframe and responsible group
 3. Conclusion points.
- Following final conclusions with the meeting participants, request the Village Representative and the senior Government staff to give concluding points
- Thank everybody and close the meeting

PLENARY SESSION (at Training Room)

Each Group finalise a short report of the key findings and lessons learnt from the village meeting:

1. Highlight the difficulties in facilitation of the meeting
2. Prioritise the KEY problems the farmers faced during the contract negotiation, implementation and completion
3. Key lessons learnt and conclusions

Facilitator's Notes 11.b: Preparation of report following practical field visit on DAY 3

The different Groups are required to complete a report of the village visit in a plenary session. Please try to complete answers to the following issues and points:

- i. names of companies, contract model,
- ii. Production areas, number of farmers etc
- iii. What are the contract conditions ? Include duration of contract, prices, quality, timing, investment made by company (e.g. seeds on credit, feeder roads, social schemes like health provision; loans if any to farmers), post harvest and processing conditions, collection and transport conditions.
- iv. What are the payment conditions ? Do farmers received credit from the company ? Payment in cash, or delayed payment pending sale etc?
- v. What are the quality conditions required ? (e.g. moisture content, grades etc)
- vi. What are the transportation arrangements and packaging requirements ?
- vii. What was the process for contract development, negotiation and final agreement?
- viii. Is the contract verbal, MOU or written ? Who signed and witnesses the contract ? Is it properly registered with the correct authorities ? Do all the farmers know the content of the agreement or contract ? Please get a copy of the contract (or take a picture of it !)
- ix. Note any issues arising with any of the conditions.
- x. Prioritise the key issues, problems, constraints arising from the discussion with farmers on their contract.
- xi. Elaborate what needs to be done to implement the existing contract properly this year (technical advice, processing, storage, sale etc).
- xii. What would farmers like to do next year ? This could include one or more of the following:
 - Organise a farmer group to represent farmers interests in the next year
 - Review other companies and increase the options available to farmers to increase prices and reduce costs (thereby increasing income)
 - Undertake market studies with the farmers to increase their knowledge on how to assess marketing options in the future (e.g. grow to sell themselves on open market)
 - Assist in the facilitation contract negotiation and signing in the future with companies and farmer groups
 - Others ?
- xiii. On a flip chart, note down key conclusions of meeting under 3 headings:
 - What to do with this year's contract?
 - Include action points and timeframe, and responsible group.
 - How to assist farmers in preparation for next year production ? Include action points, timeframe and persons responsible.

DAY 4
TRAINING COURSE MATERIALS

DAY 4
TRAINING COURSE MATERIALS

PPT 12 LEGAL ASPECTS

XVII. Review Previous Day

A review of the key elements of learning in the 2nd day; and reflect and summarize the issues from the FIELD SESSION on the 3rd day.

XVIII. Legal aspects of contract farming

There is no specific law on contract farming in Laos, it encompasses within several other existing laws and regulations. Written contracts are binding and enforceable by law. Understanding of the legal aspect of the contract farming will help to mainstream these aspects while facilitating and implementing contract farming. The major existing law that directly or indirectly frame contract farming agreements are 05 main areas namely production or agriculture; business, trade and investment; contract; problem handling and others:

Production related:

Law on Agriculture, Ref. N. 01-198/NA, dated 10 October 1998

Law on Labour, Ref. N. 06/NA, dated 27 December 2006

Environment protection law, Ref. N. 02-99/NA dated 3 April 1999

Land law Ref. N. 04/NA dated 21 October 2003

Contract related:

Law on Contract, Ref. N. 01/NA, dated 8 December 2008

Law on Secured Transaction, Ref. N. 06/NA, dated 20 May 2005

Business, Trade and Investment related:

Law on Investment Promotion, Ref. N. 02/NA, dated 8 July 2009

Law on Enterprise, Ref. N. 11/NA, dated 9 November 2005

Law on State Investment, Ref.N. 08/NA, dated 26 November 2009

Business law, Ref. N. 03/NA Date: 18 July 1994

Problems Handling related

Law on Handling of Petitions, Ref. N. 07/NA, dated 9 November 2005

Law on Resolution of Economic Dispute, Ref. N. 6/NA, dated 17 Dec. 2010

Law on Civil Procedure, Ref. N. 02/NA, dated 17 May 2004

Others

Constitution, Ref. N. 25/NA, dated 6 May 2003

Law on Property, Ref. N. 01/90/NA, 1990

Law on Local Administration, Ref.N. 03/NA, dated 21 October 2003

Law on Notary Office, Ref. N. 11/NA, dated 26 November 2009

Summary of the important points mentioned in the law that should be taken into account while facilitating contract farming are:

A. Supporting role of facilitators

Article 49-64 of the Law on Agriculture mentions that local authority has to provide information and technical tools to local farmers with participation of local farmers. Local authority should avoid making decision on behalf of local farmers without conducting any participatory procedure / process, agreeing and certifying by farmers because this may affect the rights of people who are farmers.

B. Principles for implementing contract

Contract shall be implemented in accordance with the main principles as follows:

- Voluntary – contracting parties should not be forced to sign a contract
- Equality – all the parties signing contract have equal right
- Honesty, cooperation and sincerity
- Respect and implement in accordance with laws and good tradition or culture of Laos.

C. Conditions for implementing contract

- Contract shall conduct in accordance with the following conditions:
- Voluntary of contracting parties;
- Enforcement ability of contracting parties;
- Objectives of the contract shall be clear, valid and in accordance with the Law;
- The rational of contract shall be in accordance with the Law;
- The structure of contract shall be in accordance with the Law.

D. Contracting drafting procedure

- Farmers are pre informed to make their decision
- Before finalising a contract, there should be a negotiation process and joint decision making on terms and conditions of contract
- Anyone signing contract on behalf of the farmers, government authorities, village authorities or farmers representative must have written pre consent from the farmers before signing on behalf of the farmers. Contract not signed by the farmers or its representative or without a pre-consent is not legally binding and farmers are not obliged to follow such contracts.
- Language of contact used should in explanations and understood by both parties. If the contract is not in Lao languages, it must be translated and Lao language version of the contract must be made available.

E. Major elements of contract agreement

Objective, price and implementing period (duration), responsibilities of parties are the main elements of all types of contracts. A contract should consist, at least, the details of the following contents:

- Name, Surname and Address of Contracting Parties;
- Objective, price, time for implementation, payment, transportation;
- Scope, quantity and quality;
- Place for implementing the contract and obligation to inform each other;
- Effects of breaching the contracts;
- Procedures and dispute settlement body;
- Conditions of revising and terminating the contract before its expiry.

F. Arbitration and dispute settlement

Conflict and disputes may occur during contract implementation between the farmers and investors. It is important that these problems are addressed properly and efficiently. The process and measures for settling disputes should be agreed during the contract negotiation and added in the contract agreement. Dispute settlement on contract is subject to the agreement stipulated in relevant article in the contract regarding dispute settlement, contracting parties could settle through different options as below.

