

ASMP

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Agriculture Sector Modernization Project
விவசாய நவீனமயமாக்கல் திட்டம்

Policy Research Study to Identify Appropriate Partnership Agreement Models for Farmer Producer Organizations (Farmer Company) and Trading Partners of Specific Crop Sectors (Fruits, Vegetables, Pulses/Oil Crops and Spices)

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EXECUTIVE SUMMARY

The Agriculture Sector Modernization Project (ASMP) aims to support smallholder farmers to produce competitive high-value agricultural products, improve their ability to respond to market needs and access domestic and international markets and become efficient and sustainable market participants. By this consultancy assignment, ASMP entails to Identify Appropriate Partnership Agreement Models for Farmer Producer Organizations (Farmer Company) and Trading Partners of Specific Crop Sectors. This report provides a comprehensive analysis of existing partnership models, identifies their benefits, challenges and outlines recommendations to improve these frameworks. The findings and recommendations have been developed by a thorough literature review, stakeholder consultations and an in-depth analysis of partnership models countries including Zimbabwe, Kenya, Mexico, India and Pakistan and existing partnership models in Sri Lanka's agriculture sector.

The study explored three key models: Public-Private-Producer-Partnerships (PPPP), Contract Farming (CF) and Farmer Cooperatives. Each model demonstrated varying levels of success depending on the specific crop sectors, market conditions and institutional support. The benefits identified include:

- a) Increased market access and income for farmers
- b) Enhanced access to technical knowledge
- c) Better inputs and access to financial services
- d) Strengthened value chain integration benefiting all stakeholders.

However, challenges such as limited management capacity and governance structures in farmer producer organizations, power imbalances between farmers and private sector partners and inadequate legal and policy frameworks to support equitable partnerships were noted.

Stakeholder surveys conducted as a part of the study, highlighted the critical issues faced in agribusiness partnerships. The most common issues are communication gaps, lack of trust and insufficient risk-sharing mechanisms.

Lessons learned from these findings highlight the importance of developing trust and collaboration, ensuring equitable sharing of risks and benefits and aligning partnership objectives with the goals of all stakeholders. Additionally, the study emphasizes the need for strong legal frameworks that protect the interests of both farmers and private partners, promote fair contract terms and provide effective dispute resolution mechanisms.

Key legal considerations include the necessity of clear, transparent and enforceable contract terms that balance the obligations and rights of all parties involved. Specific issues such as unfair contract terms, inadequate risk-sharing clauses and absence of mechanisms for addressing disputes and breaches were identified as recurring challenges.

This report recommends the development of comprehensive legal frameworks, strengthening governance and management capacities of farmer producer organizations and piloting hybrid models that combine elements of PPPP, Contract Farming and Cooperatives to leverage the strengths of each model. It also highlights the importance of conducting targeted training programs for farmers and private partners, as well as promoting investment in sustainable agribusiness initiatives.

The need for collaborative efforts between the public sector, private sector and farmer organizations to implement these recommendations effectively is emphasized. Monitoring and evaluation mechanisms are also stressed to ensure transparency, accountability and continuous improvement.

By implementing these recommendations, ASMP can create a more equitable agricultural landscape, develop sustainable growth and improve the livelihoods of smallholder farmers. Strengthened partnerships, backed by robust legal frameworks and capacity-building initiatives, will enable farmers to become competitive market participants while driving economic development in Sri Lanka's agriculture sector. This collaborative approach has the potential to serve as a model for agribusiness partnerships globally, promoting resilience, innovation, and long-term success.

Contents

DEFINITIONS AND ABBREVIATIONS	6
1. INTRODUCTION	7
1.1. Objectives of the Consultancy	7
1.2. Scope of Consultancy	8
1.3. Tasks Assigned	8
1.4. Objectives of the Study	8
2. METHODOLOGY	9
2.1. Study of Agribusiness Partnership Models	9
2.2. Identification of Key Issues and Lessons Learned	9
2.3. Evaluation of Success Stories	9
2.4. Assessment of Legal Aspects	10
2.5. Stakeholder Analysis	10
2.6. Policy Analysis and Recommendations	10
3. PROGRESS IN BRIEF	11
4. FINDINGS	11
4.1. Farmer Companies (FCs)	12
4.2. Public Private Partnerships (PPP)	14
4.3. Public Private Producer Partnerships (PPPP)	15
4.4. Contract Farming (CF)	17
4.5. Farmer Cooperatives	19
4.6. Out-grower Systems	20
4.7. Examples of Lessons Learned from Partnership Models	21
5. AGRI-BUSINESS PARTNERSHIP ARRANGEMENTS ADOPTED BY OTHER COUNTRIES	24
5.1. Case Study Highlights	24
5.2. Review	34
5.3. Issues Identified in Agri-Business Partnership Agreements in Sri Lanka and South Asia	35
6. STAKEHOLDER ANALYSIS	36
6.1. Field Visit Summary	39
6.2. Observations	90
6.3. Future Needs	91
6.4. The Proposed Agribusiness Partnership Model/ System	92
7. POLICY ANALYSIS AND RECOMMENDATIONS	94
8. LAWS, ORDINANCES AND ACTS AFFECTING CONTRACTUAL FARMING AGREEMENTS AND OBLIGATIONS OF THE PARTIES	97

8.1.	Key Legal Considerations for Contractual Farming Agreements	97
8.2.	Sale of Goods Ordinance No. 11 of 1876	98
8.3.	Unfair Contract Terms Act 26 of 1997	102
8.4.	Review on Indian Model Contract Farming Act 2018 (Draft Act)	102
8.5.	Generic Terms and Conditions Proposed to be Included in a Contract Agreement.....	108
9.	MODEL AGREEMENTS.....	108
10.	CONCLUSION.....	135
11.	REFERENCES	137

DEFINITIONS AND ABBREVIATIONS

ADB	–	Agricultural Development Bank of Ghana
AFD	–	French Development Agency
AGM	–	Annual General Meeting
ASMP	–	Agriculture Sector Modernization Project
BOD	–	Board of Directors
CF	–	Contract Farming
DFPV	–	Plant Development and Inspection Department
DGPA	–	General Agriculture Promotion Department
FAO	–	Food and Agriculture Organization
FC	–	Farmer Company
GREL	–	Ghana Rubber Estate Limited
IFAD	–	International Fund for Agricultural Development
INDAP	–	Agricultural Development Institute
LKR	–	Sri Lankan Rupees
MOFA	–	Ministry of Food and Agriculture
NADeP	–	National Agribusiness Development Program
NGO	–	Non-Governmental Organization
PPP	–	Public-Private Partnerships
PPPP	–	Public-Private-Producer Partnerships
PUC	–	Public Unlisted Company
ROOA	–	Rubber Out-growers Agents Association
ROPP	–	Rubber Out-growers' Plantation Project
SICOM	–	Singapore Commodity Exchange
SL-GAP	–	Sri Lanka Good Agricultural Practices

1. INTRODUCTION

One of the prime objectives of the Agricultural Sector Modernization Project (ASMP) is to establish Public Unlisted Companies (PUCs) to organize agriculture into cohesive business units and cultivate high-value crops with provided technologies and technical assistance worth of an investment of about 361 million rupees to cover costs for irrigation, land preparation, inputs and processing facilities. The overall objective of these Farmer Companies is to maximize returns and profits for their shareholders over time. Establishment of PUCs helps mitigate the traditional fragmentation in the sector and enhances the collective bargaining power of farmers. They are expected to independently manage product supply, quality, profitability and sustainability, creating their own business environments. Strategically distributed across 12 districts (7 under the World Bank and 5 under the European Union), these companies foster a more organized approach to agriculture in Sri Lanka. They enable smallholder farmers to leverage collective resources and access broader markets effectively.

Public Unlisted Companies (PUCs) significantly reduce unit marketing, processing, compliance and transaction costs by pooling produce and capital and centralizing management while these PUCs are expected to improve market access by creating competitive channels and protecting members from exploitative middlemen. They bring investment to farmlands by mobilizing technology and resources, address socio-economic issues related to common resources like irrigation water and improve farm incomes by coordinating small farmers for commercial agriculture. PUCs transform farmers into shareholders, providing them with farm inputs at reasonable prices, better access to credit, technical assistance and value addition to primary products. They also undertake the operation and maintenance of irrigation facilities, ensuring sustainable agricultural practices. Despite these, PUCs are also facing many challenges especially when selling their produce. As a result the ASMP help PUCs find buyers and formulate partnership agreements. However, the questions arise to which extent the partnership agreements have succeeded. According to the existing literature, many of such agreements and established farmer companies have failed due to various reasons. Therefore, the current project is expected to identify problems with agribusiness partnership agreement models, determinants of failure and success, regional experiences in such partnerships while ultimately proposing solutions and policy recommendations. Hence this progress report covers current progress in the project.

1.1. Objectives of the Consultancy

- a) To analyze different types of Agribusiness partnership agreement models used by various trading partners in Sri Lanka and the region, identifying the most appropriate models for the Farmer Companies of ASMP beneficiary farmers. The focus is on ensuring the profitability and sustainability of these companies, while addressing knowledge gaps, policy and regulatory inconsistencies that currently impede optimal operation.
- b) To recommend policy adjustments, reforms, or new policies that will support effective agribusiness partnership models, making the agriculture sector more productive, competitive and responsive to both domestic and export markets.

1.2. Scope of Consultancy

The proposed study is conducted to analyze different types of Agribusiness partnership agreement models used by various trading partners in Sri Lanka and the region, identifying the most appropriate models for the Farmer Companies of ASMP beneficiary farmers. The focus is on ensuring the profitability and sustainability of these companies, while addressing knowledge gaps, policy and regulatory inconsistencies that currently impede optimal operation. The ultimate goal is to recommend policy adjustments, reforms, or new policies that will support effective agribusiness partnership models, making the agriculture sector more productive, competitive and responsive to both domestic and export markets.

1.3. Tasks Assigned

- A detailed analysis of existing Agribusiness partnership models in Sri Lanka and in the regional countries for both fresh and value-added agricultural products.
- Detail analysis of specific requirements / conditions included in such agreements, advantages and disadvantages of such agreements.
- Critically review, awareness among local farmers/ producers (smallholders and commercial farmers) and other value chain actors (collectors/sellers, processors,) on specific Agribusiness partnership models in operation.
- Detail Analysis of Policy/Legal and Institutional setup to facilitate such partnership agreements models in Sri Lanka
- To identify any knowledge gaps and policy /regulatory changes required to implement Agribusiness partnership models in Sri Lanka and make recommendations for required changes.
- Recommend appropriate policy instruments that the Government could be used to implement proposed changes.

1.4. Objectives of the Study

Based on the scope and tasks of the consultancy, this study attempts to review existing literature on agricultural partnership agreement models both within Sri Lanka and in similar agricultural contexts internationally. Specifically, the effectiveness of the models and area of improvements will also be assessed through the review. The insights gained will inform a rigorous examination and critique of the existing policy framework, identifying gaps that hinder effective partnerships and finally provide robust policy recommendations and strategic advice to improve the partnership models.

2. METHODOLOGY

The methodology adopted for this consultancy assignment under the ASMP was designed to provide a comprehensive, evidence-based understanding of agribusiness partnership models. The approach integrated a review of existing literature, stakeholder analysis and comparative analysis of successful models, supported by an in-depth examination of policies and regulatory frameworks. The steps undertaken are as follows:

2.1. Study of Agribusiness Partnership Models

A detailed study was conducted on agribusiness partnership models and agreements practiced in Sri Lanka and the region. The study focused on various models, including:

- Contract farming
- Public-Private-Partnerships (3P model)
- Public Private Producer Partnership (4P model)
- Farmer companies
- Out-grower systems
- Farmer cooperatives

The study gathered insights from literature to evaluate how these models empower smallholder farmers, improve market access and enhance value chain integration. National Agricultural Development Program (NADeP) and Smallholder Agribusiness Partnership Program (SAPP) are such models adopted to improve the market access while innovating in value chains. Challenges such as low participation of farmers, breaches of contracts and the absence of strong marketing capabilities were given the priority to provide a contextual understanding.

2.2. Identification of Key Issues and Lessons Learned

The review focused on identifying the key issues, advantages, disadvantages, benefits related to the above models and ascertain the reasons for failures and successes.

2.3. Evaluation of Success Stories

An evaluation of successful agribusiness partnership models in Sri Lanka and neighboring countries was undertaken to identify critical factors for sustainability and strategies for profitability and scalability.

The 4P model emerged as a strong framework for improving market access and fostering collaboration among stakeholders. Case studies were analyzed to understand the components of agreements that ensured positive outcomes and to document lessons learned for future replication.

2.4. Assessment of Legal Aspects

An assessment of legal aspects related to existing agribusiness partnership agreements was carried out to:

- Review the structure and content of agreements.
- Identify legal challenges, including contract breaches, lack of clarity and inequitable terms.
- Propose essential elements for robust agreements, such as governance structures, dispute resolution mechanisms and clearly defined roles and responsibilities.

The analysis highlighted the importance of simplifying legal language and ensuring farmers' understanding of their contractual obligations.

2.5. Stakeholder Analysis

A stakeholder analysis was conducted to capture the perspectives of key participants in agribusiness partnerships. Structured interviews and focus group discussions were held with Board members of PUCs and smallholder farmers participating in ASMP and ASMP staff.

Insights gathered include stakeholders' objectives, challenges faced, governance practices and satisfaction levels. Specific focus was given to market access, technology adoption and financial sustainability.

2.6. Policy Analysis and Recommendations

The analysis of policies aimed to address gaps and propose recommendations for sustainable and inclusive agribusiness partnership models. The review examined:

- Governance structures.
- Risk management strategies.
- Inclusion of smallholder farmers in value chains.
- Access to finance and technical assistance.

Recommendations were developed to address policy gaps, promote collective action and enhance institutional frameworks for sustainable partnerships.

3. PROGRESS IN BRIEF

Proposed Tasks Under Methodology	Progress
Study of Agribusiness Partnerships Models	Completed
Identify the Key Issues, Advantages, Disadvantages, Benefits Related to the Above Models and Ascertain the Reasons for Failures And Successes	Completed
Evaluate Success Stories of Agribusiness Partnerships Models and Agreements Within the Country and in the Neighboring Region	Completed
Assessment of Legal Aspects Related to Existing Agribusiness Partnerships and/or Agreements	Completed
Legal Challenges in Agribusiness Partnership Agreements	Completed
Conduct Stakeholder Analysis	Completed
Analysis of Policies and Propose Policy Recommendations	Completed

4. FINDINGS

Agribusiness partnerships models and agreements are formulated to bring together various stakeholders such as farmers, agribusiness firms/ companies, government, NGOs and other supporting institutes and agencies to achieve common goals which may include facilitating access to market, financing, technology transfer and knowledge dissemination with the hope of enhancing productivity and sustainability while improving smallholder farmers' income. Public-Private-Producer Partnerships (PPPPs), Public-Private Partnerships (PPPs), Contract Farming, Out-grower Systems, Cooperatives, Value Chain Partnerships, Inclusive Business Models, Joint Ventures and Franchise Farming can be considered as a few popular partnership agreement models. Among these, most popular partnerships models that were adopted in Sri Lanka or elsewhere were evaluated using existing literature.

As the PUCs are also type of Farmer Company (FC), evaluation of farmer companies would lead to produce clear insights into which aspects have favored those most and favored least. It is a fact that the success of PUCs hinges on their ability to effectively manage their business operations, particularly in marketing their produce. PUCs have several options for selling their produce: through middlemen, directly to customers, via online platforms, or through contracts/partnership agreements with predetermined buyers. Given their limited marketing capabilities, PUCs received assistance from the ASMP in identifying buyers and formulating contract agreements. However, existing literature indicates that agreements signed between farmer companies/organizations and buyers have not yielded the expected outcomes due to various reasons. Therefore, this report first presents the findings of factors that affect the failure or success of farmer companies and secondly review the partnerships agreement models. Thirdly, an assessment of success stories of such agribusiness partnership models was conducted and the findings were presented.

4.1. Farmer Companies (FCs)

The main problems that the individual farmers faced are lack of capabilities in marketing their produce, lack of organizational models, technical and attitudinal constraints and low bargaining power (Esham and Kabayashi, 2013; Dunham, 1992). As a result, commercialization process of their produce was sluggish (Esham et al., 2006). As a solution to these problems, Sri Lankan government proposed to combine small groups into collective groups as FCs.

Benefits	Literature Sources
<ul style="list-style-type: none"> • Increased commercial production • Increased bargaining power • Reduced transaction costs • Reduced unit marketing • Compliance by pooling resources • Manage value adding assets by pooling their capital and centralizing management • Increased income • Increased productivity • Improved marketing • Guaranteed prices • Farm inputs at a reasonable price • Improved access to credit • Provide technical assistance • Facilitate value addition to primary agricultural products • Undertake operation and maintenance of irrigation facilities • Find solutions for market manipulation and exploitative behavior of private traders • Bring investment to farm lands by mobilizing technology and productive resources • Partnerships with the organized private sector • Product diversification • Business management 	<p>Esham and Usami (2007); Holloway et. al. (2000); Reardon and Barret (2000); Markelova et. al. (2009); Poulton and Lyne (2009); Esham and Kabayashi (2013)</p>

Although the FCs look promising, they fail to deliver what was expected due to various reasons. According to Rosairo et al. (2012), those failures are due to;

- Lack of trading platform to trade shares
- Weak electoral procedures when appointing directors
- Poor managerial skills
- Poor investor confidence due to lack of transparency and accountability of the management

However, Esham and Kabayashi (2013) discuss the factors of failure of FCs in Sri Lanka in detail under four broad topics. They are issues with governance, management, shareholder participation and business operations and services.

Issues Related to Governance	Issues Related to Management
<ul style="list-style-type: none"> • Flaws in electing BOD members (Rosairo, 2010) • Undue influence of externally appointed BOD members on decision making • Influence from political leaders (Senanayake, 2004) • Failure in identifying aspirations of farmers (Esham, 2006; Senanayake, 2004) • Lack of forum to views of shareholders when formulating strategies and policies of the FC (Esham and Usami, 2007; Rosairo, 2010) 	<ul style="list-style-type: none"> • Lack of skills in developing and implementing new strategies and appropriate management skills (Rosairo, 2010) • Unavailability of proper business plan or having outdated business plans • Failure to find new business opportunities and adopt to changing market needs • Lack of proper feasibility studies when implementing new projects such as farmer credit programs etc. • Most the BOD members are farmers with little or no managerial skills. • Government and other facilitating agencies have not improved the managerial capacity of the FCs
Issues Related to Shareholder Participation	Issues Related to Business Operations and Services
<ul style="list-style-type: none"> • As a result of the absence of grass root level presence at the FCs, they were unable to attract sufficient number of farmers as shareholders (Wijerathna and Varma, 2006) • Active participation of famers in activities undertaken by FCs is very low (Senanayake, 2004) • Participation of farmers in AGMs and business activities is very low • The farmers acquire shares only to be eligible to get benefits from the FC (Esham and Usami, 2007) • Many shareholders even do not know what activities are undertaken by the FC (Esham and Usami, 2007) 	<ul style="list-style-type: none"> • A few activities are conducted under business operations • As a result of the limited shareholder base, it has led to limited operational capacity and FCs are facing difficulties in starting new activities due to low capital availability for allocating money for such activities. • Debt equity ratios are far above the realistic levels. • Non-farmers are unable to become members of the company due to statutory restrictions. (Esham and Usami, 2007) • Economies of scale is not achievable due to low shareholder capital. • Poor extension services to shareholders as a result of lack or low collaboration with other stakeholders such as business partners, government and non- government agencies. • Poor managerial and financial capacity have led to poor value addition

4.2. Public Private Partnerships (PPP)

Public Private Partnerships in agriculture is considered to be playing a major role in increasing productivity, driving growth and modernizing agriculture sector (FAO, 2016) while it caters to managing inputs, resources, markets, risks, technology and benefits (Ponnusamy, 2013). PPP also assists in knowledge management, capacity building for women and youth, development of advanced technologies and innovations, processing, market promotion, gender mainstreaming, leveraging finance, sharing risk, food security and inclusion (FAO, 2016; Ponnusamy, 2013). The National Agribusiness Development Program (NADeP) which is a Public–Private–Producer (PPP) framework operational under the government is an example of Sri Lankan experience with agribusiness PPP model. The main objectives of NADeP are to increase farmers' income through participation in developing marketing chain, assist in providing microfinance to the target group and train the rural youth to gain skills to have better employment opportunities (Prasada, 2020). However, PPPs also face limitations and challenges/ issues.

Limitations and Challenges/ Issues	Literature Sources
<ul style="list-style-type: none"> • Focus on high-end technologies, high-profit margin areas and crops, perceived mistrust and • When the public sector assists private sector by subsidizing the private business interests, it may create 1st mover advantage for the private company. • Lack of transparency in selecting private partners and allocating lands and providing concessions • Capacity of public partners to work with private sector may be limited • Inadequacy of available rules and regulation • Side selling by non-adherence to agreements among partners • Inadequate risk sharing mechanism to deal with incidences of force majeure • Failure to comply with the quality standard • Recruitment of skilled and qualified workforce. • Labor shortage during peak harvesting periods • Limited funding and escalated costs • Difficulty in sustaining activities that require investments beyond partnership periods. • Low rates of participation in newly developed facilities • Low rate of adoption of provided technology • Delays in construction and overspending • Less co-investment by farmers • Disappointing profits • Lack of traceability and emergence of quality control issues • Limited availability of agribusiness and entrepreneurial service • Inadequate feasibility studies and planning 	<p>Ponnusamy (2013) FAO (2016) Prasada (2020)</p>

4.3. Public Private Producer Partnerships (PPPP)

One of the major issue in partnerships agreements is non-inclusiveness of smallholder farmers or they have limited or zero voice in partnership agreements. They are mostly led by more abled farmers with high capital possession and large extent of lands. On the other hand, private sector agribusiness companies tend more towards those farmers. It has also been evident that negotiation skills of the smallholders when forming partnership agreement are lacking farmers (Chamagni, et al., 2016). One the solutions to such is to create Public Private Producer Partnership (PPPP or 4Ps) where it assures the inclusiveness of smallholder farmers and ensures fairness, accountability and transparency (Chamagni et al., 2016). According to Chamagni et al. (2016) 4P model identify the issues with price setting mechanisms, issues with enforcement of contracts, regulatory issues, issues with respect to modalities in payments and issues related to ownership and coordination. Though the 4P models, it is expected that the income of the smallholder farmers increase leading ultimately to rural development (Thorpe and Maestre, 2015).

Chamagni et al. (2016) define 4p model in the following manner.

“4Ps models involve cooperation between a government, business agents and small scale producers who agree to work together to reach a common goal or carry out a specific task while jointly assuming risks and responsibilities and sharing benefits, resources and competencies.”

Benefits	Literature Sources
<ul style="list-style-type: none"> • Inclusion of smallholder farmers • Ensure transparency, fairness and accountability • Public sector invests in infrastructure, research and extension • Public sector helps in reducing risk and transaction cost and building in trust between parties • Asset transfer by government sector when necessary • Coordination and management of value chain by the private sector • Sometimes the private sector is expected to invest on processing and warehouse facilities and transportation • Private sector may co-invest in commonly owned assets • Private sector may provide market information, technology and specialized technical assistance. 	<p>Chamagni et al. (2016) IFAD (2015a) IFAD (2015b)</p>

As always is the case, sometimes the benefits of any agreement or partnership model is shadowed as a result of its negative aspects, issues etc. however, knowledge of such things may help in finding the solutions.

Limitations and Challenges/ Issues	Literature Sources
<ul style="list-style-type: none"> • Different stakeholders in the partnership agreement have different objectives and goals and bringing them to one table is a difficult task • It is a fact that private sector can dominate in making decisions sometimes without giving an opportunity for farmers to share thoughts and smallholder farmers might be marginalized • Funding by different stakeholders is a difficult task and without short term returns the private sector may not invest • It has been evident that smallholder farmers have had to bear disproportionate risk in the case of fluctuations in the market and climate risks. • If the new technologies are introduced, smallholder farmers may lack the technological skills and knowhow • Regulatory framework may not be satisfactory within the country which ultimately lead to ineffective partnership • One of the main issue is how to establish an effective monitoring and evaluation mechanism • The issue with whether all the parties committed for a long term partnership is a question remained and it will cause sustainability issue in agreement. • Side selling by farmers as they have some alternative markets. This is a risk to the private sector company • Sometimes government funds may be a waste if the fail smallholder farmers fail to achieve what is expected • Farmers may receive low prices due to monopolistic nature of the company. The price offered by the firm sometimes could be lower than the cost of production • Lack of market chain institutional arrangement • Positive outcome have not been studied substantially so that the evidence of positive outcomes are lacking • As shown by Thorpe and Maestre (2015) by quoting from Spielman et al. (2010), problems arise in markets due to market failures, such as missing markets for credit or inputs; institutional barriers, such as poor contract enforcement norms; and systemic weaknesses in market exchange, including the inability of agents to learn about each other, identify areas of complementarity and build and sustain trust • High transaction costs leading to coordination failure, • Scale diseconomies • Missing or underdeveloped markets • Undeveloped infrastructure 	<p>FAO (2016) Chamagni et al. (2016) Thorpe and Maestre (2015) Moreddu, C. (2016) IFAD (2015a) IFAD (2015b) Spielman <i>et al.</i> (2010) World Bank (2007) Poulton <i>et al.</i> (2010)</p>

4.4. Contract Farming (CF)

Contract farming is an agreement between a grower and a processor/ buyer regarding the production of an agricultural commodity and/ or selling of the produce at specified quality at an agreed price (Bellemare and Bloem, 2018). When looking into to contract farming arrangements in Sri Lanka, CF agreements have been formulated to help smallholder farmers build strong market linkages with agribusiness firms to sell their products.

