

Proclamation No. _____/2022

A proclamation to provide for Agricultural Production Contracts

WHEREAS, improving in product quality, production efficiency and competitiveness of agricultural production as well as development of linkages between agro-processing industries and agriculture sector is a key pillar to economic structural transformation.

WHEREAS, transforming producers` orientation to commercialization is essential for creating sustainable market linkage among producers of agricultural raw materials, product processors, value adding agro-industries and larger buyers;.

WHEREAS the existing laws do not adequately address the particular nature of agricultural production contracts, it has become necessary to put in place a comprehensive legal framework that facilitates transfer of technology, knowledge and skills, and market linkage between a producer and a contractor thereby improve agricultural production and productivity;

NOW, THEREFORE, in accordance with Article 55(6) of the Constitution of the Federal all Democratic Republic of Ethiopia, it is hereby proclaimed as follows:

PART ONE

GENERAL PROVISIONS

1. Short Title

This Proclamation may be cited as the “Agricultural Production Contract Proclamation No _____/2022”

2. Definitions

In this Proclamation, unless the context requires otherwise:

- 1/ “Agricultural Produce” means Plant Product, feed, live animal, animal product, fish or silk produce or seed, supplied in a raw or/and processed form;
- 2/ “Animal” means cattle, sheep, goat, draft animal, camel, chicken, honey, fish, silkworm, pig, rabbit or any other that might be domesticated in the future;
- 3/ “Plant” means cereals, pulses, vegetables, fruits, roots, spices, stimulants, industrial crops, forest & forest products and other crops in a raw or/and processed form;
- 4/ “Agricultural Production Contract” means an agreement between a Contractor and a Producer for production and purchase of Agricultural Produce;
- 5/ “Contractor” means any person who enters into an agreement with a Producer for production and purchase a specific Agricultural Produce;
- 6/ “Producer” means any person who enters into an agreement with a Contractor for production and sale of a specific Agricultural Produce;

- 7/ “Out-grower contract” means a kind of agricultural production contract where the contractor himself is a producer on his holdings and enters into contract with small holder farmers or/and other commercial producers around his vicinity due to shortfall of self-produce to meet own demands;
- 8/ “Centralized Contract” means a kind of agricultural production contract where the contractor does not engage in production but enters into an agreement with producer for the produce;
- 9/ “Multipartite contract” means a kind of agricultural production contract between the contractor and the producer with active involvement of a third party based on good will of contracting parties;
- 10/ “Intermediary contract” means a kind of agricultural production contract made by person on behalf of the producer with the contractor;
- 11/ “Third party” means a person who provides support in agricultural production contract processes between the producer and the contractor;
- 12/ “Input” means improved seed, fertilizer, pesticide, mechanization, technical assistance, human labor and any agricultural technology necessary for enhancing production;
- 13/ “Technical assistance “means any knowledge or technical skills or training necessary for production of Agricultural Produce;
- 14/ “Appropriate authority” means the Ministry of agriculture or respective regional organ responsible for Agriculture, upon which the powers and duties are vested under the provisions of this proclamation or regulations or directives for the implementation of the Proclamation.
- 15/ “Ministry” means the Ministry of Agriculture
- 16/ “Region” means any region referred to an Article 47 of the Constitution of the Federal Democratic Republic of Ethiopia and includes Addis Ababa city administration, Dire Dawa administration and established new regions;
- 17/ “Person” means a natural or juridical person;
- 18/ An expression in the masculine gender includes the feminine.

3. Scope of Application

This proclamation shall be applicable to any Agricultural production contracts.

PART TWO

FORMATION AND CONTENT

4. Initiation and Negotiation

- 1/ The formation of an Agricultural Production Contract shall be initiated through an offer by either a Contractor or a Producer;
- 2/ The initial offer shall be in either writing or oral.
- 3/ Contract initial offer shall include to provide information like produce type, price, terms of payment, quantity, quality standard, duration, storage, produce handover, kind of support to be provided and any other information necessary for the other party to ensure an informed decision.
- 4/ The offeree shall have sufficient time to review the terms before acceptance.

- 5/ The parties to the Agricultural Production Contract may be assisted by a third party during the negotiation process.
- 6/ Notwithstanding the provisions of sub-article (1) of this Article, any government institution or Non-Government Organization engaged in development activities may create awareness, initiate and facilitate an offer to be made by the Contactor or the Producer.

