Contracts in commercial agriculture: Enhancing rural producer agency

Lorenzo Cotula, Emma Blackmore
and Thierry Berger

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List of acronyms

CSRC	Community Self-Reliance Centre
EPIC	Empowering Producers in Commercial Agriculture
IIED	International Institute for Environment and Development
NACCFL	Nepal Agricultural Co-operative Central Federation
WOLREC	Women's Legal Resources Centre

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Executive summary

In commercial agriculture, contracts coordinate production and trade. Many contracts are informal verbal agreements for localised exchange. Others are sophisticated legal documents that apply across borders in the context of regional or global value chains. A contract may reflect a spot transaction or it may establish a longer-term relationship. It may govern the sale of a few kilos of farm produce or set the terms for large-scale agricultural corridors involving complex bundles of infrastructure, plantation, contract farming and processing projects. Many contracts embody purely commercial deals, while others are embedded in political projects or broader social relationships based on kinship ties, reciprocity or collective identity.

Though contract farming has received extensive attention in academic and policy debates, the wider world of commercial agriculture contracts remains largely underexplored. In addition, the various contracts in a value chain may be interconnected, with the terms of one contract affecting other contracts. Due to their market power, lead firms are often able to impose terms on first-tier suppliers, who are then required to impose them on their own subcontractors. Thus, if farmers are to influence terms with their immediate buyers, they may need to consider the entire 'chain of contracts'.

Mapping the chain of contracts

While not necessarily representative of wider trends, a small pool of 40 contracts related to commercial agriculture provides initial insights towards developing a typology more reflective of contract diversity and interconnectedness. The pool includes diverse types of contracts from different segments of agricultural value chains – from contacts between farmers and their immediate buyers to contracts imposed by end buyers, such as consumer goods manufacturers in the food and beverage or agro-industrial sectors. It also includes contracts between governments and companies that, while located outside the value chain, may have a bearing on the terms agreed within the value chain.

Some of the contracts reviewed are interconnected, revealing how the terms of one can cascade into others. For example, concession contracts between the government and a company can affect relations between the company and the farmers it sources from. Where a concession grants a company exclusive rights to provide inputs and purchase produce in an agreed geographic area, this creates a legal monopoly that potentially undermines farmers' negotiating power. In addition, end-buyer contracts set terms on issues such as produce specifications and the right to reject produce or terminate agreements, which may in turn affect the contracts their suppliers conclude with farmers.

Besides setting commercial terms, chains of contracts also define standards on issues such as seeds, farming techniques, technology, labour conditions, environmental protection and product quality. Contracts may determine standards directly or through reference to existing standards, such as those of the lead firm or third-party certification systems. In addition, contracts for commercial agriculture intersect with public regulation, including national legislation and international treaties (for example, to regulate cross-border trade). Public authorities also play a role in contract enforcement, though enforcement remains a recurring challenge in agricultural contracts, often resulting in private and/or informal mechanisms being used to promote contract compliance through social and economic incentives.

How contracts affect agency

Contract chains distribute risks and rewards among various actors. They also affect the ability of small-scale rural producers to exercise agency – that is, make choices and effect change according to their own priorities, whether individually or collectively. The process through which contracts are developed and implemented – including who has what say, and at which stage – can affect producers' choices when it comes to deciding whether and with whom to contract, as well as their ability to shape the terms of these contracts. In addition, contractual provisions can inherently curtail agency, as they mandate certain behaviours while restricting others. Contracting parties often accept these restrictions in exchange for lower risks or higher rewards. Contractual provisions can also enhance opportunities for agency, such as enabling economic activities that would otherwise be beyond reach for small-scale producers.

In practice, social, economic and political factors can severely affect freedom of choice and negotiating power. Typically, rural producers are at a disadvantage. For example, monopolistic conditions can reduce farmers' negotiating position vis-à-vis large-scale agribusinesses or local traders, as can unequal access to information, substantial differences in the scale of activities and lack of collective action. Among small-scale rural producers, scope for agency may vary greatly due to social differentiation based on income, wealth, status, gender, age or intersections between these issues. Often, contracts merely give effect to relationships that are already determined by such structural factors and power relations. As a result, small-scale producers often carry disproportionately high risk for low rewards, with exploitative terms trapping them in long-term poverty and debt. At the same time, concerted action has enabled some producers and their organisations to reshape contractual arrangements.

Contracts from an agency perspective

A better understanding of contractual provisions and contracting processes can offer insight into how development practitioners and policymakers can increase the scope for rural producers to exercise agency. This requires examining how contracts are made and how their terms affect producers' ability to advance their own vision and priorities. It also requires exploring how contextual factors – from the structure of the value chain to social differentiation within families and communities – shape both contractual practices and contracting agency.

More specifically, an analytical framework to understand contracts from an agency perspective interrogates, in any given chain of contracts, four interlinked issues: the extent to which producers have a **voice** in contracting and related policy processes; the ways in which contracts affect **options** for rural producers; whether counterparties' **obligations** (and the mechanisms available to producers for enforcing them) provide opportunities for farmers to exert agency; and how arrangements affect producers' ability to respond to **risk**.

Our review suggests that producers are mostly 'contract takers', with key terms determined by contracts they are not party to – whether downstream in the value chain or in the realm of government – and cascaded onto farmers through the chain of contracts. Some clauses burden producers with price and other risks, while others subject them to contractually determined monopolies or broad discretionary powers on the part of buyers, for example regarding decisions to reject farmers' produce or terminate the agreement. These features can severely constrain producers' ability to exercise agency. Even so, contractual practice varies and the contracts reviewed also exemplify how provisions can enhance opportunities for producer agency. For instance, some contracts reduce buyer discretion by pegging the transaction to international reference prices, while others seek to address value chain problems – such as produce quality issues – through incentives rather than sanctions. One contract chain reflects producer efforts to control distribution and marketing through interlinked farmer cooperatives.

Recommendations

The findings provide insights for how farmer strategies can effect change in value chain relations. Rather than only supporting the weaker party in negotiating their own contracts, there is a need for more comprehensive strategies that can increase the space available to farmers to exercise agency throughout the chain of contracts. Actors working to enhance rural producer agency in commercial agriculture should therefore:

- Consider contracts for commercial agriculture, not just international treaties, when tracking how agricultural trade affects small-scale producers in low- and middle-income countries, and promote transparency through establishing public repositories where lead firms can systematically disclose contract templates;
- Intervene beyond contracts to enable producers to negotiate from a position of greater strength, for example through investments in post-harvest infrastructure, organisational capacity or enhancing voice in local and national policy;

- Offer producers support in weighing the costs and benefits of different market options before discussing any contractual formulations, based on the fact that contracts are largely a function of value chain structure and trading relationships;
- Understand producer aspirations before helping them engage with more formalised contracting structures;
- Comprehensively scrutinise terms and process in any given contract chain, by examining wide-ranging provisions, favouring incentives over sanctions, and interrogating the process by which a contract is developed, including who has what say and at which stage;
- Support producers to engage with governments, large-scale agribusiness and end buyers regarding contract terms, as these actors may ultimately set key terms;
- Develop and implement sustainability standards that promote agency in the chain of contracts, including guidance on contractual practice, and facilitate producer agency in the design and governance of standards and verification systems;
- Consider social differentiation and how it affects contracts in commercial agriculture – not only between farmers and their value chain partners but within the farming family, taking into account gender, age and other factors;
- Conduct empirical research aimed at more fully understanding contracts for commercial agriculture – including spot contracts – and how producer agency may be enhanced, paying particular attention to how social differentiation affects agency and contracts, and also variation in specific geographies or commodities.

1. Introduction

1.1 Why contracts matter for producer agency

Contracts coordinate agricultural production and trade. Farmers buy inputs, take loans and sell produce; processors source raw materials and sell processed goods; traders buy and sell throughout the value chain; and retailers sell end products to consumers. Auctions and commodity exchanges involve large numbers of commodity sales, while governments and agribusinesses collaborate to commercialise farm produce and develop rural infrastructure. Each of these transactions rests on contracts that define key parameters, such as quantity, quality, price, payment schedules and applicable food safety or sustainability standards.

In commercial agriculture,[1] contracts are extremely diverse. Contract farming has received extensive attention in academic and policy debates, partly due to prevailing development approaches that include farmers in agribusiness-led value chains.[2] However, the wider world of commercial agriculture contracts remains largely underexplored (see Box 1). Many contracts are informal verbal agreements for localised exchange, while others are sophisticated legal documents that apply across borders in the context of regional or global value chains. A contract may reflect a spot transaction or it may establish a longer-term relationship. It may govern the sale of a few kilos of farm produce or it may set the terms for large-scale agricultural corridors involving complex bundles of infrastructure, plantation, contract farming and processing projects. Many contracts embody purely commercial deals, while others are embedded in political projects or broader social relationships based on kinship ties, reciprocity or collective identity.

Whether formal or informal, local or transnational, large or small scale, contracts distribute risks and rewards among various actors. Contractual provisions, and the processes through which they are developed and implemented, can also affect the ability of small-scale rural producers to exercise agency – that is, make choices and effect change according to their own priorities, whether individually or collectively (Cotula *et al.* 2019). Agency can include, for example, producers' ability to assess and seize livelihood opportunities; negotiate the terms of their value chain

1 Commercial agriculture is here broadly defined as a reliance on market arrangements for the sale of farm produce and the acquisition of agricultural inputs (Poulton 2017). Agricultural commercialisation encompasses diverse models of production and trading, including different balances of small-, medium- and large-scale farming. The focus here is on small-scale rural producers who engage in agriculture primarily to sell their produce.

2 Despite tremendous variation, contract farming usually describes some form of pre-agreed supply agreement between farmer and buyer. Typically, a farmer agrees to grow produce of a specified quantity and quality. The buyer, meanwhile, commits to providing inputs such as seeds, fertilisers and pesticides, possibly on credit, and to buying the farmer's produce (Eaton and Shepherd 2001; UNIDROIT et al. 2015; Viinikainen and Bullón Caro 2018).

participation; manage weather, price or exchange rate risks; respond to stresses such as climate change or the fallout from global pandemics; and influence policy and law reforms.

Box 1. Defining contracts

Broadly speaking, a contract is an agreement between two or more parties that produces legal effects. While specific definitions vary across different countries, the agreement is generally formed when one party makes an offer that another party accepts. This can include agreements for the sale of goods in the value chain ("value chain contracts") as well as contracts between governments and companies, for example to regulate the operation of an investment project.