Benefits	Literature Sources
<ul style="list-style-type: none"> • Reduced transaction cost • Improvements in efficiency and productivity • Increased income • Increased profitability • Increased household asset holdings • Household food security • Subjective wellbeing • Risk minimization related to buyer as supply of produce is assured in comparison to open market purchase while land constraints faced by business firm is solved • In the case of seller, he experiences an assured supply of and access to better inputs, credit facilities, enabling environment to learn new skills, risk due to price fluctuations is reduced and the producer is assured with a guaranteed market. • Guaranteed product uniformity and high quality and assured supply at the right time • Access to cheap family labour • Minimized constraints that can arise from land ownership issues • Knowledge and technology transfer • Increased yield and crop diversification • Contract agreements as collateral to arrange credit with a commercial bank in finding inputs 	<p>Grosh (1994) Bellemare (2012) Narayanan (2014) Briones (2015) Michelson (2013) Bellemare and Novak (2017) Dedehouanou et al. (2013) Melese (2012) Tuyen et al. (2022) Eaton and Shepherd (2001)</p>

As the ASMP attempts to improve the livelihood of the farming families through providing new technologies and technical knowhow, the project itself intends to assist farmers through the established PUCs by finding buyers for their produce through a contract agreement. Assistance in seeking buyer is provided as the success of PUCs hinges on their ability to effectively manage their business operations, particularly in marketing their produce. PUCs have several options for selling their produce: through middlemen, directly to customers, via online platforms, or through contracts/partnership agreements with predetermined buyers. However, existing literature indicates that agreements signed between farmer companies/organizations and buyers have not yielded the expected outcomes due to various reasons. For example, despite the positive effects of contracts, low participation and frequent breaching of contracts remains a challenge (Bellemare and Bloem, 2018).

According to Champika and Abeywickrama (2014), absence of a crop insurance scheme and unavailability of an authorized institution to regulate the contract farming process have hindered the diffusion of contract farming system throughout the country. Despite the potential benefits of agribusiness partnership models, their implementation faces several challenges. These include the necessity for a clear understanding of the business case for various stakeholders, the requirement for evidence demonstrating benefits for both farmers and companies and the need for models tailored to specific contexts (Rappoldt et al., 2017).

Limitations and Challenges/ Issues	Literature Sources
<ul style="list-style-type: none"> • Low participation and frequent breaching of contracts • Sometimes farmers are forced work longer hours and use child labor • Although contract farming assures an increased income and wellbeing, it may lead to inequality issues • Farmers with high land extent and high water availability are more likely to participate in contract farming • Exclusion of smallholder farmers as buyers may tend to have contract with farmers whom the companies think that they will maximize profits • Side selling by farmers • Breach of contract • The major challenge arising out of the legal agreement is whether the farmers is knowledgeable enough to understand the legal jargons. • Sometimes the farmers are not given contract at all or contract only gives rights to buyers and obligation to farmers. Ultimately it may lead to risky situation while creating mistrust among the farmers. • Inability to sell whole harvest as a result of the contract • Absence of a crop insurance scheme and unavailability of an authorized institution to regulate the contract farming process have hindered the diffusion of contract farming system throughout the country • Either the company or the farmers cannot protect themselves from market fluctuations or volatility • Sometimes farmers are not aware of the contract as it is not given to them or they can't understand it due to confusing legal jargons. • CF make smallholder farmers heavy dependents and become non-competitive without the assistance from the service providers. • Sometimes farmers become so weak partners that it leads to over exploitation 	<p>Bellemare and Bloem (2018) Porter and Phillips-Howard (1997) Little and Watts (1994) Michelson (2013) Champika and Abeywickrama (2014) Singh (2000a) Brithal (2008) Begum and Alam (2005) Nurjati and Wiryawan (2023) Baumann (2000) Singh (2000b)</p>

<ul style="list-style-type: none"> • Excessive system dependence of credits provided by the companies creating prolonged debt problems • If the farming with new technology needs high capital investment, smallholder farmers face the difficulty of entering into contracts due to high transaction costs and economies of scale. • Bargaining power of farmers is not increased through contract farming. • Poor yield and low quality due to inadequate farmer resources, poor management, poor timing etc. • success of CF mostly depends on what alternative markets are available to the smallholders and the nature of their dependency on the producer • Issues related to poor co-ordination of activities, poor technical assistance, delayed payments, outright cheating in dealings and manipulation of norms by the firm 	
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4.5. Farmer Cooperatives

Agricultural cooperatives are considered to be a strategy to improve smallholder linkages to evolving food systems (Tefera and Bijman, 2019). In transforming subsistence farmers into commercial farmers, cooperatives also play a major role (Verhofstadt and Maertens 2014). The cooperatives are also designed to strengthen farmers with new inputs, technologies, extension services and while supporting processing (Bro et al., 2019). They further assist stallholder farmers by improving market access through strengthening bargaining power, facilitating access to modern tools and inputs, providing market intelligence and reducing market risks (Markelova et al., 2009; Sheferaw et al., 2011)

Benefits	Literature Sources
<ul style="list-style-type: none"> • Better market access • Increased bargaining power • Access to modern inputs • Reduction of risk associated with marketing • Increased income for smallholder farmers • Well performed agriculture system • High quality agricultural produce • Assist in credit, mutual insurance, processing • Can experience economies of scale • Can improve networking • Managerial support can be expected • Reduce transaction costs in coordinated food chains • Women empowerment 	<p>Tefera and Bijman (2019) Verhofstadt and Maertens (2014) Bro et al. (2019) Markelova et al. (2009) Ma & Abdulai (2017) Sheferaw et al. (2011) Latynskiy and Berger (2016) Chagwiza et al. (2016) Fischer and Qaim (2012) Bizikova et al. (2020) Dohmwirth & Liu (2020)</p>

Although the cooperatives yield benefits to the smallholder farmers, they have not always help the farmers due to various reasons.

Limitations and Challenges/ Issues	Literature Sources
<ul style="list-style-type: none"> Difficulties in complying with quality and quantity requirements of the buyer due to high cost associated with it Internal governance problems Inclusiveness may be low cooperative membership has positive impacts on selling the products to wholesalers Side selling by farmers Sometimes smallholder farmers are excluded as market oriented cooperatives tend to build more linkages with larger firms due to potential high profits. Wellbeing of the smallholder farmers has not been considered when seeking higher profits Lack of governance in the groups and poor management, as even the leaders of the cooperative often misunderstand the purpose of the farmer company As a result, poor participation of members in important events such as activities, meetings etc. Limited economic performances sometimes Uneven distribution of benefits for small and large producers 	<p>Poulton et al. (2010) Hannan (2014) Bernard and Spielman (2009) Verhofstadt and Maertens (2014) Hao et al. (2018) O'Brien et al. (2013) Bijman and Wijers (2019) Mahindapala (2020) Esham and Kobayashi (2013) Perera (2014) Munasinghe et al. (2017) Notta and Vlachvei (2007) Hirsch <i>et al.</i> (2020) Grashuis and Yu (2018)</p>

4.6. Out-grower Systems

Out-grower farming arrangements could be seen as a win-win strategy for both farmers and agribusiness firms. These arrangements help overcome farming and marketing limitations while leveraging farmer loyalty despite competitive price offers (Kriveldeniya and Rosairo, 2019)

Benefits	Literature Sources
<ul style="list-style-type: none"> Increased income for the smallholder farmers Improved market access Access to inputs and new technologies Reduced marketing costs and stable prices 	<p>Karunagoda et al. (2010) Kirsten and Sartorius, (2002) Eaton and Shepherd (2001)</p>

Limitations and Challenges/ Issues	Literature Sources
<ul style="list-style-type: none"> • High default rate • Biased terms • Delayed payments • Cheating • Lack of compensation for crop failure • High turnover in participation due to either party's lack of commitment to honoring agreements. • A weak legal system that fails to ensure contract enforcement, coupled with the potential for opportunistic behavior by growers, creates a high-risk environment for the out-grower firm. 	<p>Singh (2002)</p> <p>Barrett et al. (2012)</p> <p>Kiriveldeniya and Rosairo (2019)</p>

4.7. Examples of Lessons Learned from Partnership Models

Country	Lessons learned	Literature Sources
Zimbabwe	40% of the farmers do not understand the contract specifications in cotton, tobacco and horticulture sector.	(Melese, 2012)
Kenya	Contracts failed due to lack of entrepreneurial culture and farmers' failure to consider farming as a business	
Mexico and India	Agribusiness prefers to contract with large-scale farmers because of high transaction cost when dealing with smallholders.	
Sri Lanka	<p><u>Ridi Bandi Ela Farmer Company</u></p> <p>Due to lack of a proper business plan and selection of non-viable enterprises, Ridi Bandi Ela Farmer Company (PPP model) failed. Out of 25 enterprises, 15 were failed due to improper planning, poor identification of project and targets. Farmers view company as a service provider and purchase shares only to get the service not to make an investment. High rate of loan default by farmers and misuse of credit facilities by the officials and lack of specific criteria for selecting creditworthy customers. Lack of transparency in company activities and corruption and malpractices by the company managers have led to reduction in shares. Non-recruitment of suitable persons to manage the company is also a factor of failure.</p> <p>Absence of continued support for year round cropping, crop scheduling, value-added production, creating market links, procedures for decision making.</p>	<p>Aheer et al. (2011)</p> <p>Wijerathna and Varma (2006)</p> <p>Kiriveldeniya and Rosairo (2019)</p> <p>Hussain and Perera (2004)</p>

	<p><u>Chandrika Wewa Farmer Company</u> Assisted smallholder farmers in enhancing their market bargaining power and securing guaranteed prices for their produce through strategic agreements. Enabled members to access agricultural credit in the form of fertilizers, chemicals and seeds with minimal transaction costs and low interest rates. Adopted bulk purchase of inputs.</p> <p><u>Maize out grower system</u> While out-grower farming appears to be a beneficial strategy for firms, maize out-grower farming has proven to be less effective in ensuring a reliable supply of maize for these firms. Farmers prioritize the higher market prices available over the prices offered by their out-grower firms.</p> <p><u>Contract Farming of Sugarcane in the Walawe Left Bank Irrigation System</u> Farmers have entered into long-term, legally binding lease agreements with the company. Inputs are provided by the company through differed cost recovery arrangements and information, transportation and marketing are facilitated by the company Entire output is purchased by the company Mutual exchange of ideas in deciding management practices As a result, increased income, crop productivity and employment. Food security is also assured while poverty reduces.</p>	
India	<p>Contract farming has been identified as a solution for minimizing price risk related to smallholder tomato famers in Haryana State. Other issues is irregular payments</p>	<p>Dileep et al. (2002) Kumar et al. (2004)</p>
Pakistan	<p><u>Food and Agriculture Organization of the United Nations (FAO)-Food Security Pilot</u> The objective is to increase crop productivity through providing access to improved seed varieties, quality fertilizers and weedicides, credit for buying inputs, farm equipment and machinery technology such as laser land leveling and other water saving techniques, agricultural extension services. As result crop productivity increased, transaction cost reduced, new technology provided. However, the main issue is the sustainability of farmer groups/ organizations/ institutions.</p>	<p>Hussain and Perera (2004)</p>

Uganda	<u>Oil Palm PPP in Kalangala (4P model)</u> This was introduced to achieve import substitution, reduce rural poverty by raising smallholder incomes, improve population health through increased uptake of vegetable oil and diversify exports. There arose some land issues as result of this. Further, intercropping is not possible and although the food security is expected to assured, it is not so the long run.	IFAD (2015a)
Indonesia	<u>Public-Private-Producer Partnerships in Agricultural Value Chains</u> The objective is to raise cocoa productivity among smallholder farmers to fill the gap created by limited extension capacity. One of the major challenges is delays in implementing the project	IFAD (2015b)

5. AGRI-BUSINESS PARTNERSHIP ARRANGEMENTS ADOPTED BY OTHER COUNTRIES

These case studies examine various contract farming and business partnership projects across multiple countries, each with different crops and stakeholders. These projects highlight different models, showcasing the opportunities and difficulties encountered by both farmers and buyers in these partnerships.

5.1. Case Study Highlights

The following case studies highlights the benefits for small-scale farmers, the challenges faced by buyers in these partnerships and various contract farming/business partnership models used in different countries.

Project Name		Support for the Promotion and Development of Business Partnerships (TCP/RLA/2905)
Year/ Period		2003-2006 (16 months)
Country		Brazil, Chile, Mexico, Peru
Crops/Products		Castor bean, Milk, Beef, Avocado, Lemon, Mango, Artichoke, Lentil
Major Stakeholders		Brazil: Plant Development and Inspection Department (DFPV), Ministry of Agriculture <ul style="list-style-type: none"> Chile: Agricultural Development Institute (INDAP) Mexico: Shared Risk Trust Fund (FIRCO), Ministry of Agriculture Peru: General Agriculture Promotion Department (DGPA), Ministry of Agriculture
Agreement Type		<ul style="list-style-type: none"> Business partnership (contractual, mutual, strategic partnerships) Producer: Small-scale farmers, family farms Buyer: Supermarkets, Industry Others: NGOs, Research centers, Public Sector, Universities
Producer	Benefits	<ul style="list-style-type: none"> Access to new markets and better prices Capacity building through training in management and negotiation Increased competitiveness and value addition to products.
	Concerns	<ul style="list-style-type: none"> Lack of coordination between producers and markets. Limited infrastructure and access to financing. Low education and management capacity.
Buyer	Benefits	<ul style="list-style-type: none"> Better quality and reliable supply of products. Strengthened supply chains with direct links to producers.
	Concerns	<ul style="list-style-type: none"> Geographic isolation of certain producer regions, increasing transportation costs. Inconsistent quality and reliability from small-scale producers.

Project Name		Upper Awash Project in Ethiopia. Contract Farming: Business Models that Maximize the Inclusion of and Benefits for Smallholder Farmers in the Value Chain
Year/ Period		2014
Country		Ethiopia
Crops/Products		Fruit Juice
Major Stakeholders		<ul style="list-style-type: none"> Producers: Africa JUICE (50% own production) Smallholder farmers through contract farming (50%) Buyers: European market (Fair Trade tropical fruit juice)
Agreement Type		The business model used by AfricaJUICE is a hybrid of joint venture, nucleus and multipartite model.
Producer	Benefits	<ul style="list-style-type: none"> Economic Revival: The project has shown early signs of economic revival in the community. Increased Income: Smallholders' income increased to ETB 10,000/month or \$588/month from an estimated \$550-\$1100/annum. Gross Margin: Smallholders can attain an average of 45% gross margin. Ownership Opportunities: Local smallholder farmers can buy shares in africaJUICE Tiliba Share Company. Support and Training: africaJUICE provides capacity-building, extension services, inputs, technologies and soft loans for start-up capital.
	Concerns	<ul style="list-style-type: none"> Delays in Operations: Some factors caused delays in planned operations. Dependence on Support: Initial dependence on africaJUICE for financial support and capacity building until cooperatives are established.
Buyer	Benefits	<ul style="list-style-type: none"> Fair Trade Products: Access to Fair Trade tropical fruit juice. Sustainable Supply: Reliable supply of passion fruit juice from a sustainable source.
	Concerns	<ul style="list-style-type: none"> Transaction Costs: Buyers face costs related to searching for the right suppliers, negotiating contracts and monitoring and enforcing agreements. Quality Standards: Ensuring that smallholder farmers meet stringent quality standards can be challenging and requires significant oversight. Risk Management: Buyers must manage risks associated with asset specificity, uncertainty and performance coordination.

Project Name		Cottco Cotton Company of Zimbabwe
Year/ Period		Not Specified
Country		Zimbabwe
Crops/Products		Cotton
Major Stakeholders		<ul style="list-style-type: none"> • Cottco Cotton Company of Zimbabwe • 77,000 smallholder farmers
Agreement Type		Centralized model of contract farming
Producer	Benefits	<ul style="list-style-type: none"> • Provision of necessary inputs (seeds, fertilizer, chemicals, sprayers, picking bags, cotton bales) on credit • Tillage and transport services • Technical advice and extension services • Incentives for highest quality cotton (supplementary payment and cash bonuses) • Annual award system
	Concerns	<ul style="list-style-type: none"> • Strict monitoring and compliance requirements • Peer-monitoring mechanism with penalties for group members if one defaults or side sells • Previous policy of seizing smallholders' assets (though this was changed)
Buyer	Benefits	<ul style="list-style-type: none"> • Ensured supply of cotton through contract specifications • Minimized side selling through strong communication and monitoring
	Concerns	<ul style="list-style-type: none"> • Coordination risk, which is addressed by providing inputs and services on credit
Others		<p>Key Features of the Business Model</p> <p>Provision of Inputs on Credit:</p> <ul style="list-style-type: none"> • The company provides necessary agricultural inputs such as seeds, fertilizers, chemicals, sprayers, picking bags and cotton bales on credit. The amount of inputs is based on the smallholder's previous production history. <p>Support Services:</p> <ul style="list-style-type: none"> • Cottco offers additional services like tillage and transport, which are crucial for the farming process. • Credit Limit and Delivery Specifications: • The contract specifies the credit limit for each farmer and the amount of cotton to be delivered, ensuring clear expectations and obligations. <p>Monitoring and Extension Services:</p> <ul style="list-style-type: none"> • An extensive network of loan and extension officers is used to provide technical advice, extension services and close monitoring of farmers. This helps in coordinating crop collection and maintaining quality standards.

Project Name		Beza Mar Honey Processor and Exporter
Year/ Period		Not stated
Country		Ethiopia
Crops/Products		Honey
Major Stakeholders		<ul style="list-style-type: none"> • Beza Mar Honey Processor and Exporter • Smallholder Farmers • SNV Ethiopia • Wereda Development Agents • Holeta Bee Research Centre
Agreement Type		Multipartite Model: Involving multiple stakeholders in a verbal agreement.
Producer	Benefits	<ul style="list-style-type: none"> • Increased Productivity and Quality: Through training and support. • Financial Support: Via credit provision. • Premium Prices: For high-quality honey. • Improved Beekeeping Methods: With the introduction of transitional hives.
	Concerns	<ul style="list-style-type: none"> • Dependence on Beza Mar: For market access and financial support. • Quality Standards: Need to consistently meet high standards for premium pricing.
Buyer	Benefits	<ul style="list-style-type: none"> • Reliable Supply: Of high-quality honey. • Reduced Wastage: From 30% to 3%. • Increased Purchase Volume: From 38% to 82% of total production. • Export Opportunities: Enabled export to the EU.
	Concerns	<ul style="list-style-type: none"> • Initial High Costs: For training and establishing the network. • Ongoing Support Requirements: For maintaining quality and productivity.
Others		Key Features of Business Model <ul style="list-style-type: none"> • Verbal Agreement with Smallholders: To ensure a reliable supply of honey. • Training and Support: Provided to farmers to increase productivity and quality. • Out-growers Network: Established for internal control and traceability. • Embedded Services: Technical assistance and close follow-up. • Premium Pricing: For high-quality honey to motivate farmers. • Credit Provision: To support farmers financially. • Collaboration with Local Actors: Including wereda development agents and Holeta Bee Research Centre. • Introduction of Transitional Hives: To improve quality at low cost.

Project Name		Pilot Project on contract farming expansion in Mozambique
Year/ Period		2017-2019
Country		Maize
Crops/Products		Mozambique
Major Stakeholders		<ul style="list-style-type: none"> Contracted Households: Farmers who entered into contracts with the firm. Non-Contracted Households: Farmers within the contracting region but not under contract. The Firm: The entity purchasing maize from the farmers. Researchers: Conducting household surveys to estimate benefits.
Agreement Type		The firm agrees to buy the output post-harvest at a price comparable to the market price.
Producer	Benefits	<ul style="list-style-type: none"> Price Stability: Insured against bad price offers. No Transport Costs: Savings on transportation. Higher Income: 20% higher income from maize sales for contracted households.
	Concerns	<ul style="list-style-type: none"> Price Not Fixed in Advance: Potential uncertainty in final price. Dependence on Firm: Reliance on the firm for selling produce
Buyer	Benefits	<ul style="list-style-type: none"> Cost Efficiency: Minimizes per-unit costs by filling truck space. Market Influence: Adds competitive pressure to other buyers, potentially stabilizing prices.
	Concerns	<ul style="list-style-type: none"> Transport Costs: Sunk costs if truck space is not fully utilized. Price Commitment: Must pay the same price to all farmers, which could affect profit margins.
Others		Key Features of Business Model <ul style="list-style-type: none"> Group Contracts: Up to 25 households per village. Procurement Contracts: Firm agrees to buy post-harvest output at a price comparable to the market price. Price Insurance: Ensures contracted households against bad price offers from other buyers. No Transport Costs: Contracted households do not incur transport costs. Spot Market Participation: Firm buys from non-contracted households if space remains in the truck, paying the same price to everyone.

Project Name		Contract Farming in the Brazilian Chicken Industry: The Case of Pif Paf Alimentos
Year/ Period		2016
Country		Poultry
Crops/Products		Brazil
Major Stakeholders		<ul style="list-style-type: none"> • Pif Paf Alimentos: One of Brazil's top food processing companies. • Farmers: 324 small to mid-sized farmers in VRB and 46 large farmers in Patrocínio. • Farmer Associations: Represent farmers in price negotiations. • Consumers and Export Markets: Both domestic and international buyers of chicken products.
Agreement Type		<ul style="list-style-type: none"> • Contract Farming (CF) with vertically integrated operations. • Input Provision Contracts: Pif Paf supplies inputs like chicks, feed and veterinary supplies. • Performance-based Contracts: Payment based on technical performance metrics such as feed conversion and daily weight gain. • Annual Negotiations: Base price negotiated yearly, with provisions for extraordinary cost adjustments.
Producer	Benefits	<ul style="list-style-type: none"> • Access to Inputs: Pre-financed chicks, feed and veterinary care. • Technical Assistance: Weekly visits from field technicians for facility management guidance. • Guaranteed Market: Pif Paf ensures the purchase of all chickens produced under the contracts. • Price Security: Payments based on production costs, shielding farmers from market price volatility. • Increased Creditworthiness: Contracts can be used as collateral for bank loans. • Manure Utilization: Farmers use chicken manure for crop fertilization. • Insurance Coverage: Force majeure events are covered by insurance provided by the company.
	Concerns	<ul style="list-style-type: none"> • High Performance Expectations: Farmers face strict technical efficiency requirements, with potential penalties or contract termination for non-performance. • Upfront Investment Requirements: Farmers are expected to finance production facilities and other input costs like labor and energy. • Upgrading Facilities: Smaller farmers may struggle with meeting the minimum facility size requirements, leading to a reduction in their numbers.

Buyer	Benefits	<ul style="list-style-type: none"> • Consistent Supply: Pif Paf secures a stable supply of chicken from its contracted farmers, allowing for efficient processing and distribution. • Cost Efficiency: The CF model ensures cost-efficient production with high levels of technical performance, reducing production costs. • Quality Control: By providing inputs and technical assistance, Pif Paf can maintain high-quality standards throughout the production process. • Long-term Relationships: Trust built over time ensures a reliable partnership between the company and farmers.
	Concerns	<ul style="list-style-type: none"> • Farmer Attrition: The need to replace non-performing farmers can disrupt supply chains. • Input Mismanagement: Opportunistic behavior, such as farmers diverting inputs like feed, requires constant monitoring and may lead to termination of contracts. • Cost Adjustments: While prices are protected from market volatility, abnormal cost increases (such as feed prices) may lead to renegotiation, which could impact profitability.
Others		<p>Key Features of Business Model</p> <ul style="list-style-type: none"> • Vertical Integration: Pif Paf Alimentos operates with a closely coordinated contract farming (CF) model. • Pre-Financed Inputs: The Company provides farmers with inputs such as chicks, feed (65% of costs) and veterinary supplies, along with technical assistance. • Performance Incentives: A scoring system based on mortality rate, feed conversion ratio, daily weight gain and management quality determines the final price paid to farmers. • Guaranteed Market: Pif Paf guarantees the purchase of all chickens under contract. • Price Protection: Prices are negotiated annually, based on production costs rather than market volatility. Adjustments are allowed for extraordinary cost changes. • Risk Management: Insurance for “force majeure” events and input security helps reduce operational risks for farmers.