- Mutual agreement and understanding between farmers and investors
- Agreement between the two parties mediated by village authorities at the village level
- Agreement between the two parties mediated by parties signed as witness at the district level
- Agreement between the two parties mediated by a lawyer
- Dispute settlement through panel from Economic Dispute Settlement Office of Justice Division at the Province, Vientiane Capital or the Ministry of Justice,
- The case decided by the People Court, with both parties using lawyers

G. Petition

A written petition shall have the following main contents:

- Name and address of the relevant organization request aims at;
- Names, family names, ages, and addresses of the petitioner and the person who is subject to the petition. If it is a group, representative should be assigned as a contact point representing to make a request, petition or claim. And the petitioner should be legally right status;
- The issues that need to be addressed and rationales, relevant evidence, previous discussion;
- The location, date, and signature or thumbs print of the petitioner or his/her legal representative.

In the case it is oral request the relevant organization, the official who receives the oral request shall make a written report according to the contents mentioned above.

The authorities dealing with petitions are:

- Public administrative authorities that sign the contract as witness, authority concerns with contract farming;
- Courts, public prosecutors, and investigation organizations;
- The National Assembly in case it is petitions for justice.

Requests shall be dealt with in accordance with the following stages:

- Review and consideration of the request and collection of additional data, information or evidence, as necessary;
- Issuance of a decision relating to the handling of the petition;
- Notification of the requesting person and the person subject to the request;
- Implementation of a decision on a request that already has legal effect.

Within 20 days after receiving the request (Article 19 of law on handling petition) Petitions for justice shall be dealt with within 30 days after they are received (Article 27 of law on handling petition).

Amendment and Cancellation to Contract

Based on agreement and approval of the contractual parties

- When one of either contractual parties breaches the contract causing losses to another, the contract could be cancelled by one party unless otherwise the case of cancellation is ruled by specific clauses stipulated in the contract.
- Written contract must be cancelled or amended with a written notice.
- One of either contractual parties failed to abide the contractual terms and conditions and/or fulfilled his/her responsibilities stipulated in the contract (article 37 of in- and out-contractual obligation law).

Penalization

- Penalization is a measure set on the contractual parties who breach the contract including cases of failing to abide, not fully abide or fulfill; or abide or fulfill later than the specified timeframe.
- Penalization follows the specific regulations related to the sectors concerned or otherwise, the agreement made and agreed by both contractual parties (article 36)

6 cases leading to Contract Termination

1. Once the contract has been correctly and fully implemented, abided and fulfilled;
2. Both contractual parties are united as one;
2. Based on agreement and approval of contractual parties;
2. Contract cannot be implemented;
2. Either of contractual parties is deceased leaving responsibilities that cannot be carried on by any other
2. The legal entity represents the contractual party is decided bankrupt by law

Rights to Claim for Loss Compensation from Legal Entity who is Decided Bankrupt by Laws

When any legal entity who is dissolved or decided bankrupt by law, the contractual party have rights to claim for compensation to his/her loss or expenses from the individual responsible for the property of the dissolved or bankrupt legal entity (according to the article of 38 of in- and out-contractual obligation law)

Question and Answer Session

Handout 12.a Legal Aspects of Contract Farming

There is no specific law on contract farming in Laos, it encompass within several other existing laws and regulations. Written contracts are binding and enforceable by law. Understanding of the legal aspect of the contract farming will help to mainstream these aspects while facilitating and implementing contract farming. The major existing law that directly or indirectly frame contract farming agreements are five main areas namely production or agriculture; business, trade and investment; contract; problem handling and others:

Production related:

1. Law on Agriculture, Ref. N. 01-198/NA, dated 10 October 1998
2. Law on Labour, Ref. N. 06/NA, dated 27 December 2006
3. Environment protection law, Ref. N. 02-99/NA dated 3 April 1999
4. Land law Ref. N. 04/NA dated 21 October 2003

Contract related:

5. Law on Contract, Ref. N. 01/NA, dated 8 December 2008
6. Law on Secured Transaction, Ref. N. 06/NA, dated 20 May 2005

Business, Trade and Investment related:

7. Law on Investment Promotion, Ref. N. 02/NA, dated 8 July 2009
8. Law on Enterprise, Ref. N. 11/NA, dated 9 November 2005
9. Law on State Investment, Ref.N. 08/NA, dated 26 November 2009
10. Business law, Ref. N. 03/NA Date: 18 July 1994

Problems Handling related:

11. Law on Handling of Petitions, Ref. N. 07/NA, dated 9 November 2005
12. Law on Resolution of Economic Dispute, Ref. N. 6/NA, dated 17 December 2010
13. Law on Civil Procedure, Ref. N. 02/NA, dated 17 May 2004

Others:

14. Constitution, Ref. N. 25/NA, dated 6 May 2003
15. Law on Property, Ref. N. 01/90/NA, 1990
16. Law on Local Administration, Ref.N. 03/NA, dated 21 October 2003
17. Law on Notary Office, Ref. N. 11/NA, dated 26 November 2009

Summary of important point mentioned in the law that should be taken into account while facilitating contract farming are:

A. Supporting role of facilitators

Article 49-64 of the Law on Agriculture mentions that local authority has to provide information and technical tools to local farmers with participation of local farmers. Local authority should avoid making decision on behalf of local farmers without conducting any participatory procedure / process, agreeing and certifying by farmers because this may affect the rights of people who are farmers.

B. Principles for implementing contract

Contract shall be implemented in accordance with the main principles¹ as follows:

- Voluntary – contracting parties should not be forced to sign a contract
- Equality – all the parties signing contract have equal right
- Honesty, cooperation and sincerity
- Respect and implement in accordance with laws and good tradition or culture of Laos.

C. Conditions for implementing contract

Contract shall conduct in accordance with the following conditions²:

- Voluntary of contracting parties;
- Enforcement ability of contracting parties;
- Objectives of the contract shall be clear, valid and in accordance with the Law;
- The rational of contract shall be in accordance with the Law;
- The structure of contract shall be in accordance with the Law.

D. Contracting drafting procedure

- Farmers are pre informed to make their decision
- Before finalising a contract, there should be a negotiation process and joint decision making on terms and conditions of contract
- Anyone signing contract on behalf of the farmers, government authorities, village authorities or farmers representative must have written pre consent from the farmers before signing on behalf of the farmers. Contract not signed by the farmers or its representative or without a pre-consent is not legally binding and farmers are not obliged to follow such contracts.
- Language of contract used should in explanations and understood by both parties. If the contract is not in Lao languages, it must be translated and Lao language version of the contract must be made available.

E. Major elements of contract agreement

Objective, price and implementing period (duration), responsibilities of parties are the main elements of all types of contracts. A contract should consist, at least, the details of the following contents³:

- Name, Surname and Address of Contracting Parties;
- Objective, price, time for implementation, payment, transportation;
- Scope, quantity and quality;
- Place for implementing the contract and obligation to inform each other;
- Effects of breaching the contracts;
- Procedures and dispute settlement body;
- Conditions of revising and terminating the contract before its expiry.

F. Arbitration and dispute settlement

Conflict and disputes may occur during contract implementation between the farmers and investors. It is important that these problems are addressed properly and efficiently. The process and measures for settling disputes should be agreed during the contract negotiation and added in the contract agreement. Dispute settlement on contract is subject to the agreement stipulated in relevant article in the contract regarding dispute settlement, contracting parties could settle through different options as below.