5. Form

- 1/ An Agricultural Production Contract shall be made in writing using simple and standard language.
- 2/ The parties may draw up their contract in one or more languages; one of which is the working language of the Regional State,
- 3/ Where the contract is drawn in more than one language, the version with the Region's working language shall be the governing in case of discrepancy.
- 4/ The Contract shall be attested by at least three witnesses, one of whom shall be a representative of the appropriate authority.
- 5/ The agricultural Contract shall be registered by the appropriate document's authentication and registration authority.
- 6/ Where the text of the Contract refers to documents and texts other than the provisions of the Contract, such documents shall be attached to the signed copy of the contract for registration upon submission to the appropriate document's authentication and registration authority.

6. Content

An Agricultural Production Contract shall at least include the following:

- 1/ The names and addresses of the Producer and the Contractor.
- 2/ Investment and business license Reference Number
- 3/ The purpose of the Contract.
- 4/ Size of production site or farm and its geographic location or number of herds or colony;
- 5/ Rights and obligations of the Producer and the Contractor;
- 6/ Type of Agriculture Produce, quality and quantity descriptions;
- 7/ Pricing mechanism of input and Agriculture Produce
- 8/ System of transportation and related costs;
- 9/ Type of technical support to be provided by the Contractor
- 10/ As required legal provisions related to Breeder's and other Patent rights
- 11/ Provisions specifying the causative events that can be considered as force majeure
- 12/ Provisions on successors or transfer of rights;
- 13/ The duration or validity date of the Contract as well as the conditions and procedures for the renewal, amendment or alteration or termination of the Contract.
- 14/ Dispute resolution mechanisms;
- 15/ Price amendments in case the quality & quantity of the produce surpasses or become below the level agreed upon in agricultural production contract.
- 16/ The date and place of signature by the parties to the Contract.

PART THREE

TYPES OF AGRICULTURAL PRODUCTION CONTRACTS; RIGHTS AND OBLIGATIONS OF PARTIES

7. Types of Agricultural Production Contracts

The following types of Agricultural Production Contracts shall be acceptable:

- 1/ Out-grower contract
- 2/ Centralized Contract
- 3/ Multipartite contract
- 4/ Intermediary contract

8. General Rights and Obligations of the Contractor

The Contractor shall have the rights and obligations to:

- 1/ submit his legal investment and business license in the area of interest.
- 2/ confirm and receive agricultural produce at place and time of delivery by checking quality and quantity as agreed in the Contract;
- 3/ ensure the provision of input and technical support to the Producer as agreed in the Contract;
- 4/ effect payment to the Producer at time agreed in the Agricultural Production Contract;
- 5/ monitor & technically support the producer in keeping data

9. General Rights and Obligations of the Producer

The Producer shall have the rights and obligations to:

- 1/ get input or payment from the Contractor as agreed in the Agricultural Production Contract;
- 2/ confirm quality and quantity of input provided by the Contractor at delivery and comply with agreed application standard of the input;
- 3/ acquire and apply the technical support provided by the Contractor;
- 4/ comply with the agreed recommendations, follow and apply the technical advice provided by the Contractor and record data;
- 5/ take appropriate measures to enhance quality of the Agricultural Produce and minimize losses;
- 6/ ensure delivery of the Agricultural Produce at agreed place and time with quantity and quality specified in the Agricultural Production Contract.

10. Price, Mode, and Term of Payment for Agricultural Produce

- 1/ The parties shall clearly state price for the Agricultural Produce in their Contract taking into account production and other related costs;
- 2/ The parties shall clearly specify in their Contract either total price or unit price of the

Agricultural Produce;

- 3/ Without prejudice to sub-article 2 of this Article, the parties shall state the basis for price revision in the causative event where quality of the Agricultural Produce go either below or above of what has been agreed in the Contract;
- 4/ The parties shall clearly specify method and time of payment for the Agricultural Produce;
- 5/ The parties may agree to renegotiate price in the event where the price of the Agricultural Produce in the Contract goes above the agreed price at time of delivery, taking into account equity and long-term interest of both parties. Particulars shall be determined in a Directive to be issued by the Ministry;
- 6/ The Contractor shall deposit the amount payable to the Producer to the nearest bank in an account opened in the name of the Producer after receiving the Agricultural Produce by deducting price of input, if any and any other prior payments effected to the Producer from the total price of the Agricultural Produce as per the Contract. ,.