Project Name		Rubber Nucleus Estate with Smallholder Outgrowers - Ghana Rubber Estate Limited (GREL)
Year/ Period		1995 to date
Country		Rubber
Crops/Products		Ghana
Major Stakeholders		<ul style="list-style-type: none"> • Ghana Rubber Estate Limited (GREL): The main rubber producer and buyer. • Rubber Outgrowers Agents Association (ROOA): Organized farmers supplying rubber. • Agricultural Development Bank of Ghana (ADB): Provides loans to outgrowers. • Government of Ghana (GoG): Through the Ministry of Food and Agriculture (MOFA) and supported by international development partners. • Development Partners: Including the French Development Agency (AFD), Germany's Reconstruction Credit Institute (KfW) and the World Bank.
Agreement Type		<ul style="list-style-type: none"> • Tripartite Outgrower Scheme: A formal contract involving GREL, ADB and ROOA, where outgrowers receive loans and inputs and agree to sell rubber exclusively to GREL. • 15-Year Loan Agreements: Farmers receive long-term loans to rehabilitate their plantations, repayable over 15 years through deductions from rubber sales. • Pre-financed Input Provision Contracts: GREL provides inputs like seedlings and fertilizers, which are repaid through deductions from sales.
Producer	Benefits	<ul style="list-style-type: none"> • Guaranteed Market: Farmers are assured of a buyer for their rubber. • Access to Credit: ADB provides long-term loans and cash advances to farmers. • Improved Yields: Access to high-quality seedlings and technical assistance has improved productivity, with yields increasing from 0.8 to 2 tons. • Social Infrastructure: Farmers benefit from social infrastructure provided by GREL, such as schools and clinics. • Training: Farmers receive financial training from ADB, including farm budgeting, record-keeping and cost analysis.
	Concerns	<ul style="list-style-type: none"> • Land Tenure Requirements: Farmers need to prove ownership or control of at least four hectares of land to participate in the scheme. • Loan Repayment Obligations: Farmers are obligated to repay loans from ADB, with the risk of default if rubber yields or market conditions decline. • Restricted Land Use: Farmers are not allowed to dispose of their plantations without consent from GREL and ADB.

		<ul style="list-style-type: none"> Side-Selling Risk: Farmers are encouraged to seek alternative income sources to avoid side-selling, which could jeopardize their investment.
Buyer	Benefits	<ul style="list-style-type: none"> Steady Supply: GREL secures a continuous supply of high-quality raw rubber without having to expand or rehabilitate its own plantations. Cost Efficiency: The outgrower scheme allows GREL to reduce production costs while maintaining access to quality raw materials. Long-term Contracts: The long-term business relationship with farmers reduces the risks of market disruptions or supply shortages. Land Access: The outgrower scheme provides access to land for production without the complications of land acquisition in Ghana.
	Concerns	<ul style="list-style-type: none"> Side-Selling Risk: Despite improvements, side-selling remains a risk that could affect GREL's supply chain if farmers choose to sell to other buyers. Input Mismanagement: Farmers may fail to follow technical guidelines or misuse inputs, potentially impacting rubber quality and yield. Contractual Compliance: Maintaining compliance with contract terms requires monitoring and non-performing farmers may need to be replaced.
Others		<p>Key Features of Business Model</p> <ul style="list-style-type: none"> Nucleus Estate with Outgrowers: GREL operates both its own industrial plantation and collaborates with smallholder farmers under the Rubber Outgrowers' Plantation Project (ROPP). Tripartite Outgrower Scheme: Involves GREL, farmers (organized under ROOA) and the Agricultural Development Bank (ADB). GREL provides inputs, technical assistance and purchases rubber, while ADB provides financing. Guaranteed Market: Farmers have a secure market to sell rubber to GREL, which purchases at 64% of the Singapore Commodity Exchange (SICOM) price. Long-term Loans and Technical Assistance: ADB provides 15-year loans, while GREL offers guidance on farming techniques, input use and soil management. Social Infrastructure: GREL provides benefits such as schools and clinics to local communities.

Project Name		Contract Farming for Potato Seed Production in India
Year/ Period		1990 afterwards
Country		Potato (specifically chip-grade multiplied potatoes)
Crops/Products		India
Major Stakeholders		<ul style="list-style-type: none"> • International Processing Company (Buyer): The primary contractor purchasing potatoes from farmers. • Small-Scale Farmers (Growers): Individual growers in northern India, responsible for potato seed multiplication. • Technical Advisors (from the company): Provide instructions on farming techniques but do not offer substantial support.
Agreement Type		Exclusive Contract Farming Agreement: The farmer agrees to sell all produce to the buyer under specific conditions regarding quality and quantity, with strict obligations for compliance.
Producer	Benefits	<ul style="list-style-type: none"> • Guaranteed Market: Farmers have a secure market to sell their potato produce to the processing company. • Access to Planting Materials: Farmers receive planting materials from the company, ensuring they use the correct variety for chip production. • Opportunity to Scale: Contract farming can help increase productivity and income for farmers who may otherwise struggle with low-quality seeds or access to markets.
	Concerns	<ul style="list-style-type: none"> • Financial Burden: Farmers must pay for planting materials in advance and bear the full cost of all other inputs, including fertilizers and water. • Exclusive Selling Requirement: Farmers are obligated to sell 100% of their produce to the company, limiting their market options and flexibility. • Power Imbalance: The contract heavily favors the buyer, with growers having many obligations and few rights. Growers are exposed to risks such as late delivery of inputs and the possibility of product rejection. • Land Tenure Responsibility: Farmers are held responsible for any issues related to land ownership or titling, which could put them at further risk.
Buyer	Benefits	<ul style="list-style-type: none"> • Guaranteed Supply: The contract ensures a consistent supply of chip-grade potatoes, meeting the company's quality standards. • Control Over Production: The buyer has significant control over the farming process, including the right to monitor and supervise all activities, ensuring product quality. • Limited Financial Risk: By not providing financial assistance or inputs beyond planting materials, the company minimizes its financial exposure.

	Concerns	<ul style="list-style-type: none"> • Potential for Quality Issues: Although the company has strict requirements, there is a risk that farmers may not meet the quality standards due to inadequate support, such as defective seeds or poor farming conditions. • Contract Enforcement: Ensuring that all farmers comply with the exclusive selling requirement and other contract terms may require constant oversight and monitoring.
Others		<p>Contract Farming: Growers produce chip-grade potatoes for an international processing company under a contract that outlines quality and quantity requirements.</p> <p>Input Supply: The buyer provides planting materials (seeds) to farmers, but only after the farmer pays for them. No other inputs or financial assistance are provided by the buyer.</p> <p>Exclusive Supply Contract: Farmers are required to sell 100% of their produce to the company, with limited rights to sell elsewhere.</p> <p>Supervision and Monitoring: The Company has significant control over the farming process, including the right to supervise and monitor all activities to ensure compliance with quality standards.</p> <p>Limited Buyer Responsibility: The buyer's obligations are restricted to purchasing the product and supplying planting materials, without financial support for other inputs or technical assistance.</p>

5.2. Review

The case studies involve various contract farming and business partnership projects across multiple countries, each with distinct crops, stakeholders and benefits. The Support for the Promotion and Development of Business Partnerships (2003-2006) in Brazil, Chile, Mexico and Peru focused on products like castor bean, milk, beef, avocado and mango. It aimed to form business partnerships between small-scale farmers and buyers like supermarkets, enhancing farmers' access to markets and building their capacity. However, challenges included coordination, limited infrastructure and management skills. Buyers benefited from better quality products but faced challenges with transportation and inconsistent quality from small producers.

The Upper Awash Project (2014) in Ethiopia, involving AfricaJUICE and smallholder farmers producing passion fruit juice, demonstrated a hybrid joint venture model. Farmers benefited from increased income and ownership opportunities, but there were concerns about operational delays and reliance on financial support from the company. Buyers gained access to Fair Trade products but had to manage high transaction costs and ensure quality standards.

In Zimbabwe, Cottco Cotton Company employed a centralized contract farming model for cotton, providing inputs, technical services and incentives for quality production. Farmers faced strict monitoring and previous policies included asset seizure for non-compliance. Buyers benefited from secure cotton supplies, but coordination risks persisted. Similarly, Ethiopia's Beza Mar Honey Processor worked with smallholders in a multipartite agreement, providing training and access to premium markets. However, producers were dependent on Beza Mar for market access and financial support.

In Mozambique, a Pilot Project on Contract Farming Expansion (2017-2019) for maize allowed contracted households to sell produce at market-comparable prices, providing price stability and higher income, though reliance on the firm and uncertainty in pricing were concerns. Buyers benefited from cost efficiency but had to manage transport costs and price commitments.

Brazil's Pif Paf Alimentos (2016) engaged in vertically integrated contract farming for poultry, offering inputs and technical assistance to small-scale farmers. While producers had a guaranteed market and support, they faced high performance expectations and investment costs. Buyers gained from a consistent supply of high-quality chicken but had to manage farmer attrition and input mismanagement. In Ghana, Rubber Nucleus Estate with Smallholder Out growers (1995-present) by GREL provided long-term loans and technical assistance to rubber farmers. While farmers benefited from secure markets and credit access, they faced loan repayment obligations and restrictions on land use. Buyers enjoyed a steady supply of rubber but had to manage side-selling risks.

Finally, Contract Farming for Potato Seed Production (1990 onwards) in India involved small-scale farmers growing chip-grade potatoes for an international processing company. Farmers had guaranteed markets and access to planting materials but bore the financial burden for other inputs. The buyer secured a consistent supply but faced challenges in ensuring product quality and enforcing contract terms.

These case studies highlight various contract farming models, where farmers benefited from market access, input provision and capacity building, but often faced challenges related to dependency, financial burden and compliance. Buyers, on the other hand, enjoyed secure supplies but had to address risks like quality control, coordination and input management.

5.3. Issues Identified in Agri-Business Partnership Agreements in Sri Lanka and South Asia

Limitations and Challenges/ Issues	Literature Sources
<ul style="list-style-type: none"> • Lack of sufficient information such as market price, crop quality or problems related to the crop. Cultivation for farmer organizations before entering to and executing a contract. • Farmer organizations do not have the required knowledge and skills to negotiate and manage the execution of the contract. • Untenable rigid contracts. • Due to the imbalance of power between the parties, a favorable situation arises for one of the parties in relation to the agreement. • Non-receipt of pre agreed price due to contractual weaknesses. Absence of terms offering different price categories for different qualities. • Entering into informal contracts. 	<p>Sriboonchitta et al.(2008) Melese (2012) Esham (2006), Esham and Usami (2007) Narayana and Minakumari, (2021)</p>

<ul style="list-style-type: none"> • The terms of the agreement are not transparent. • Conditions only favorable to one party only. • Absence of risk sharing terms in the Contract. • Lack of regulatory authority to assist farmer organizations. • Absence of formal mechanism to protect farmers and contracts legally. • Lack of Government and Supportive Policy. 	
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6. STAKEHOLDER ANALYSIS

The success of PUC depends on to which extent they engage in farming business. Initially ASMP assisted in identifying business collaborates and let them continue business sustainably. Therefore, they incline to search for the most suitable partners. However, the stakeholder survey suggests that the building up of partnership agreement is still not satisfactory. Some agreements are temporary and once the project is over, the agreement becomes invalid. It is also observed that although there are some agreements with buyers, the possibility of breaching the agreement and side selling is highly probable due to the high price volatility in the market. It was also noted that some agreements have been signed for one year and it has to be renewed every year. This may lead to high susceptibility to failure when looking at the previous experiences in Sri Lanka.

Although adopting a market-oriented business model is necessary to realize the business's goals, many established PUCs are still lacking a proper business plan. PUCs mostly depend on middlemen in selling their products. Except for a very few PUCs the supply assessment is not done so that they sometimes experiences lower prices due to high supply. Commitment to go for a supply assessment to cater to the market demand and secure a higher price is a major responsibility of the officials PUC. PUCs are expected to create a strong market linkages with buyers. However, it was found that they have not yet achieved to the extent that the project expected. Mostly they sell their product based on verbal agreements. When the farmers can sell their product easily at the economic centers or local market, changing attitude towards exportation of products has been a difficult task although one of the major objectives of the project is to go for export oriented crop production. The lack of understanding of the value chain approach limits the ability of PUCs to evaluate their competitiveness. Additionally, the absence of leadership and negotiation skills, particularly in formulating and managing forward contracts with agribusiness partners, hampers their progress. The producers also face challenges due to their limited capacity to invest, scale up and manage contract agreements. Furthermore, their poor knowledge in value addition and further processing negatively impacts the business operations of the PUCs. The cluster management should be trained to identify buyers and buying behavior as they are lacking such knowledge and train them to solve their emerging problems through the networks they create and quality improvement planning.

It is expect that the PUC members should be shareholders in the company and the members are encouraged to purchase more than one share. However, the results suggest that inconsiderable number of farmers have purchased more than one share. They have purchased shares only to get the membership in PUC and enjoy the project benefits. The knowledge on shares, management,

reinvestment and benefits of shares are not known by the shareholders as well as BOD members. The raised share capital is not sufficient and share capital has been deposited in a saving account of a bank in many PUCs. Board members of PUC in some clusters engage in business activities and they buy products from the farmers and sell them keeping a marginal profit. It seems that PUC officials act as middlemen. In some of the pilot cluster, no shareholding mechanism, no share capital formation and no business plan is observed.

Decision making at PUCs levels are done by BOD members at their regular meeting and AGMs. It was noted that some BOD members and managers have also not grasped the knowledge on PUC operations, objectives, activities, responsibilities etc. For some of PUC members, it is just a farmer organization as if it was earlier.

Income and product diversification are done by a few PUCs. Some PUCs have tried to enter into some other business such as fertilizer sale, commercial nurseries, outsourcing of PUC assets etc.

While the cluster concept and forming a PUC can enhance collective bargaining power, many farmers are still hesitant to collaborate due to limited awareness. To maximize the benefits of ASMP investments, clusters need to engage in collective product planning and supply assessment. Additionally, all clusters should be equipped with knowledge and hands-on experience in areas such as financing, financial practices, value chain management, business planning, product supply organization, marketing, pricing, value addition, product differentiation and branding.

Developing a strategy for the sustainability of clusters and advancing with the available technologies is essential.

To ensure the continuous supply of products that meet market demands, it is crucial to focus on value addition, product diversification and differentiation to maintain sustainability. Branding the product effectively and leveraging online sales through existing platforms or creating dedicated online platforms and apps can enhance market reach.

The cluster management should be trained to identify buyers and buying behavior, data based management, Online flat forms, import export procedures, quality improvement and quality improvement planning, supply scheduling, test marketing, standard operational procedures, product quality and packaging, quantity and schedule, place and transport, pricing payment and arrangements, person in-charge, negotiation skills to increase bargaining power etc. Marketing or selling issues due to absence of fixed agreements with buyers need to be addressed.

Income diversification through various methods such as machinery hiring and outsourcing, selling nursery products, fertilizer and compost, seeds, providing extension services for non-beneficiary farmers for a nominal fee, roadside marketing and participating in farmers' markets are some of the strategies that could also be to mitigate risks. Reinvestment by the Business Company, market expansion and export orientation are also proposed strategies for the long term sustainability of the PUCs.

When conducting the survey, we also checked for major issues, challenges, weaknesses and problems which were found in the literature in the partnership models.

Challenges/ Issues/ Weaknesses	Presence/ Absence of the Issue
Breaching of contract	Presence
Side selling by non-adherence to agreements among partners	Presence
Lack of trading platform to trade shares	Presence
Weak electoral procedures when appointing directors	Presence
Poor investor confidence due to lack of lack of transparency and accountability of the management	Still no issue
Unavailability of proper business plan	Presence
Failure to find new business opportunities	Presence. Only a few have tried
Lack of proper feasibility studies when implementing new projects	Presence
Most the BOD members are farmers with little or no managerial skills	Presence
Absence of grass root level presence	Presence
Farmers acquire shares only to be eligible to get benefits from the FC	Presence
Economies of scale is not achievable due to low shareholder capital as a limited shareholder base	Presence
1 st mover advantage for the private company	Not found
Lack of transparency in selecting private partners	Not found
Private sector can dominate in making decisions	There is some influence
Issue with whether all the parties committed for a long term partnership	No such agreements
Inadequacy of available rules and regulation	Not an issue
The major challenge arising out of the legal agreement is whether the farmers is knowledgeable enough to understand the legal jargons	Presence
Sometimes the farmers are not given contract at all or contract only gives rights to buyers and obligation to farmers.	Presence
Inability to sell whole harvest as a result of the contract	Presence
Poor managerial skills	Presence
Political influence	Not found yet
Limited availability of entrepreneurial services	Presence
Lack of forum to views of shareholders	Mostly at AGMs
Unavailability of an authorized institution to regulate the contract farming process	Presence
Less co-investment by farmers	Presence
Confusing legal jargons.	Presence
Biased terms	Presence
A weak legal system that fails to ensure contract enforcement	Not an issue
Lack of business plans	Presence
Low market diversification	Presence
Low product diversification and value addition	Presence
Low awareness of farmers on PUCs	Presence

6.1. Field Visit Summary

The information gathered from the field visits is as follows. These visits covered 10 Public Unlisted Companies (PUCs) across three districts: Anuradhapura, Polonnaruwa and Matale.

GENERAL INFORMATION	
PUC Name	Ceylon Fresh Papaya Ltd
Date of Visit	11/12/2024
Location	North Central Province, Polonnaruwa
Crop Sector	Fruits
Crop Type(s)	Papaya
GOVERNANCE STRUCTURE	
Composition of BOD	Chairman + 4 Directors
BOD Term	Annually renewable
How BOD are elected	By shareholders at the Annual General Meeting
Decision-Making	Simple Majority
Positive Aspects of Governance	Closely knit community, engaged in same sector
SHAREHOLDING DETAILS	
Number of Shareholders	179
Value Per Share (LKR)	10,000
Number of Target Shareholders	300
Membership Criteria	Farmers/Cultivators
SUPPORT RECEIVED FROM ASMP	
Positive Impacts of Support	PUC were able to establish as a formal legal entity BOD consisting of farmers themselves. Recruited required employees to manage the accounts and operations. They have built a capital by way of issuing share to members. At present PUC is capable of operating independently with the income generated by sales.
OPERATIONS AND ACTIVITIES	
Products Offered	Fresh Papaya
Services Offered	Provide market linkage to farmer members to get a better price in the competitive market and from exporters, which individual farmers have less access. PUC plans to sell Magnesium Sulphate to farmers
Market Linkages Established	Have supplied to Serendib Exports once without any formal contract. Have supplied crops to Keells. Sells crops at the Dambulla Economic Center.
Active Contracts	Not entered into formal contracts.
Types of Contracts Signed	Not Applicable.
Duration of Contracts	
Key Terms and Conditions	
Monitoring Mechanisms in Place	
Positive Outcomes from Contracts	

Issues Encountered with Contracts	
Suggestions for Contract Improvements (By PUC/ Farmers)	
CHALLENGES	
Operational Challenges	Drastic price fluctuation is the main challenge faced by the farmers. Difficulties in finding buyers for value added papaya products (dehydrated papaya and papaya powder) No dedicated person to do marketing.
Financial Challenges	PUC is now building up the capital while managing the operational costs. With the planned operations, they will be able to generate adequate income to carry out capital investments in future.
Market-Related Challenges	Drastic Price fluctuation is common in all agriculture produces. As such, PUC as well as buyers are reluctant to enter into formal agreement.
Governance Challenges	Less exposure to corporate governance and managing business risks.
Gaps or Challenges in Support	Delays in allocating resources. Support not received for marketing.
Financial or Market Support Needs	Establishing links with direct exporters, large scale food processing companies and super market chains. Establishing government sponsored collecting centers, processing units and retail outlet network



GENERAL INFORMATION	
PUC Name	Ceylon Rangiri Agro Products Ltd
Date of Visit	11/12/2024
Location	Central Province, Matale, Dambulla
Crop Sector	Fruits
Crop Type(s)	Mango
GOVERNANCE STRUCTURE	
Composition of BOD	Chairman + 4 Directors
BOD Term	Annually renewable
How BOD are selected	Executive committee (39 members)
Decision-Making	Simple Majority
Positive Aspects of Governance	BODs are engaged in the same sector and the challenges faced are similar.
SHAREHOLDING DETAILS	
Number of Shareholders	346
Value Per Share (LKR)	5,000
Number of Target Shareholders	No established target
Membership Criteria	Farmers/Cultivators - Ownerships of 1 share, Should be a Mango grower. An agreement was signed with each farmer regarding the fruit supply and related conditions.
SUPPORT RECEIVED FROM ASMP	
Positive Impacts of Support	PUC were able to establish as a formal legal entity BOD consisting of farmers themselves. Recruited required employees to manage the accounts, operations and marketing. They have built capital by way of issuing share to members. At present PUC can operate independently with the income generated by sales.
Gaps or Challenges in Support	In order to sustain and develop further, PUCs need further assistance by way of - 1 Establish direct links with exporters 4 Entering into Forward sales agreement with buyers 5 Capacity building training on business development & associated risks for Board members and Managers of PUC
OPERATIONS AND ACTIVITIES	
Products Offered	Fresh Mango
Services Offered	Provide market linkage to farmer members to get a better price in the competitive market and from exporters, which individual farmers have less access. Supplies fertilizer and fruit covers provided by the ASMP at 25% of market price for farmers. Plans to continue this service in future through their own shop at a lower price than market. Already discussed with fertilizer and chemical suppliers in this regard.

Market Linkages Established	Currently PUC deals with 10 buyers, including exporters. Selecting the buyer depends on the price offered by the buyer and the stock availability. Not entered into formal agreements
Operational Challenges	Price fluctuation is the main challenge faced by the farmers. There are opportunities for value added products from Mangos such as dehydration, pulp making, Concentrated / Ready to drink juice, as future expansions. Arranging Farm tours for tourists is also a workable option in Dambulla area. GAP certification and organic products can also be considered as future markets. Entering into sales agreements, at least with the exporters, would guarantee a fixed price. Quality upgrade at farm level with proper use of fruit covers, watering and optimum use of fertilize & chemical should be done, to get a higher price in the market. PUCs negotiation skills with buyers and maintain proper database for sales forecast to be further strengthened
Active Contracts	No formal agreements in place.
Types of Contracts Signed	Not Applicable
Duration of Contracts	
Key Terms and Conditions	
Monitoring Mechanisms in Place	
Positive Outcomes from Contracts	
Issues Encountered with Contracts	
Suggestions for Contract Improvements (By PUC/ Farmers)	
CHALLENGES	
Financial Challenges	PUC is now building up the capital while managing the operational costs. With the planned operations, they will be able to generate adequate income to carry out capital investments in future.
Market-Related Challenges	Price fluctuation is common in all agriculture produces. As such, PUC as well as buyers are reluctant to enter into formal agreement. The best option will be to improve the quality of produce, supplying to a wider buyer network and maintaining a proper database for price and quantity forecast.
Governance Challenges	Less exposure to corporate governance and managing business risks effectively.
Requested Support from ASMP (By PUC/ Farmers)	Energizer for Elephant repellent fences

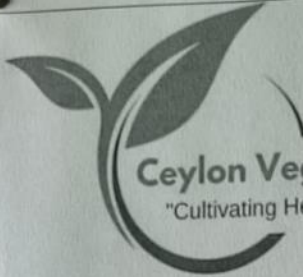
Financial or Market Support Needs	Establishing links with direct exporters, large-scale food processing companies and supermarket chains. Establishing government sponsored collecting centers, processing units and retail outlet network
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GENERAL INFORMATION	
PUC Name	Ceylon Vege Cultivators Ltd
Date of Visit	11/12/2024
Location	Central Province, Polonnaruwa
Crop Sector	Vegetables
Crop Type(s)	Vegetables (Including Bitter guard, Chilli, Capsicum, Brinjol)
GOVERNANCE STRUCTURE	
Composition of BOD	Chairman + 4 Directors (elected based on the area)
BOD Term	Annually renewable
How BOD are selected	Appointed by Executive committee
Decision-Making	Simple Majority
Positive Aspects of Governance	Closely knit community, engaged in same sector
SHAREHOLDING DETAILS	
Number of Shareholders	300
Value Per Share (LKR)	10,000
Number of Target Shareholders	300
Membership Criteria	Farmers/Cultivators
SUPPORT RECEIVED FROM ASMP	
Positive Impacts of Support	PUC were able to establish as a formal legal entity BOD consisting of farmers themselves. Recruited required employees to manage the accounts and operations. They have built a capital by way of issuing share to members.
OPERATIONS AND ACTIVITIES	
Products Offered	Vegetables (Including Bitter gourd, Chilli, Capsicum, Brinjol, pumpkin, snake gourd)
Services Offered	Provide market linkage to farmer members to get a better price in the competitive market and from exporters, which individual farmers have less access. Supplies chemicals and fruit covers for farmers at lower market price Renting of Tractor to farmers on a fee basis
Market Linkages Established	Registered with Keells as supplier Plans to supply to retailers at the local fairs in the region.
Active Contracts	Not entered into formal contracts.
Types of Contracts Signed	Not Applicable.
Duration of Contracts	
Key Terms and Conditions	
Monitoring Mechanisms in Place	
Positive Outcomes from Contracts	
Issues Encountered with Contracts	
Suggestions for Contract Improvements (By PUC/ Farmers)	

CHALLENGES	
Operational Challenges	<p>No dedicated person to do marketing. High dependency on PUC Manager for all aspects.</p> <p>Farmers select crop type for cultivation based on personal interest. Keells provide crop plans to the PUC but not entirely followed by farmers.</p> <p>Collection center is needed to the PUC.</p> <p>Some farmers face wild elephant threats.</p> <p>Drastic price fluctuation is the main challenge faced by the farmers.</p> <p>A Collection center is needed to the PUC.</p>
Financial Challenges	<p>PUC is now building up the capital while managing the operational costs. With the planned operations, they will be able to generate adequate income to carry out capital investments in future.</p>
Market-Related Challenges	<p>Drastic Price fluctuation is common in all agriculture produces.</p> <p>As such, PUC as well as buyers are reluctant to enter into formal agreement.</p> <p>Currently crops are sold on a daily basis.</p>
Governance Challenges	<p>Less exposure to corporate governance and managing business risks.</p>
Gaps or Challenges in Support	<p>In order to sustain and develop further, PUCs need further assistance by way of -</p> <ol style="list-style-type: none"> 1. Establish direct links with exporters 2. Entering into Forward sales agreement with buyers 3. Capacity building training on business development & associated risks for Board members and Managers of PUC <p>Resources received recently from ASMP and expecting the first harvest soon.</p>
Financial or Market Support Needs	<p>Establishing links with direct exporters, large scale food processing companies and super market chains. Establishing government sponsored collecting centers, processing units and retail outlet network</p>



Ceylon Vege Cultivators LTD
"Cultivating Health, Sustaining the Earth."