Many laws require that particular types of contract take specified forms. For example, sales of land or real estate must often be made in writing and may be subject to registration requirements. Some laws also require long-term contracts concerning the sale of agricultural produce to be in written form, whether for tax or traceability purposes, or as part of wider reforms prescribing mandatory contract terms to protect the weaker contracting party. In addition, government–company contracts for large agricultural projects are typically concluded in writing. However, form requirements – such as whether a contract needs to be written or not – are often minimal for many of the value chain contract types commonly used in commercial agriculture. For example, many laws allow parties to verbally or even tacitly conclude contracts for the sale of moveable goods. This means that, depending on the situation, a verbal agreement may be regarded as a contract and create legal effects.

Thus, when a vendor offers farm produce and a buyer takes that produce in exchange for cash, the transaction may constitute a valid sale contract creating legal effects – for example, transferring legal ownership of the produce – even without a word being spoken. In addition, from a socio-legal standpoint, even agreements that fail to meet legal requirements may be considered informal 'contracts'. While value chain thinkers and practitioners often contrast production 'under contract' with the verbal agreements and transactions of spot markets, the latter can therefore also be considered a form of contract. Of course, contractual arrangements differ. 'Contracted' production often refers to lasting coordination between a producer and a buyer. Spot contracts, on the other hand, relate to the sale of agricultural produce 'on the spot', and focus on aspects such as price and volume. They do not involve a lasting relationship, though the transaction may be repeated in future.

Irrespective of legal requirements, parties to long-term agreements often choose to conclude their contract in writing, thereby ensuring the terms are clear for all parties.

Contracting processes can affect producer agency in several ways. This includes whether small-scale producers can exercise genuine choice in deciding to contract, or in selecting buyers and trading relationships. It also includes whether farmers can meaningfully shape the terms of their contracts, rather than terms being imposed on them by value chain partners.

A contract's substantive provisions also matter for agency. By entering into a binding agreement that mandates certain behaviours (that is, a contract), contracting parties choose to trade some forms of agency in exchange for certain benefits, such as lower risks or higher rewards. For example, many contracts only allow farmers to sell produce to a particular buyer. While this restricts options, the relationship may offer farmers a guaranteed market outlet or guaranteed terms. However, power imbalances often mean that small-scale producers carry disproportionately high risks for low rewards, which can manifest itself in exploitative contract terms. These contracts can drastically restrict farmers' agency, at worst trapping them in long-term poverty and debt. Depending on the situation, farmers may be able to exercise agency by mobilising to renegotiate contracts or breaching their terms.

A better understanding of contractual provisions and contracting processes can offer insight into how development practitioners and policymakers can support rural producer agency.

1.2 About the report

This report forms part of the Empowering Producers in Commercial Agriculture (EPIC) project, which explores the contribution socio-legal empowerment can make to enhancing the agency of rural producers engaged in commercial agriculture.[3] Working in action-research mode, EPIC shares evidence internationally and develops field-level approaches for socio-legal empowerment, in collaboration with partner organisations in Malawi and Nepal.[4]

The concept of agency underpinning EPIC's work differs from other commonly used terms, such as 'inclusive business', in that it identifies rural producers as *the* driving force of individual and collective choice and action (Cotula *et al.* 2019). While conventional approaches can involve top-down processes as a means of including low-income groups in agricultural value chains, an agency perspective emphasises the role of producers themselves – as well as their wider communities – in shaping development pathways. In effect, agency links action to producers' aspirations, their vision of agriculture and the lives they want to lead. It is "rooted in people's own lived experience" rather than technocratic analyses or assumptions (Vorley *et al.* 2020:8).

From an agency perspective, initiatives supporting small-scale producers are – or should be – driven by the producers themselves. Socio-legal empowerment, then, refers to the processes by which small-scale producers can advance their vision of 'development' through action in three interlinked spheres: i) *understanding*, whereby producers acquire information and perform analysis to support the

3 See www.iied.org/empowering-producers-commercial-agriculture-epic.

4 In Malawi, Women's Legal Resources Centre (WOLREC); and in Nepal, the Community Self-Reliance Centre (CSRC) and the Nepal Agricultural Co-operative Central Federation (NACCFL).

choices they make in value chain relations or public policy arenas; ii) *organising*, whereby producers develop organisational structures for collective or coordinated action; and iii) *engaging*, whereby producers engage with other actors, whether individually or collectively, to change value chain relations or public policies (Cotula *et al.* 2019; see also Blackmore *et al.* 2020).

Due to the role they play in sustaining commercial agriculture, as well as their impacts on producer agency, contracts have emerged as a key cross-cutting theme in EPIC activities. Research for this report aimed to support such activities. The report presents: i) a framework for understanding the diversity of contracts relevant to commercial agriculture; ii) the links these contracts have to producer agency, particularly small-scale producers; and iii) ways in which the design and governance of contracts and contracting processes can strengthen producer agency.

An agency perspective requires moving beyond agribusiness-led contract farming, instead giving consideration to the wider range of trading options farmers pursue in any given context. This includes informal markets and arrangements that may enable producer organisations to gain greater control over downstream value chain segments. Moreover, contracts should not be considered in isolation, but in the wider context of value chain relations and the social, economic and political systems they operate in. As will be shown, the requirements of one agreement may cascade through a potentially long chain of contracts.

The report aims to identify possible entry points for small-scale rural producers to drive change in their contractual relations. Further, it also aims to open up opportunities for more informed, agency-centred research and practice. The report is intended for reflective practitioners and action-oriented researchers who wish to explore the role of contracts in agricultural development and the impacts on, as well as opportunities for, producer agency.

1.3 Research approach

Agency is ultimately about power and its application to contracts cuts across law and political economy. As a result, the research took a cross-disciplinary approach, combining legal analysis of contracts with an exploration of how agricultural value chains operate in practice. Specifically, the report draws on a growing literature discussing contracts in a value chain context – both in relation to local, national and transnational processes in the agriculture sector and to global value chains across sectors. It also draws on our analysis of the terms and conditions of 40 contracts related to commercial agriculture.

Most small-scale farmers engaged in commercial agriculture likely rely on verbal spot contracts. By their very nature, these contracts are impossible to document without detailed primary research with value chain actors. Verbal transactions are therefore outside the scope of the contract review, though we acknowledge their significance in agricultural trade and the 'landscape' of contracting. In addition, most written contracts are confidential and not publicly available. Several of the contracts reviewed were sourced from databases in the public domain, such as Open Land Contracts and the Contract Farming Resource Centre.[5] However, a sizeable portion of the contracts were provided, under conditions of confidentiality, by relevant value chain actors, specifically for this report or for earlier analyses. For this reason, the discussion refers to the contracts in anonymised form. Compared to the vast universe of contracts for commercial agriculture, the 40 contracts reviewed reflect a very small pool and do not necessarily represent wider trends. Even so, they provide initial insights towards developing a typology more reflective of contract diversity and interconnectedness.

The contracts reviewed include both signed agreements and contract templates. They reflect a variety of contract types, from large-scale concessions between companies and governments, to assorted individual or collective arrangements between farmers and companies. The contracts also reflect diverse actors, commodities and geographic contexts. While the issues are of global relevance, the focus is on practices affecting countries in the Global South, and all the geographically specific contracts reviewed relate to agricultural activities in low- and middle-income countries. Six of the contracts are templates applied internationally by global consumer goods manufacturers in the food and beverage or agro-industrial sectors. The contracts' length and depth varied considerably, from a simple written template similar in outlook to a receipt, to a document over 100 pages long featuring complex legal language.

The report is structured as follows. Section 2 outlines the role of contracts in commercial agriculture, discussing how they coordinate value chain activities and potentially have influence beyond the parties directly involved. Initial steps towards a contract typology are also set out. Section 3 outlines how agency can be understood in the context of contracting. Section 4 summarises the findings from substantive analysis of the contracts' terms and conditions, focusing on issues relevant to producer agency. Finally, Section 5 sets out the key findings and outlines potential next steps for research and action.

5 See www.openlandcontracts.org/ and www.fao.org/in-action/contract-farming/toolkit/contract-links/en/.

2. The role of contracts in commercial agriculture

2.1 Contracts as a mechanism for value chain governance

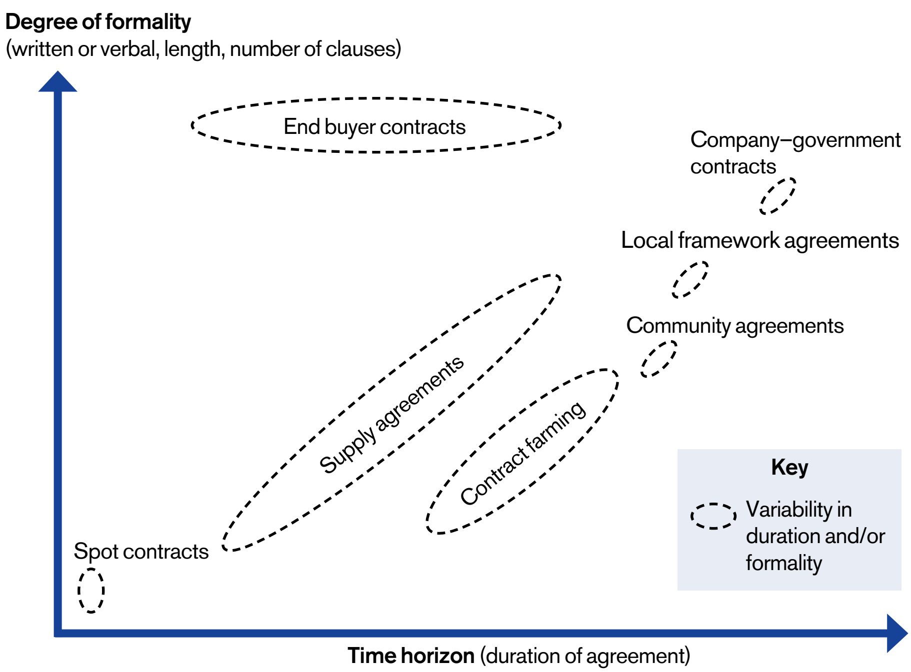
Contracts are one mechanism governing activities in commercial agriculture. In value chain relations, contractual arrangements may coordinate actors, set standards and define how value is distributed between the parties. Value chain contracts are extremely diverse, reflecting a multiplicity of actors, activities, crops, markets, geographic contexts and value chain complexity. They may include, for example, agreements between farmers and input suppliers, between farmers and their immediate buyer, and between the buyer and the ultimate processors and distributors. Farmers may sell to a large processor, a small-scale informal trader or a cooperative, with the nature of the actors and their relationship likely affecting contractual arrangements.