- Mutual agreement and understanding between farmers and investors

¹Article 5 of the Law on Contract and Tort of 2008

²Article 10 of the Law on Contract and Tort of 2008

³Article 16 of the Law on Contract and Tort of 2008

- Agreement between the two parties mediated by village authorities at the village level
- Agreement between the two parties mediated by parties signed as witness at the district level
- Agreement between the two parties mediated by a lawyer
- Dispute settlement through panel from Economic Dispute Settlement Office of Justice Division at the Province, Vientiane Capital or the Ministry of Justice,
- The case decided by the People Court, with both parties using lawyers

G. Petition

A written petition shall have the following main contents:

- Name and address of the relevant organization request aims at;
- Names, family names, ages, and addresses of the petitioner and the person who is subject to the petition. If it is a group, representative should be assigned as a contact point representing to make a request, petition or claim. And the petitioner should be legally right status;
- The issues that need to be addressed and rationales, relevant evidence, previous discussion;
- The location, date, and signature or thumbs print of the petitioner or his/her legal representative.

In the case it is oral request the relevant organization, the official who receives the oral request shall make a written report according to the contents mentioned above.

The authorities dealing with petitions are:

- Public administrative authorities that sign the contract as witness, authority concerns with contract farming;
- Courts, public prosecutors, and investigation organizations;
- The National Assembly in case it is petitions for justice.

Requests shall be dealt with in accordance with the following stages:

- Review and consideration of the request and collection of additional data, information or evidence, as necessary;
- Issuance of a decision relating to the handling of the petition;
- Notification of the requesting person and the person subject to the request;
- Implementation of a decision on a request that already has legal effect.

Within 20 days of receiving the request (Article 19 law on handling petition) petitions for justice shall be dealt with within 30 days after they are received (Article 27 law on handling petition).

Handout 12.b: Contract Template



Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity.

Contract of Project Cooperation

About.....

Village....., District....., Province

Between

Village..... (hereinafter referred to as the (the Party A)

Telephone

with

Company.....to act as the Company's agent by Mr.....Passport
Numbers.....>>>.on behalf of (hereinafter referred to as the
(the Party B) Telephone..... and Fax.....

- Pursuant to Law on Commitment of contract and Non- Commitment of contract, No. 01/NA of 08 December, 2008;
- Pursuant to the Law on Investment Promotion, N_o. 02/NA, 08 of July, 2009.
- Pursuant to the Law on Investment Promotion, N_o. 11 /NA, dated 09 of November, 2005.
- Pursuant to the Directions of the District Governor/Provincial Governor, N_o...../....., dated.....
- Pursuant to the MoU between the farmers and the personnel concerned or Company, date.....
- Pursuant to the enterprise registration license, N_o...../....., date...../...../.....
- Pursuant to the application form for investment, No...../....., date...../...../.....

Article 1: Purpose of Contract. This contract was made between the
Company.....and.....to meet the need of the
Company.....that would like to invest in crop production.....for exports and to
enable villagers have the jobs and incomes in order to eliminate the poverty according to the
Government's policy.

Article 2: Terms of the contract.

This contract has set the following conditions: Name of project, locations, funding source,
durations, the responsible committee, the rights, obligations, the standard, and the amendment of
contract, measures on implementation and the effectiveness of contract.

Article 3: Name and the location of bean growing place.

3.1 Name of Project: Cooperation Project for growing.....for export.

3.2 Planting place:..... Village:....., District:.....,
Province..... on the areas of

Article 4: Funding Source of Project.

4.1 The Company provides funds through the bank
of.....

Article 5: Duration of Project.

The duration of Project: For crop production in the duration of....., after the project summary and evaluation have been made, it can continue the implementation and set the new duration.

Article 6: Committee.

6.1 Farmer Committee comprise of the following people:

- 1. Mr..... as the chairman.
- 2. Mr.as vice chairman.
- 3. Mr. as member.
- 4. Mr as member.
- 5. Mr.as member

6.2 Committee of Company.....are as follows:

- 1. Mr.as the chairman.
- 2. Mr.as the vice chairman
- 3. Mr.as the member
- 3. Mr.as the member.
- 4. Mr.....as the member

Article 7: Rights and Obligations of Project’s owner.

7.1

.....

.....

.....

.....

.....

.....

.....

.....

Article 8: Right and Obligations of Farmers.

- 8.1
- 8.2.....
- 8.3.....
- 8.4.....
- 8.5.....

Article 9: Amendment of Project’s Contract.

- 9.1 The amendment of the contract can be made after implementing the project, when some duties were not correct or increase more duties, both sides will need to discuss and making mutual agreement first.
- 9.2 The amendment of the contract can be made when the project’s owner and project partners have been faced economic-financial crisis or due to other negative impacts. In this circumstances, both sides will need to discuss and making mutual agreement first, if this is impossible, a mediation will be held based on the procedures, if the two sides failed to reach agreement, must based on legal proceedings.

Article 10: Implementation of Project’s Contract.

- 10.1 Both sides will have to strive for implementing the rights and the obligations correctly based on the defined conditions in this contract with high responsibility.
- 10.2 In case of the disputes occurred among the parties because of doubts, misunderstanding, including the interpretation of the contract still not agreed, Both sides will need to frankly discuss and share ideas, this in order to jointly seeking problems' solutions in a peaceful manner under the supervision of the responsible committee.
- 10.3 This contract has been made as reference and to create the conditions for successful implementation.

Article 11: the settlement of a dispute of the project.

- 11.1 If a dispute occurred in this contract, it need to be solved in accordance with the following procedures, both sides must negotiate first, In case of both sides have failed to reach their negotiation, then they have to go to arbitration at the village, district, provincial and national levels under the supervision of the committee set forth in this contract.
- 11.2 If the both sides failed to reach artbitration, they need to sue in accordance legal proceedings or need to go to the court of law of the Lao PDR@the third country.

Article 12: The effectiveness of contract of project.

- 12.1 This contract shall be demolished, cancelled or replaced it by a new contract when both sides have discussed and reached mutual consent first.
- 12.2 This contract has been made based on the willingness and without any force to the parties, and it was prepared in two languages, Lao and the language of, both Languages of the contract have equal values and both sides have understood the contract before giving the signatures.
- 12.3 This contract shall enter into force on the date it is signed at....., date.....

Representative of farmers (the Party A) Company.....(the Party B)

The District Governor

Committee

1. The PAFO.....
- 2.....
- 3.....
- 4.....
- 5.....

❖ **Remarks:**

- | | |
|---|-----------|
| 1. Chairman of Project | 1 Copy. |
| 2. Vice-Chairman of Project | 1 Copy. |
| 3. The Compose UE Company Co., Ltd? | 1 Copy. |
| 4. Copies for the Provincial Relevant Offices | 2 Copies. |

Things to be considered when making the contracts.

You need to see the reality of the matters or projects which will be implemented, never stick to the contents and it is able to add additional Articles, in case of there was a necessary requirments, but this need to reffers to the laws. This is only an example.