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Reg. No - P B 00276453

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- ❖ සමාගමේ ආරම්භක දිනය - 2023.11.23
- ❖ නීත්‍යානුකූල පසුබිම් - 2007 අංක 07 දරණ සමාගම් පනත යටතේ ලියාපදිංචි වී ඇත.
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GENERAL INFORMATION	
PUC Name	Eco Agri Ltd
Date of Visit	11/12/2024
Location	Central Province, Matale, Galewela
Crop Sector	Vegetables - Seed Production
Crop Type(s)	Hybrid Chilli seeds
GOVERNANCE STRUCTURE	
Composition of BOD	Chairman + 5 Directors
BOD Term	2 years
How BOD are selected	Appointed by Executive committee
Decision-Making	Simple Majority
Positive Aspects of Governance	Worked together as Chilli grower Society members for several years
SHAREHOLDING DETAILS	
Number of Shareholders	19
Value Per Share (LKR)	100,000
Number of Target Shareholders	20
Membership Criteria	Farmers/Cultivators - Ownerships of 5 shares by each shareholder
SUPPORT RECEIVED FROM ASMP	
Positive Impacts of Support	<p>PUC were able to establish a formal legal entity consisting of farmers themselves. Recruit necessary employees (Manager/ Asst manager & office trainee) to manage the accounts, operations and marketing.</p> <p>They have built a capital by way of issuing share to members. At present PUC is operating a Fertilizer shop in Galewela and capable of managing the PUC independently with the income generated by sales.</p>
Gaps or Challenges in Support	<p>In order to continue the business independently PUC need further assistance by way of</p> <ol style="list-style-type: none"> 1 Establish direct links with Private sector seed companies 2 Assistance for Product diversification as per market demand 4 Entering into Forward sales agreement with buyers 5 Motivational training on business development & associated risks for Board members and Managers of PUC.
OPERATIONS AND ACTIVITIES	
Products Offered	Hybrid chilli seeds
Services Offered	<p>Provide market linkage to members (farmers) which individual farmers cannot access, to get a better price in the competitive market.</p> <p>PUC buys Chilli seeds in bulk from farmers</p>
Market Linkages Established	Currently, seeds are supplied to regular buyers. They also market the product through their own retail fertilizer shop.

Active Contracts	No. Not needed due to the type of crop (seeds) which usually sold in small quantities in the open market.
Types of Contracts Signed	Not Applicable
Duration of Contracts	
Key Terms and Conditions	
Monitoring Mechanisms in Place	
Positive Outcomes from Contracts	
Issues Encountered with Contracts	
Suggestions for Contract Improvements (By PUC/ Farmers)	
CHALLENGES	
Operational Challenges	<p>Board members are new to a formal operational environment. Since incorporating and all related infrastructure has been provided by ASMP, they expect further external support without self-sustaining the PUC and individual farms.</p> <p>The high cost of production (high electricity cost) and acquiring skilled labour are the main challenges faced by the farmer.</p>
Financial Challenges	Hybrid Seed production is a high-tech and labour intense activity and gives a higher profit margin. Farmers market their produce independently at present. However, PUC should find ways to route more business through their channels to generate adequate income.
Market-Related Challenges	Price fluctuation is common in all agriculture produces. As such entering into formal sales agreements with corporate buyers is advisable. Seasonal Crop management and product diversification as also recommended.
Governance Challenges	Less exposure to corporate governance and managing business risks.
Suggestions for Improvement	<p>Need capital investments by way of grant and/or loan</p> <p>Training on Business management, risk and Legal matters</p> <p>Venture into product diversification by producing other seed varieties to suite climatic condition and to allow crop rotation.</p>
Financial or Market Support Needs	Establishing links with Agric sector corporates. Financial and Market support to establish a Brand and proper seed packeting facility at PUC level











GENERAL INFORMATION	
PUC Name	Ipalogama Agri Products Ltd
Date of Visit	17/12/2024
Location	Central Province, Anuradhapura, Ipalogama
Crop Sector	Fruits
Crop Type(s)	Guava (Apple Guava)
GOVERNANCE STRUCTURE	
Composition of BOD	Chairman + 4 Directors
BOD Term	Annually renewable
How BOD are selected	Appointed by Executive committee
Decision-Making	Simple Majority
SHAREHOLDING DETAILS	
Number of Shareholders	213
Value Per Share (LKR)	10,000
Number of Target Members	No established target
Membership Criteria	Farmers/Cultivators – Ownership up to 2 shares
SUPPORT RECEIVED FROM ASMP	
Positive Impacts of Support	PUC were able to establish as a formal legal entity BOD consisting of farmers themselves. Recruited required employees to manage operations. They have built a capital by way of issuing share to members. At present PUC is capable of operating independently with the income generated by sales of grow bags and renting of tractor.
OPERATIONS AND ACTIVITIES	
Products Offered	Sale of grow bags
Services Offered	Renting of Tractor to farmers on a fee basis.
Facilities (e.g., storage, processing, packaging)	Office Building
Market Linkages Established	PUC does not get involved in the sale of crops.
Active Contracts	Not entered into formal contracts.
Types of Contracts Signed	Not Applicable
Duration of Contracts	
Key Terms and Conditions	
Monitoring Mechanisms in Place	
Positive Outcomes from Contracts	
Issues Encountered with Contracts	
CHALLENGES	
Operational Challenges	Compared to other PUCs, this PUC does not engage in purchasing crops from the farmers and selling it to buyers. Due to failure to complete the acquisition of the land proposed for the construction of the collection center, there is a risk that the construction of the said building will not be completed.

Financial Challenges	PUC does not generate enough income.
Market-Related Challenges	<p>Less demand for export of Guava</p> <p>Heavily rely on the local market</p> <p>Guava does not have value addition options.</p> <p>Despite the above, cost of production of guava is LKR 32/kg and selling price ranges from LKR 400 to LKR 600 in the local market.</p>
Governance Challenges	<p>BOD not active enough and decision making is slow.</p> <p>According to the comments received, It appears that the Chairman of the PUC is not taking much interest in promoting its business activities. From the discussions it could be inferred that the Directors in their individual capacity are more interested in developing their personal businesses rather than pursuing the interests of the PUC and its members.</p>
Contractual Challenges	Has not entered in to formal contracts. BOD is not interested in taking initiatives in entering in to contractual relationships with buyers.
Financial or Market Support Needs	Further technical and marketing support.







GENERAL INFORMATION	
PUC Name	LPL Agri Holdings Ltd
Date of Visit	11/12/2024
Location	Central Province, Matale
Crop Sector	Vegetables
Crop Type(s)	Chilli
GOVERNANCE STRUCTURE	
Composition of BOD	Chairman + 4 Directors (Chosen from individual Gowi Samithi)
BOD Term	Annually renewable
How BOD are selected	Appointed by Executive committee
Decision-Making	Simple Majority
Positive Aspects of Governance	Organized as farmer clusters in the past and possess some management experience.
SHAREHOLDING DETAILS	
Number of Shareholders	197
Value Per Share (LKR)	10,000
Number of Target Shareholders	380
Membership Criteria	Farmers/Cultivators - Ownerships of 1 share
SUPPORT RECEIVED FROM ASMP	
Positive Impacts of Support	PUC were able to establish as a formal legal entity BOD consisting of farmers themselves. Recruited required employees to manage the accounts and operations. They have built a capital by way of issuing share to members. At present PUC is capable of operating independently with the income generated by sales.
Gaps or Challenges in Support	In order to sustain and develop further, PUCs need further assistance by way of - a) Establish direct links with exporters b) Entering into Forward sales agreement with buyers c) Capacity building training on business development & associated risks for Board members and Managers of PUC
OPERATIONS AND ACTIVITIES	
Products Offered	Fresh Green Chilli Chilli powder in limited quantities and dried chillis
Services Offered	Provide market linkage to farmer members to get a better price in the competitive market and from exporters, which individual farmers have less access. Supplies chemicals, fertilizer and poly mulch to farmers at lower market price
Market Linkages Established	Currently crops are taken to Dambulla economic center by individual farmers.
Operational Challenges	Drastic price fluctuation is the main challenge faced by the farmers.

Active Contracts	No formal contracts in place
Types of Contracts Signed	Not Applicable
Duration of Contracts	
Key Terms and Conditions	
Monitoring Mechanisms in Place	
Positive Outcomes from Contracts	
Issues Encountered with Contracts	
Suggestions for Contract Improvements (By PUC/ Farmers)	
CHALLENGES	
Operational Challenges	Introduce crop rotation by January 2025.
Financial Challenges	PUC is now building up the capital while managing the operational costs. With the planned operations, they will be able to generate adequate income to carry out capital investments in future.
Market-Related Challenges	Drastic Price fluctuation is common in all agriculture produces. As such, PUC as well as buyers are reluctant to enter into formal agreement. The best option will be crop management, supplying to a larger buyer network and maintaining a proper database for price and quantity forecast.
Governance Challenges	Less exposure to corporate governance and managing business risks.
Financial or Market Support Needs	Establishing links with direct exporters, large scale food processing companies and super market chains. Establishing government sponsored colleting centers, processing units and retail outlet network



GENERAL INFORMATION	
PUC Name	MG Food Products Ltd
Date of Visit	11/12/2024
Location	Central Province, Matale District, Galewela
Crop Sector	Fruits
Crop Type(s)	Passionfruit
GOVERNANCE STRUCTURE	
Composition of BOD	Chairman + 5 Directors
BOD Term	Annually renewable
How BOD are selected	Executive committee
Decision-Making	Simple Majority
Positive Aspects of Governance	Closely knit community, engaged in same sector
SHAREHOLDING DETAILS	
Number of Shareholders	85
Value Per Share (LKR)	5,000
Number of Target Shareholders	No established target
Membership Criteria	Farmers/Cultivators - Ownerships of 5 shares
SUPPORT RECEIVED FROM ASMP	
Positive Impacts of Support	PUC were able to establish a formal legal entity consisting of farmers themselves. Recruit necessary employees (Manager, Asst manager & office trainee) to manage the accounts, operations and marketing. They have built a capital by way of issuing share to members. At present PUC is capable of operating independently with the income generated by sales.
Gaps or Challenges in Support	In order to sustain and prosper, PUS need further backing by way of a) Establish direct links with produce exporters b) Training on crop management as per market demand c) Cold room and value addition (pulp making) facilities d) Entering into Forward sales agreement with buyers e) Motivational training on business development & associated risks for Board members and Managers of PUC
OPERATIONS AND ACTIVITIES	
Products Offered	Fresh passionfruit
Services Offered	Provide market linkage to members (farmers) which individual farmers cannot access, to get a better price in the competitive market.
Market Linkages Established	Currently dealing with 12 buyers. Selecting the buyer depends on the price offered by the buyer and the stock availability.
Operational Challenges	The price fluctuation is the main challenge faced by the farmer. In order to mitigate this, it is necessary to strengthen the PUCs by establishing sorting facility in short term & invest in a

	processing center for pulp making and establishing an own brand, to produce own products such as Ready to drink products, Concentrated juice, Jam, Ice packets etc.
Active Contracts	No formal contracts in place.
Types of Contracts Signed	Not Applicable
Duration of Contracts	
Key Terms and Conditions	
Monitoring Mechanisms in Place	
Positive Outcomes from Contracts	
Issues Encountered with Contracts	
Suggestions for Contract Improvements (By PUC/ Farmers)	
CHALLENGES	
Operational Challenges	PUC is in operation for only 1 year. Board members are new to a formal operational environment. Since incorporating and providing the related infrastructure has been provided by ASMP, they expect further external support without self-managing the PUC
Financial Challenges	PUC is yet to generate adequate income to carryout capital investments. Only manages operational costs at present.
Market-Related Challenges	Drastic Price fluctuation is common in all agriculture produces. As such supplies as well as buyers are reluctant to enter into formal agreement. Best option will be regular crop management and as a long-term plan to invest in cold room facility and processing unit
Governance Challenges	Less exposure to corporate governance, managing business risks,
Suggestions for Improvement	Need capital investments by way of grant and/or loan Training on Business management, risk and Legal matters
Requested Support from ASMP (By PUC/ Farmers)	Office space, Tractor, Washing and sorting space, Cold room facility, Processing plant. (above items have been provided for other PUCs by ASMP and they have pledged to provide the same for this PUC but failed to do so)
Financial or Market Support Needs	Establishing links with direct exporters, large scale food processing companies and super market chains. Establishing government sponsored colleting centers, processing units and retail outlet network









GENERAL INFORMATION	
PUC Name	Rajanganaya A Park Ltd
Date of Visit	17/12/2024
Location	Central Province, Anuradhapura, Ipalogama
Crop Sector	Fruits
Crop Type(s)	Banana (Sour Banana)
GOVERNANCE STRUCTURE	
Composition of BOD	Chairman + 4 Directors
BOD Term	Annually renewable
How BOD are selected	Executive committee
Decision-Making	Simple Majority
SHAREHOLDING DETAILS	
Number of Shareholders	392
Value Per Share (LKR)	10,000
Number of Target Members	No established target
Number of Current Members	392
Membership Criteria	Farmers/Cultivators
SUPPORT RECEIVED FROM ASMP	
Positive Impacts of Support	PUC were able to establish as a formal legal entity BOD consisting of farmers themselves. Recruited required employees to manage the accounts, operations and marketing. They have built a capital by way of issuing share to members. At present PUC is capable of operating independently with the income generated by sales.
Gaps or Challenges in Support	Further support in accessing markets
OPERATIONS AND ACTIVITIES	
Products Offered	Sour Banana
Services Offered	Provide market linkage to farmer members to get a better price in the competitive market, which individual farmers have less access. Packing plant is rented to its buyers (mainly exporters) on a fee basis (LKR 5/- per kg) Provides welfare services to members Provide recommendations for banks for agriculture loan (crop development) for PUC members Sale covering bags and tags
Facilities (e.g., storage, processing, packaging)	Already installed packaging plant
Establishment of Market Linkages	Well established and sells 60% of the crop (Grade 1) to Ceylon Fresh Fields (an exporter) Registered as a supplier of Keells. – 20% (Grade 2) Open market – 20% (Grade 3)

Active Contracts	Yes. 3 year Active contract with Ceylon Fresh Fields. Price to be negotiated annually based on the fluctuation of the USD (if more than 10%)
Duration of Contracts	3 Years. Price to be negotiated annually.
Key Terms and Conditions	<p>Simple and well-structured agreement have been developed.</p> <ul style="list-style-type: none"> • The PUC will not sell Grade – 1 Bananas to other buyers • The rejected crop decided by the • GAP certificate to be provided by the PUC • PUC shall grant the buyer permission to visit fields • PUC will accept instructions given by the buyer • Minimum price of LKR 150/kg • Provides a facility to negotiate to conduct price revisions quarterly. • PUC to provide 1x20' container of Banana per week
Monitoring Mechanisms in Place	Buyer's field officers are allowed to visit fields for this purpose.
Positive Outcomes from Contracts	<ul style="list-style-type: none"> • Fixed buyer for 3 years without frequent change in the price. • Price agreed in the contract is always better than the market price. • Field officers provided by the buyer to maintain the quality and guide the farmers.
Issues Encountered with Contracts	<p>No serious issues observed.</p> <p>The contract do not provide mediation in dispute resolution (Only through mutual negotiations and court proceedings).</p>
Suggestions for Contract Improvements (By PUC/ Farmers)	<p>Suggest a mediation clause to be included in contracts.</p> <p>Inclusion of a mediation clause will be helpful to resolve disputes expeditiously.</p>
CHALLENGES	
Market-Related Challenges	The PUC is highly dependent on a single export buyer, which accounts for 60% of the crop purchases. This creates a significant risk, if the supplier were to withdraw, PUC will be unable to sell its crops at fixed price.
Governance Challenges	Better exposure to corporate governance and managing business risks than most PUCs.













GENERAL INFORMATION	
PUC Name	Rajarata Agmiracle Ltd
Date of Visit	17/12/2024
Location	Central Province, Anuradhapura, Ipalogama
Crop Sector	Vegetables
Crop Type(s)	Mushroom (American Oyster, Bhutan Oyster, Abalone,
GOVERNANCE STRUCTURE	
Composition of BOD	Chairman + 4 Directors
BOD Term	Annually renewable
How BOD are selected	Executive committee
Decision-Making	Simple Majority
SHAREHOLDING DETAILS	
Number of Shareholders	9 (6 full and 3 partial)
Value Per Share (LKR)	5,000 and 2,500
Number of Target Shareholders	50
Membership Criteria	Farmers/Cultivators - Ownerships of 1 share
SUPPORT RECEIVED FROM ASMP	
Positive Impacts of Support	PUC were able to establish as a formal legal entity BOD consisting of farmers themselves. Recruited required employees to manage the accounts, operations and marketing. They have built a capital by way of issuing share to members. At present PUC is capable of operating independently with the income generated by sales.
OPERATIONS AND ACTIVITIES	
Products Offered	PUC: Mushroom Grow Bags (5 varieties of mushrooms)
Services Offered	Planning to provide market linkages to farmers to get a better price in the competitive market, which individual farmers do not have.
Facilities (e.g., storage, processing, packaging)	Processing Plant
Established Market Linkages	PUC sells grow bags for Cinnamon Hotels in North Central Province Had negotiations with Keells to sell the harvest (60kg per day)
Operational Challenges	Farmers who have received grow houses from ASMP are currently not operating. Therefore, the expected volumes of crop are not generated. Each grow house costs LKR 800,000, which is a substantial investment for farmers to make if they are to set one up on their own. High fuel cost for boiler (gas) for producing grow bags. Current cost for producing a grow bag is LKR 67/- and sold for LKR 75/- in the market (low margins). PUC is faced with high competition from similar grow bag producers in the area who are selling at LKR 65/-.

	The PUC building is not properly protected from wild elephant threats (No electrified fence).
Active Contracts	No. Insufficient production volumes to fulfill buyer requirements.
Types of Contracts Signed	Not Applicable since no prevailing contracts any party.
Duration of Contracts	
Key Terms and Conditions	
Monitoring Mechanisms in Place	
Positive Outcomes from Contracts	
Issues Encountered with Contracts	
Suggestions for Contract Improvements (By PUC/ Farmers)	
CHALLENGES	
Operational Challenges	Not enough supply of mushrooms to fulfill larger orders. Farmers sell their crops to individual buyers in smaller quantities.
Financial Challenges	PUC does not generate enough income from sale of grow bags. Low margin and production co
Market-Related Challenges	Unable to supply due to few number of farmers
Governance Challenges	Current board members in general do not have the capacity to perform the role of a board director
Special comments	Project was originally planned to be implemented in the Ranajayapura ex-serviceman housing scheme. Due to political influence the grow houses were given to external parties who are not residing in the housing scheme and are not interested in cultivating mushroom. Limited board members are interested in cultivating mushroom and they have not received any resources from ASMP.







GENERAL INFORMATION	
PUC Name	Sigiri Guava Ltd
Date of Visit	11/12/2024
Location	Central Province, Matale, Dambulla
Crop Sector	Fruits
Crop Type(s)	Guava
GOVERNANCE STRUCTURE	
Composition of BOD	Chairman + 4 Directors (each director is selected from each designated area)
BOD Term	Annually renewable
How BOD are selected	Executive committee
Decision-Making	Simple Majority
Positive Aspects of Governance	Closely knit community, engaged in same sector
SHAREHOLDING DETAILS	
Number of Shareholders	275
Value Per Share (LKR)	5,000
Number of Target Members	No established target
Membership Criteria	Farmers/Cultivators - Ownerships of 1 or more shares
SUPPORT RECEIVED FROM ASMP	
Positive Impacts of Support	PUC were able to establish as a formal legal entity BOD consisting of farmers themselves. Recruited required employees to manage the accounts and. They have built a capital by way of issuing share to members. At present PUC is capable of operating independently with the income generated by sales.
Gaps or Challenges in Support	In order to sustain and develop further, PUCs need further assistance by way of - <ol style="list-style-type: none"> 1. Establish direct links with exporters 2. Entering into Forward sales agreement with buyers 3. Capacity building training on business development & associated risks for Board members and Managers of PUC
OPERATIONS AND ACTIVITIES	
Products Offered	Fresh Guava
Services Offered	Provide market linkage to farmer members to get a better price in the competitive market and from exporters, which individual farmers have less access. Supplies plants, chemicals and fruit covers for farmers at lower than market price
Market Linkages Established	Currently deals with 12 buyers, including 6 exporters. Selecting the buyer depends on the price offered by the buyer and the stock availability. Not entered into formal agreements

Operational Challenges	<p>Drastic price fluctuation is the main challenge faced by the farmers. Value added products from Guava are less, other than making fresh pickle. Arranging Farm tours for tourists is also a workable option in Dambulla area.</p> <p>GAP certification and organic products can also be considered as future markets.</p> <p>Entering into sales agreements, at least with the exporters, would guarantee a fixed price.</p> <p>Quality upgrade at farm level with proper use of fruit covers, watering and optimum use of fertilize & chemical should be done, to get a higher price in the market.</p> <p>PUCs negotiation skills with buyers and maintain proper database for sales forecast to be further strengthened</p>
Active Contracts	No formal contracts in place.
Types of Contracts Signed	Not Applicable.
Duration of Contracts	
Key Terms and Conditions	
Monitoring Mechanisms in Place	
Positive Outcomes from Contracts	
Issues Encountered with Contracts	
Suggestions for Contract Improvements (By PUC/ Farmers)	
CHALLENGES	
Operational Challenges	No separate person to do marketing.
Financial Challenges	PUC is now building up the capital while managing the operational costs. With the planned operations, they will be able to generate adequate income to carry out capital investments in future.
Market-Related Challenges	<p>Drastic Price fluctuation is common in all agriculture produces.</p> <p>As such, PUC as well as buyers are reluctant to enter into formal agreement. The best option will be crop management, supplying to a larger buyer network and maintaining a proper database for price and quantity forecast.</p>
Governance Challenges	Less exposure to corporate governance and managing business risks.
Financial or Market Support Needs	Establishing links with direct exporters, large scale food processing companies and super market chains. Establishing government sponsored collecting centers, processing units and retail outlet network











- a) Each PUC has a Board of Directors (BOD) with typically five members, elected annually by an executive committee or shareholders. Governance challenges often include limited exposure to corporate governance and business risk management.
- b) Capital has been raised through share issuance. In most PUCs shares are valued at LKR 5,000/- (except for some PUCs having a share value above LKR 5,000/-) and membership is tied to ownership of at least one share, often targeting farmers if a specific crop cluster.
- c) Training focusing on finance, marketing and management. However, the need for further capacity building was emphasized.
- d) ASMP has provided individual assets (irrigations systems, pumps, insect proof netting etc.) to farmers and common assets (tractors, processing centers, collecting centers etc.) to PUCs. Common assets such as solar pumps have been given to several farmers to be shared among themselves and PUCs does not have any control over them.
- e) Mostly informal partnerships are maintained with buyers by the PUCs, but price fluctuations and lack of formal contracts are significant challenges.
- f) Challenges such as price volatility, limited marketing staff, high dependency on a single buyer and inadequate facilities are face by PUCs.