Value chain contracts involve varying degrees of formality (from oral agreements to extensive legal documents), as well as different time horizons (from spot transactions to long-term contracts) (see Figure 1). Informal agreements coordinating access to local markets are likely to differ significantly from contractual arrangements applied in regional and global value chains, in terms of both form and duration. Informal spot transactions – typically verbal agreements relating to a single instance of trade – account for the bulk of staples trading in many low- and middle-income countries (Vorley and Lançon 2016). They also dominate the trade of many other agricultural commodities in local and regional markets, such as milk (Abdulai and Birachi 2009), and informal relations with small- and medium-scale agro-dealers have been shown to facilitate access to inputs and services for the vast majority of small-scale farmers (Liverpool-Tasie *et al.* 2020).

Where product quality, safety, timeliness or sustainability are important to downstream buyers, more formalised contracts may be central in ensuring supply meets these requirements. However, relatively few small-scale farmers in low- and middle-income countries produce under formalised contracts. For example, estimates on the spread of contract farming range from 5% of small-scale farmers in Africa (AGRA 2019) to up to 15% in low- and middle-income countries (Oya 2012). These farmers are the ones who are better resourced, informed and connected (Vorley at al. 2012). Degrees of formality and timescales can vary in different segments of the same value chain. Arrangements for enforcement also differ: legal proceedings often become more relevant as the level of contract formalisation and scale of economic transaction increase; while peer pressure and social networks are often more relevant in smaller-scale or more informal agreements.

Contracts outside the value chain can also have a bearing on commercial agriculture. For example, a concession agreement between an agribusiness and a government may define the terms for establishing a large-scale plantation and/or contract farming arrangements. These types of agreements can indirectly influence value chain relations, including contractual terms between the agribusiness and contracted farmers. They may also, in effect, provide for the development or upgrading of an entire value chain, through contractual commitments concerning large-scale agricultural production, contract farming, processing facilities and/or transport infrastructure.

Figure 1. Contracts in commercial agriculture: formality and time horizon



NB. The figure is based on the contracts reviewed and is not intended as a comprehensive map or spectrum of all possible contracts relevant to commercial agriculture. The aim is to illustrate the diversity of contracts in terms of levels of formality and time horizon.

2.2 The regulatory function of contracts

Contracts can have regulatory as well as commercial functions. This is particularly the case of contracts involving government, such as concession agreements for large agricultural investments. Beyond being vehicles for the exchange of goods between two actors, value chain contracts can also be instruments of private regulation (Cafaggi 2013; Cutler and Dietz 2017). The literature on global value chains emphasises the role contract networks play not only in coordinating geographically disparate economic activities, but in setting standards that regulate operations throughout the chain (Ponte 2009; IGLP Law and Global Production Working Group 2016; Cutler and Dietz 2017).

Value chain contracts – particularly those involving longer-term relationships – often define standards on issues such as seeds, farming techniques, technology, labour conditions, environmental protection and product quality. The contracts may determine standards directly or through reference to existing standards, such as those of the lead firm (for example, procurement policies or codes of conduct) or third-party certification systems (Cafaggi and Iamiceli 2014). Through the contracts, these standards may become legally binding for suppliers. For example, if producers do not comply with the pesticide standards set out in the lead buyer's code of conduct and cross-referenced in the contract, they may incur sanctions or other legal consequences (Cafaggi 2013).

A contract binds the contracting parties. However, the regulatory function of contracts can affect actors beyond the contracting parties. This may be due to practical circumstances – for example, where the standards imposed by a major buyer influence the priorities of government-led agricultural extension in the locality, or where private input suppliers change the goods they offer in response to these new standards – and/or contracts being interconnected, with the terms set out in one contract affecting others in the value chain.

For example, market power often enables lead firms to impose terms on first-tier suppliers, who in turn must impose them on to their own subcontractors. In these situations, the contracts give effect to terms that originate in the lead firm's procurement policy, contract templates or codes of conduct (Beckers 2020; Cafaggi and Iamiceli 2020). Renegotiating value chain terms may therefore require farmers to engage not only with their immediate buyer, but with actors further downstream in the value chain. While this is typically difficult to achieve, examples do exist – such as in Kenya's horticulture sector, where farmers were able to change aspects of value chain governance, including contractual specifications, by engaging not only with their immediate buyer but with the lead firm (Kariuki and Kambo 2019).

The regulatory function of value chain contracts is part of a wider trend towards greater reliance on private regulation in the governance of agricultural value chains. This includes utilising industry 'protocols' or 'accords' for voluntary initiatives aimed at tackling issues such as child labour in the cocoa sector (Mustapha 2010), and more generally the rise of corporate social responsibility systems used by lead firms to manage human rights and sustainability issues in their supply chains – including in contexts with histories of dispossession and discrimination (see, for example, Huq 2020 and Rao and Bernaz 2020).

2.3 Contracts and public regulation

Although the contract epitomises the role played by private ordering in structuring economic relations (Cutler 2003; Ferrando and Perrone 2020; Perrone 2020), contracts for commercial agriculture do intersect with public authority and regulation. In commodity sectors, governments can play an important role as party to (one or more) relevant contracts, and more generally as regulators, facilitators, infrastructure providers or territorial planners.

The direct role of government in contracts for commercial agriculture partly reflects the territorial dimensions of value chains, which ultimately integrate certain portions of national territories into the production and trade of a given commodity, and link production areas to consumption sites. In addressing these territorial dimensions, agreements concluded with public authorities at the national or local level frequently intersect with contracts up and down the value chain. For example, agricultural commercialisation concessions between an agribusiness company and a central government agency may grant the firm the right to deal with farmers in a given geographic area. To implement the contract with the government, the firm will subsequently conclude separate contracts with local farmers, with the terms of the government contract potentially influencing those that are concluded afterwards (Cotula and Berger 2014).

The full terms of a contractual relationship also depend partly on applicable national legislation, for example on intellectual property, seeds or marketing. The reach of public regulation varies across countries and sectors, with some sectors often being more regulated than others (for example, tobacco). However, some contracts purport to opt out of aspects of national law, and to instead establish tailored, insulated regimes. Depending on their formulation, for example, 'consistency' and 'stabilisation' clauses in contracts between governments and agribusiness enterprises may restrict the application of existing or future legislation, possibly including labour law or the regulation of supply chain relations. Alternatively, they may require that the government offsets any costs created by changes in applicable rules (Cotula 2018).

Besides national law, international treaties concluded between states can affect terms and conditions, particularly in value chains that cross international boundaries. Treaties have long played an important role in structuring global trade in agricultural commodities (Fakhri 2014). Together with unilateral trade schemes in export countries, trade treaties shape applicable tariffs and quotas, sanitary and phytosanitary standards, and rules governing subsidies and dumping.

Public authorities also play a role in contract enforcement, though institutions such as courts have often proven ineffective at ensuring contract enforcement (Guo and Jolly 2008). Moreover, the costs of using courts of law may be prohibitive relative to the scale of the transaction, or enforcement may be impractical due to the nature of the relationship. Alternatively, private and/or informal mechanisms can promote enforcement through economic or social incentives. The former may involve excluding trading partners from future transactions, or the threat of reputational loss, which forecloses future trade with other parties. Social incentives include loss of reputation in the local community, where values, norms, customs and moral obligations would be challenged by breaching a contract (Bijmann 2008).

2.4 Towards a typology of contracts

As noted, the 40 contracts reviewed are not necessarily representative of the range of contracts in use in low- and middle-income countries – rather than capture the full diversity of such contractual provisions, the purpose of the research was to understand contracts from a producer agency perspective. That said, this section offers a brief overview of the contracts reviewed and offers a typology based on a few defining characteristics. This provides the basis for future expansion by the research team or other researchers.

The contractual configurations are extremely diverse and cover a wide range of commodities: cotton, rice, rubber, palm oil, sugar cane, tea, coffee, vegetables, sesame, tobacco, millet, fresh fruit and milk. Most of the contracts under review concern bilateral relations between two actors located in different segments of the value chain, though a few contracts involve wider framework agreements among multiple actors – such as farmers, agribusinesses, banks, insurers and, in some cases, government agencies. Several contracts under review referenced related contracts we were unable to access, which were either already in place (such as loan agreements) or to be entered into (for example, between an input supplier and a farmer). In five cases, contracting chain segments – consisting of up to three contracts – were available, shedding light on the inter-relatedness of contracts and the concept of 'cascading terms'.

A total of 17 contracts in the pool are farmer–buyer agreements, governing sales from farmers to buyers such as agribusinesses or cooperatives. The contracts span a variety of geographies, including Latin America, Africa, Asia and the South Pacific. Of these 17 contracts, ten involve contract farming, reflecting close coordination between farmers and buyers, while seven supply agreements create an ongoing relationship – albeit without the provision of farm inputs that tends to characterise contract farming – in that the contracts are concluded in advance of the season, thereby regulating farming activities and the sale of produce. In some cases, farmers concluded the contracts collectively – for example, through a cooperative – while in others they did so individually. In other cases, despite signing individual contracts, they did so as members of a farmers' association.

These farmer–buyer contracts reflect just one segment of a wider set of agreements, which we have labelled the 'chain of contracts'. Eight other contracts govern relations further up or down the value chain – specifically, one spot transaction, one supply agreement located in the intermediary trading segment of the chain, and six contract templates developed by consumer goods manufacturers that source produce from the chain. The six end-buyer contract templates illustrate how lead firms seek to shape the terms of the chain of contracts as they integrate suppliers into their procurement systems. Based on publicly available information, one of these end-buyer contracts connects to one of the farmer–buyer contracts reviewed. The intermediate supply agreement is linked to another farmer–buyer contract, but in this case market access proceeded from the bottom up: individual farmers sold to a producer cooperative they were members of, which then sold to a second-tier producer cooperative belonging to the same group, which in turn aggregated produce and operated marketing points in urban centres.