PPT 13

XIX. Group Work: to review and evaluate existing contracts at district and provincial level and specify specific actions required

- Break into groups by district and province
- Review checklist of criteria for development of contracts and modify / add criteria (see page 27 of Guidelines).
- Against this criteria, and with the lessons learned from the FIELD SESSION as the background, review and evaluate the content of each contract or group of contracts registered with the district

Identify the following

1. Process, how it is facilitated, who are involved, and what the outputs are.
2. Strengths and weaknesses
3. Specific points that require management
4. Elaborate specific points of actions required to ensure that the contracts are well managed for the win-win benefits. This may include a range of activities:
 - Quick evaluation (M&E) of the existing contracts back in your districts
 - Based on legal framework supports in terms of in/out contractual obligations that govern both sides' fair benefit and environment and other obligations, conducting re-negotiations and improvement on terms and conditions and/or re-writing of the contract

- Other areas to be discussed, negotiated and planned:
 - *Facilitation between investor and farmers and the 3rd party*
 - *Post harvest management*
 - *Technical advice for storage, processing*
 - *Environmental concerns and technical advice*
 - *Others*
- Mention on return to district to develop an Action Plan for each contract (or set of similar contracts) together with timeframe, location, target groups etc

Facilitator's Notes 13.a GROUP WORK to review existing contracts

STEP 1: Break into groups by district and province. Make sure that sufficient copies of the EXISTING contracts in the district are available for review by the group.

STEP 2: Review checklist of criteria for development of contracts and modify / add criteria (see page 27 of Guidelines).

STEP 3: Against this criteria, and with the lessons learned from the FIELD SESSION (on DAY 3) as background or reference material, review each contract or group of contracts registered with the district.

Identify and comment on the following aspects:

1. Process, how it is facilitated, who are involved, and what are the outputs ?
2. Strengths and weaknesses ?
3. Specific points that require district facilitation and management
4. Elaborate specific points of actions required to ensure that the contracts are well managed for the win-win benefits. This may include a range of activities:
 - Quick evaluation (M&E) of the existing contracts your own districts
 - Based on legal framework supports in terms of in/out contractual obligations that govern both sides' fair benefit and environment and other obligations, conducting re-negotiations and improvement on terms and conditions and/or re-writing of the contract
 - Other areas to be discussed, negotiated and planned:
 - Facilitation between investor and farmers and the 3rd party
 - Post harvest management and possible investment
 - Technical advice for storage, processing
 - Environmental concerns and technical advice
 - Others

STEP 4: Using the Table presented in Handout 13.b, ask the Group to summarise the key constraints and actions required to improve the contract

STEP 5: Introduce the Action Plan Timeframe format given in Handout 13.c (for long and medium term periods). Advise that on return to the district, and together with key staff, develop an Action Plan to improve the content of each contract (or set of similar contracts) together with timeframe, location, target groups etc. This Action Plan should then be submitted to the senior district staff for review and implementation.

Handout 13.b PROPOSED SOLUTION TO EXISTING CONTRACT

Name of Contract:.....Dated:.....

Other References:.....

Name of Village or Cluster.....District.....Province:.....

No.	Issue	Proposed Solution	Responsible Persons	By When	Remarks

PPT 14

XX. Elaborate District Approach for Contract Farming

1. Group Work: participants split into groups (by district):
2. Objective: Review and discuss the existing Contract Farming situation in your district
3. Method: Ask yourself the following questions:
 - What are the main features of CF in your district ?
 - How many companies, which products, which villages, areas ?
 - What type of contracts exist ? What duration, conditions etc (use information generated from previous exercise to help summarise) ? Document by crop or product (some are annual crops or perennial crops ?)
 - How does the CF system work – who are the main players and how do they interact ?
 - What is the existing role of government agencies in this process ? Are agencies closely involved in facilitation – if so how ? Or do government agencies act as witness to contracts rather than facilitate improved contracts?

XXI. Presentation of District Contract Farming Approach

OUTPUTS of GROUP WORK:

- Identify key processes and draw a Flow Chart of key activities together with key responsibilities;
- Identify how the process or CF approach may be improved.
- Each group presents their findings and district Flow Chart for Contract Farming to the plenary group.
- Discuss how to improve the contract farming situation: “what are the NEXT STEPS for your District”

XXII. Introduction to the District Level Contract Farming Approach or Strategy development

Case Study: Introduction to experience gained from NUDP.

1. Why Contract Farming is important in NUDP areas
2. What happened after the CF training course
3. Phases articulated as part of the CF development process at district level
4. Flow Chart of District level Contract Farming highlighting different phases and activities
5. District level Contract Farming Strategy development process and need for feedback on existing contracts
6. Use of “Guidelines to Facilitate Contract Farming” and application under different scenarios (new product/new market;
7. Importance of developing a Marketing Information System to serve and benefit both traders and collectors and famers.