11. Specification of Quantity of Agricultural Produce

- 1/ The parties shall clearly specify average quantity and units of measurement of the Agricultural Produce in their Contract;
- 2/ The parties shall clearly specify circumstances that might cause quantity of the Agricultural Produce to either above or below the agreed quantity and effects thereof on the performance of the Agricultural Production Contract. Particulars shall be determined in a Directive to be issued by the Ministry.
- 3/ If parties fail to clearly specify the quantity and measurement unit of the Agricultural Produce in the Contract, they may re-negotiate and agree.

12. Specification of Quality

- 1/ The parties shall clearly specify the quality and quality verification mechanisms of Agricultural Produce in their Contract.
- 2/ Without prejudice to the sub-article (1) of this Article, the parties shall clearly specify circumstances that might cause quality of the Agricultural Produce to vary from the agreed quality and effects thereof on the performance of the Agricultural Production Contract. Particulars shall be determined in a Directive to be issued by the Ministry.
- 3/ The parties shall clearly specify packaging and/or labeling requirements, if any, including the party that shall bear the cost of packaging and/or labelling.

13. Input Supply and Payment

- 1/ The parties shall clearly specify the type, quality, quantity, time and place of delivery, mode of transportation, and price of input to be provided by the Contractor.
- 2/ Notwithstanding the provisions of sub-article (1) of this Article, the price of the input to be provided by the Contractor shall not be higher than the prevailing local market price of same or similar input at time of delivery.
- 3/ The Contractor may pay in advance cash or through other mode of payment to the Producer for input purchase or other expenses. Such payment, however, shall not be higher than the agreed total price of the Agricultural Produce.

14. Delivery of Agricultural Produce

The parties shall specify place and time of delivery, mode of transportation, and the party

that covers the cost of delivery of the Agricultural Produce in their Contract.

15. Transfer of Rights and Obligations

Without prejudice to provisions of the Agricultural Production Contract, parties to the contract:

- 1/ May freely transfer their rights under the Contract, subject to the Contract's terms;
- 2/ May only transfer their obligations under the Contract upon obtaining the consent of the other party.
- 3/ According to the provision of this article sub-article 2, the transfer of rights described under the contract shall be implemented through the appropriate authority .

16. Acquiring Incentives

Contracting parties may acquire incentives like insurance, wide scale of market linkage, capital, tax holiday or relief, Farm machinery support and other incentives from a third party. Particulars shall be determined by a regulation to be issued by the council of Ministers.

PART FOUR

NON-PERFORMANCE AND INSURANCE

17. Force Majeure

- 1/ The following causative event constitute Force majeure
 - (a) Serious illness of producer, if the producer personally does the work by himself,
 - (b) extreme high or low rainfall; flood;
 - (c) extreme low or high temperature;
 - (d) fire accident;
 - (e) earthquake or landslide;
 - (f) man-made accident affecting more people than the producer
 - (g) extreme animal or crop disease or pest outbreaks
- 2/ Causative events listed under this article sub articles (1) shall be considered to constitute force majeure where such causative events prevent a Producer from undertaking his obligations and shall either be agreed between the parties or verified by the appropriate authority.
- 3/ Notwithstanding the provisions of sub-article (1) of this Article, parties to the Agricultural Production Contract may specify the causative events that can be considered as force majeure and the effects thereof.
- 4/ In the event of an occurrence of force majeure under sub article (1) or (2) of this Article, the party shall forthwith notify the other party and take reasonable measures to mitigate the adverse impact. Particulars shall be determined by the directive issued by the Ministry.
- 5/ In the event of an occurrence of force majeure under sub article (1) or (2) of this Article, the parties may specify the party that bears the cost of input and/or other expenses for the amount lost in the Agricultural Production Contract.

18. Insurance

Parties to Agricultural Production Contract may

- 1/ Agree to obtain insurance against force majeure that prevent a party or the parties to the Agricultural Production Contract from undertaking his/their obligations.
- 2/ Where the parties to the Contract agree to obtain insurance, the Agricultural Production Contract shall specify the party liable for payment of the premium.
- 3/ Notwithstanding the provisions of sub-article (2) of this Article, the parties to the Contract may agree to get their insurance premium from a third party.