- g) Resistance to formal agreements are evident in PUCs due to fluctuating prices of crops.
- h) BOD members often lack the capacity to fully manage PUC activities effectively as they are farmers themselves.
- i) Some PUCs have indicated that BOD members prioritize personal business over the interests of the PUC. Which is reflected in slow decision making and limited strategic direction.
- j) Most PUCs heavily rely on middlemen, economic centers for sale of crops. This in turn affects the price stability and the predictability of the supply.
- k) One successful PUC has signed a multiyear contract with an exporter leaving room for price negotiations every quarter.
- l) Most PUCs struggle with low margins due to high input costs and seasonality.
- m) Most PUCs are faced with underutilized facilities and resources due to the lack of skilled staff, proper business plans and insufficient marketing efforts.
- n) Some PUCs have identified the potential of agro tourism and crop certification (SL-GAP certificate) to add value.
- o) High dependence on PUC Managers making the PUCs vulnerable to management bottlenecks.
- p) The PUCs are concerned about the continuation of their operations due to the possibility of a lack of support and cooperation from farmers once the ASMP project concludes.

6.3. Future Needs

- a) PUCs must establish direct links with exporters and larger buyers to establish long term contracts. These contracts will help to stabilize pricing and supply.
- b) PUCs must develop advanced facilities for value addition and storage to expand their operations.
- c) PUCs must strengthening capacity in governance, risk management and business development.
- d) Obtaining quality certification for crops (SL-GAP certification).
- e) A mechanism should be in place to transfer the control over resources given to farmers by ASMP to PUCs.
- f) Focus must be given to conducting formal programs or activities in place to build relationships among farmers and PUCs.
- g) Once the ASMP project has exited, there should be a monitoring and support mechanism provided to PUCs and farmers to become self-sustaining.
- h) Develop Government backed distributions networks.
- i) PUCs to conduct training and support services to farmers outside the PUC as an additional income source.
- j) It is necessary to strengthen the PUCs with improved operational efficiency of governing body and strengthen the shareholders relationships, to grow as a commercially viable entity. A strong PUC will be able to bargain and enter in to mutually beneficial agreements with buyers, which in turn beneficial to shareholder farmers.

6.4. The Proposed Agribusiness Partnership Model/ System

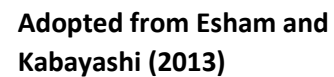
Every model adopted has its own advantages and disadvantages. Mostly adopted models are 3P models and 4P models. However, when inclusiveness of smallholder farmer is concerned, 4P model is the best as the smallholder farmers' needs and perspectives are concerned. It enhances the overall efficiency and profitability focusing on developing value chains while it further enhances joint research innovation and technology transfer.

Due to the various challenges faced by farmer companies in Sri Lanka, the ASMP introduced the concept of Public Unlisted Companies (PUCs), each specializing in producing a high-value export-oriented crop. With higher expected production and increased demand for inputs and other resources, it becomes necessary to implement collective strategic actions in marketing, purchasing, capital usage and utilization of machinery and facilities. This approach aims to help smallholder farmers achieve economies of scale, access advanced technology, pool their capital for value-added activities and gain greater bargaining power.

Establishing a new organizational structure is crucial for sustaining PUCs and creating a conducive business environment. Collective organizations like PUCs and the formation of a national apex body to oversee their operations would help smallholder farmers reduce transaction costs in the market. Esham and Kabayashi (2013) proposed a federated structure for this model, which strengthens PUCs in terms of structure, governance, collective action and integrated service provision.

The main activities of the national-level apex body include providing agricultural extension services, better living guidance, management guidance, auditing, representation in developing agricultural policy and maintaining public relationships. Beyond these primary functions, farmers can benefit from economies of scale through resource pooling. The federated system also helps to eliminate managerial deficiencies, create a strong capital and resource base and support robust networking with banks, suppliers, supermarkets, processors, wholesalers, retailers and government agencies. Another key task of the national federation is managing subsidy schemes. The General Assembly or Annual General Meeting (AGM) serves as the main decision-making platform where all Board of Directors (BOD) members are appointed. The federation can also establish business-specific steering committees, commodity-based groups, youth organizations and women's organizations to assist farmers and the national federation. To build trust among farmers and others in the system, members should be given more opportunities to participate in governance, thereby increasing their confidence in the PUC and the members of BOD.

In the proposed federated system, joint marketing, joint purchasing, joint use of capital (as seen in PUCs) and joint utilization of machinery and facilities are actively promoted and implemented. These collective actions ensure farmers secure the best prices for their products, access inputs at lower costs and enjoy easy access to credit, machinery and other farm necessities. Additionally, it is required that farm plans be prepared in advance of the cultivation season to place bulk orders with contract suppliers, further streamlining operations and enhancing efficiency.



A federated system is expected to offer farmers essential resources such as expertise, extension services, credit, insurance, advanced production techniques, seeds, fertilizers and farm equipment. By working collectively, farmers can significantly reduce transaction costs, especially when they have agreements with business ventures, allowing them to benefit from economies of scale. Additionally,

in supporting PUCs, a federated system can play a crucial role in balancing market-orientation with inclusiveness, while also promoting open membership and fair governance representation.

7. POLICY ANALYSIS AND RECOMMENDATIONS

Agribusiness partnership agreements often aim to improve market access, productivity and profitability but frequently fall short of these goals. Effective policy recommendations for these partnerships must ensure they are sustainable, inclusive and beneficial for all stakeholders involved. Policies may focus on managing risks to protect the most vulnerable, promoting collective action to reduce transaction costs, fostering inclusion, enhancing financial access for smallholder farmers and establishing robust institutional and regulatory frameworks. Partners should be identified through competitive bidding, partner due diligence processes, or working with already established partners. (Thorpe and Maestre, 2015)

Design of partnership agreement models should include risk-sharing and mechanisms that address unequal power relations that exist in vertically coordinated value chains.

For partnerships to be successful, all partners, including farmers, need to have ownership with clear roles and responsibilities that reflect their priorities and interests

Agreements are needed to create incentives for partners to perform their intended roles and to feel confident that the other partners will perform their roles. Design of the agreement should firstly identify risks and how risks are distributed. Mechanisms are then needed to manage, mitigate or share risk, avoiding an excessive unmitigated risk burden on one party. Performance monitoring, with indicators that reflect joint objectives of the agreement and spaces for communication, negotiation and conflict resolution could be adopted to averse risk emerging from interactions between these parts.

To keep the partnership agreement going without any difficulties, it is very important to maintain clear communication between parties with regard to progress, challenges and changes while continuous reporting of relevant data and reports build trust and ensure mutual understanding. Transparency in what the PUC and the business partner do is very crucial in a successful agreement. Without the understanding of objectives and goals of both parties, it is difficult to maintain the agreement terms. Therefore, every partner should make sure that everybody understand the goals and objectives to avoid any misunderstanding between them. It is also requirement that the partnership agreement should be formulated in such a way that both parties are prepared to address and solve problems collaboratively as they arise. If every party stays flexible and is willing to adapt to changes in the market especially and adapt any new technology, it would positively affect the sustainability of the agreement. Performance monitoring is key to success in any successful partnership model and there must be a proper feedback mechanism to allow both parties to provide inputs and make improvements. Conflict resolution mechanism is very important to maintain the healthy relationship with the partner. Hence, it is better if the parties can have a neutral third party to resolve any conflict arise during the partnership. If the partnership is to be further successful, encouraging innovations and adoption of new technologies is helpful while training and capacity building is essential in enhancing skills and knowledge. One of the major that arise in partnership agreement is whether the parties maintain the transparent and accurate financial records. It is vital factor for both parties in building the trust and accountability. On the other hand, both parties should manage finances

carefully and ensure both parties are clear about financial responsibilities and contributions. It is very important that all agreements be clearly documented in legally binding contracts and compliance with all relevant laws and regulations is a must. The success of business venture depends on clear marketing and promotion strategy. Therefore, joint market and promotion strategy could be favorable for both parties. In identification of new opportunities, both parties can engage in joint marketing research so that they can improve their positioning.

In drafting the agreement, it is essential that it has to clearly identify the roles, responsibilities and expectations of each party. Inclusion of dispute resolution mechanism, time frame and performance indicators and matrices can also strengthen the agreement. We need to make sure that all the terms are clearly specified, transparent and agreed upon by all the parties when signing the agreement. Holding regular meeting between parties will assist to discuss the progress, address concerns and share feedback. One of the major drawbacks that exist among the PUC members is the lack of communication skills in dealing with farmers, business firms, buyers etc. Therefore, improving the communication skills could help them significantly in maintaining the link with the buyer. Continuous healthy dialogue between parties through effective communications channels will further strengthen the linkage and the agreement. Maintaining the mutual trust by considering every party's need further supports to keep the agreement active.

Joint planning is necessary to align with the strategic objectives of the agreement. Joint problem solving mechanism is needed to address challenges arisen time to time. Exploring new ideas and emphasizing innovation are essential in continuing successfully. Equitable sharing of benefits and having incentive schemes encourages the long term commitment. Creating KPIs and continuous monitoring and evaluation are key aspects for a successful agreement and smooth functioning of activities. Business mentoring can also be used in sustaining the business and agreement. Before any agreement is made and signed, the PUCs must consider what companies and buyers can offer to farmers. Signing a contract or agreement for a guaranteed price only may not be beneficial and favorable for PUCs and their membership and also for the business firm as the market price always fluctuates. One of the major requirement in PUCs and membership is that they should make sure that entrepreneurially inclined farmers participate in contracts. PUCs should carefully take precautionary actions to keep better off farmers with the contract. There is tendency that the agribusiness companies exclude smallholder farmers mainly due to increased transaction cost. Price setting mechanism should be transparent and should be favorable for both parties. The main issue is that the agribusiness company expects a lower price whereas the farmer expects a higher price. On the other hand large buyers may delay the purchase to manipulate prices or tighten the quality standards or tell the farmers that the cost production is high. Therefore, their prices are higher. This is has to be solved through a proper agreement. Agribusiness companies may influence the price by setting delivery schedules particular when prices are volatile. However, if the farmers can access different markets and different buyers, the issue that arises from price volatility can be minimized. Product/ crop diversification also may be an option to reduce risk associated with price volatility. Using financial instruments such as Futures Contracts (a standardized legal contract to buy or sell something at a predetermined price for delivery at a specified time in the future, between parties not yet known to each other) and through agricultural insurance schemes, the risk from price volatility can be minimize.

As price and quality of product are the major components of an agreement, it is required that both parties should agree on a fair price. If a training is given to PUC members and all other farmers on pricing and understanding market dynamics such as supply and demand dynamics, price trends,

competitive pricing and benchmarking (compare the prices with similar products in the market) they themselves will make sure to set a fair price. It has also been noted that sometimes farmers do not have a better understanding of costing and cost of production and on mechanisms to reduce cost of production. Therefore, training on costing, profit margins and calculating and reducing cost of production would help mitigate pricing issues. Transparent negotiation is also a must in reaching mutually agreeable price. In a contract, pricing formula, payment terms and any price adjustment in the contract should clearly be outlined. It is also recommended that the agreement should include clauses that address price fluctuations, such as price floors or ceilings, to protect both parties. Use of financial instruments like futures contracts to hedge against price volatility can also be considered. It is also required to schedule regular reviews of the pricing agreement to ensure it remains fair, relevant and incorporate feedback from market performance and stakeholder input to adjust pricing as needed. One of the major challenges faced when implementing agreements is how fast the payments are made by the buyer. If the payments are delayed, it will affect the sustainability of the agreement. It is very important that all the parties should understand roles and responsibilities of each party specified in the agreement.

Commonly Used Contract Specifications

- a) Duration of the contract
- b) Contract quota
- c) Quality specifications and grading systems
- d) Quality control (when, how, who is responsible, who pays etc.)
- e) Cultivation practices required by the contractor
- f) Time of delivery
- g) Conditions of delivery
- h) Logistic support
- i) Technical assistance
- j) Repayments terms of inputs, loans and timing of input credit supply
- k) Credit facilities to farmers
- l) Pricing formula (such as fixed prices or flexible prices based on particular markets, consignment price etc.)
- m) Methods and time of payment
- n) Risk sharing system/ insurance

Members of PUCs must be trained prepare a proper business plans as it was observed in the stakeholder survey that most the PUCs are lacking business plan. It was also observed that PUCs try engaging in non-viable business activities and enterprises. This may have a detrimental effect on the PUCs. Therefore, they should be made aware on how to find a viable business opportunity.

Institutional mechanisms to coordinate public private partnership is lacking in Sri Lanka. It is therefore, suggested to establish an institutional mechanism to coordinate activities in an efficient manner to reduce the transaction cost. Establishment of one-stop solutions is recommended to establish in this

regard. It is also encouraged to have integration among input suppliers, production and marketing. Government intervention in agricultural marketing must be avoided to have an efficient output market.

8. LAWS, ORDINANCES AND ACTS AFFECTING CONTRACTUAL FARMING AGREEMENTS AND OBLIGATIONS OF THE PARTIES

8.1. Key Legal Considerations for Contractual Farming Agreements

a) Definitions of Contract

Contracts are define as:

- A legally binding agreement between two or more parties
- A written or spoken agreement, especially one concerning employment, sales, or tenancy that is intended to be enforceable by law. - Oxford Dictionary

Applicable law for contracts in Sri Lanka is Roman-Dutch Law

b) Basic Requirements

An agreement for contract farming must fulfill below listed basic requirements:

- The Parties must have capacity to contract
 - A person below 18 years cannot enter into an agreement (there are a few exceptions but not relate to contract farming)
 - Mentally unsound persons are said to be in a state of insanity or lunacy and cannot be party to an agreement.
- There should be a valid offer and a valid acceptance.
- There should be a consideration (In Roman-Dutch Law a reasonable cause. In contract farming it could be a price or something that can be measured in monetary terms)
- The Parties must have an intention to create legally binding relations.
- There should be genuine consent or agreement between the parties.
- The terms of the contracts should be certain. (Conditions, Warranties, Exemption Clauses)
- The performance of the parties should be possible
- The objective of the contract should be legal.

c) When could be an agreement become void ab initio (from the very beginning)

- Parties to the contact agreed or acted under a mistake (conditions apply)
- Misrepresentation (conditions apply)

- Undue influence on one party
- Duress or threat

d) Ways of terminating a contract

- By performance (Achieving/ fulfilling the primary objective of the contract)
- By agreement
- By notice
- By an actual breach of the contract.
- By an anticipatory breach of the contract
- By the operation of the law
- By frustration (The performance of the contract become impossible due to no fault of the parties to the contract.)

8.2. Sale of Goods Ordinance No. 11 of 1876

The Sale of Goods Ordinance applies to contractual agreements to sell goods and hereby briefly discussed applicable, but not limited, to clauses of the said Ordinance to the contract farming.

a) Formation of a Contract

Sec 2 (1): A contract A contract of sale of goods is a contract whereby the seller transfers or agrees to transfer the property in goods to the buyer for a money consideration, called " the price ".

Sec 2 (2): A contract of sale may be absolute or conditional.

Sec 2 (3) sale and agreement to sell: Where under a contract of sale the property in the goods is transferred from the seller to the buyer the contract is called "a sale"; but where the transfer of the property in the goods is to take place at a future time, or subject to some condition thereafter to be fulfilled, the contract is called " an agreement to sell ".

As per this clause Farming Contracts come under an agreement to sell.

Sec 2 (4): An agreement to sell becomes a sale when the time elapses or the conditions are fulfilled subject to which the property in the goods is to be transferred.

Sec 3 Capacity to buy and sell: Capacity to buy and sell is regulated by the general law concerning capacity to contract and to transfer and acquire property

This has been discussed above

b) Formalities of the Contract

Sec 4: Subject to the provisions of this Ordinance and of any enactment in that behalf, a contract of sale may be made in writing, or by word of mouth, or partly in writing and partly by word of mouth, or may be implied from the conduct of the parties

In contract farming it is strictly advised to have a fully written agreement.

Sec 5 (1): A contract for the sale of any goods shall not be enforceable by action unless the buyer shall accept part of the goods so sold and actually receive the same, or pay the price or a part thereof, or unless some note or memorandum in writing of the contract be made and signed by the party to be charged or his agent in that behalf.

c) Subject Matter of Contract

Sec 6 (1): The goods which form the subject of a contract of sale may be either existing goods, owned or possessed by the seller, or goods to be manufactured or acquired by the seller after the making of the contract of sale, in this Ordinance called "future goods".

Most of the occasions in contract farming, product or produce is future goods

Sec 6 (3): Where by a contract of sale the seller purports to affect a present sale of future goods, the contract operates as an agreement to sell the goods.

d) The Price

Sec 9 (1): The price in a contract of sale may be fixed by the contract or may be left to be fixed in manner thereby agreed, or may be determined by the course of dealing between the parties.

Sec 9 (2): Where the price is not determined in accordance with the foregoing provisions the buyer must pay a reasonable price. What is a reasonable price is a question of fact dependent on the circumstances of each particular case.

Sec 10 (1): Where there is an agreement to sell goods on the terms that the price is to be fixed by the valuation of a third party and such third party cannot or does not make such valuation, the agreement is avoided.

Provided that if the goods or any part thereof have been delivered to and appropriated by the buyer, he must pay a reasonable price therefor.

Sec 10 (2): Where such third party is prevented from making the valuation by the fault of the seller or buyer, the party not in fault may maintain an action for damages against the party in fault.

e) Conditions and Warranties

Sec 11 (1): Unless a different intention appears from the terms of the contract, stipulations as to time of payment are not deemed to be of the essence of a contract of sale. Whether any other stipulation as to time is of the essence of the contract or not depends on the terms of the contract.

Sec 11 (2): In a contract of sale "month" means prima facie calendar month.

f) Effects of the Contract

Sec 19 -Rule 2: Where there is a contract for the sale of specific goods and the seller is bound to do something to the goods for the purpose of putting them into a deliverable state, the property does not pass until such thing be done and the buyer has notice thereof.

Sec 19 -Rule 3: Where there is a contract for the sale of specific goods in a deliverable state, but the seller is bound to weigh, measure, test, or do some other act or thing with reference to the goods for the purpose of ascertaining the price, the property does not pass until such act or thing be done and the buyer has notice thereof.

Sec 21: Unless otherwise agreed, the goods remain at the seller's risk until the property therein is transferred to the buyer, but when the property therein is transferred to the buyer the goods are at the buyer's risk, whether delivery has been made or not:

Provided that where delivery has been delayed through the fault of either buyer or seller, the goods are at the risk of the party in fault as regards any loss which might not have occurred but for such fault

g) Performance of the Contract

Sec 27: It is the duty of the seller to deliver the goods and of the buyer to accept and pay for them, in accordance with the terms of the contract of sale.

Sec 28: Unless otherwise agreed, delivery of the goods and payment of the price are concurrent conditions; that is to say, the seller must be ready and willing to give possession of the goods to the buyer in exchange for the price and the buyer must be ready and willing to pay the price in exchange for possession of the goods.

Sec 30 (1): Where the seller delivers to the buyer a quantity of goods less than he contracted to sell, the buyer may reject them, but if the buyer accepts the goods so delivered he must pay for them at the contract rate.

Sec 30 (2): Where the seller delivers to the buyer a quantity of goods larger than he contracted to sell, the buyer may accept the goods included in the contract and reject the rest, or he may reject the whole. If the buyer accepts the whole of the goods so delivered he must pay for them at the contract rate.

Sec 30 (3): Where the seller delivers to the buyer the goods, he contracted to sell mixed with goods of a different description not included in the contract, the buyer may accept the goods which are in accordance with the contract and reject the rest, or he may reject the whole.

Sec 30 (4): The provisions of this section are subject to any usage of trade, special agreement, or course of dealing between the parties.

h) Rights of Unpaid Seller Against the Goods

Sec 38 (1): The seller of goods is deemed to be an "unpaid seller " within the meaning of this Ordinance—

- i. when the whole of the price has not been paid or tendered;

Sec 39 (1): Subject to the provisions of this Ordinance and of any enactment in that behalf, notwithstanding that the property in the goods may have passed to the buyer, the unpaid seller of goods, as such, has by implication of law—

- i. a lien on the goods or right to retain them for the price while he is in possession of them;
- ii. in case of the insolvency of the buyer, a right of stopping the goods 'in transit' after he has parted with the possession of them;
- iii. a right of re-sale as limited by this Ordinance.

i) Actions for Breach of the Contract - Remedies of the Seller

Sec 48 (1): Where, under a contract of sale, the property in the goods has passed to the buyer and the buyer wrongfully neglects or refuses to pay for the goods according to the terms of the contract, the seller may maintain an action against him for the price of the goods.

Sec 48 (1): Where, under a contract of sale, the price is payable on a day certain irrespective of delivery and the buyer wrongfully neglects or refuses to pay such price, the seller may maintain an action for the price, although the property in the goods has not passed and the goods have not been appropriated to the contract.

Sec 48 (2): Where, under a contract of sale, the price is payable on a day certain irrespective of delivery and the buyer wrongfully neglects or refuses to pay such price, the seller may maintain an action for the price, although the property in the goods has not passed and the goods have not been appropriated to the contract.

Sec 49 (1): Where the buyer wrongfully neglects or refuses to accept and pay for the goods, the seller may maintain an action against him for damages for non-acceptance.

Sec 49 (2): The measure of damages is the estimated loss directly and naturally resulting, in the ordinary course of events, from the buyer's breach of contract.

Sec 49 (3): Where there is an available market for the goods in question the measure of damages is prima facie to be ascertained by the difference between the contract price and the market or current price at the time or times when the goods ought to have been accepted, or, if no time was fixed for acceptance, then at the time of the refusal to accept.

j) Actions for Breach of the Contract - Remedies of the Buyer

Sec 50 (1): Where the seller wrongfully neglects or refuses to deliver the goods to non-delivery. The buyer, the buyer may maintain an action against the seller for damages for non-delivery.

Sec 50 (2): The measure of damages is the estimated loss directly and naturally resulting, in the ordinary course of events, from the seller's breach of contract.

Sec 50 (3): Where there is an available market for the goods in question, the measure of damages is prima facie to be ascertained by the difference between the contract price and the market or current price of the goods at the time or times when they ought to have been delivered, or, if no time was fixed, then at the time of the refusal to deliver.

8.3. Unfair Contract Terms Act 26 of 1997

An Act to impose limits on the extent to which civil liability for breach of contract or for negligence or other breach of duty, can be avoided by means of contract terms and otherwise; for matters connected there with or incidental thereto.

Sections of this Act relevant to contract farming are quoted below.

Sec 3 (2): A contract term or notice given to a person generally or to a particular person which purports to exclude or restrict or has the effect of excluding or restricting a person's liability for any other loss or damage resulting from negligence shall have effect only in so far as such contract term or notice satisfies the reasonableness.

Sec 3 (3): Where a contract term or notice purports to exclude or restrict or has the effect of excluding or restricting liability for negligence a person's agreement to such contract terms or awareness of such notice shall not itself be taken as constituting his acceptance of any risk.

Sec 8 (1): When a contract term is effective under the provisions of this Act, only if satisfied the requirement of reasonableness, it may be found to meet that requirement, it may be found to meet that requirement given effect to notwithstanding the fact that contract has been terminated either by breach or by a party electing to treat it as repudiated.

Sec 8 (2): Where a contract is affirmed by a person entitle to treat it as repudiated such affirmation shall not be taken as excluding the requirement of reasonableness in relation to any contract term.

Sec 10 (1): A contract term satisfies the requirement of reasonableness is to satisfy that the contract term is fair and reasonable one to be included having regard to the circumstances or ought to have reasonably have known to or in the contemplation of parties when the contract was made.

Sec 10 (4): If a person purports to restrict his liability to specified sum of money by a contract term or notice whether such notice or term satisfied the requirement of reasonableness regard shall be had to-

- i. Resources such person expect to be available to him for the purpose of meeting the liability should it arise.
- ii. How far it was open to such person to cover himself by insurance.

Sec 10 (4): It is for the party claiming that contract term or notice satisfies the requirement of reasonableness to show that it does.

8.4. Review on Indian Model Contract Farming Act 2018 (Draft Act)

Here the above Model Act is briefly discussed and the main clauses applicable to Sri Lanka are cited. The role that can be performed by an institution or institutions such as the authority proposed in the Act is also discussed

a) Background

In pursuant with 2017/2018 budget announcement a committee was appointed by the Union Agricultural Minister to draft a Model contract Farming Act. The committee after having consultation with all relevant stakeholders drafted a Model Act in 2018.