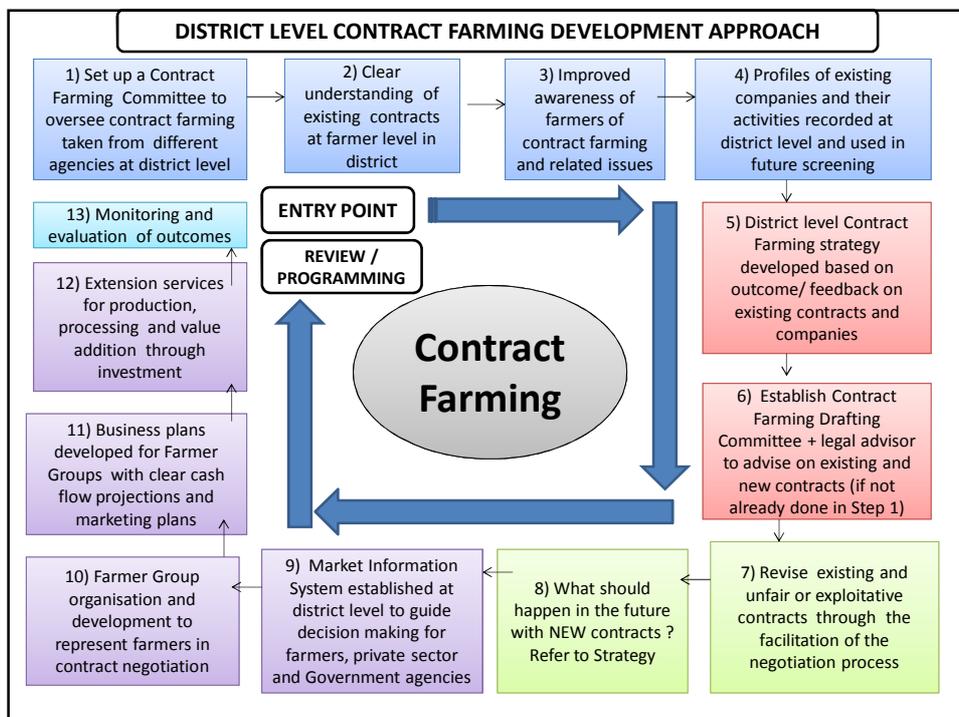


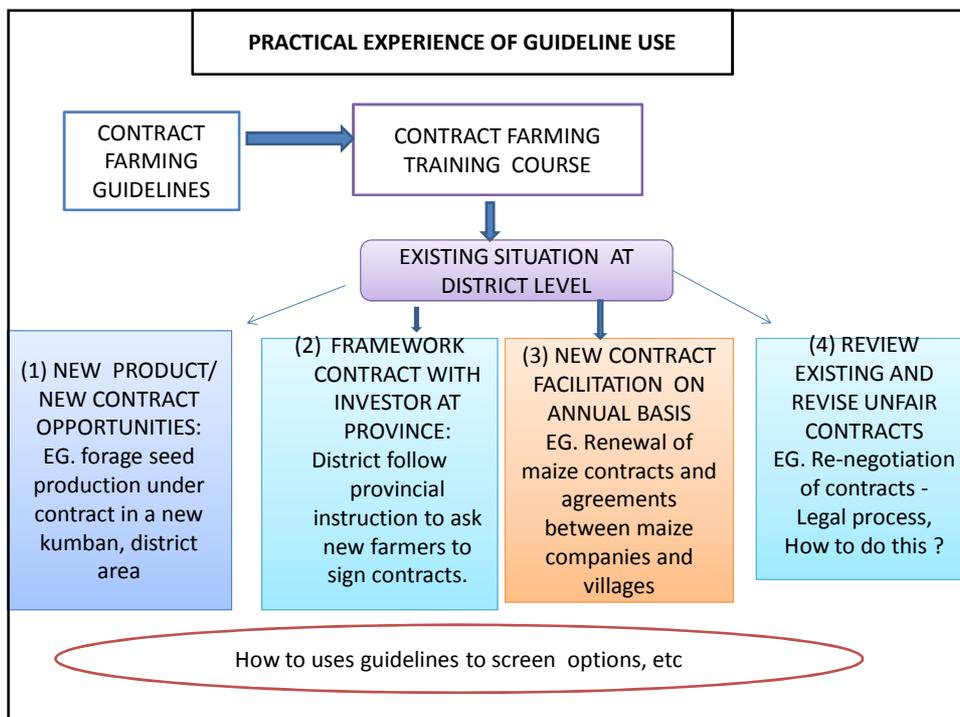
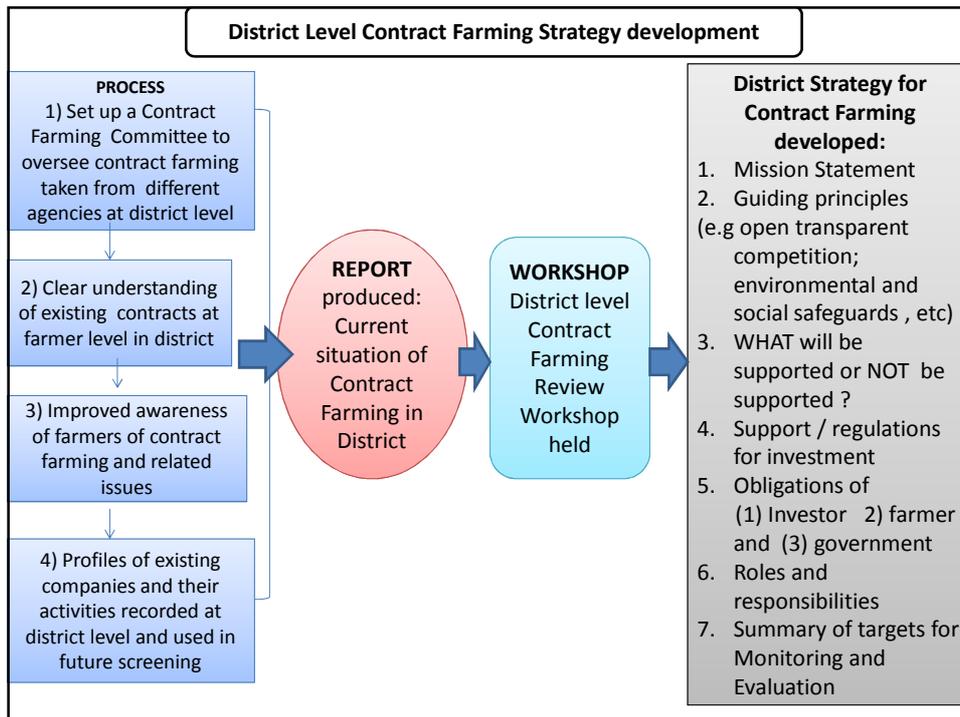
Discussion

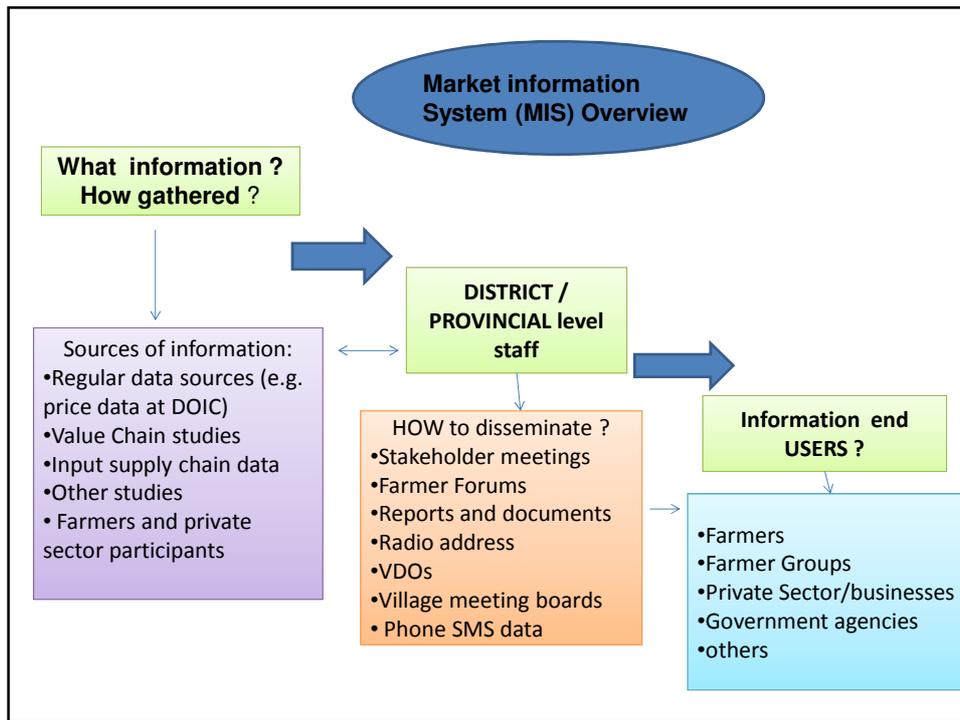
1. Does your district or province have a policy that supports monopsonist or exclusive trading rights to one trader/investor for specific products in a specific territory or area?
2. What are the effects of this (on prices, farmer incomes, tax revenue etc)?
3. What can you do to change this situation?
4. Cluster responses and summarise.

How to develop a Contract Farming District Strategy - Phases

- **Phase 1:** Clarify roles and understand the existing situation with regard to CF in the district (steps 1 to 4)
- **Phase 2:** Develop district level Contract Farming Strategy (steps 5 to 6)
- **Phase 3:** Revise existing contracts if deemed unfair & determine how to deal with new contracts (steps 7-8)
- **Phase 4:** Develop support services for market information; farmer group establishment and organization; business plan development and provision of extension services for production, processing and value addition (steps 9 to 12)
- **Phase 5:** Monitoring and evaluation (step 13)







Handout 14.a: District level contract farming development approach

This handout provides more detailed information on the importance of the following:

1. Relevance of Contract Farming and importance in agricultural development in Laos
2. How to develop district level contract farming development approaches including a Contract Farming Project Cycle
3. How to develop a Contract Farming Strategy.
4. Practical application of guidelines under different district situations
5. Market Information System development to support Contract Farming work

The points raised in this Handout should be used in conjunction with the slides in PPT 14.

