

Agricultural Production Contracts

Description

By Dagnachew Tesfaye, Managing Partner at DMLF



Handshake. Two farmer standing and shaking hands in a wheat field. Agricultural business.

Agricultural Production Contract Proclamation No 1289/2023(the Proclamation) done as of July 6,2023 governs the particular nature of agricultural produce including **processed feed, seed, breed**; of **plant**(*cereals, pulses, oil crops, vegetables, fruits, root crops, spices, forage, non banned stimulants, industrial crops, forest and forest products and other cultivated crops*), **animal** (*cattle, sheep, goat, draft animals, camel, chicken, bee, silkworm, pig, and any others that can be domesticated in the future*) and **fish** and their products in a raw or produced and processed form between a producer and a contractor with a comprehensive legal framework. Agricultural Production Contracts(APC's) are defined as agreements between agricultural produce contractor and producer that is registered by an appropriate body to register contracts. Within APC, there are four types of contracts. These are out-grower contracts, centralized contracts, multiparty contracts and intermediary contracts.

The Proclamation covers the contractual journey of producer and contractor from the start to the end. APC's can start through written or oral offer and acceptance. Once the offer and acceptance are known, the APC's shall be made in writing attested by 3 witnesses and shall be registered.

The content of the APC's should reflect among others the names and addresses of the parties, the

rights and obligations of the parties, type, quality and quantity of the agricultural produce and description of units of measurement, price and term of payment, system of transportation and related costs, the duration and validity date of the contracts, dispute resolution mechanisms.

Force majeure circumstances are redefined taking into consideration the particular relationship of the producer and contractor. Serious illness of producer, if he himself is responsible to perform, extreme high or low temperature, fire accident, earthquake or landslide, man made accident affecting more people including the producer and extreme animal or crop disease or pest outbreaks are the force majeure conditions included in the Proclamation.

Producer and contractor can agree on specific conditions that entitles them to **terminate** the contract. However, the party that terminates without mutual consent shall be liable to compensate the other party for the damage arising from termination of the contract. Council of Ministers shall determine the calculation of the compensation for damage due to termination by a **regulation**.

Disputes shall be first settled amicably. When amicable settlement fails to produce result, then the parties may **agree** to resort to mediation by a 3rd party **or** settle the matter by arbitration. Where the parties fail to resolve the dispute through mediation or arbitration, they may take the matter to court of law with relevant jurisdiction.

To sum up, APC Proclamation aims to modernize transactions in agricultural produce and bring the agricultural sector intertwined with customary practices to a level of standard laws and procedures of transaction. Due to this, the Proclamation declares that no law or customary practice shall insofar as the laws are inconsistent with the Proclamation shall have no effect on matters provided in the Proclamation. The aim of the Proclamation is to bring the agricultural sector to a modern level of contractual agreement, ensuring the sector benefiting itself and the agro processing transformation of the country.

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