In addition to agreements between value chain actors, the contracts reviewed also include several agreements that set out overarching terms aimed at paving the way for value chain contracts. These agreements include: local-level frameworks setting out terms for the operation of contract farming schemes or agricultural infrastructure (such as irrigation), bringing together multiple actors, with or without government involvement; agribusiness plantation concessions between a government and a company, as well as associated 'community agreements', concerning the establishment of large-scale plantations and, potentially, outgrower schemes or processing infrastructure;[6] and agricultural commercialisation concessions between a government and a company aimed at promoting the commercialisation of a particular crop grown by small-scale producers in a given geographic area.

These territorially based agreements can affect the terms of value chain contracts, even though the actors signing these agreements may not themselves be participants in the value chain. For example, government–company agricultural commercialisation concessions can lead to subsequent agreements between the company and farmers, while irrigation management agreements may be followed up by more detailed bilateral or trilateral contracts for financing, input provision and/or purchasing of produce. The contracts in the pool provide examples of interconnected government–agribusiness concessions, community agreements and/or farmer–buyer contracts. Further, one of the government–agribusiness concessions relates to the same value chain as one of the end-buyer contracts. Table 1 identifies the main contract types reviewed by this research, while Figure 2 illustrates their interconnectedness through the notion of a 'chain of contracts'.

6 Outgrower schemes typically involve contract farming agreements between the management of a large-scale plantation and contracted growers in the vicinity. Depending on the situation, growers may either cultivate their own land or land subleased from the company. The extent to which growers coordinate their activities varies (ranging from farming autonomous or subdivided plots to land pooling for mechanised farming), as do the organisational arrangements that sustain coordination (for example, associations or cooperatives).

Table 1. A typology of contracts reviewed

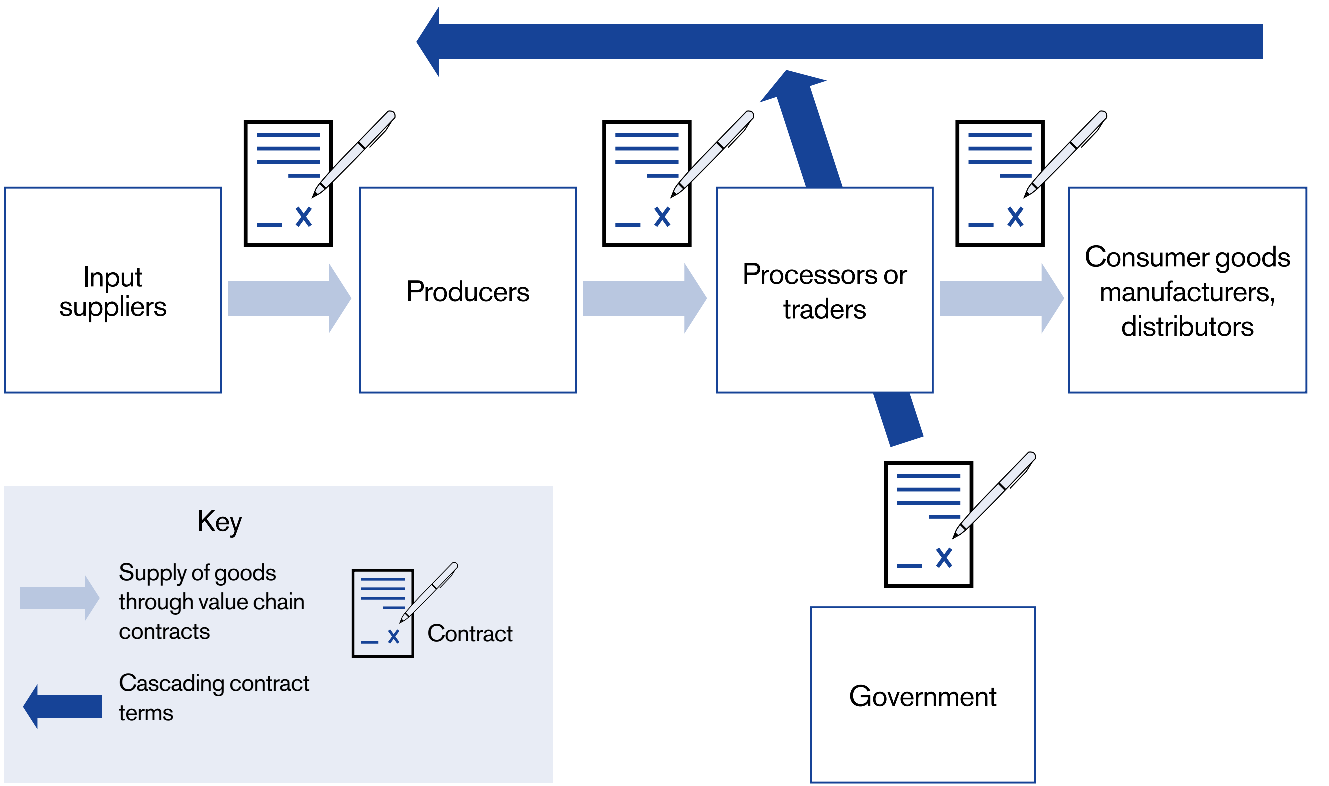
Type	Number of contracts reviewed	Parties to contracts reviewed	Crops in contracts reviewed	General features of contract type	Time horizon of contract type	Use in commercial agriculture
Sale contracts (spot transactions)	1	Producer cooperative and buyer	Unspecified	One-off transaction for the exchange of goods. Can occur at any stage of the value chain, including farmer–buyer and business-to-business. Often verbal	Spot	Widespread – likely the majority of trade for several commodities
Supply agreements	8	Producer(s) and trader, agribusiness or cooperative Between cooperatives	Dairy, sesame, tea leaf, tobacco, vegetables	Very diverse. One party commits to supply a specified quantity/quality of produce over a given period. Can occur at any stage of the value chain, including farmer–buyer and business-to-business. Contract may regulate issues such as standards, pricing and terms of payment	Variable: can be short term, months or years	Widespread
Contract farming	10	Producer and agribusiness or cooperative	Coffee, cotton, fruit, millet, oil palm, rubber	Very diverse. Typically, the farmer (or farmer group) agrees to grow a specified quantity/quality of produce; while the buyer commits to providing inputs such as seeds, fertilisers and pesticides, possibly on credit, and to purchasing the produce. Depending on the situation, farmers may cultivate their own land or sublease land from the company	Months or years	Common in agribusiness-led value chains – but likely reaching relatively few small-scale producers (estimates range from 5% in Africa to up to 15% in low- and middle-income countries: see Section 2.1)

Type	Number of contracts reviewed	Parties to contracts reviewed	Crops in contracts reviewed	General features of contract type	Time horizon of contract type	Use in commercial agriculture
Outgrower credit agreement	1	Producer, agribusiness and bank	Tree crop	Tripartite agreement linked to contract farming and involving a bank. Determines conditions for farmers' access to credit	Months or years	Unknown
Local framework agreement	2	Multiple actors, including infrastructure operator, farmers, buyers, banks and/or insurers, and possibly government	Cotton	Sets terms for multi-actor collaboration, eg around the operation of irrigation infrastructure or contract farming arrangements	Years	Linked to specific settings or initiatives
Community agreements	3	Community and agribusiness, possibly also government	Oil palm, tree crops	Defines community benefits related to implementation of a commercial agriculture project. May also regulate commercial activities on community-held land and/or establishment of an outgrower scheme	Likely years	Often linked to agribusiness plantation concession
Agribusiness plantation concessions	6	Government and agribusiness	Oil palm, rubber, sugar cane	Regulates establishment and/or operation of a large-scale plantation. May also involve an outgrower scheme, processing facilities and/or transport infrastructure	Years	Variable in different countries. Experienced a global surge in 2005–2015

Type	Number of contracts reviewed	Parties to contracts reviewed	Crops in contracts reviewed	General features of contract type	Time horizon of contract type	Use in commercial agriculture
Agricultural commerciali-sation concessions	3	Government and agribusiness	Cotton, rice	Regulates comprehensive agricultural commercialisation activities, possibly including combinations of large-scale plantations and outgrower schemes, or the commercialisation of a particular crop grown by small-scale producers in a given geographic area	Years	Unknown. Few known contracts, all of them confidential
End-buyer contracts	6	End buyer (eg consumer goods manufacturer) and immediate supplier	Unspecified but potentially wide-ranging commodities	Business-to-business transactions setting terms for purchase of raw or processed produce by a lead firm. Immediate supplier may be expected to impose key terms on their own suppliers	Variable	Widespread

NB. The table is based on the contracts reviewed. For each contract type, the name is intended as succinct descriptor and does not necessarily match the title, if any, written on the relevant contract.

Figure 2. Typology of contracts: interconnectedness in the 'chain of contracts'



NB. The figure is based on the contracts reviewed and is not intended as a visualisation of all possible contracts relevant to commercial agriculture.

3. The link between contracts and agency

3.1 Contracts and agency

Agency is embedded in the very essence of contracts. Signing a contract is (or should be) a manifestation of agency, while contractual provisions – in mandating or restricting certain behaviours – inherently limit agency. Contracting parties accept these limitations in exchange for certain benefits. For example, producers may relinquish their freedom to sell to any given buyer in exchange for a guaranteed market or more predictable prices – in effect, trading off market choice for price and income stability.

A contract may also unlock new opportunities for agency if, for example, it helps farmers access credit and inputs and so undertake activities that would otherwise have been out of reach. A buyer, on the other hand, may trade their ability to choose suppliers in return for a reduction of risk, such as experiencing insufficient supply for a processing plant that requires economies of scale to be profitable. The contracting parties may also decide to give up elements of agency if the contract generates shared benefits, such as enabling the value chain to function more efficiently.

However, this 'transactional' framing of contracts and agency sees the contracting parties as actors isolated from broader socio-economic contexts, and assumes they have genuine freedom of choice and equal negotiating power. In reality, complex chains of contracts mean that the terms of one contract can affect other agreements. In addition, contracts are embedded in complex social, economic and political relations, which can severely affect freedom of choice and negotiating power. Immediate and end buyers may be subject to considerable competitive pressures, which can affect their contractual practices. And in relations with buyers, rural producers are typically at a disadvantage, making it more difficult for them to exercise agency in contacting.