1. Relevance and importance of contract farming



Contract farming can be a trap ! Farmers have the most to win or lose in contract farming.

Contract Farming needs to be considered carefully in order to make the best option for farmers and safeguard them to reduce the RISK of engaging in contract farming (environmental, health, social, poor contract conditions, low incomes, and high degree of exploitation).

Pictures from top left clockwise, each point below explains the picture:

1. Environment and watershed issues with companies growing crops intensively with high level of chemical inputs.
2. Excessive use of chemical inputs poorly – effect on watershed, river pollution and contaminated water used by families for washing and drinking
3. Declining yields due to repeated cropping and poor conservation techniques – unsustainable agriculture. More diversification is required to safeguard soils and the forests.

4. Health problems from excessive use of chemical (e.g bananas, beans). Use of banned chemicals in Laos by Chinese companies, but not monitored or regulated carefully enough. Farmers are becoming sick and dying from exposure.
5. Farmers not involved in the contract process - Picture 5 & 6: Contracts signed between the investor and the village representatives at the district office. The villagers often don't know or agree to the contract conditions, (prices, cost of inputs, duration, roles and responsibilities, quality aspects, investment model, etc) BUT have to follow what was agreed.
6. Social problems: indebtedness of farmers to the company: roads built to reach maize production areas, farmers have to pay for, but are unsure whether it is paid off or not after 2 years. If the company can continue to keep farmers indebted to them, they can continue to exploit them year on year and farmers trapped with no choice to work with other companies.
7. Opportunity to add value: usually it is the companies who benefit from adding value themselves and not the farmers.
8. Finance conditions: bean company held back the final payment to contracted bean farmers. They will pay the money owed at the beginning of the production season in the next year production ! This again locks the farmers in to grow for them. A bond should be placed by the company with a bank as insurance for the farmers and it should be high enough to discourage this type of exploitative practice.

2. District level Contract Farming development approach

Different phases have been determined (follow colour code in figure 1), based on field experience following Contract Farming Facilitation training courses, as follows: See Figure 1 below:

Phase 1: Clarify roles and understand the existing situation with regard to CF in the district (steps 1 to 4)

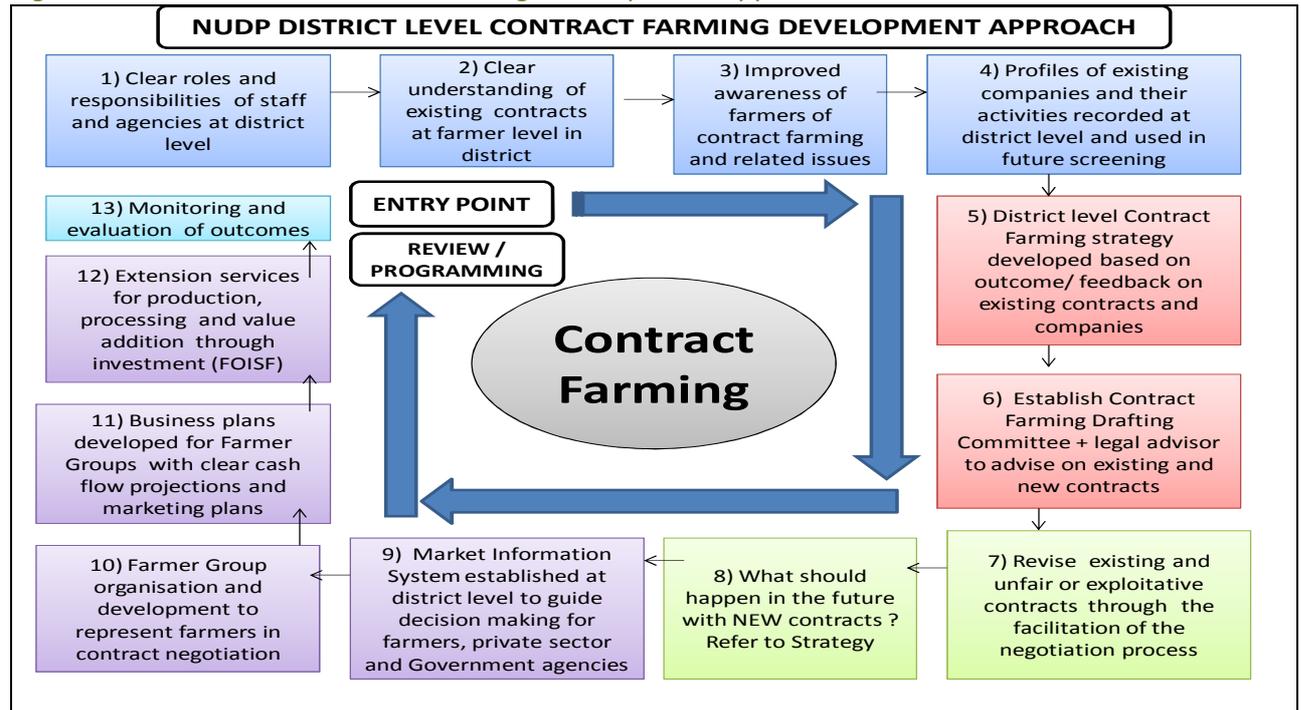
Phase 2: Develop district level Contract Farming Strategy (steps 5 to 6)

Phase 3: Revise existing contracts if deemed unfair & determine how to deal with new contracts (steps 7-8)

Phase 4: Develop support services for market information; farmer group establishment and organization; business plan development and provision of extension services for production, processing and value addition (using the FOISF) (steps 9 to 12)

Phase 5: Monitoring and evaluation (step 13)