PART FIVE

DURATION, RENEWAL OR ALTERATION; AND TERMINATION

19. Duration of the Agricultural Production Contract

- 1/ Parties shall state the duration of the Contract taking into account the nature and production method of the Agricultural Produce covered in the Contract.
- 2/ Notwithstanding the provisions of sub-article (1) of this Article, the Ministry may determine the duration of Agricultural Production Contract for agricultural produces with specific nature by a Directive..

20. Renewal or alteration of the Agricultural Production Contract

Parties to the Agricultural Production Contract may agree to renew or alter their contract:

- 1/ When either input price or Agricultural Produce price is beyond the anticipated price at the time of concluding the Contract and the same is verified by the appropriate authority or
- 2/ When parties agree to change the type and quantity of Agricultural Produce specified in their Contract or
- 3/ Where the parties to the Contract agree to renew or alter their Contract, all formal requirements for the formation of the Contract under this Proclamation shall apply to effect the renewal or alternation of the Contract

21. Termination of the Contract

- 1/ Parties to the Contract may stipulate the specific situations under which each party is entitled to terminate the Contract.
- 2/ Notwithstanding the provisions of sub-article (1) of this Article, a party to the Agricultural Production Contract that decides to terminate the Contract shall compensate the other party for the damage arising from the termination of the Contract; Calculation of compensation shall be set by the Council of minister's regulation.

PART SIX

DISPUTE RESOLUTION

22. Dispute resolution procedures

Parties to Agricultural Production Contract may resolve dispute through the following resolution mechanism. The parties to the Contract:

- 1/ Shall first negotiate and settle their dispute amicably between themselves within a reasonable period through negotiations.
- 2/ Where the parties to the Contract fail to reach an amicable settlement by themselves through negotiations, they may resort to mediation by a third party or settle the matter by arbitration.
- 3/ Where the parties to an Agricultural Production Contract fail to resolve the dispute through mediation or arbitration, they may lodge a complaint to a court of law with appropriate jurisdiction.

PART SEVEN

DUTIES AND POWERS OF EXECUTORS OF THE PROCLAMATION FOR AGRICULTURAL PRODUCTION CONTRACTS

23. Powers and Duties of the Ministry

- 1/ The Ministry of Agriculture shall have the following powers and duties regarding Agricultural Production Contracts at the national level:
 - (a) Promote, facilitate, and coordinate Agricultural Production Contracts.
 - (b) Create linkages among agricultural producers and contractors.
 - (c) Provide advisory services to producers, contractors and other interested parties;
 - (d) Facilitate the resolution of disputes arising from agricultural production contracts in accordance with the relevant provisions of this Proclamation
 - (e) Coordinates and creates fertile environment for awareness of Agricultural Production contracts
 - (f) Register Agricultural Production Contracts and documents of relevant records.
 - (g) Organize a national coordination section responsible for Agricultural production Contracts activities.
- 2/ In discharging its powers and duties under sub-article (1) of this Article, the Ministry shall cooperate with and coordinate other relevant federal and regional government and non-government agencies.
- 3/ The Ministry may, as appropriate, delegate its powers and duties to other relevant federal and regional institutions.
- 4/ In addition to the duties provided under sub-article (1) of this Article, the regional body responsible for agriculture development may institute additional duties by law for the best implementation of this proclamation.
- 5/ Each Regional State may designate an appropriate regional body to promote, facilitate and coordinate activities pertinent to Agricultural Production Contracts.

PART EIGHT

MISCELLANEOUS PROVISIONS

24. Applicable Law

Provisions of the Civil Code shall be applicable to matters not provided for in the provisions of this Proclamation.

25. Inapplicable Laws

No law or customary practices shall, in so far as they are inconsistent with this Proclamation, have effect on matters provided for by this Proclamation.

26. Power to Issue Regulations and Directives

- 1/ The Council of Ministers may issue regulations necessary for the implementation of this Proclamation.
- 2/ The Ministry may issue directives necessary for the implementation of this Proclamation or Regulations issued pursuant of sub-article (1) of this Article.

27. Effective Date

This Proclamation shall enter into force upon the date of publication in the Federal Negarit Gazette.

Done at Addis Abeba, this- day of -----/ 2022

Sahlework Zewde

President of the Federal Democratic
Republic of Ethiopia