It was named as **“The.....State/UT Agricultural Produce and Livestock Contract Farming (Promotion & Facilitation) Act 2018”**

The singular guiding factor that informed the Committee in formulating this law has been protecting and promoting the interests (land ownership, higher productivity, reduced cost, higher price returns) of the farmers in general and small & marginal farmers in particular.

Along with population growth, the amount of cultivable land owned by a farmer or farming family has become very small and marginal. Hence, farms have become very small units.

The small size of farms has brought in challenges of farm viability. Other major issue to be addressed is the operational inefficiency.

More productivity can be achieved by pooling small parcels of land and using them as a single operating unit by mobilizing the owners to one collective without losing the ownership to the plots. Contract farming is one way to implement such project.

Essentially pre-harvest contracts between farmers and sponsors or buyers, risks of price fluctuations, risks of market unpredictability, sponsor inputs technology and capital and many others issue a stronger agreement between parties which protect rights of all is an essential factor in contract farming.

The Government of India intends to introduce such a model act with the aim of formalizing the requirements related to contract farming, providing the necessary legal provisions and primarily protecting the small landholding farmers and using that land more effectively for the development of the country's agriculture.

This is how the Model Act describes how the drafting committee was guided on the main objective

“The singular guiding factor that informed the Committee in formulating this law has been protecting and promoting the interests (land ownership, higher productivity, reduced cost, higher price returns) of the farmers in general and small & marginal farmers in particular. Parallely, the Committee was guided by the necessity of incentivizing the sponsor, if the latter was to find it attractive enough to buy the market risks of a farmer. The provisions, therefore aim at building a win-win framework for the two principal parties to the Agreement”.

b) Content

Preamble of the Act

An Act to provide for improved production and marketing of agricultural produce, livestock and its product through holistic contract farming and to facilitate the contracting parties to develop mutually beneficial an efficient contract farming system by putting in place a friendly and effective institutional mechanism and conducive regulatory and policy framework for contract farming and lay down procedures and systems and the matters connected therewith and incidental thereto.

- i. Establishment of an authority

The Act says an authority shall be established by the government or state government. In Sri Lanka this could be the central government provincial councils. On having such authority at the provincial level, there is an ability to target the crops inherent or common to those provinces and the issues related to them. Proposed name isstate/UT Contract Farming (Promotion & Facilitation) Authority.

ii. Composition of the authority

- A chairperson as the head of the Authority, eminence in the field of agriculture science, agricultural marketing, agri-business, agri- trade & commerce, land revenue & management, judiciary, general administration, development administration, banking with 20 years or more experience.
- Two Members to be appointed by the Government/ Administration from amongst the persons having the experience of agriculture, agricultural marketing, agri-business and agri-trade & commerce of not less than 20 years, or from amongst the persons from the administration who have been associated with the subject. Exceptions are allowed.
- One person nominated by the Government or State Government to represent Food Processors /Exporters/Bulk buyers linked with retail chain Contract Farming Sponsors, as non-official Member.
- One person nominated by the Government or State Government to represent the farmers or their groups or association, by whatever name it is called, as non- official Member;
- A CEO to appointed by the Government or State Government from amongst officers not below the ranking of Director
- Preferably at least one member of the Authority should be a woman.

iii. Tenure of the office and the conditions official Members

- The Chairperson and every official Member shall hold office for a term not exceeding five years from the date of assuming the office and shall not be eligible for reappointment in the Authority: The Act intended to limit the serving period and prevent reappointments.
- The Chairperson and the official Members can resign and can removed as per the Provisions in the Act.
- A person cannot hold the position as an official member after attain the age of sixty-five years. This implies that this age limit not applicable to the representatives who are non-official Members. *This may have meant that it was necessary for persons of active ability to occupy the positions. Preventing the appointment of retirees may also be an objective. It is a necessity that the government of Sri Lanka must focus on
- Any person who is holding any other office must resign or seek retirement from that office to be appointed as Chairperson or official Member of the Authority. *This clause envisages not only holding a position but also a commitment.
- A salary is entitled by the Chairperson and the official Members

iv. Term of office of non-official Member of the Authority.

- The term of office of the non-official Member of the Authority shall be for five years. However, the Government or the State Government may appoint a non-official member for another term only once.
- Any non-official Member may be removed from the Authority.
- Entitled for a sitting allowance,
- v. Powers and Functions of the Authority.
 - Implementation of the Act, make suggestion for promotion and efficient performance of contract farming.
 - Take *suo-motu* (on its own notice) of failure to perform as per agreement and refer such cases for decision to the concerned authorities, court of law and pass such order
 - Carry out inspections of offices entrusted with the task of contract farming and insuring authorities.
 - Recommend action against officers or employees who failed perform duties and functions cast upon under the Act. Conduct inquiries before such recommendations.
 - Recommend changes in procedures for contract farming which will make the subject more transparent, objective, simpler and successful. Recommend additional crops.
 - Conduct publicity programs.
 - Levy and collect facilitation fee not less than twenty five percent of such revenue spent on promotion of contract farming like training, formulation of grade standards, research
 - Organize joint meetings, workshops for Farming Producers and Sponsors to discuss contractual terms, their duties and obligations.
- vi. Authority to make Regulations
 - The Authority may, with the previous approval of the Government/ State Government, make regulations, not inconsistent with this Act and Rules made thereunder for the administration of the affairs of the Authority.
- vii. Finance, Accounts and Audits
 - Government or State Government grant such sums of money to the Authority at the initial stages.
 - There shall be constituted a fund to be called Contract Farming (Promotion and Facilitation) Authority Fund.
- viii. Registration of Contract Farming Sponsor and Recording of Agreement
 - Government or State Government may constitute a committee comprising officials from Departments of Agriculture, Horticulture, Animal Husbandry, Marketing, Rural Development Cooperation, Fisheries/ Poultry and Allied fields not exceeding five Members. The Committee is named as "Registering and Agreement Recording Committee.
 - Every Agreement shall be registered in such a manner as may be prescribed and no such

Agreement shall be valid unless it is so registered with the “Registering and Agreement Recording Committee”

ix. Support to agricultural production

- The Contract Farming Producer, hereinafter called “Producer”, may get support for improving production and productivity by way of inputs, feed & fodder, technology and other service(s) related thereto as specified in the Agreement.

The scope of the contract under this Act would be whole of it from pre-production to post production or any component thereof with all terms and conditions mentioned explicitly in the Agreement and not inconsistent with the Act

x. Sponsor prohibited from raising permanent structure on Producers’ land or premise.

xi. Object and Period of Agreement.

- The Agreement shall be made by the Sponsor exclusively for the purchase of the agricultural produce and/ or livestock or its product and may include supply of material inputs including soil reclamation, leveling, feed & fodder and technology or any other activity related thereto as specified in the Agreement.
- The minimum period of the Agreement shall be for one crop season or one production cycle of livestock and the maximum period shall be five years and continuance subject to renewal thereafter.
- Agreement shall be prepared in local language and script clearly comprehensible to the producer.

xii. Quality Grade Standards.

- The contracting parties may, considering the channel of outlet, end use, agronomic practices, agro-climate and such other factors, also work out mutually acceptable quality grade standards or adopt any such standards formulated by an agency or any other agency authorized by the Authority, explicitly mentioned in the Agreement, to execute the sale-purchase.
- The quality grade standards may be categorized into (i) premium quality; (ii) fair average quality; and (iii) below fair average quality.
- While identifying and defining quality parameters and their values, generic and specific use of the produce may be taken into consideration.
- Explanation: In case of contract farming for seed production, genetic purity, germination percentage, viability, etc., as the case may be in the contract, may be important parameters.

xiii. Recovery of loans and advances given by Sponsor to the Producer.

- Both loan and advances given by the Sponsor to the Producer can be recovered from sale proceed of the produce in accordance with the procedure and manner as may be prescribed and in no case, be realized by way of sale or mortgage or lease of the land in respect of which the Agreement has been entered into.

- xiv. Power to order production of accounts and powers of entry, inspection and search.
 - Any Officer empowered by the Authority in this behalf may, for the purpose of this Act and other documents and to furnish any information relating to the stock of contracted produce or purchase, sale, storage and processing thereof; and also, to furnish any other information relating to the payment to the Producer under the Act.
- xv. Principles to determine pre-agreed price for Produce.
 - Notwithstanding anything contained in this Act or any other law for the time being in force, the sale prices, explicitly mentioned in the Contract, may be determined in accordance with the guiding criteria as provided in the Rules.
- xvi. Sale- purchase of produce
- xvii. Insurance of Produce
- xviii. Other parties to the Contract.
 - Save as otherwise provided in the Act, insurance company, banking institution providing credit, agri-input supplier, knowledge partner, buy- back buyer and other buyer intending to purchase Produce below fair average quality may be parties to.
- xix. Alternation and termination of Contract.
 - On reasonable cause, the contracting parties may, in the course, alter or terminate the Contract with mutual consent and due approval of the Authority or the officer authorized in this behalf.

c) Dispute Settlement Appeal and Penalties

- i. Negotiation or third party mediation /conciliation
 - In case of any dispute arising out of Agreement made inconformity to this Act , the parties to the contract may seek mutually acceptable solution though the process of negotiation or through third party mediation /conciliation in the manner, as may be prescribed.
- ii. Dispute Settlement Officer
 - Failing to reach a mutually acceptable solution the aggrieved party may refer the dispute to the designated "Dispute Settlement Officer"
- iii. Appeal
 - Any person aggrieved by the decision/ order of Dispute Settlement Officer may prefer an appeal to the Authority
- iv. Penalties
 - The Sponsor and the Producer shall, on contravention /breach of contract made under this Act, be liable to un-liquidated damages or compensation and liquidated damages or penalty, as may be prescribed.

8.5. Generic Terms and Conditions Proposed to be Included in a Contract Agreement

In contract farming, an agreement should maximize the benefits of the parties and mitigate the risks or must be compensated as much as possible. A formal agreement should include appropriate terms and conditions to meet these requirements

- a) **The Parties:** Names, Addresses and Identification Nos/ Registration Nos.
- b) **The Purpose:** Reasons for the contract, description of the crop/crops
- c) **The location or the site:** Location and the extent of the farming land. Evidence for the land ownership and/or right to use the land.
- d) **Commencement and Duration:** Date of commencement and the duration in days, weeks, months or years
- e) **Obligations of the parties:**
 - Farmers or producer's responsibilities – Quantity to cultivate, quality, how to deliver, any special requirements.
 - Buyer's responsibilities – What support buyer is providing including inputs and/or technical assistance.
- f) **Input provisions:** Specific description of inputs provided by the buyer, when and where inputs will be delivered. Calculation of repayments for the inputs and how these repayments will be made,
- g) **Price and payment:** Agreed price/prices (fixed price, market price or piece per week or month). Price per grading where applicable. Payment schedule and mode of payment. Currency if applicable. Price reduction factors.
- h) **Third Parties:** Describing other parties such as financial institutions, quality assurance bodies, government entities.
- i) **Exemptions and Excuses:** Defining acceptable justifications for failing to comply. *Force majeure*
- j) **Dispute resolutions and remedies for breach:** Methods for dispute resolution such as amicable procedures, mediation or conciliation. Arbitration judicial, proceedings.
- k) **Renewal and termination:** Express agreement to extend the duration of the existing contract, Contracts should specify the situations and procedural requirements for contract termination
- l) **Signatures:** Provided by the parties or authorized signatories of the parties ideally in the presence of witnesses.

9. MODEL AGREEMENTS

The model agreements for contract farming included below are based on the model contracts published by the Food and Agriculture Organization of the United Nation (FAO) and modified to suit the contract law of Sri Lanka and aligned with the provisions of the Sale of Goods Ordinance.

These agreements are only model agreements and parties should customize them to suit their needs. One agreement may use for general purpose and the other one for perennial crops.

Only the appropriate clause should be opted from the numbered optional clauses. Other optional clauses may be included only if applicable. Other clauses have been accepted by the FAO as requirements of a formal agreement for contract farming.

In discussions with executives and shareholders of several farmer companies, it was revealed that they are very reluctant to enter into agreements for the sale of produce.

The main reason for this is that the buying companies propose a fixed price for a certain period and that price is a very low price. In case of weekly or monthly price changes, shareholders will lose their opportunity to sell products at a higher price by avoiding such an agreement. One PUC has overcome this entering into an agreement with an exporter to supply the crop for a period of three years with a price validation in every three months. This option could be considered by other Companies also.

Two or three farming companies submitted as a secondary reason that contracts with simpler terms in a language they were familiar with were not available.

Some farming companies have said that they are planning to enter into agreements with companies in the future, taking into account the issues of providing technology, providing management advice and providing a better price or a price equal to or close to the market price at the time of purchase.

For this reason, a model agreement prepared in simple Sinhala included

Model Agreement: Generic**1 THE PARTIES**

- 1.1 This contract is made at [insert place] on [insert date] between [insert name and address of Buyer, organization or business registration number, if available], hereinafter sometimes called and referred as the “Buyer,” and [insert name/s and address of Producer or producer organization, identity or organization number, if available], hereinafter sometimes called and referred as the “Producer.”
- 1.2 The Producer warrants that:
- (i) no less than 10 days before the signature of this Agreement, the Producer received a [copy of this Agreement]/[a written offer incorporating the terms of this Agreement].
 - (ii) The Producer has read this Agreement or had this Agreement read to him/her by an independent third party and had a reasonable opportunity to understand this Agreement before signature.
 - (iii) The Producer has had the opportunity to seek the advice of [an independent legal advisor]/[a producer organization] on this Agreement before signature.

2 THE PURPOSE

- 2.1 The Buyer agrees to buy [insert commodity] produced by the Producer and the Producer agrees to produce and sell to the Buyer [insert commodity], “the Goods”, in accordance with the articles set out below.

3 PRODUCTION SITE

- 3.1 This Agreement relates to Goods produced on [insert size of land area in acres/perches/hectares], located at [insert district and divisional secretariat/ local authority and Grama Niladhaari division or other applicable way to specify] and held under title [insert title deed number and name of the attested Notary Public or issued officer if it is granted land/ other proof of title or use right].

4 THE PRODUCT**Product quantity**

[Option 1 Exclusive output agreement]

- 4.1 The Producer agrees to deliver exclusively to the Buyer all the Goods produced *[on the Production Site]/[using the Buyer’s Inputs]*. The Producer shall not enter into any other marketing arrangements with any other buyer for the Goods produced *[on the Production Site]/[using the Buyer’s Inputs]*, for the duration of this Agreement, unless expressly authorized by the Buyer in writing.

- 4.2 The Producer may retain *[insert unit of measurement]* of Goods for household consumption per *[season]/[delivery]*.

[Option 2: Non-exclusive output arrangement]

- 4.3 The Producer agrees to deliver to the Buyer *[insert unit of measurement, range, or percentage]* of the Goods produced *[on the Production Site]/[using the Buyer's Inputs]*.

- 4.4 The Producer may sell Goods produced in excess of the amount stipulated in Article 4.3 to a third party

Optional clause If the Buyer does not notify, in writing, the Producer of its intention to purchase the excess Goods within [insert number of days] of the Producer giving notice to the Buyer of the availability of excess Goods for purchase, the Producer may sell the excess Goods to a third party.]

Product quality

- 4.5 The Producer agrees to supply Goods which comply with the *[quality standards as defined in Annex A]/[insert relevant quality assurance scheme]*.

[Annex [A]]: Product-based quality requirements [insert one or more as required by the Buyer]:

- (i) physical characteristics
- (ii) contents
- (iii) grade
- (iv) standard of fitness for a purpose
- (v) relevant national or international standards or grades
- (vi) other requirements

Production methods

- 4.6 The Producer shall comply with:
- i. *[the production methods prescribed in Annex [B]]/[insert required production methods]; or*
 - ii. *[the standards prescribed in [Annex [B]]/[insert required fair trade, organic or other certification scheme or*
 - iii. *[the post-production methods prescribed in Annex [B]]*

Inspection of the Production Site

- 4.7 Subject to [insert period of time] advanced notice, the Buyer, its representative/s may visit the Production Site for the purpose of providing advice, supervising any production process and/or verifying the Producer's compliance with the prescribed production methods, provided that the visit shall be carried out during normal business hours and shall not unduly burden or inconvenience the Producer.
- 4.8 Inspection visits shall be carried out [insert frequency, e.g. weekly, monthly]/[in accordance with the inspection schedule at Annex [B]].

[Optional: Certification]

- 4.9 *The Producer shall, [at the sole expense of the Buyer]/[at the sole expense of the Producer]/[at the joint expense of the Parties whereby the Producer pays X% and the Buyer pays X%], obtain a certificate from [insert relevant certification body], to certify that the Goods [and/or] the methods used by the Producer to produce the Goods are in conformity with the standards prescribed in 4.5 and 4.6.*

5 INPUTS

Producer's inputs

- 5.1 The Producer shall provide [insert Producer Inputs, including e.g. land, physical facilities, water, energy and labour].
- 5.2 *[Optional: The Producer shall purchase the following Inputs, as designated by the Buyer from time to time: [insert Inputs to be purchased by the Producer, including specific brand names and vendors etc.]]*
- 5.3 The Producer's Inputs shall be [compliant with any specific quality standards set out in Annex [C] of this Agreement. The Producer shall use the Inputs in accordance with the instructions as provided by the Buyer in Annex [C] of this Agreement

Buyer's inputs

- 5.4 The Buyer shall provide the [insert Buyer Inputs, including e.g. seeds, fertilizers, training].
- 5.5 The Buyer's Inputs shall be [compliant with any specific quality standards set out in Annex [C] of this Agreement
- 5.6 The Producer shall use the Inputs in accordance with the instructions as provided in Annex [C] of this Agreement.
- 5.7 Upon receipt of the Buyer's Inputs, the Producer shall verify the Inputs and notify the Buyer in writing of any apparent defects.
- 5.8 The Producer shall be responsible for any loss or damage of the Buyer's Inputs from the time of delivery and acceptance until their inclusion in the production process.
- 5.9 The Buyer shall be responsible for any loss or damage to the Goods, the Production Site, the Producer's property and/or personnel caused by any Inputs that are not of reasonable quality,

fit for their intended purpose and/or free of defects, including latent defects [and compliant with any specific quality standards set out in Annex [C] of this Agreement].

- 5.11 *[Optional: The Buyer shall provide training or technical assistance necessary for the use of Inputs in accordance with the instructions.]*

Payment for inputs

[Option 1: Free of charge]

- 5.13 The Buyer shall provide and deliver the Inputs free of charge, including providing associated training or technical assistance needed for the application and use of those Inputs in accordance with the instructions as provided in Annex [C] of this Agreement. The Buyer shall deliver the Inputs at the time and place specified in Annex [C].

[Option 2: Payment]

- 5.14 The Producer shall pay for the Inputs provided by the Buyer according to the Input Price provided for in the pricing scheme in Annex [C]. upon agreement of the Parties the Buyer shall deliver the Inputs at the time and place specified in Annex [C].

- 5.15 The Input Price, delivery and cost of training or technical assistance shall be deducted from the price payable by the Buyer for the Goods on delivery.

[Option 3: Shared payment]

- 5.16 The total cost of all Inputs, including delivery, training and technical assistance, shall be provided for in Annex [C]. The Buyer and Producer shall share the cost of the Inputs, as follows: [insert details of share of costs]. The Buyer shall deliver the Inputs at the time and place specified in Annex [C].

- 5.17 The Producer's share of the costs shall be deducted from the Price payable by the Buyer for the Goods on delivery.

6 DELIVERY AND ACCEPTANCE

Delivery

- 6.1 [The Producer shall deliver the Goods to the delivery point at the Buyer's facility at [insert location of delivery point]]/[The Buyer shall collect the Goods from the delivery point at [location of delivery point(s)]], according to the delivery schedule and in accordance with the technical requirements for delivery, set out in in Annex [D].

- 6.2 The costs of transportation of the Goods to the delivery point shall be paid by the [Buyer]/[Producer]. The Buyer shall bear all costs associated with the Goods after delivery to the delivery point.

- 6.3 The [Buyer]/[Producer] shall be responsible for loading the Goods. The [Buyer]/[Producer] shall be responsible for unloading the Goods.
- 6.4 The Party which is the owner of the delivery point shall maintain it in a reasonable state of cleanliness and hygiene.
- 6.5 The Goods shall be packaged in [insert commodity-specific packaging requirements] by the Producer before delivery.

[Optional: The packaging will be supplied to the Producer by the Buyer and will remain the property of the Buyer]

Inspection of the Goods

- 6.6 The Buyer shall weigh, sort and inspect the Goods at its own cost, no more than [insert number of hours] after delivery at the delivery point and in accordance with [insert recognized method of inspection and classification applicable to the local context and in as much detail as possible].
- 6.7 Where the Buyer fails to inspect the Goods within [insert number of hours] of delivery, all risks and costs of spoilage of the Goods occurring after delivery shall be borne by the Buyer.
- 6.8 The Producer [optional: or the Independent Entity] may be present during the inspection of the Goods. The Buyer [optional: or the Independent Entity] shall issue a written document evidencing the specification of the Goods as inspected. Where the Producer objects to the specification of the Goods as determined by the Buyer, the Parties shall seek a resolution in accordance with Article 11 below (Dispute Resolution).
- 6.9 The costs associated with the inspection shall be covered by the Buyer.

Acceptance of Goods after inspection

- 6.10 The Parties' agreement on the quantity and quality of the received Goods constitutes acceptance of the Goods.
- 6.11 The Buyer shall provide the Producer with a written receipt specifying the time, date, quantity and quality of Goods. The written receipt shall be duly signed by the Producer [optional: and Buyer].

[Optional: Insurance]

- 6.12 *[The Producer agrees to purchase, at the Producer's own cost]/[The Buyer agrees to purchase for the Producer, [at the Buyer's own cost]/[at the Producer's cost]], an insurance policy with the following coverage:*
 - (i) *Crop insurance, if available, against disease, natural disasters such as floods, droughts or hail and against loss of revenue as a result of a decline in commodity prices.*
 - (ii) *Liability insurance, specifying the minimum limits of guarantee.*

- (iii) *Building, machinery and equipment insurance against natural disasters such as floods, droughts or hail, fire and theft*
- (iv) *[Other insurance].*

7 PRICING MECHANISM

[Option 1a: Fixed price based on reference price]

- 7.1 The Buyer agrees to pay the Producer [insert Rs/kilo] of Goods delivered, based on the [insert reference price, for example, Fairtrade Minimum Prices and Premiums].

[Option 1b: Fixed price based on grading schedule]

- 7.2 The Buyer agrees to pay the Producer for Goods delivered according to the following grading schedule:

GRADE	PRICE
A	X
B	Y
C	Z

- 7.3 The Buyer agrees to pay the Producer the current market price per [insert market index] for the Goods, or the fixed price as agreed in the preceding article, whichever is the greater.

[Option 2: Market price]

- 7.4 The Buyer agrees to pay the Producer the market price [insert market index] at the time of delivery.

Time and method of payment

- 7.9 The Buyer shall make the payment within [insert period of time] from acceptance of the Goods. Payment shall be made [via bank transfer to the Producer's nominated account]/[in cash]/[specify currency]. Upon receipt of the full purchase amount, the Producer shall provide the Buyer with a written receipt of payment(s) made specifying the amount, time and delivery date of accepted Goods.

8 FORCE MAJEURE

- 8.1 For the purposes of this Agreement, Force Majeure Event means any event that arises after the contract has been signed, is unpredictable, inevitable, beyond the Parties' reasonable control and that objectively prevents one or both of them from performing their obligations, including, but not limited to, wars, insurrections, civil disturbances, interruption of transportation or communication services, major change to agricultural law or policy in the

country of production, blockades, embargoes, strikes and other labour conflicts, riots, epidemics, earthquakes, storms, droughts, fires, floods, or other exceptionally adverse weather conditions, explosions, lightning, or acts of terrorism.

- 8.2 As soon as reasonably practicable after the start of the Force Majeure Event, the Affected Party shall notify the other Party in writing of the Force Majeure Event, the date on which it started, its likely or potential duration and the effect of the Force Majeure Event on its ability to perform any of its obligations under the Agreement and any relevant evidence of the Force Majeure Event.
- 8.3 The Affected Party shall use all reasonable endeavours to mitigate the effect of the Force Majeure Event on the performance of its obligations.
- 8.4 Provided it has complied with Articles 8.2 and 8.3 above, if a Party is prevented, hindered, or delayed in or from performing any of its obligations under this Agreement by a Force Majeure Event the Affected Party shall not be in breach of this Agreement or otherwise liable for any such failure or delay in the performance of such obligations.
- 8.5 Where it is feasible in all the circumstances, those obligations may be suspended by the agreement of the Parties during the continuance of such Force Majeure Event and no damages or penalties for delay in performance shall be due.
- 8.6 If an obligation is suspended by reason of Force Majeure for more than [insert number of days] from the Affected Party giving notice of the Force Majeure Event, or if suspension is not feasible in all the circumstances, the other Party may terminate the contract and all outstanding payments relating to the Inputs supplied for the production shall [fall due]/[be forgiven] and the Parties shall enter into good faith negotiations to enter into a new Agreement for the supply of the Goods.