Figure 1: District Level Contract Farming Development Approach

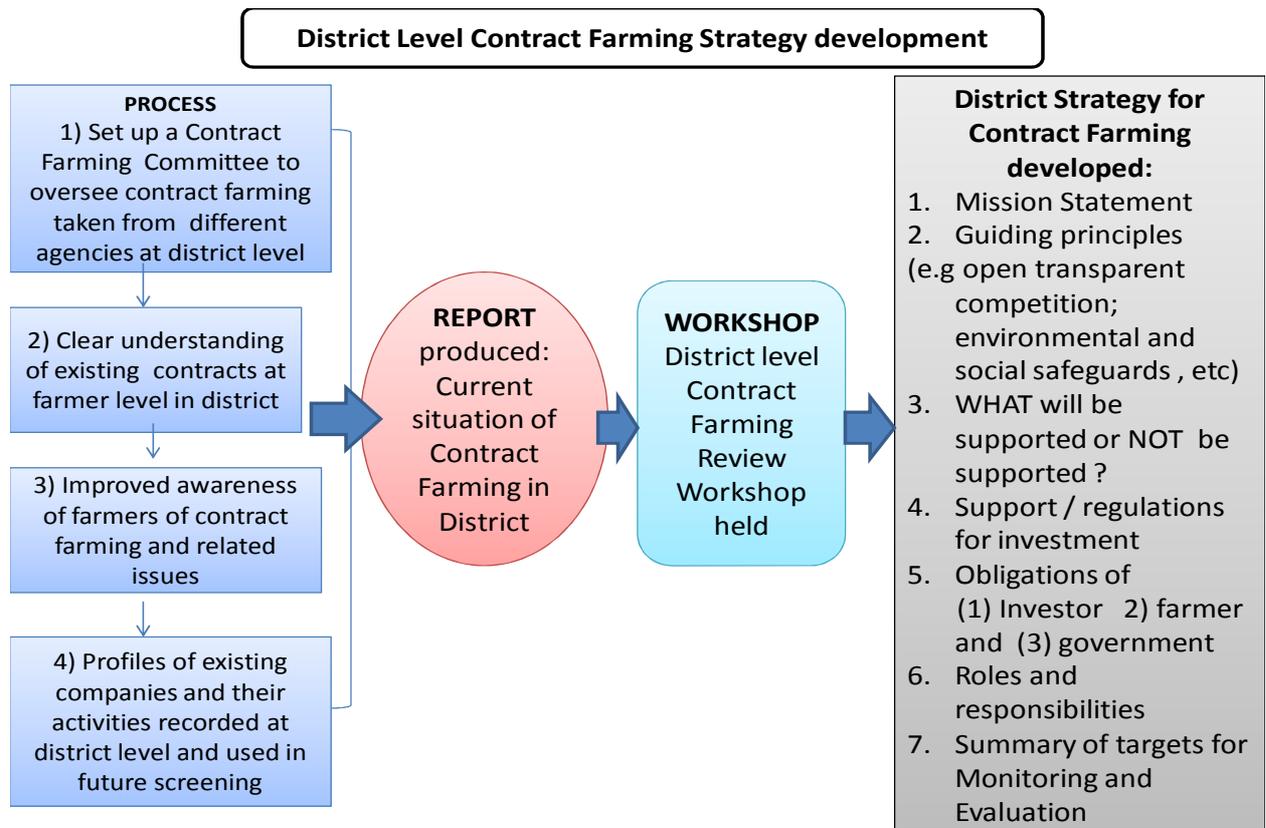


The necessary detailed steps identified to implement each of the phases are as follows:

Phase 1: Clarify roles and understand the existing situation of CF in the district

- Step 1:** Clear roles and responsibilities of staff and agencies at the district level in the management and facilitation of fair contract farming, clarified and agreed. To do so, a workshop at the district level involving all relevant government partners and stakeholders.
- Step 2:** Review existing contracts in all villages; based on outcomes try to revise existing contract conditions in villages and make a plan to improve or rectify conditions with the company concerned (especially those contracts with some years left before completion).
- Step 3:** There is a need to raise awareness with farmers in villages and other areas where farmers are or will in the future engage in contract farming. The message given should include the point that the DAFO and DOIC staff should be requested to help in the assessment and appraisal of any new contract proposed by investors. This awareness approach should coincide with review missions to each village (in step 2). Posters and other media should be produced and made visible in target villages.
- Step 4:** Undertake a review of companies, investors and traders that operate in the district. This may be done through the process set out in step 2 above; or it may be done through company visits. The existing database of the profiles of companies should be updated and maintained and their performance ranked (using criteria in the CFF guidelines).

Phase 2: Develop district level Contract Farming Strategy



Step 5: Based on feedback from reviews of companies operating in the district, together with feedback from farmers in villages in existing contracts, prepare and hold a stakeholder workshop including staff from government agencies, farmer representatives, financial organisations and private sector participants, to discuss the state of contract farming in the district and formulate a district level Contract Farming Strategy. This would include the following:

1. Mission statement
2. Objectives for CF
3. Expected outputs
4. Methodology and description of activities to achieve the goal
5. Clear delineation of roles and responsibilities by department together with staff specifically allocated to oversee the tasks and take responsibility
6. Timeframe of implementation
7. Financial arrangements

Following the development of a strategy and agreement of clear working roles within the district, an Action Plan should be drawn up to implement the programme.

Step 6: Consider the establishment of a Contract Drafting Review (CDR) Committee including a legal advisor, to oversee this work in the future. However, careful consideration should be given to the composition and members on this committee to ensure transparency in their work with potential investors.

Phase 3: Revise existing contracts if deemed unfair and develop new contracts

Step 7: Work with any villages where farmers seek to re-negotiate existing contracts with companies. As this activity will require adherence to a legal process, expert advice will be required from a qualified lawyer (with support from NUDP) together with members of the CDR Committee.

Step 8: Action must also be taken to assist any villages where farmers seek to negotiate new contracts with potential investors, together with roles and responsibilities and timeframe. This will include detailed feasibility analysis of options and the benefits and risks for farmers assessed, before final decision to enter into contract agreements are made.

Phase 4: Develop support services for market information; farmer group establishment and organization; business plan development and provision of extension services for production, processing and value addition

Step 9: A Market Information System (MIS) developed together with the appointment of staff responsible from DAFO and particularly the DOIC. Undertake training to provide necessary skills to collect, study and analyze and disseminate market and value chain information for use in economic calculations and appraisal of investment proposals for contract farming. Eventually, capacity building undertaken should lead to the operation of a Market Information System managed by district staff. The NUDP should support the use of different forms of media.

Step 10: Set up new and / or strengthen existing Farmer Groups and assist them to engage in contract farming if deemed suitable and desirable (following detailed feasibility studies and review of the benefits and risks of different marketing options open to villagers).

Step 11: Build the capacity of FGs to develop their own business plans for their enterprise to ensure a profitable, viable and sustainable production and marketing enterprise

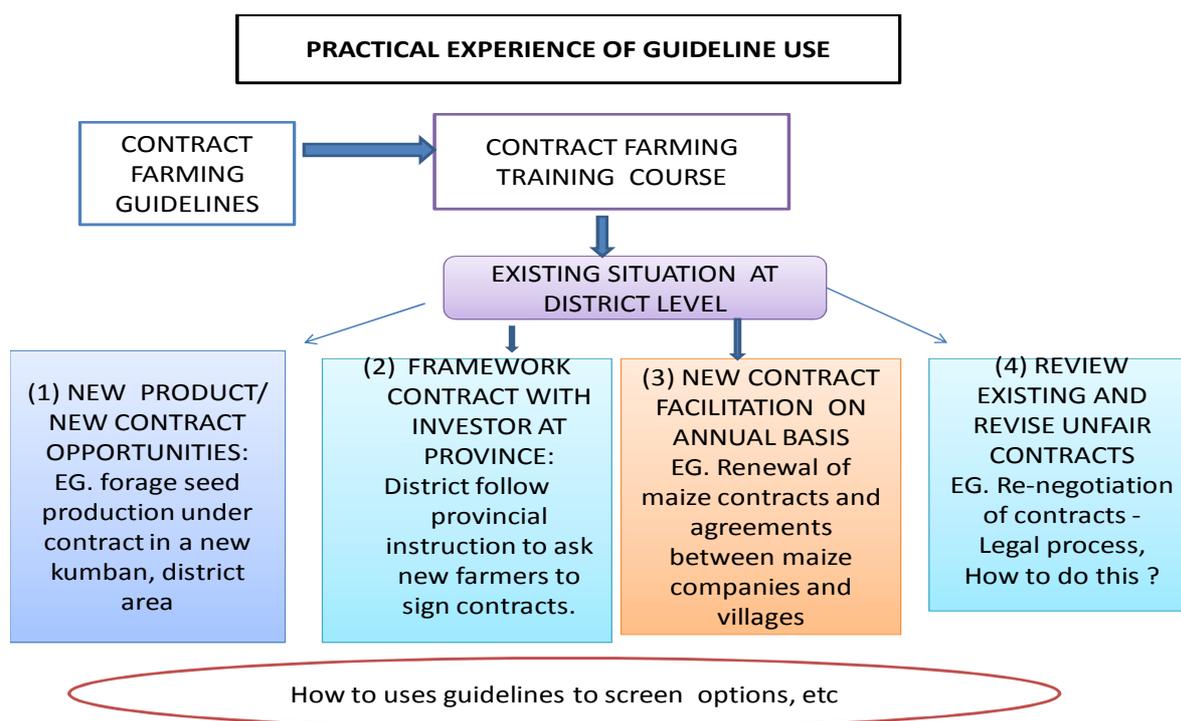
Step 12: Provide extension services and advice to Farmer Groups or farmers for production, processing and value addition. This may involve the use of credit or bank funds.