For example, fluctuations in the global commodity market can undermine the price buyers are willing or able to pay for farmers' harvest, regardless of how well producers negotiate (Sachs *et al.* 2019; Cotula and Polack 2020). Oligopolistic and monopolistic conditions can also weaken farmers' negotiating position vis-à-vis large-scale agribusinesses or local traders, as they may have fewer alternative trading options (De Schutter 2010; Clapp 2018; German *et al.* 2020). Moreover, skewed land distributions may constrain options for small-scale farmers or the landless, forcing them into relations they would not have chosen had they viable alternatives (Cotula and Polack 2020). In addition, unequal access to information, substantial differences in the scale of activities and lack of collective action potentially undermine the position of farmers vis-à-vis their contracting partners.

These structural factors can have pervasive impacts on the ability of value chain actors to choose, act and effect change. Further, they tend to affect contract terms: the chain of contracts codifies into legal language substantive parameters (for example, prices, product specifications and traceability requirements) that are typically determined by larger market forces, rather than a party's free will. This also means contracts and contracting processes may result in unequal risks and rewards, with one party suffering greater constraints on agency.

Among small-scale rural producers, the scope for agency in contracting can vary greatly. In rural areas, structural factors at local to global levels intersect with social differentiation, with income, wealth, status, gender, age and crossovers between these factors coming into play. As a result, engagement with contracts for commercial agriculture takes diverse forms and leads to differentiated outcomes for different types of small-scale producers. For example, patriarchal socio-cultural norms often restrict women's ability to participate in value chain contracts and shape their terms, despite women then having to provide the labour needed to fulfil the contracts (see Box 2).

Box 2. Gender issues in value chain contracts

Research shows that women have more limited direct participation in agricultural value chain contracts than men (in relation to sub-Saharan Africa, see Schneider and Gugerty 2010). Where men dominate the cultivation of cash crops and women primarily grow subsistence crops, opportunities for access to value chain contracts are inherently skewed against women (Brewin and Murphy 2019). More fundamentally, women often have limited control over land, while wider inequalities within families tend to disadvantage them, for example regarding household chore distribution and the management of available cash (Schneider and Gugerty 2010). The devaluation and non-remuneration of certain forms of women's labour, such as their role in social reproduction, can also be instrumental in a value chain externalising costs and maximising returns (Alessandrini 2016, 2020), with men able to work long hours for low pay due to women providing free childcare and household maintenance.

In addition, due to ingrained socio-cultural practices relating to leadership and management, as well as control over key production assets such as land and finance, women's active involvement in agricultural cooperatives and their representation in leadership positions is often more limited than men's (McMurtry and McMurtry 2015; de Leede 2020). These aspects vary considerably depending on the social context and the agricultural commodity, however, and examples do exist of women dominating the membership base of agricultural cooperatives and adopting management roles (see, for example, NACCFL 2018).

3.2 Agency and legal, political and economic context

Contextual factors are inherent to an agency perspective, requiring close examination in a number of respects. Firstly, the terms of a contractual relationship depend not only on the chain of contracts but on applicable national and international law. As discussed, legislation often governs agricultural production and marketing – whether in relation to a particular crop or in cross-sectoral terms – with international treaties regulating cross-border trade. An agency perspective interrogates the varying ability of value chain actors to influence these wider legal frameworks, which can have knock-on effects on actors' immediate value chain relations. For example, national processors may obtain export bans of a raw material in order to close off external market opportunities, thereby depressing the price farmers can get in domestic markets.

Secondly, an agency perspective questions features that are external to the contract, but which affect the negotiation process or how the contract operates in practice. For example, in contract farming producer agency can vary drastically depending on whether farmers control the land or sublease it from the company. In the latter situation, scope for autonomous producer choice is often more limited. Depending on the commodity, availability of storage and transport infrastructure may affect farmers' market access options and thus their negotiating power. Relevant external features include the data and analysis accessible to producers to engage with value chain partners on an informed basis, as well as the organisational structures available for them to advance their vision (and how those were set up and who controls them). These aspects raise questions about the support services – such as legal, business or agronomic advice – available to producers when engaging in contracting processes, as well as government's role in supporting producers and facilitating value chain relations.

Thirdly, contracting parties can exercise agency *outside* the framework created by the contract, or even in violation of it. Side-trading (side-selling by producers or side-buying by buyers) illustrates this point,[7] because semi- or non-compliance with contract farming terms may reflect deliberate strategies for producers to exert agency in the face of conditions they deem unjust. Side-sellers often respond to market prices being higher than those agreed with contracted prices, but also to a need for short-term cash to sustain their family, with some third-party buyers offering immediate access to cash instead of deferred payments (Kabwe *et al.* 2018).

Finally, how these aspects play out varies widely across sectors, meaning sector specificities can affect the scope for producer agency. For example, a perishable commodity such as sugar cane requires close proximity and coordination between production and processing, as the crop must be processed immediately after harvest and cannot be stored in anticipation of higher prices. Further, sugar cane cultivation presents significant scope for mechanisation. Substantial capital investments may be needed for processing, which is then dependent on reliable

7 Side-selling involves selling the contracted commodity to a third party who is not part of the contract and did not provide any services to the farmer (such as input provision or extension services), or selling committed produce directly on the open market (Repar *et al.* 2018). Side-selling represents a recurring challenge in contract farming, as it can erode trust between parties, increase monetary and transaction costs for the buyer, and result in contract termination (Repar *et al.* 2018). Side-buying refers to buyers purchasing produce from farmers they have not contracted with, or from producers who are contracted with other buyers.

supplies of raw materials to ensure the plant runs at capacity and is therefore profitable. Crops presenting these characteristics lend themselves to large-scale agribusiness plantations and outgrower schemes, whereby the lead firm, as the sole buyer of the commodity, 'integrates' small-scale suppliers into its operations (German *et al.* 2020).

On the other hand, crops such as cocoa and coffee provide opportunities for small-scale producer organisations to play a more substantial role in the various stages of the value chain, particularly processing and marketing (Tagoe 2010; Sachs *et al.* 2019). While the distribution of power in these value chains has changed considerably over the years (Grabs and Ponte 2019), cultivation is inherently labour intensive and industry features (such as buyer concerns regarding undersupply) have made it possible for growers to occupy certain market niches, for example through branding or certification. These circumstances can expand opportunities for agency and affect the nature of contractual arrangements.

3.3 An analytical framework

Agency is closely linked to power – including power relations between contracting parties and, more generally, the power structure of the value chain and its territorial base (Cutler and Dietz 2017). Understanding agency issues in contracting requires examining how contracts are made and how their terms affect producers' ability to advance their vision and priorities. Further, it necessitates exploration of how contextual factors – from structural features of the value chain to social differentiation within families and communities – shape both contractual practices and agency in contracting.

More specifically, in any given chain of contracts an agency perspective interrogates the extent to which producers have a *voice* in contracting and related policy processes; the ways in which contracts affect *options* for rural producers; whether counterparties' *obligations* (and the means for producers to enforce them) provide opportunities for farmers to exert agency; and how arrangements affect producers' ability to respond to *risk*. These four issues are closely interlinked. Table 2 organises them into an analytical framework and outlines a few illustrative questions for each issue.

Table 2. The chain of contracts from an agency perspective: an analytical framework

Agency aspects relevant to contracting	Illustrative questions
Producer voice In contracting and related policy processes	Can small-scale producers genuinely choose whether to contract with a particular trading partner (or do they face economic coercion and/or unfavourable legal directives)? Can small-scale producers shape the terms of a contract – and do they have a voice in discussions with government or downstream buyers, whose contracts and decisions affect the terms of farmer–buyer contracts? Are farmers organised into structures that effectively support enhanced voice and negotiating power (producer organisations)? Do farmers have a voice in the national and international policies they, and their contractual relations, are affected by, as well as in the governance of any third-party certification schemes cross-referenced in the chain of contracts? How are members of a farmer's family represented in contracting processes and/or producer organisations?
Producer options Contractual provisions that affect producer options	Do the financial terms established by the chain of contracts limit producer options (eg low prices and unfair credit terms trapping producers in poverty and indebtedness), or enhance them (eg fair and transparent payment terms, or genuine opportunities to access finance, making possible activities that would otherwise have been beyond reach)? Does the chain of contracts: • Lock producers in, requiring them to grow only certain crops or making it difficult to exit or renegotiate the contract? • Require them to sell exclusively to one buyer, restricting their market options? • Deliver severe penalties for side-selling or other forms of default, or instead encourage compliance through positive incentives? • Establish exacting or unclear product specifications? And are these limiting clauses compensated by provisions that deliver rewards such as: • Guaranteed purchases from producers (ie a stable and predictable market)? • Fair and predictable prices? • Access to credit on competitive terms? • Access to technical assistance to enable compliance with product specifications? Is the chain of contracts structured such that all parties can be held accountable in terms of their responsibilities? How do these provisions affect options for different categories of rural producers?

Agency aspects relevant to contracting	Illustrative questions
Counterparties' obligations	Does the chain of contracts set clear obligations for counterparties such as buyers?
And producers' means of enforcing them	Are pricing arrangements clear and specific? Do they rely on buyers' unilateral decisions, or access to information that producers are unlikely to have?
	Do side-trading penalties apply to buyers as well as producers?
	Does the chain of contracts provide effective avenues for addressing issues arising during implementation, including recourse where terms are unfair for producers or rights have been violated?
	Is enforcement (whether legal or non-legal) effective?
	Do government–agribusiness contracts limit the ability of government to regulate or enforce subsequent laws that may improve the terms and conditions of trade faced by producers?
	How do these provisions affect the ability of different categories of rural producers to enforce counterparties' obligations?
Producer risk	Does the chain of contracts create inherent risks for the farmers, such as linking then to exclusivity arrangements or providing other parties the ability to alter financial terms?
Distribution of risk in the chain of contracts	Does the chain of contracts affect producers' ability to manage risks such as default by the other party, or risks associated with major unpredictable events, such as extreme weather, pandemics, political crises or sudden changes in market conditions?
	Do the contracts provide for risk-mitigation tools that could be mutually beneficial, such as crop insurance?
	How do these provisions affect risk for different categories of rural producers?