9 REMEDIES

- 9.1 The Parties shall cooperate in the application of the remedies provided for in this Article and shall apply those remedies in a manner that is commensurate to the breach in question, with a view to preserving, as much as possible, the Parties' ongoing relationship and achieving the purpose of this Agreement as outlined in Article 2 above.
- 9.2 Unless a Force Majeure Event takes place, a party failing to comply with any obligation in this Agreement (the Breaching Party) is in breach of this Agreement.

Mitigation and right to cure breach

- 9.3 Where a party (the Aggrieved Party) becomes aware that the Breaching Party is or will be in breach of its obligations, it shall immediately notify the Breaching Party and shall take all reasonable measures to minimize and mitigate the effects of the breach whenever possible. Any reasonable expenses or difference in value incurred by the Aggrieved Party should be compensated by the Breaching Party.
- 9.4 Where the Breaching Party has been notified or otherwise becomes aware that it is or will be in breach of its obligations, it shall immediately take all reasonable measures at its own cost to prevent or cure the breach within [insert number of days], including by;

- (i) replacing any non-conforming Goods with Goods which conform with the requirements of this Agreement;
- (ii) replacing any non-conforming Inputs with Inputs which conform with the requirements of this Agreement;
- (iii) modifying or correcting any non-conforming Production Method or other process required by this Agreement, including in accordance with any specific instructions issued by the Aggrieved Party or any relevant certification body; and/or
- (iv) completing any partial delivery, or taking delivery as the case may be, within the time frame agreed between the Parties.

Right to take corrective action

- 9.5 Where the Breaching Party does not or cannot cure the breach in accordance with Article 9.4 above, the Aggrieved Party may take corrective action in accordance with the articles below.

Corrective action: non-conforming Goods or Inputs

- 9.6 If the Breaching Party does not or cannot cure the breach and the breach does not arise from the Aggrieved Party's failure to comply with its obligations in this Agreement, the Parties may, by agreement, adjust the purchase price to reflect the fair value of the Goods or Inputs supplied.
- 9.7 If the Parties cannot agree on an adjusted price for the non-conforming Goods or Inputs, the Aggrieved Party may reject them and withhold payment.
- 9.8 Where the non-conforming Goods or Inputs are hazardous, dangerous or unsafe, the Aggrieved Party may require the Breaching Party to safely dispose of those Goods or Inputs at the expense of the Breaching Party.

Termination upon Fundamental Breach

- 9.12 Where the Breaching Party commits a Fundamental Breach of this Agreement, the Aggrieved Party may terminate the Agreement with 14 days notice in writing to the Breaching Party. The following events are deemed to be a Fundamental Breach:

- (i) The Buyer failing to take delivery of conforming Goods, or significantly delaying in taking delivery, on at least [insert number] occasions and by at least [insert period of time] on each occasion;
- (ii) The Buyer failing to pay for conforming Goods for more than [insert number of days] past the payment date;
- (iii) *[Optional – use if there is an exclusive output arrangement]*: The Producer entering into any marketing arrangement with any other buyer for the Goods produced [on the Production Site] or [using the Buyer's Inputs].

(iv) The Producer failing to deliver conforming Goods in accordance with the delivery Schedule in Annex [Z], or significantly delaying in making delivery on at least [insert number] occasions and by at least [insert period of time] on each occasion.

Damages

9.13 Without limiting any other rights or remedies available under this Agreement, the Aggrieved Party may claim damages for any costs, losses or expenses which are attributable to the Breaching Party's breach of this Agreement in accordance with the applicable laws.

10 RENEWAL AND TERMINATION

Termination

10.1 This Agreement may be terminated:

- (i) following a breach of the Agreement in accordance with Article 9.11 or 9.12;
- (ii) by mutual agreement of the Parties;
- (iii) by either Party by giving [insert number of months] written notice to the other Party.

Renewal

10.2 Upon expiration of this Agreement Parties may agree in writing to its renewal.

11 DISPUTE RESOLUTION

11.1 The Parties to this Agreement shall provide notice to each other in the event of any disputes arising out of this Agreement and shall seek to amicably resolve within [insert time period], through negotiation and cooperation, any such dispute concerning the application or interpretation of the Agreement.

11.2 If the Parties to this Agreement are unable or unwilling to resolve the dispute amicably, the Parties shall seek local and independent mediation of the issues within [insert time period] and under the rules of the [insert mediation institution or association.]

11.3 Where the dispute has not been resolved in accordance with the preceding paragraphs, any Party may submit the dispute to the [District Courts]

11.4 This Agreement and any dispute arising out of it is governed by the laws of Sri Lanka.

12 Definitions

The Parties may wish to include a set of definitions based on an agreed interpretation of central terms to enhance the clarity, completeness and fairness of the agreement.

Signed by the Producer, Buyer and Witnesses at the same time at [Insert the place] on [insert the date]

Signed [by]/[for and on behalf of]

the Producer: [insert name]

[Insert Position if signing on behalf of the Producer]

Signed [by]/[for and on behalf of]

the Buyer: [insert name]

[Insert Position if signing on behalf of the buyer]

.....

Signature

Date:

.....

Signature:

Date:

Witnesses

Above mention parties signed before us

1. Name:

ID No:

Signature:

Date:

2. Name:

ID No:

Signature:

Date:

The following Annexes including additional information required to support the implementation of the clauses included in this Agreement are attached to and should be read together as part of this Agreement.

Annex A: Product-based quality requirements

Annex B: Production-based quality requirements (including inspection schedule)

Annex C: Inputs (quality standards, instructions for use, delivery schedule, pricing)

Annex D: Delivery (technical requirements for delivery, schedule of delivery)

කොන්ත්‍රාත් වගාව සඳහා ආදර්ශ ගිවිසුම

1. පරිශ්වකරුවන්

1.1 මෙහි මින්මතු ඇතැම් විටෙක "ගැනුම්කරු" ලෙස හඳුන්වනු ලබන ගැනුම්කරුගේ / ගැනුකාර සමාගමේ නම, ලිපිනය, ව්‍යාපාර ලියාපදිංචි අංකය ඇතුළත් කරන්න) එක් පාර්ශ්වයකටත් මෙහි මින්මතු ඇතැම් විටෙක "සැපයුම්කරු" ලෙස හඳුන්වනු ලබන (සැපයුම්කාර සමාගමේ නම, ලිපිනය, ව්‍යාපාර ලියාපදිංචි අංකය ඇතුළත් කරන්න) අනෙක් පාර්ශ්වයටත් බැඳී (දිනය, ස්ථානය ඇතුළත් කරන්න)

1.2

අ) (මෙම ගිවිසුමේ පිටපතක් හෝ ගිවිසුමේ කොන්දේසි ඇතුළත් යෝජනා පත්‍රයක්) දින 10 කට නොඅඩු කාලයකට පෙර සැපයුම්කරු වෙත ලබාදුන් බවත්

ආ) මෙම ගිවිසුම සැපයුම්කාර පාර්ශ්වය විසින් කියවා බැලූ බව හෝ සැපයුම්කරු පිළිගන්නා තැනැත්තෙකු විසින් මෙම ගිවිසුම කියවා තේරුම් කර දුන් බව සහ අත්සන් කිරීමට පෙර එකී කොන්දේසි අවබෝධ කර ගැනීමට අවස්ථාවක් ලැබුණු බවත්

ආ) [නීතිඥවරයෙකුගේ / සැපයුම්කරු අයත් ආයතනයේ] උපදෙස් ලබාගත් බවත්

සැපයුම්කරු සහතික කොට සිටී

2. අරමුණ

2.1 සැපයුම්කරු වගාකරනු ලබන / නිෂ්පාදනය කරනු ලබන/ සපයනු ලබන මෙහි මින්මතු ඇතැම් විටෙක "නිෂ්පාදනය" ලෙස හඳුන්වනු [බෝගයේ හෝ නිෂ්පාදනයේ නම ඇතුළත් කරන්න] මිළදී ගැනීමට ගැනුම්කරු එකඟ වන අතර සැපයුම්කරු [නිෂ්පාදනයේ නම ඇතුළත් කරන්න] එය මිළදී ගැනීමටත් පහත කොන්දේසි යටතේ එකඟ වේ.

3. වගා භූමිය (අදාල වේ නම් පමණක්)

3.1 [දිස්ත්‍රික්කයේ, ප්‍රාදේශීය ලේකම් බල ප්‍රදේශයේ, ග්‍රාම සේවා වසමේ] පිහිටි ඔප්පු අංක [අංකය ඇතුළත් කරන්න] දරන [දිස්ත්‍රික්කයේ නම] දිස්ත්‍රික්කයේ ප්‍රසිද්ධ නොතාරිස් [නොතාරිස්ගේ නම ඇතුළත් කරන්න] ලියා සහතික කරන ලද [සිත්තක්කර/ නැගි/ බදු] ඔප්පුව මත භුක්ති විඳගෙන එනු ලබන

නැතහොත්

[දිස්ත්‍රික්කයේ, ප්‍රාදේශීය ලේකම් බල ප්‍රදේශයේ, ග්‍රාම සේවා වසමේ] පිහිටි ඔප්පු අංක/බලපත්‍ර අංක [අංකය ඇතුළත් කරන්න] යටතේ [නිකුත් කරන

ලද නිලධරයා ගේ නතතුරු විසින් නිකුත් කරන ලද [ඔප්පුව / බලපත්‍රය] මත භූක්ති විදගෙන එනු ලබන

4. නිෂ්පාදනය

නිෂ්පාදන ප්‍රමාණය

. [තෝරා ගැනීම 1 ගැනුම්කරුට පමණක් සුවිශේෂීව නිෂ්පාදන සැපයුම]

- 4.1 සැපයුම්කරු [වගා භූමියේ/ ගැනුම්කරුගේ යෙදවුම් තුළින් නිපදවන] සමස්ථ නිෂ්පාදනය ගිවිසුම් කාලය තුළ ගැනුම්කරුට පමණක් අලෙවි කිරීමට එකඟ වේ. ගිවිසුම් කාලය තුළ [වගා භූමියේ / ගැනුම්කරුගේ යෙදවුම් තුළින් නිපදවන] නිෂ්පාදන සම්බන්ධව වෙනත් අලෙවිකිරීමේ හෝ සැපයීමේ ගිවිසුම් වලට ඇතුළත් නොවීමටද එකඟ වේ.

. [තෝරා ගැනීම 2 ගැනුම්කරුට පමණක් සුවිශේෂී නොවන නිෂ්පාදන සැපයුම]

- 4.2 සැපයුම්කරු [වගා භූමියේ/ ගැනුම්කරුගේ යෙදවුම් තුළින් නිපදවන] සමස්ථ නිෂ්පාදනයෙන් [ප්‍රමාණය, පරාසය හෝ ප්‍රතිශතය ඇතුළත් කරන්නා] ගැනුම්කරුට සැපයීමට එකඟ වේ.
- 4.3 ඉතිරිය නෙවන පාර්ශ්වයකට සැපයීමට සැපයුම්කරුට අයිතිය ඇත.

නිෂ්පාදන ප්‍රමිතිය

- 4.4 මෙම ගිවිසුමට අමුණා ඇති [ඇමුණුම [1]/ සම්මත තත්ව ක්‍රමවේදයකට] අනුව නිෂ්පාදන සැපයීමට සැපයුම්කරු එකඟ වේ.

ඇමුණුම [1] ට භෞතික පෙනුම, අඩංගු සංඝටක, තත්ව ශ්‍රේණිය, අදාළ භාවිතයට යෝග්‍ය ප්‍රමිතිය වැනිදේ ගැනුම්කරු විසින් ඇතුළත් කළ හැකිය

නිෂ්පාදන ක්‍රමවේදය

- 4.5 සැපයුම්කරු විසින් මෙහි අමුණා ඇති ඇමුණුම [2] අනුව

අ) නිෂ්පාදන ක්‍රියාවලිය

- ආ) නිෂ්පාදන පිරිවිතරයන්
 - ඇ) පසු අස්වනු/ පසු නිෂ්පාදන ක්‍රමවේදයන්
- අනුගමනය කිරීමට එකඟ වේ.

නිෂ්පාදන ස්ථානය /වගා භූමිය පරීක්ෂා කර බැලීම

- 4.6 [දින ගණන ඇතුළත් කරන්න] පූර්ව දැනුම්දීමකින් පසු උපදෙස් සැපයීමට, නිෂ්පාදන ක්‍රියාවලියක් අධීක්ෂණය කිරීමට සහ/හෝ ගැනුම්කරුට අවශ්‍ය නියමිත නිෂ්පාදන ක්‍රමවලට සැපයුම්කරුගේ අනුකූලතාවය තහවුරු කිරීම සඳහා, ගැනුම්කරු විසින් හෝ ඔහුගේ නියෝජිතයෙකු නිෂ්පාදන ස්ථානයට / වගා භූමියට පරීක්ෂාව සඳහා ඇතුල්විය හැකිය. මෙම ඇතුල්වීම සාධාරණ වෙලාවක් තුළ සැපයුම්කරුට අපහසුතාවයක් හෝ හිරිහැරයක් නොවන අයුරින් විය යුතුය.
- 4.7 සතියකට/ මාසකට දින [දින ගණන ඇතුළත් කරන්න] නැතහොත් මෙහි අමුණා ඇති ඇමුණුම [2] දක්වා ඇති කාලසටහන පරිදි අදාළ පරීක්ෂාවන් සිදු කරනු ඇත.

අදාළ වේ නම් පමණක්

ඉහත 4.4 සහ 4.5 දක්වා ඇති තත්ත්වයන්ට අනුකූල ලෙස නිෂ්පාදන ක්‍රියාවලිය පවත්වා ගෙන ඇති බවට/ නිෂ්පාදනයේ තත්ත්වය අනුකූල බවට [අදාළ ආයතනයේ නම ඇතුළත් කරන්න] තත්ව සහතිකයක් ලැබාගැනීමට සැපයුම්කරු එකඟ වන අතර ඒ සඳහා වන වියදම [ගැනුම්කරු/ සැපයුම්කරු/ දෙදෙනාම විසින් x% සහ y% අනුපාතයට දරනු ඇත]

5. නිෂ්පාදන යෙදවුම්

සැපයුම්කරුගේ යෙදවුම්

- 5.1 සැපයුම්කරු විසින් [නිෂ්පාදක යෙදවුම් ඇතුළත් කරන්න, උදා. ඉඩම්, භෞතික පහසුකම්, ජලය, බලශක්තිය සහ ශ්‍රමය]. යොදවනු ඇත.
- 5.2 [විකල්ප: සැපයුම්කරු විසින් කලින් කලට ගැනුම්කරු විසින් නම් කරන ලද පහත සඳහන් යෙදවුම් මිලදී ගත යුතුය: [නිශ්චිත වෙළඳ නාම සහ විකුණුම්කරුවන් ඇතුළුව සැපයුම්කරු විසින් මිලදී ගත යුතු යෙදවුම් ඇතුළත් කරන්න.]]

- 5.3 නිෂ්පාදකයාගේ යෙදවුම් මෙම ගිවිසුමේ ඇමුණුම [3] හි දක්වා ඇති ඕනෑම නිශ්චිත තත්ත්ව ප්‍රමිතීන්ට අනුකූල විය යුතුය. මෙම ගිවිසුමේ ඇමුණුම [3] හි ගැනුම්කරු විසින් සපයනු ලබන උපදෙස් වලට අනුකූලව නිෂ්පාදකයා යෙදවුම් භාවිතා කළ යුතුය.

ගැනුම්කරුගේ යෙදවුම්

- 5.4 ගැනුම්කරු විසින් [ගැනුම්කරු යෙදවුම් ඇතුළත් කරන්න. උදා: බීජ, පොහොර, පුහුණුව] ලබාදෙනු ඇත.
- 5.5 ගැනුම්කරුගේ යෙදවුම් මෙම ගිවිසුමේ ඇමුණුම [3] හි දක්වා ඇති ඕනෑම නිශ්චිත තත්ත්ව ප්‍රමිතීන්ට අනුකූල විය යුතුය
- 5.6 මෙම ගිවිසුමේ ඇමුණුම [C] හි දක්වා ඇති උපදෙස් වලට අනුකූලව සැපයුම්කරු යෙදවුම් භාවිතා කළ යුතුය.
- 5.7 ගැනුම්කරුගේ යෙදවුම් ලැබීමෙන් පසු, සැපයුම්කරු විසින් යෙදවුම් පරීක්ෂා කළ යුතු අතර පෙනෙන දෝෂයක් ගැන ගැනුම්කරුට ලිඛිතව දැනුම් දිය යුතුය.
- 5.8 ගැනුම්කරුගේ යෙදවුම් භාරගැනීමේ වේලාවේ සිට නිෂ්පාදන ක්‍රියාවලියට ඇතුළත් කරන තෙක් ඒවායේ යම් අලාභයක් හෝ හානියක් සඳහා ගැනුම්කරු වගකිව යුතුය.
- 5.9 සාධාරණව ගුණාත්මක නොවන, ඔවුන්ගේ අපේක්ෂිත අරමුණු සඳහා සුදුසු නොවන සහ/හෝ දෝෂ සහිත සහ මෙම ගිවිසුමේ ඇමුණුම [3] හි දක්වා ඇති ඕනෑම නිශ්චිත තත්ත්ව ප්‍රමිතීන්ට අනුකූල නොවන .කිසියම් යෙදවුම් නිසා භාණ්ඩ, නිෂ්පාදන ස්ථානය, සැපයුම්කරුගේ දේපළ සහ/හෝ පිරිස්වලට සිදුවන යම් අලාභයක් හෝ හානියක් සඳහා ගැනුම්කරු වගකිව යුතුය
- 5.10 [අදාල වේනම්] ගැනුම්කරු උපදෙස් වලට අනුකූලව යෙදවුම් භාවිතය සඳහා අවශ්‍ය පුහුණුව හෝ තාක්ෂණික සහාය ලබා දිය යුතුය.

යෙදවුම් සඳහා ගෙවීම්

[තෝරා ගැනීම 1 - නොමිලේ]

- 5.11 අදාළ යෙදවුම් සහ මෙම ගිවිසුමේ ඇමුණුම [3] හි දක්වා ඇති උපදෙස් වලට අනුකූලව එම යෙදවුම් යෙදීම සහ භාවිතය සඳහා අවශ්‍ය ආශ්‍රිත පුහුණුව හෝ තාක්ෂණික සහාය ලබා දීම ගැනුම්කරු විසින් නොමිලේ සපයා දෙනු ලැබේ. ගැනුම්කරු ඇමුණුම [3] හි නිශ්චිතව දක්වා ඇති වේලාවට සහ ස්ථානයට යෙදවුම් භාර දිය යුතුය.

[තෝරා ගැනීම 2 - සැපයුම්කරු ගෙවීමේ පදනම මත]

- 5.12 ඇමුණුම [3] හි දක්වා ඇති ගෙවීම් ක්‍රමවේදයේ දක්වා ඇති මිල අනුව ගැනුම්කරු විසින් සපයන ලද යෙදවුම් සඳහා සැපයුම්කරු ගෙවිය යුතුය. පාර්ශවයන්ගේ එකඟතාවය මත ගැනුම්කරු ඇමුණුම [C] හි නිශ්චිතව දක්වා ඇති වේලාවට සහ ස්ථානයට යෙදවුම් භාර දිය යුතුය.

- 5.13 යෙදවුම් සඳහා වන මිල, භාරදීම සහ පුහුණුව හෝ තාක්ෂණික සහාය සඳහා වන පිරිවැය ගැනුම්කරු විසින් ගෙවිය යුතු මිලෙන් අඩු කරනු ලැබේ.

[තෝරා ගැනීම 3 - පරීක්ෂණ හවුලේ මිල දැරීම]

- 5.14 බෙදා හැරීම, පුහුණුව සහ තාක්ෂණික සහාය ඇතුළුව සියලුම යෙදවුම්වල සම්පූර්ණ පිරිවැය ඇමුණුම [C] සඳහන් කළ යුතුය. . ගැනුම්කරු සහ නිෂ්පාදකයා අදාළ පිරිවැය පහත පරිදි බෙදාගත යුතුය: *[පිරිවැයවල එක් එක් පාර්ශ්වය දැරිය යුතු කොටස පිළිබඳ විස්තර ඇතුළත් කරන්න]*. ගැනුම්කරු ඇමුණුම [C] හි නිශ්චිතව දක්වා ඇති වේලාවට සහ ස්ථානයට යෙදවුම් භාර දිය යුතුය.

6. නිෂ්පාදනය භාරදීම සහ භාරගැනීම

භාරදීම

- 6.1 ඇමුණුම [4] හි දක්වා ඇත බෙදා හැරීමේ කාලසටහනට අනුව, සහ බෙදා හැරීම සඳහා තාක්ෂණික අවශ්‍යතා අනුව, සැපයුම්කරු විසින් [ස්ථානය ඇතුළත් කරන්න] පිහිටි ගැනුම්කරු ගේ ගබඩාවට හෝ භාර ගැනීමේ මධ්‍යස්ථානයට භාරදීම

නැතහොත්

ඇමුණුම [4] හි දක්වා ඇත බෙදා හැරීමේ කාලසටහනට අනුව, සහ තාක්ෂණික අවශ්‍යතා අනුව ගැනුම්කරු විසින් [ස්ථානය ඇතුළත් කරන්න] පිහිටි සැපයුම්කරු ගේ ගබඩාවෙන් වග භූමියෙන් හෝ භාර ගැනීමේ මධ්‍යස්ථානයෙන් එකතු කර ගැනීම

- 6.2 භාණ්ඩ අදාළ ස්ථානයට ප්‍රවාහනය කිරීමේ පිරිවැය [ගැනුම්කරු]/[සැපයුම්කරු] විසින් ගෙවනු ලැබේ. බෙදා හැරීමේ ස්ථානයට භාරදීමෙන් පසු භාණ්ඩ හා සම්බන්ධ සියලු වියදම් ගැනුම්කරු විසින් දරනු ලැබේ.
- 6.3 භාණ්ඩ පැටවීම සඳහා [ගැනුම්කරු]/[නිෂ්පාදකයා] වගකිව යුතුය. භාණ්ඩ ගොඩබෑම සඳහා [ගැනුම්කරු]/[නිෂ්පාදකයා] වගකිව යුතුය.
- 6.4 බෙදා හැරීමේ හෝ භාරගැනීමේ ස්ථානයේ හිමිකරු වන පාර්ශවය එය සාධාරණ පිරිසිදුකම සහ සනීපාරක්ෂාව පවත්වා ගත යුතුය.
- 6.5 භාණ්ඩ බෙදා හැරීමට පෙර නිෂ්පාදකයා විසින් [භාණ්ඩ-විශේෂිත ඇසුරුම් අවශ්‍යතා ඇතුළත් කරන්න] ඇසුරුම් කළ යුතුය.
[අදාළ වේ නම්: පැකේජය ගැනුම්කරු විසින් නිෂ්පාදකයාට සපයනු ලබන අතර, ගැනුම්කරුගේ දේපළ ලෙස පවතිනු ඇත]

භාණ්ඩ පරීක්ෂා කිරීම

- 6.6 අදාළ ස්ථානයේදී භාර ගැනීමට පෙර නැතහොත් භාරගෙන පැය [පැය ගණන ඇතුළත් කරන්න] දෙපාර්ශ්වය එකඟ වන සම්මත ක්‍රමවේදයකට අනුව භාණ්ඩ කිරා මැන බැලීම, වර්ග කිරීම සහ පරීක්ෂා කිරීම සිදුකළ යුතුය.
- 6.7 භාරදීමෙන් පසු හෝ බාරගැනීම සඳහා ප්‍රදානම් බව ගැනුම්කරුට දැනුම්දී සාධාරණ කාලයක් [කාලය ඇතුළත් කරන්න] ඉක්ම යාමට පෙර නිෂ්පාදන භාණ්ඩ පරීක්ෂා කිරීමට අපොහොසත්වීම නිසා වන කවර හෝ හානියකට ගැනුම්කරු වගකිව යුතුය.
- 6.8 භාණ්ඩ පරීක්ෂා කිරීමේදී නිෂ්පාදකයා [අදාළ වේ නම්: හෝ ස්වාධීන ආයතනයක්] සිටිය හැක. ගැනුම්කරු [අදාළ වේ නම් හෝ ස්වාධීන ආයතනය] පරීක්ෂා කරන ලද භාණ්ඩවල පිරිවිතරයන් සනාථ කරන ලිඛිත ලේඛනයක් නිකුත් කළ යුතුය.
- 6.9 පරීක්ෂාවට සම්බන්ධ පිරිවැය ගැනුම්කරු විසින් ආවරණය කරනු ලැබේ.