Phase 5: Monitoring and evaluation together with programming for next year

Step 13: undertake regular monitoring of activities and evaluation of the outcomes generated through contract farming development work. Use the results and lessons learnt in planning and programming in the next annual plan

3. Practical Application of the Guidelines

How to use the Guidelines for Facilitating Fair Contract Farming under different district scenarios ?



Experience has shown that trainees need to adapt the key concepts and approaches articulated in the Guidelines to the situation they encounter at their own district. Contract Farming and management approaches vary enormously from district to district, that also reflect the degree in the development of contract farming and contractual relationships (number of products and number of companies engaged).

From the figure above the following scenarios may be noted in relation to the use of the Guidelines:

Scenario 1:	New Product/ New Market situation. For example, a grass seed company wants farmers to produce grass seed under contract in a new kumban/district. In this case the Guidelines are fully applicable in terms of the application of each stage (1 to 11).
Scenario 2:	<p>Framework contract with Investor at the Provincial level: this approach is quite common where a framework contract (<i>Sunya Mare</i>) is agreed at the provincial governor’s office between a company and the province. Often the clauses of the contract may not be very specific or detailed, but usually the conditions are considered unfair to the farmers who were not involved in the negotiation of the contract but are required to participate and sign a contract or sub contract at a later date.</p> <p>Usual conditions would include the rights to produce in different districts; the price conditions and length of contract; the contract model; what the company will provide in terms of technology and investment (roads, seed and inputs etc) and the obligations of farmers.</p> <p>The basic concepts of the Guidelines are applicable, but once the contract is signed at the provincial level, it is very difficult to change the nature of the agreement.</p> <p>Often the agreement is signed without full appreciation of the impact on farmers and farmer groups in fulfilling terms and making a reasonable income. The approach of “Think</p>

	<p>before you sign” proposed and developed by LEAP is applicable here.</p> <p>The legal system of Lao has many decrees and acts enacted for the main purpose to protect farmers and individuals from one-sided contractual conditions. The difficulty encountered is how to take action to renovate, improve contracts already signed with senior political leaders. This can be very sensitive to pursue by Government staff of a lower rank.</p> <p>The first step would be to raise the issues with your director listing the key issues with specific clauses in the contract. The director should forward on to appropriate leaders within the Government system.</p> <p>The important issue is that farmers SHOULD NOT sign the sub-contract until they are happy with the conditions. “Think before you sign” guidelines should be followed.</p>
<p>Scenario 3:</p>	<p>New contract facilitation on an annual basis: A good example of this has been maize contract farming in northern Laos. The basic principles of the Guidelines remain valid.</p> <p>In this case, Maize Companies apply to the district to work and produce in selected villages. As many companies also build feeder roads to new production areas, some contracts are for longer periods (5 years). Districts tend to allocate one village to one company (territory), but this trend should be re-considered and changed to embrace a more open and competitive approach.</p> <p>As a result of previous CFF training, it has been possible for district staff to make improvements to the general terms and conditions that apply. For example, insert a clause establish a guaranteed minimum price, but final price paid established based on market prices prevailing at the time of sale. Another example includes the requirement for each company to place a bond at the district, released only after contracts are completed and found satisfactory or the inclusion of conditions related to environmental and social safeguards.</p> <p>In this situation, the district would benefit greatly from the elaboration of a Contract Farming Strategy that seeks to overcome key constraints (mono-cropping, low prices, roads into forest areas, limited value addition for farmers) and take advantage of possible opportunities (e.g. work with the private sector to develop new markets for diversified products and commodities). To do so may require the set up of a Contract Farming Committee to oversee the process.</p>
<p>Scenario 4:</p>	<p>Review existing contracts / Revise unfair contracts: The guidelines provide useful tools and criteria to screen contracts using economic, social and environmental safeguards to identify areas of weakness or exploitation in existing contracts (as demonstrated in an earlier session).</p> <p>As noted in Scenario 2 above, revising unfair contracts is more difficult to undertake, often for sensitive political factors.</p> <p>From recent experience and advice of a Legal Expert, the following recommendations / advice was given for a particular contract negotiated and agreed at the provincial level and implemented in one district that was found very exploitative. It is important that the contract is either re-negotiated or made “null and void” based on the facts in the case.</p>

Recommendation 1: report issues to your superior for further action with more senior officials and wait for any outcome in improvements to the contract.

Recommendation 2: Engage in face to face discussion and conflict resolution with the company staff or representative directly to try and reach agreement on improvements to the contract conditions. If successful, add an addendum to the contract.

Recommendation 3: As a last resort (when all other avenues have been explored, but result in no improvements), the procedure for cancelling or re-negotiating a contract is as follows:

1. Work with the villagers to document all the acts of wrong-doing by the company in relation to the village, its people and the environment. This may include:
 - the environmental damage,
 - use of banned chemicals,
 - water pollution measurement through water quality monitoring,
 - documentation of sick persons related to use of chemicals,
 - documentation of exploitation of contract farmers / labour based on effective rates relative to legislation on fair pay. The use of child labour may also be an issue.
 - assess whether the price received by farmers is fair and reasonable (in relation to the law)
2. Once a report is compiled, it should be sent to the DAFO head and forwarded to the district Governor's office for review.
3. A petition from all affected villagers should also be drafted and signed and submitted.
4. It is then presented to and registered with the court authority ("*Sue kadee*").
5. It is then sent for arbitration ("*Kai Kear*") and reviewed.
6. Then the case is finally sent to court for a hearing and judgement.

The role of the project should be to assist the Government offices in the district to prepare the case, as outlined in step 1.

The role of the Legal Advisor is not to act as a lawyer in the case, but to give advice only to the government.

The government (and not the project, NGO, or legal adviser) should take on the case against the company directly.

NOTE: The concerned government staff should seek the advice of an experience and qualified Legal Adviser or Lawyer (if the steps proposed in Recommendation 3 are acted on).

4. Marketing Information System development

In order to develop a viable and sustainable Market Information System at the district / provincial level, it is important to consider the following:

1. Clear roles and responsibilities of DAFO and DOIC staff at the district; and PAEC and POIC at the provincial levels to gather, analyze and disseminate information to end users.
2. What information for whom ? Determine what information to collect and when and by which method and for whom.
3. Identify the methods of data collection and analysis and sources of information
4. What are the best ways to disseminate information to end users ? This can be done through farmer forums with private sector participants, through farmer groups, through stakeholder meetings, and through the use of different media (reports, leaflets, radio, SMS phone messages, VDOs, village level bulletin boards)

Figure 3: Market Information System Overview