4. What is in the contracts?

Applying the analytical framework outlined in Table 2, this section discusses a few illustrative issues arising from the contract review, with an emphasis on parameters enhancing, or constraining, rural producer agency. It is impossible to fully analyse a contract without detailed understanding of the value chain relationship it is embedded in and codifies. Also, contact clauses are interrelated and discussion of a particular contract's circumstances would require in-depth examination that was beyond the scope of this research. In this section, therefore, reference to specific contracts or provisions is made only for the purposes of illustrating broader analytical points. In addition, a contract review alone cannot determine the extent to which the contracts have been implemented – for example, whether companies contracted farmers or established outgrower schemes as provided in concession contracts with the government. Some of the contracts reviewed are templates, with their actual use unknown.

4.1 Producer voice in contracting: parties and processes

The contracts reviewed reflect diverse contracting parties and processes. However, a recurring theme is of key decision making appearing to occur outside of producers' direct contractual relations. Several contracts did not involve producers as contracting parties, yet their terms potentially affect the position of producers in value chain relations. By the time producers engage in negotiating their own contracts, key parameters have already been set, thereby limiting the scope for negotiation. Two groups of contracts in the pool define terms that ultimately cascade on to producers: concession contracts between governments and agribusiness companies; and lead buyer contracts.

Company–government contracts

Three agricultural commercialisation concessions illustrate how contracts between government and private companies can have knock-on effects for farmer–buyer contracts. These concessions regulate the commercialisation of a particular crop (cotton or rice, depending on the contract) grown by small-scale producers, granting the agribusiness the right to operate and purchase farm produce in a given subnational area. The concessions also outline key terms for subsequent contracts between the agribusiness and local farmers. Once the concession is signed, the company may engage with farmers as part of implementation, but this will be limited by the contractual commitments already agreed upon.

In addition to developing large-scale oil palm plantations, some of the agribusiness plantation concessions require the company to explore the feasibility of an outgrower scheme. As with the agricultural commercialisation concessions, these contracts determine several key parameters governing farmer–company relations prior to contracting between farmers and companies being reached. While the government's likely greater power in negotiations with the company may secure advantageous terms for the farmers, the arrangement also raises questions as to whether farmers had any say in setting the terms.

Value chain contracts

A total of 17 contracts (or contract templates) in the pool are (to be) signed by farmers or their organisations (see Box 3). These contracts concern the production and sale of agricultural commodities to various buyers. Reviewed in isolation from a contract's value chain settings, it is impossible to determine how terms were determined on issues such as pricing, produce specification and terms of delivery and payment. Generally speaking, space for producer agency in value chain contracting varies considerably according to business model, trading configuration and socio-economic context. The six end-buyer contracts (in most cases unrelated to the farmer–buyer contracts reviewed) illustrate how downstream actors, such as consumer goods manufacturers or retailers, often set key terms in buyer-led chains (see Box 4).

Box 3. Who signs farmers' contracts?

Producers are parties to the farmer–buyer contracts either as individuals or by virtue of producer organisation membership. Most contracts are gender blind (for example, referring to "the seller"), though at least one seems to anticipate that a male farmer will be party to it ("le planteur"). One contract is to be signed by the household head, who – depending on the situation – is often a man. However, a few contracts or templates use language suggesting men or women may sign (for example, "le/la producteur/trice"; "he/she" or "Mr/Mrs"). Where one family member signs on behalf of the family and contract implementation relies on family labour, scope for agency can vary for different members of the same family, depending on the power relations affecting decision making.

Cooperatives could, in principle, create greater scope for farmers to collectively exercise agency in the value chain. The contracts reviewed include two interlinked cooperative-led supply agreements: the contract template for a supply agreement between a farmer and the local-level cooperative of which they are a member; and the template for a supply agreement between that cooperative and a second-tier, national-level cooperative (which the local-level cooperative is a member of). The second-tier cooperative operates retail facilities for marketing member farmers' produce (or processed goods derived from the transformation of that produce).

Box 4. End-buyer contracts: cascading terms and strategies for producer agency

All the end-buyer contracts reviewed clarify that the buyer's terms apply to the transaction, to the exclusion of any terms or amendments proposed by the supplier. The terms include not only those directly established in the contract but the end buyer's own policies and codes of conduct. Further, the supplier is required to cascade the buyer's terms on to their own contractors.

Thus, the end-buyer contract may affect contract terms between farmers and their immediate buyer, for example regarding produce specifications. Producer organisations may need to take concerted action at multiple levels if they are to influence terms. The literature documents examples of strategies that have enabled farmers to change their contractual arrangements, often with support from producer and non-governmental organisations. These strategies include engaging in dialogue with actors throughout the value chain (Kariuki and Kambo 2019) and establishing alliances and conducting advocacy in export markets (Berger 2018a).

This setup aims to improve opportunities for producers to capture value from the value chain's downstream segments, as well as have a voice in marketing decisions via their cooperative membership. In practice, much depends on whether cooperatives are effectively managed; whether management is truly representative of, and responsive to, members; and how first- and second-tier cooperatives are structured and coordinated. The contracts reviewed set minimum prices based on market rates, with the second-tier supply agreement including rules on how profits are to be allotted among parties, indicating an intention towards fairer distribution of value throughout the chain.

4.2 Contractual provisions that affect producer options

A contract's substantive provisions can also affect scope for producer agency, with some clauses potentially having a far-reaching impact on farmers' ability to effect change over the course of the contractual relationship. Contract financials are particularly important: low prices and unfair credit terms can trap producers in poverty and indebtedness, while fair payment terms, or genuine opportunities to access finance, may make possible activities that would otherwise have been beyond producers' reach. Other features affecting producer options include restrictive clauses such as: a long contract duration coupled with limited opportunity to revise or exit the relationship; clauses requiring farmers to only grow particular crops and according to specified standards on relevant land, for instance in closely coordinated outgrower schemes; and provisions granting certain value chain actors exclusive rights to the farmers' crop.

Such restrictive clauses often respond to concerns regarding the commercial venture being able to operate economically. For example, granting a company exclusive rights to the farmers' produce may be a necessary precondition for providing farmers with advance inputs on credit, as the company will have greater certainty when it comes to recouping its investment. Further, some restrictive provisions may benefit producers: longer contract durations may be in the farmers' interest, providing them with a guaranteed market and greater income predictability. In fact, seemingly restrictive arrangements can enhance options for producer agency, with, for example, guaranteed market outlets and predictable prices potentially enabling farmers to use the contract as collateral, thereby providing credit and livelihood opportunities that require significant capital investment (Vorley and Proctor 2008).

Exclusivity clauses

Several farmer–buyer contracts require the farmer to sell all of their produce to the buyer. This includes most of the contract farming agreements reviewed (see Box 5). Where the buyer provides farmers with inputs and training on credit, side-selling can erode trust between the parties, adversely affect the business, undermine the viability of the contract farming scheme, and even compromise the performance of entire sectors (Kabwe *et al.* 2018). In some sectors, the risk of side-selling is reduced by structural features, such as the need to process sugar cane immediately after harvest, which means farmers often have little choice but to sell to the mill nearby. On the other hand, side-trading is more common in sectors such as cotton. Contracts – and in some cases legislation[8] – may respond to these realities. However, it would be possible for contractual provisions to address these issues while preserving space for farmer agency, for example by discouraging side-selling through incentives rather than sanctions (Berger 2018b).

Meanwhile, buyers can also be guilty of side-buying. Research has documented how field agents representing ginners buy produce from farmers not under contract to the company, particularly where agents have been set strict procurement targets and are incentivised by performance-based pay (Kabwe *et al.* 2018). Most of the contracts reviewed have little to say about this eventuality, although a few include specific provisions aimed at dealing with side-buying.[9] Restrictions on farmers' market options do not flow just from the contracts signed between farmers and companies, with concession agreements concluded between governments and agribusinesses potentially setting the overall terms of production and trade in a given area (Box 6).

8 See, for example, Section 32(3) of Tanzania's Cotton Industry Regulations of 2011, which prohibits side-selling.

9 These provisions are discussed in Section 4.3, together with other contractual clauses that establish obligations for the company.

Box 5. Exclusivity clauses in farmer-level agreements

Seven of the ten contract farming agreements and three of the seven farmer–buyer supply agreements grant the buyer exclusive rights to the farmer's crop, with two additional contract farming contracts also implying exclusivity, though with ambiguous wording. Further, one framework agreement for cotton states that a farmer committee must sell all cotton to the ginners specified in the contract, unless the ginners grant prior written consent to make sales elsewhere. This contract also allows the committee to monitor farmers and establishes penalties for side-selling, including withdrawal of financing and land allocated to farmers under the agreement. In some contracts, the wording is particularly strong: a seed cotton contract farming agreement specifies that farmers must sell exclusively to the ginning company and "any Grower who has breeched [sic] his/her contract shall be handled by the court of Law".

Box 6. Company–government concessions and exclusivity provisions

One agricultural commercialisation concession grants the company exclusive rights to commercialise seed cotton in the agreed geographical area, resulting in a monopoly on the sale of agricultural inputs to farmers and a monopsony on the purchase of farm produce. Another agricultural commercialisation concession states that seed cotton in the relevant geographic area can only be sold to the company. In such cases, farmers have no choice but to sell to a single buyer.

Unlike farmer–buyer contracts, which only provide exclusivity with regards to the farmer(s) involved in the deal, concession agreements may grant exclusive rights to buyers of certain commodities to purchase the entire crop grown in particular districts or provinces. One of the agreements requires the government to inform affected farmers and local communities about the creation of the area and its boundaries within 30 days of contract signature. While this type of arrangement may incentivise a company to invest in a given place, it can undermine competition in the market and the power of producers to negotiate terms of trade.

Produce specifications

Produce specifications provide another example of how contractual clauses can affect farmer options. These specifications may ultimately derive from terms set by the end buyer: the six end-buyer contracts reviewed require the supplier to comply with the buyer's terms, including specifications, instructions, policies and recommendations, and to cascade these terms on to their own contractors.

Clauses in the farmer–buyer contracts reviewed range from precise formulations – such as detailed schedules annexed to the contract (for example, in a vegetable supply agreement), or references to national regulations setting quality standards (for example, in a tobacco supply contract) – to succinct references to unspecified industry standards. From an agency standpoint, more precise standards can be more constraining, though clarity and predictability can reduce the buyer's discretionary power (for example, in rejecting non-compliant produce) and thus strengthen the farmers' position.