පරීක්ෂා කිරීමෙන් පසු භාණ්ඩ පිළිගැනීම

- 6.10 ලැබුණු භාණ්ඩවල ප්‍රමාණය හා ගුණාත්මකභාවය පිළිබඳ පාර්ශ්ව එකඟවීම මගින් භාණ්ඩ පිළිගැනීම සිදුවේ.
- 6.11 භාණ්ඩවල වේලාව, දිනය, ප්‍රමාණය සහ ගුණාත්මකභාවය සඳහන් කරන ලිඛිත කුචිතාන්සියක් ගැනුම්කරු නිෂ්පාදකයාට ලබා දිය යුතුය. ලිඛිත ලදුපත පිළිගත් බවට සැපයුම්කරු විසින් නිසි ලෙස අත්සන් කළ යුතුය.
- 6.12 *[අවශ්‍ය වේනම් සැපයුම්කරුගේ හෝ ගැනුම්කරුගේ වියදමින් රක්ෂණවරණයක් ලබාගත යුතුය.]*

7. මිල යාන්ත්‍රණය

[තෝරා ගැනීම 1 - දර්ශක මිල මත පදනම් වූ ස්ථාවර මිල]

- 7.1 දර්ශක මිල මත පදනම් කරගෙන, නිෂ්පාදන සඳහා දර්ශක මිල *[දර්ශක මිල ඇතුළත් කරන්න. උදා අවම සාධාරණ මිල හෝ උපරිම සාධාරණ මිල]* මත පදනම්ව *[රුපියල්/ කිලෝ]* ස්ථාවර මිලක් සැපයුම්කරුට ගෙවීමට ගැනුම්කරු එකඟ වේ.

[තෝරා ගැනීම 2 - ශ්‍රේණිගත කිරීම් මත පදනම් වූ ස්ථාවර මිල]

- 7.2 පහත සඳහන් ශ්‍රේණිගත කිරීමේ සටහනට අනුව බෙදා හරින ලද භාණ්ඩ සඳහා නිෂ්පාදකයාට ගෙවීමට ගැනුම්කරු එකඟ වේ.

ශ්‍රේණිය හෝ තත්ව කාණ්ඩය	මිල රුපියල්
1	x
2	z
3	z

- 7.3 නිෂ්පාදනය සඳහා වත්මන් වෙළඳපල මිල *[අදාළ කර ගන්නා වෙළඳපල දර්ශකය ඇතුළත් කරන්න]* හෝ පෙර කොන්දේසි වල එකඟ වූ ස්ථාවර මිල යන දෙකින් වඩා වැඩි මිල සැපයුම්කරුට ගෙවීමට ගැනුම්කරු එකඟ වේ.

[තෝරා ගැනීම 3- පවතින වෙළඳපල මිල]

- 7.4 නිෂ්පාදනය ගැනුම්කරුට ලබාදෙන අවස්ථාවේ පවතින වෙළඳපල මිල [වෙළඳපොල දර්ශකය ඇතුළත් කරන්න] සැපයුම්කරුට ගෙවීමට ගැනුම්කරු එකඟ වේ.

ගෙවීමේ ක්‍රමවේදය සහ කාලය

- 7.5 භාරදීමේ සිට [කාලසීමාව අතුලත් කරන්න] නිෂ්පාදන සඳහා මුදල් ගෙවිය යුතුය. [සැපයුම්කරුගේ බැංකු ගිණුමට තැන්පත් කිරීම හෝ මුදලින් ගෙවීම] කල යුතුය. සම්පූර්ණ මිලදී ගැනීමේ මුදල ලැබීමෙන් පසු, නිෂ්පාදකයා විසින් පිළිගත් නිෂ්පාදන වල ප්‍රමාණය, වේලාව සහ දිනය සඳහන් කරමින් ගෙවීම් ලිඛිත රිසිට්පතක් ගැනුම්කරුට ලබා දිය යුතුය.

8. පාර්ශ්වයන්ගේ පලනයෙන් තොර ක්‍රියා (FORCE MAJEURE)

- 8.1 මෙම ගිවිසුමේ අරමුණු සඳහා, Force Majeure යන්නෙන් අදහස් කරන්නේ කොන්ත්‍රාත්තුව අත්සන් කිරීමෙන් පසුව පැන නගින අනපේක්ෂිත, නොවැළැක්විය හැකි, පාර්ශ්වයන්ගේ සාධාරණ පාලනයෙන් ඔබ්බට පැන නගින ඔවුන්ගෙන් එක් අයෙකු හෝ දෙදෙනාම ඔවුන්ගේ වගකීම් ඉටු කිරීමෙන් ස්ථිරලෙසම වළක්වල නොලබන ක්‍රියා වේ. මේ සඳහා යුද්ධ, කැරලි, සිවිල් කැළඹීම, රටේ කෘෂිකාර්මික නීතියේ හෝ ප්‍රතිපත්තිවල විශාල වෙනසක්, අවහිර කිරීම්, සම්බාධක, කැරලි, වසංගත, භූමිකම්පා කුණාටු, නියඟ, ගිනි, ගංවතුර, හෝ වෙනත් සුවිශේෂී අයහපත් කාලගුණික තත්ත්වයන්, පිපිරීම්, අකුණු වැනිදේ අයත් වන අතර ඒවට සීමා නොවේ.
- 8.2 Force Majeure ඉසව්ව ආරම්භ වූ පසු සාධාරණ ලෙස ප්‍රායෝගික වූ විගස, බලපෑමට ලක් වූ පාර්ශ්වය Force Majeure ඉසව්ව, එය ආරම්භ වූ දිනය, එය පැවතිය කාල සීමාව සහ එහි බලපෑම ගිවිසුම යටතේ එහි කවර වගකීමක් ඉටු කිරීමට ඇති හැකියාව පිළිබඳ Force Majeure සිද්ධිය පිළිබඳ අදාළ සාක්ෂි ලිඛිතව අනෙක් පාර්ශ්වයට දැනුම් දිය යුතුය.

- 8.3 Force Majeure සිද්ධියේ බලපෑමට ලක් වූ පාර්ශ්වය සිය වගකීම් ඉටු කිරීමට වන බලපෑම අවම කිරීම සඳහා සියලු සාධාරණ උත්සාහයන් භාවිතා කළ යුතුය.
- 8.4 එය ඉහත 8.2 සහ 8.3 වගන්තිවලට අනුකූලව ක්‍රියාකර ඇත්නම්, Force Majeure සිදුවීමක් මගින් පාර්ශ්වයක් මෙම ගිවිසුම යටතේ එහි යම් වගකීමක් ඉටු කිරීම වලක්වනු ලැබුවහොත්, ඉටු කිරීමට බාධා කරන්නේ නම් හෝ ඉටු කිරීම ප්‍රමාද කරන්නේ නම්, බලපෑමට ලක් වූ පාර්ශ්වය මෙම ගිවිසුම කඩ කිරීම සම්බන්ධයෙන් වගකීම් ඉටු කිරීමේදී වන අසාර්ථක වීමක් හෝ ප්‍රමාදයක් සඳහා වගකිව යුතු නැත.
- 8.5 මෙවැනි තත්ත්වයක් යටතේ ගිවිසුම තාවකාලිකව අත්හිටවා නැවත ආරම්භ කළ හැකිය. කිසිවෙකු අලාභ ගෙවීමට බැඳී නැත. එසේ කිරීම ඵලදායී නොවන්නේ නම් කවර හෝ පාර්ශ්වයකට ලිඛිත දැනුම්දීමකින් ගිවිසුම අවසන් කළ හැක.

9. කොන්දේසි කඩවීම් සඳහා පිළියම්

- 9.1 මෙම වගන්තියේ දක්වා ඇති පිළියම් යෙදීමේදී පාර්ශ්වයන් සහයෝගයෙන් කටයුතු කළ යුතු අතර, හැකි තාක් දුරට, පාර්ශ්වයන්ගේ අඛණ්ඩ සබඳතාව ආරක්ෂා කර ගැනීමේ අරමුණින් සහ 2 වන වගන්තියේ දක්වා ඇති පරිදි මෙම ගිවිසුමේ අරමුණ සාක්ෂාත් කර ගැනීම අරමුණු කර ගනිමින් අදාළ කඩකිරීම්වලට අනුරූප වන පරිදි පිළියම් යෙදිය යුතුය.
- 9.2 Force Majeure සිදුවීමක් සිදු නොවන්නේ නම්, මෙම ගිවිසුමේ කිසියම් වගකීමකට අනුකූල වීමට අපොහොසත් වන පාර්ශ්වයක් (වරදකාරී පාර්ශ්වය) මෙම ගිවිසුම උල්ලංඝනය කරයි.

හානිය අවම කිරීම සහ උල්ලංඝනය පිළියම් කිරීමට ඇති අයිතිය

- 9.3 යම් පාර්ශ්වයක් (අගතියට පත් පාර්ශ්වය) අනෙක් පාර්ශ්වය වගකීම් කඩ කරන බව හෝ කඩ කරන බව දැනගත් විට, එය කඩිනමින් වරදකාරී පාර්ශ්වයට දැනුම් දිය යුතු අතර, හැකි සෑම විටම උල්ලංඝනය කිරීමේ බලපෑම් අවම කිරීමට සහ අවම කිරීමට සාධාරණ පියවර ගත යුතුය.

- 9.4 වරදකාරී පාර්ශ්වයට දැනුම් දී ඇති විට හෝ තම වගකීම් කඩ කරන බව/කඩවිය හැකි බව හෝ වෙනත් ආකාරයකින් දැනගත් විට, [දින ගණන ඇතුළත් කරන්න] අතුලත කඩ කිරීම වැළැක්වීමට හෝ පිළියම් කිරීමට තම වියදමින් සියලු සාධාරණ පියවරයන් වහාම ගත යුතුය.

නිවැරදි කිරීමේ පියවර ගැනීමට ඇති අයිතිය

- 9.5 ඉහත 9.4 වගන්තිය අනුව කඩ කරන පාර්ශ්වය විසින් කඩ කිරීම නිවැරදි නොකරන්නේ නම් හෝ කළ නොහැකි නම්, අගතියට පත් පාර්ශ්වයට පහත උප වගන්ති අනුකූලව නිවැරදි ක්‍රියාමාර්ග ගත හැකිය.

නිවැරදි කිරීමේ ක්‍රියාව: අනුකූල නොවන භාණ්ඩ හෝ යෙදවුම්

- 9.6 වරදකාරී පාර්ශ්වයට එම කඩකිරීම පිළියම් කළ නොහැකි නම් සහ අගතියට පත් පාර්ශ්වය විසින් මෙම ගිවිසුමේ ඇති වගකීම්වලට අනුකූල වීමට අපොහොසත් වීමෙන් උල්ලංඝනය සිදු නොවන්නේ නම්, දෙපර්ශ්වයේ එකඟතාවයෙන් යෙදවුම් වල හෝ නිෂ්පාදන වල වටිනාකම ක්ෂය වන පරිදි නිෂ්පාදන මිලදී ගන්නා මිල සංශෝධනය කළ හැකිය.
- 9.7 අනුකූල නොවන භාණ්ඩ හෝ යෙදවුම් අනතුරුදායක, භයානක හෝ අනාරක්ෂිත නම්, අගතියට පත් පාර්ශ්වයට එම භාණ්ඩ හෝ යෙදවුම් කඩ කිරීමේ පාර්ශ්වයේ වියදමින් ආරක්ෂිතව බැහැර කිරීමට ඉල්ලා සිටිය හැක.

මූලික කොන්දේසි උල්ලංඝනය මත ගිවිසුම අවසන් කිරීම

9.8 යම් පාර්ශ්වයක් විසින් මෙම ගිවිසුමේ මූලික කඩ කිරීමක් සිදු කරන විට, අගතියට පත් පාර්ශ්වයට දින 14ක ලිඛිත දැනුම්දීමකින් ගිවිසුම අවසන් කළ හැකිය. පහත සිදුවීම් මූලික කඩ කිරීමක් ලෙස සලකනු ලැබේ:

අ) ගැණුම්කරු අවස්ථා කිහිපයකදී සාධාරණ හේතුවකින් තොරව සුදුසු තත්වයේ නිෂ්පාදන මිලදී ගැනීම හෝ භාර ගැනීම සැලකිය යුතු ලෙස ප්‍රමාද කිරීම.

ආ) ගැණුම්කරු ගෙවීමේ නියමිත දිනට පසු [දින ගණන ඇතුළු කරන්නා] වඩා වැඩි කාලයක් සැපයූ නිෂ්පාදන සඳහා ගෙවීමට අපොහොසත් වීම

ඇ) [ගැණුම්කරුට පමණක් සුවිශේෂීව සැපයීමට එකඟව තිබේ නම් පමණක් අදාළ වේ]

[නිශ්චිත වගා භූමිය] හෝ [ගැණුම්කරුගේ යෙදවුම් භාවිතා කරමින්] සපයන නිෂ්පාදන සඳහා වෙනත් කවර හෝ ගැණුම්කරුවෙකු සමඟ ඕනෑම අලෙවිකරණ එකඟතාවයකට ඇතුළු වීම.

ඈ) ඇමුණුම [4] හි නිෂ්පාදන ලබාදීමේ කාලසටහනට අනුකූලව ගැණුම්කරුට නිෂ්පාදන ලබාදීමට සැපයුම්කරු දිගින් දිගටම අපොහොසත් වීම, හෝ

අලාභ හෝ වන්දි

9.9 මෙම ගිවිසුම යටතේ ලබා ගත හැකි වෙනත් අයිතිවාසිකම් හෝ පිළියම් වලට සීමා නොවී අගතියට පත් පාර්ශ්වයට ශ්‍රී ලංකාවේ පවතින නීතිවලට අනුකූලව මෙම ගිවිසුම කඩ කිරීමේ පාර්ශ්වයට ආරෝපණය කළ හැකි ඕනෑම වියදම්, පාඩු හෝ වියදම් සඳහා හානි ඉල්ලා සිටිය හැක.

10. අලුත් කිරීම සහ අවසන් කිරීම

අවසන් කිරීම

10.1 පහත හේතු මත මෙම ගිවිසුම අවසන් කලා සේ සැලකෙයි

අ) 9.9 වගන්තියට අනුකූලව ගිවිසුම කඩ කිරීමකින් පසුව

- ආ) පාර්ශවයන්ගේ අන්‍යෝන්‍ය එකඟතාවයෙන්
- ඇ) ඕනෑම පාර්ශවයක් විසින් ගිවිසුම අවසන් කිරීමට අපේක්ෂිත දිනයට [මාස ගණන ඇතුළත් කරන්න]. පෙර අනෙක් පාර්ශවයට ලිඛිත දැනුම්දීමක් ලබා දීමෙන්

අලුත් කිරීම

- 10.2 මෙම ගිවිසුම කල් ඉකුත් වූ පසු පාර්ශවයන්ගේ අන්‍යෝන්‍ය එකඟතාව මත එය අලුත් කිරීම කල හැකිය

11. ආරවුල් සමථකරණය හෝ විසඳීම

- 11.1 මෙම ගිවිසුමේ පාර්ශවයන් මෙම ගිවිසුමෙන් පැන නගින යම් ආරවුල්වලදී එකිනෙකාට දැනුම් දිය යුතු අතර [කාල සීමාව ඇතුළත් කරන්න] තුළ ගිවිසුමේ අදාලත්වය සහ අර්ථ නිරූපණය ගැන සැලකිලිමත්ව, සාකච්ඡාවෙන් සහ සහයෝගිතාවයෙන් සුහදව විසඳා ගැනීමට උත්සාහ කළ යුතුය.
- 11.2 මෙම ගිවිසුමේ පාර්ශවයන්ට ආරවුල සුහදව විසඳා ගැනීමට නොහැකි නම් හෝ අකමැති නම්, [කාලසීමාව ඇතුළත් කරන්න] තුළ දේශීය ස්වාධීන සමථකරුවෙකු වෙත [සමථකරන ආයතනයේ/සංවිධනයේ නම ඇතුළත් කරන්න] වෙත යොමු විය යුතුය.
- 11.3 පෙර ඡේදවලට අනුකූලව ආරවුල විසඳා ගැනීමට නොහැකි නම්, ඕනෑම පාර්ශවයකට සුදුසු අධිකරණයකට ආරවුල ඉදිරිපත් කළ හැකිය.
- 11.4 මෙම ගිවිසුම සහ එයින් පැන නගින ඕනෑම කරුණක් සඳා ශ්‍රී ලංකාවේ නීතිය අදාළවේ.

12. අර්ථ දැක්වීම් සහ නිර්වචන

ගිවිසුමේ පැහැදිලි බව, සම්පූර්ණත්වය සහ සාධාරණත්වය වැඩි දියුණු කිරීම සඳහා කෙත්තිය නියමයන් පිළිබඳ එකඟ වූ අර්ථ නිරූපණයක් මත පදනම්ව නිර්වචන මාලාවක් ඇතුළත් කිරීමට පාර්ශවයන්ට හැකිය.

ගැනුම්කරු සැපයුම්කරු සහ සාක්ෂිකරුවන් විසින් [දිනය ඇතුළත් කරන්න]/[ස්ථානය ඇතුළත් කරන්න] හිදී එක්ව පෙනී සිටිමින් පහත අත්සන් කරන ලදී.

(අත්සන)
ගැනුම්කරු/ගැනුම්කරු වෙනුවට
වෙනුවට

[නම ඇතුළත් කරන්න][දිනය]

[සැපයුම්කරු වෙනුවෙන් අත්සන්
කරන්නේ නම් නතුර ඇතුළත් කරන්න]
කරන්න]

[නිල මුද්‍රාව තිබේනම්]

සාක්ෂි
ඉහත පාර්ශ්ව අප ඉදිරියේ අත්සන් කරන ලදී

1. නම:
හැඳුනුම්පත් අංකය:

(අත්සන)
සැපයුම්කරු/සැපයුම්කරු

[නම ඇතුළත් කරන්න][දිනය]

[සැපයුම්කරු වෙනුවෙන් අත්සන්
කරන්නේ නම් නතුර ඇතුළත්
කරන්න]

[නිල මුද්‍රාව තිබේනම්]

2. නම:
හැඳුනුම්පත් අංකය:

අත්සන:

අත්සන:

දිනය:

දිනය:

මෙම ගිවිසුමට ඇතුළත් කර ඇති වගන්ති ක්‍රියාත්මක කිරීම සඳහා අවශ්‍ය අමතර තොරතුරු ඇතුළත් පහත ඇමුණුම් අමුණා ඇති අතර මෙම ගිවිසුමේ කොටසක් ලෙස එකට කියවිය යුතුය.

ඇමුණුම 1 - නිෂ්පාදන මත පදනම් වූ ගුණාත්මක අවශ්‍යතා

ඇමුණුම 2 - නිෂ්පාදන මත පදනම් වූ තත්ත්ව අවශ්‍යතා (පරීක්ෂණ කාලසටහන ඇතුළුව)

ඇමුණුම 3 - යෙදවුම් (තත්ත්ව ප්‍රමිතීන්, භාවිතය සඳහා උපදෙස්, ලාබදීමේ කාලසටහන, මිල නිය කිරීම්)

ඇමුණුම 4 - නිෂ්පාදන භාරදීම / හර් ගැනීම (බෙදා හැරීම සඳහා තාක්ෂණික අවශ්‍යතා, බෙදා හැරීමේ කාලසටහන)

ගිවිසුම භාවිතා කිරීම සඳහා උපදෙස්

1. මෙය පොදු ආදර්ශ ගිවිසුමකි. අවශ්‍යතාව සහ නිෂ්පාදනය මත අවශ්‍ය වෙනස්කම් සිදු කල යුතුය
2. තෝරා ගැනීම් සටහන්ව ඇති කොන්දේසි වලින් අදාල කොන්දේසිය පමණක් තෝරා ගන්න.
3. අවශ්‍යනම් පමණක් ලෙස සටහන්ව ඇති කොන්දේසි අවශ්‍ය වේ නම් පමණක් යොදා ගන්න
4. අනෙක් සම්මත කොන්දේසි ගිවිසුමට ඇතුළත් වීම වැදගත් නමුත් අනිවාර්ය නොවේ
5. අමතර එකඟතා, පිළිපැයිය යුතු ක්‍රමවේද ඇමුණුම් වල සටහන් කරන්න. මෙහි දක්වා ඇත්තේ ආදර්ශ ඇමුණුම් පමණි. උචිත පරිදි යොදා ගන්න.
6. සෑම විටම නීතිඥ උපදෙස් ලබා ගැනීම වැදගත් වන අතර එම උපදෙස් මත ගිවිසුමේ වෙනස්කම් සිදුකල හැකිය. ගිවිසුමේ කොන්දේසි පැහැදිලි කර ගත හැකිය.
7. අත්සන් කරන පාර්ශ්වයන්ගේ අනන්‍යතාව තහවුරු කර ඝූනීම වැදගත් වේ.

8. සියලු දෙනාම එකවර පෙනී සිටිමින් සාක්ෂිකරුවන් ඉදිරියේ අත්සන් කළ යුතුය. වෙන් වෙන් පිටු තිබේ නම් සෑම පිටුවකම පාර්ශ්වයන් කෙටි අත්සන් යෙදිය යුතුය.
9. නීතිඥවරයෙකු ඉදිරියේ අත්සන් කිරීම හෝ නීතිඥවරයෙකු සහතික කිරීම අනිවාර්ය නොවේ.
10. සෑම පාර්ශ්වයක්ම අත්සන් සහිත මුල් පිටපතක් බැගින් ලබාගත යුතුය. (ජායා පිටපත් නොවේ)

10. CONCLUSION

The findings of this study emphasize several critical areas for improvement to ensure the sustainability and effectiveness of PUCs established under ASMP.

a) Marketing and Agreements

Current marketing linkages established by PUCs are largely ineffective due to the absence of strong, long-term agreements. The sustainability of PUCs depends on securing long-term, legally valid contracts directly with buyers. The agreements signed under ASMP, where ASMP is a party, will become null and void after the project winds up. Therefore, it is recommended to adopt the agreement models designed during this project, which can be customized based on specific conditions and requirements.

b) Federated Marketing System

A federated marketing system is advised, where a national-level centralized organization purchases products from provincial and district-level PUCs. This will enhance market access and operational efficiency.

c) Direct Marketing and Export

Most PUCs currently rely on intermediary parties, which diminishes their opportunity to exploit actual market prices for their crops. PUCs must strengthen operations to directly market their products, particularly for high-value crops and explore export opportunities.

d) Systematic Customer Acquisition

PUCs should adopt competitive bidding or similar systematic approaches to secure long-term, mutually beneficial agreements with buyers.

e) Legal Framework and Agreement Models

All agreements must be legally valid, with clauses for price and quality negotiations to accommodate market fluctuations. Mechanisms to reduce side selling and other breaches of agreements must be included as well as simplified dispute resolution (mediation) mechanisms should be incorporated. It is also essential to ensure that farmers understand the legal jargon used in agreements. Agreements should be drafted in a manner that is comprehensible to farmers, with key terms explained clearly to promote inclusivity and long-term adherence.

f) Context-Specific Adaptability

The selection and implementation of models must be tailored to the specific context of each PUC, taking into account factors such as the type of crop, local market dynamics and the socio-economic conditions of the farming community. This adaptability ensures that strategies are aligned with the unique challenges and opportunities present in each context, increasing the likelihood of long-term success.

g) Share Capital and Membership

PUCs have not effectively raised share capital, which limits their capacity for growth. A strong mechanism must be adopted to select PUC members and encourage the purchase of shares beyond the minimum requirements.

h) Inclusivity and Decision-Making

Inclusivity in decision-making is essential for building trust and engaging smallholder farmers in PUC operations. Their voices must be prioritized to foster participation and ownership.

i) Income Diversification

PUCs should mitigate risks and enhance sustainability by diversifying income streams and product offerings. This will reduce dependency on a single crop or market.

j) Capacity of Board Members

Board members often lack the entrepreneurial mindset and skills necessary for effective PUC management. It is crucial to ensure that board members possess or develop these competencies through targeted training programs. Additionally, engaging young individuals with entrepreneurial skills and a business-oriented mindset is vital to drive innovation and sustainability within the farming sector. Youth involvement can invigorate farm business development and contribute to long-term success. Attracting this demographic should be a priority, with initiatives designed to highlight farming as a viable and rewarding career path.

k) Extension to Non-shareholders

Services provided through PUCs should also be extended to non-shareholders to create wider market linkages and benefits.

By addressing these issues and implementing the recommended strategies, PUCs can enhance their operational efficiency, sustainability and contribution to the agricultural economy.

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