The contracts also use diverse combinations of sanctions and/or incentives to promote compliance with produce specifications, with incentives potentially offering greater scope for producer agency than sanctions. For example, a supply agreement offers a bonus payment to producers for exceeding the quality standard. However, much depends on how such incentives systems are structured and what say farmers have in determining whether their produce complies with quality standards.

Contract termination

Restrictive contract provisions can reduce the ability of producers to change the terms of a relationship, or to exit it altogether. In addition, locking farmers into a value chain relationship may also undermine their negotiating power vis-à-vis value chain partners. Some of the contracts reviewed provide asymmetric termination arrangements, partly due to the interaction between termination clauses and other contract provisions. For example, in a contract farming agreement producers must give three months' notice to terminate the contract and can only terminate unilaterally if the company fails to provide training, assistance and guidance. However, the contract lacks specificity regarding the nature of these obligations, potentially making it difficult for farmers to activate the termination clause. Conversely, the company can terminate at any time if the producer fails to comply with any of their extensive and detailed obligations.

4.3 Counterparties' obligations and producers' means for enforcing them

Clear obligations for farmers' value chain partners and effective arrangements for compliance can enable producer agency through ensuring that the benefits of more secure trading relationships are delivered, and providing the means by which producers can hold their counterparts to account. Here, the contracts reviewed exemplify wide-ranging practices, with illustrative themes including: the specificity of buyer commitments; buyer discretion in pricing arrangements; contractualisation of sustainability standards; and clauses affecting the scope for improved terms over time.

Specificity of buyer commitments

In several farmer–buyer contracts, strongly worded provisions regarding farmer obligations contrast with less specific buyer commitments, potentially reflecting power imbalances in the value chain. Some contracts do feature clauses protecting farmers should buyers fail to comply with their contractual commitments. In practice, such provisions are not always easy for farmers to enforce. While this may in part be due to the court system's cost and ineffectiveness, the way in which the contracts are drafted also matters (see Box 7).

Box 7. Buyer commitments

A contract farming agreement for seed cotton does not unequivocally require the ginning company to buy all the seed cotton produced by the farmer and financed by the ginner. This exposes farmers to the risk of the ginner defaulting on the contract, with potentially major impacts on livelihoods, particularly if cotton provides the only source of household income.

On the other hand, one framework agreement for cotton requires ginners to “collect all the delivered produce”; should such a breach occur, the government regulator “may advise on the way forward including sale to third parties”, in addition to farmers seeking compensation. Further, a coffee contract farming agreement establishes penalties should the company fail to purchase the smallholder’s produce.

But even seemingly firm, broad commitments for the buyer to purchase the produce can involve loopholes. One contract farming agreement for fruit requires the company to buy the farmers’ produce – but only if the produce is “suitable to its needs” and meets “the quality and identity standards demanded by juice industries”. The contract does not specify what these needs or standards are.

Buyer discretion in pricing arrangements

Pricing is a key element of value chain contracts, affecting household income, livelihoods and food security, as well as producers’ ability to take control of their lives. At the same time, commodity prices are subject to fluctuations that can make it difficult for companies to commit to set prices, particularly in longer-term contracts. Possible approaches addressing these issues do exist, such as price formulae pegging the contract price to evolving market conditions or available commodity indices.

Some farmer–buyer contracts reviewed present little specificity regarding pricing arrangements, potentially exposing farmers to uncertainty, burdening them with price risk, and providing insufficient detail with which to hold their value chain partners to account (either informally, through discussions with the company, or via legal proceedings). Other contracts are more stringent, though arrangements – and likely their effectiveness – vary considerably (see Box 8).

Contracts between government and agribusiness can have a bearing on prices. An agricultural commercialisation concession requires seed cotton prices to be determined between the growers and the company. However, the company’s monopoly on seed cotton commercialisation under this concession potentially undermines farmers’ price negotiation power. On the other hand, two agribusiness plantation concessions for oil palm peg the minimum price for outgrowers to an international reference price.

Box 8. Discretionary power in pricing arrangements: examples from farmer–buyer contracts

One seed cotton contract-farming agreement assures growers receive a “fair price”, while a cotton framework agreement requires ginners to pay “competitive prices” to farmers. However, there is no explanation of what ‘fair’ or ‘competitive’ means, nor how the price will be calculated.

A few contracts are more specific. A supply agreement for vegetables sets a minimum price for produce that fulfils certain quality requirements, though access to this price appears to depend on the company’s assessment of the produce’s quality. In a supply contract for sesame, the buyer commits to buying a specified quantity of sesame at a price based on the going market price, plus a margin. However, this can be renegotiated should there be a significant change in market price. A contract farming agreement for fruit sets the price in advance.

Contractualisation of sustainability standards

The end-buyer contracts reviewed require suppliers and their contractors to comply with the buyer’s sustainability standards, which cover issues such as labour rights, the environment, health and safety, land rights, and supplier relations. In all cases, the contract cross-references the buyer’s policies, such as a corporate code of conduct. Some formulations make clear that these standards can change, requiring suppliers to comply with policies applicable “from time to time”. In one case, the contract directly highlights certain issues in its text, particularly regarding labour rights. Some end-buyer contracts require suppliers to participate in the buyer’s sustainability initiatives.

If this approach enables actors in the production segment of the value chain (from producers to farm workers) to, for example, claim certain standards of treatment in supplier or labour relations, then opportunities for agency may be enhanced. Insofar as certain standards deal with issues such as workplace discrimination and sexual harassment, the approach may also help address gendered practices affecting agency. At the same time, it is unclear how these standards translate into concrete upstream contractual provisions, with the farmer–buyer contracts reviewed displaying little evidence of sustainability standards being applied. One farmer–buyer contract reviewed for this research is indirectly related to one of the end-buyer contracts reviewed; this provides insights about how parties transfer standards up the chain of contracts (see Box 9).

Box 9. Sustainability standards: from end buyer to farmer

One contract farming arrangement is between a small-scale producer and an agribusiness venture supplying one of the end buyers reviewed. The end buyer's sustainability standards, cross-referenced in the end-buyer contract template, include commitments on issues such as "zero deforestation", child labour and land rights. These issues do not feature explicitly in the farmer–buyer contract, making it impossible to determine the extent to which the outgrower was made aware of the requirements and so consciously accepted them. The farmer–buyer contract does require the farmer to comply with the rules governing relations between the company and outgrowers. These are presumably determined in another instrument, which the research team did not have access to.

In addition, the farmer–buyer contract contains clauses that could indirectly lend themselves to the end buyer's sustainability specifications being applied. For example, the contract farming agreement requires that the farmer follow the immediate buyer's guidance and instructions, which is presumably likely to be tailored to meet the end buyer's specifications. The contract also requires that the farmer have a land title, the issuance of which – according to relevant national legislation – is conditional on the land already being used "productively". This suggests the farmer can only grow the crop on land they have already cleared – in effect, switching from another crop rather than clearing new forest land.

A producer agency perspective raises questions about the extent to which farmers have a voice in the development of sustainability standards (see also Section 4.1). In practice, value chain structure and the unilateral nature of end buyers' corporate standards tend to make it very difficult for farmers to influence the content of company-led standards. However, many buyers also require producers to adhere to third-party certification schemes. Ensuring producers have a genuine voice in the governance and decision making of these schemes can enhance opportunities for producer agency, thereby increasing the likelihood that such standards are appropriate for local realities and deliver benefits for producer livelihoods and the environment.

Stabilisation clauses and improvements of terms over time

Certain features of company–government contracts can constrain the emergence of more favourable arrangements for farmers, such as may happen through a change in the overall regulatory framework imposing new obligations on certain value chain actors. Here, stabilisation clauses can mean that if a government wishes to change laws or regulations to better benefit farmers or value chain workers, while increasing costs for the company or altering their rights and obligations, the new rules will not apply to the project – or, if they do, the government must restore the economic balance of the contract, compensating the company for losses suffered (see Box 10). Stabilisation clauses raise issues about the ability of government to enact and enforce laws that might improve terms for producers, as well as the ability of producers to exercise agency and promote change in the regulatory frameworks governing their contractual relations.

Box 10. Examples of stabilisation clauses in company–government contracts

An agribusiness plantation concession between a government and a company (oil palm) states that the project will be exempt from any changes to the law that conflict with the contract's provisions. A concession contract for sugar cane states that new adverse laws do not apply and the terms of the contract prevail over future laws. Meanwhile, an agricultural commercialisation concession requires the ministry of agriculture (which signed the contract on behalf of the government) to assist the company in obtaining legal and tax stability for the first ten years of project implementation.

4.4 Distribution of risk and what it means for producer agency

Distribution of risk is a key aspect of how value is shared between parties (see also Chamberlain and Anseeuw 2018). Contracts can affect the level of risk farmers and their value chain partners are exposed to – both in terms of day-to-day operations and unpredictable major events that challenge production or marketing, potentially forcing value chain actors to halt operations temporarily or permanently.

In some respects, day-to-day risk is inherent in the mutual dependence that exists between contracting parties: if one party defaults on its obligations (for example, if a buyer fails to honour their purchasing commitments), the other party may suffer adverse consequences. Day-to-day risk can also relate to external factors affecting agricultural production and trade, such as weather or commodity price volatility. Unpredictable events, meanwhile, can include extreme weather, pandemics, political crises or sudden changes in market conditions, such as demand for certain commodities crashing.

The ways in which contracts distribute risks across the value chain can affect producers' ability to respond to changing circumstances and external shocks. And should the risks materialise, producers would be vulnerable to negative outcomes they have little control over, such as loss of harvest, market or income, with potentially far-reaching impacts on their livelihoods and agency.

Deal structure

The structuring of financing instruments can have a direct bearing on risk (see Box 11). Monopolistic conditions can also exacerbate risk for producers. These conditions may arise not only from structural factors, such as market share or industry setup, but from company–government granting exclusive rights to trade in certain commodities within specified geographic areas. This setup leaves the farmer vulnerable to risk if their sole buyer defaults on its purchasing commitments or divests from the area.

Box 11. Deal structure and risk distribution

In a tripartite agreement concerning a long-term tree crop between a bank, company and small-scale farmers, the farmer takes a loan from the bank for inputs and extension services. However, the producers' prior knowledge or consent is not explicitly required should the bank and company wish to change the repayment schedule over time. Moreover, the contract refers to the participation of a bank representative, but not a producer representative, in determining how inputs and services provided by the company are valued and invoiced to producers. Also, it does not establish any cap on deductions from payments to farmers made for the purpose of reimbursing the loan. Before farmers harvest any crop for sale, they may be accumulating interest arrears, as well as having to make annual payments to an extension services provider. Unless accompanied by suitable insurance, this can expose the farmer to risk if their crops fail or do not mature, for example due to extreme weather events.

Discretionary power

Contract clauses that grant one party considerable discretionary power can leave the other party exposed to risk. For example, a supply agreement for green tea leaf grants the buyer "sole discretion" to accept or reject the farmers' crop, depending on quality. A contract farming agreement allows the company to unilaterally decide how to deal with producer non-compliance. Some termination clauses in farmer–buyer contracts also appear to grant the buyer significant discretion, with, for example, one supply agreement giving the buyer – but not the farmer – the option to terminate the contract.

It is possible that these clauses are at least partly influenced by the terms of downstream transactions. While not directly related to the other agreements in the pool, three of the end-buyer contracts reviewed grant the buyer the right to terminate or amend the order at any time. In addition, some end-buyer contracts appear to grant the buyer significant discretionary power, for example in rejecting produce it deems has not in compliance with agreed terms and specifications.

Force majeure

Force majeure clauses – which seek to manage producers' risk in the case of extreme events – feature in several farmer–buyer contracts. For example, a contract farming agreement exempts growers from liability for damages if they breach the contract due to force majeure, which includes drought, epidemics and floods. On the other hand, another contract farming agreement enables the buyer to reduce the price, or even cancel the order, in the event of shocks such as an industry downturn.

Again, it is possible that force majeure clauses in farmer–buyer contracts echo provisions made in other contracts, whether with government (for example, one of the three agricultural commercialisation concessions and five of the six agribusiness plantation concessions include a force majeure clause) or end buyers (four of the six end-buyer contracts). Definitions of force majeure can vary, potentially affecting how risk is distributed in the value chain.

5. Conclusions and recommendations

Contracts are extremely diverse, reflecting the varied and complex realities of commercial agriculture. While public attention has focused mainly on contract farming, farmer–buyer contracts can be formal or informal, with terms varying widely depending on the commodities, geographies and value chain relations involved. Farmer–buyer contracts typically reflect just one segment of longer chains of contracts, which also include input providers, lenders, traders, processors and distributors that take the relevant agricultural commodities to local, national, regional and global markets. These complex constellations of value chain contracts intersect with large-scale agreements between companies and governments, as well as with national and international legal frameworks – from sectoral legislation to international treaties – that regulate agricultural production and trade.

These contractual and legal arrangements are only part of the story. Often, contracts merely give effect to relationships that are already determined by structural factors, power relations, business models and trading arrangements. Further, enforcement is a recurring problem, with contractual terms essentially irrelevant without the backing of political and economic muscle. This calls for research and action that considers contracts in their socio-economic context, eschewing legalistic approaches divorced from the reality of value chain relations.

At the same time, contracts shape and codify relations in commercial agriculture. Whether written or verbal, local or transnational, large or small-scale, contracts set the parameters of these relations, distributing risks and rewards among actors. Besides setting commercial terms between two parties, contracts can play a wider regulatory role, establishing standards on issues such as seeds, farming techniques or product quality. The terms set out by major buyers may affect not only the immediate contracting parties, but potentially the much larger number of suppliers participating in the value chain, thereby displacing traditional forms of regulation in favour of business-to-business negotiations dominated by lead firms (Tan 2020; see also Cutler 2003; Perrone 2020).

Our review suggests that producers are mostly 'contract takers', with key terms determined by contracts they are not party to – whether downstream in the value chain or in the realm of government – and cascaded onto farmers through the chain of contracts. Some clauses burden producers with price and other risks, while others subject them to contractually determined monopolies or broad discretionary powers on the part of buyers, for example regarding decisions to reject farmers' produce or terminate the agreement. These features can severely constrain producers' ability to exercise agency. Even so, contractual practice varies and the contracts reviewed also exemplify how provisions can enhance opportunities for producer agency. For instance, some contracts reduce buyer discretion by pegging the transaction to international reference prices, while others seek to address value chain problems – such as produce quality issues – through incentives rather than sanctions. One contract chain reflects producer efforts to control distribution and marketing through interlinked farmer cooperatives.

The findings point to a need to move away from only supporting the weaker party in more effectively negotiating their own contracts, towards more comprehensive strategies that increase space for farmer agency throughout the chain of contracts. Thus, actors working to enhance opportunities for rural producer agency in commercial agriculture should:

- **Consider contracts for commercial agriculture, not just international treaties, when tracking how agricultural trade affects small-scale producers in low- and middle-income countries.** While much public debate on global trade in agriculture has focused on policy instruments such as treaties and laws, chains of contracts also define key trading terms and perform regulatory functions. Many contracts are not in the public domain, meaning there is a need to promote greater transparency throughout the sector – for example, through establishing public repositories where lead firms can systematically disclose contract templates and sustainability standards.[10] Relevant policy actors include international bodies at regional and multilateral levels, as well as national agencies such as the Trade and Agriculture Commission in the United Kingdom.[11] There is also scope to more explicitly consider contracting issues in private sector benchmarking and reporting.[12]
- **Intervene beyond contracts to enable producers to reshape contractual arrangements.** Depending on commodities and market conditions, for example, investment in post-harvest storage and rural infrastructure can help farmers acquire greater autonomy, thereby allowing them to negotiate from a position of greater strength. Strong producer organisations and voice are also essential – given the role governments play in public regulation and some forms of contracting, farmers' voice at local and national policy levels may be as (if not more) important as their ability to negotiate bilaterally with an agribusiness. This voice may be used to push for, and activate, effective legislation addressing monopolistic practices and corporate concentration in the upstream and downstream segments of agricultural value chains (see De Schutter 2010). There is also growing experience with public advocacy and litigation, including transnational cases, to seek redress for particularly serious abuses, such as child labour.
- **Support producers in weighing the costs and benefits of market options before contractual formulations are discussed.** This is because contracts are largely a function of value chain structure and trading relationships. Support in strategic planning should include consideration of informal markets, which

10 Some end buyers already post online their supplier contract templates.
11 See www.gov.uk/government/publications/trade-and-agriculture-commission-tac.
12 See for example https://www.worldbenchmarkingalliance.org/food-and-agriculture-benchmark/.

often support the livelihoods of small-scale agricultural producers and traders and may offer opportunities for upgrading (see Blackmore *et al.* 2020). Beyond agribusiness-led contract farming, support should also recognise the diverse contractual setups that may exist in more formalised markets, such as distribution via producer cooperatives.

- **Understand producers' aspirations before helping them engage with more formalised contracting structures.** Support initiatives are often aimed at facilitating producer access to credit or more lucrative markets. From an agency perspective, however, such initiatives should be driven by the producers themselves. Formalising value chain relations through written contracts does not automatically lead to enhanced agency. Indeed, formalised contracts can severely constrain producer agency, with much depending on the terms involved and the process by which they are established. Where producers supply a value chain dominated by a large end buyer, the structure of the chain of contracts will inherently tend to limit their ability to shape terms.
- **Comprehensively scrutinise terms and processes in farmer–buyer contracts to enhance scope for producer agency.** Interrogating the process by which a contract is developed – who has what say and at which stage – is central to producer agency. An agency perspective also involves examining contractual provisions that affect producer options, as well as their ability to manage risk and enforce counterparties' obligations. This includes exclusivity clauses, buyer discretion in clauses concerning pricing, produce specifications and contract termination, and what happens in the event of contract default or unforeseen circumstances. The contract formulation approach taken will have implications for producer agency. For example, in areas such as side-selling and produce specifications, approaches that emphasise incentives may better support agency than those reliant on sanctions.
- **Support producers to change the terms of contracts by engaging with governments, large-scale agribusiness and end buyers.** In many cases, it is these actors that ultimately set key contract terms, but they are often out of reach for producers. Engaging with them whenever feasible can push the boundaries of what farmers are able to negotiate. While documented instances are few, available experiences illustrate the need for producers to leverage local to global alliances and combine activities that span 'understanding' (acquiring information and analysis), 'organising' (establishing arrangements for collective action) and 'engaging' (from dialogue to contestation – see, for example, Berger 2018a; Kariuki and Kambo 2019).
- **Develop and implement sustainability standards that promote agency in the chain of contracts.** Some certification schemes set standards on contracting practices. For example, Fairtrade requires that actors throughout the value chain sign binding contracts to clarify key terms such as agreed volumes, quality specifications, prices, conditions of payments, pre-finance mechanisms, force majeure and dispute resolution. Sustainability schemes can look to include

standards related to contracting practices that enhance scope for producer agency and require that these standards are applied throughout the chain of contracts. They should also facilitate producer voice and agency in the design and governance of their standards and verification systems.

- **Consider social differentiation and how it affects contracts in commercial agriculture.** Addressing social differentiation should be a key part of any initiative aimed at enhancing producer agency. This includes differentiation based on income, wealth, status, gender, age, and intersections between these factors. In addition, it should be taken into account that the process and substance of contracts for commercial agriculture affects relations not only between farmers and their value chain partners, but also within the farming family, based on factors such as gender and age.

- **Conduct empirical research to more fully understand commercial agriculture contracts and how to enhance producer agency.** Further analysis is needed to develop a fuller picture of the complex universe of contracts for commercial agriculture, including primary research on verbal contracts. The interface between contracts and agency varies according to specific geographies or commodities and should be further explored. Given a desk review of contracts provides limited opportunities for exploring how social differentiation affects agency and contracts, any follow-on empirical research should thoroughly investigate these aspects.

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Knowledge Products

Research Report

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In commercial agriculture, contracts coordinate production and trade, linking input suppliers to producers, all the way to end buyers. A better understanding of these chains of contracts can enable development practitioners and policymakers to increase scope for rural producer agency. This requires examining how contracts are made and how their terms affect producers' ability to advance their own vision and priorities. It also requires exploring how contextual factors – from the value chain's structure to differentiation within families and communities – shape both contractual practices and agency.

In analysing a pool of 40 contracts, this research takes an agency perspective to examine the extent to which producers have a voice in contracting and related policy processes; how contracts affect options for rural producers; whether buyers' obligations (and means for producers to enforce them) create opportunities for farmers to exert agency; and how arrangements affect producers' ability to respond to risk. The findings provide pointers for enhancing rural producer agency at local to global levels.

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