



PARLIAMENT OF UGANDA

MOTION SEEKING LEAVE OF THE HOUSE TO INTRODUCE A PRIVATE MEMBER'S BILL ENTITLED "THE CONTRACT FARMING BILL"

(Moved under Rules 56, 121 and 122 of the Rules of Procedure of Parliament)

WHEREAS article 79 of the Constitution of the Republic of Uganda, 1995 empowers Parliament to make laws on any matter for the peace, order, development and good governance of Uganda;

AND WHEREAS Article 94 (4) (b) of the Constitution and Rules 120 and 121 of the Rules of Procedure of Parliament permit a Member of Parliament to move a Private Members' Bill;

NOTING THAT Uganda's agricultural potential is considered to be one of the best in the world since 80% of Uganda's land is arable and the country is endowed with low temperature variability, fertile soils, and two rainy seasons over much of the country leading to multiple crop harvests per year;

FURTHER NOTING THAT according to Uganda Bureau of Statistics, 70% of Uganda's working population is employed in agriculture and the agriculture subsector contributed about 24.03 percent to the GDP of Uganda in the year 2020 and accounted for half of Uganda's total exports;

RECALLING THAT in 2013, Government formulated the National Agriculture Policy with the aim of commercializing agriculture owing to the fact that the agricultural sector in Uganda is fragmented and dominated by small farmers most of whom combine subsistence farming with cash crop and livestock farming;

FURTHER RECALLING THAT Owing to the importance of the agricultural sector to national development and transformation, the National Development Plan (NDP III) prioritizes agro-industrialization and contains interventions that are aimed at

improving production and productivity, market access and elimination of bottlenecks to agricultural development;

CONCERNED THAT the agriculture subsector faces a number of financial challenges, including shortage of agricultural credit, high cost of investment financing, lack of readily available markets for agricultural produce, limited access to quality farm inputs, land fragmentation and limited funding by the private sector owing to the high capital cost and risks associated with agriculture undertakings;

FURTHER CONCERNED THAT the agricultural sector is unattractive to most financial institutions due to the risks involved in the production of agricultural produce hence, making commercialization of smallholder agriculture using the current financial products impossible;

RECOGNISING THAT there is need to promote the growth of a private sector-led agricultural financing and input supply systems that are responsive to farmer's concerns through creation of a legal framework to govern the execution of transactions relating to the sale of future farm produce at mutually agreed prices and the supply of farm services between a farmer and a third party;

FURTHER RECOGNISING THAT whereas private sector-led agricultural financing and input supply systems exist, these only apply to the growing and marketing of Tobacco, under the Tobacco (Control and Marketing) Act, Cap 35 and the growing and marketing of sugar cane, under the Sugar Act, 2020, thereby hindering the commercialization of the other agricultural produce whose growing and marketing is not regulated by law;

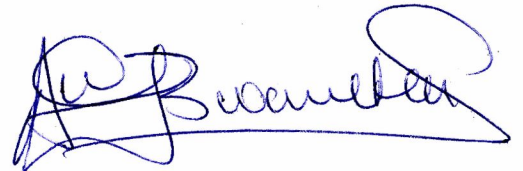
COGNISANT THAT there is need to regulate the private sector-led agricultural financing and input supply systems prevailing in Uganda in order to hasten the commercialization of agriculture in Uganda and to regulate the execution of such transactions in order to protect parties involved in those transactions;

NOW THEREFORE be it resolved that Parliament grants me leave to introduce a private members Bill entitled "The Contract Farming Bill" a draft of which is attached hereto;

AND do order the publication of the said Bill in preparation for its **FIRST READING**.

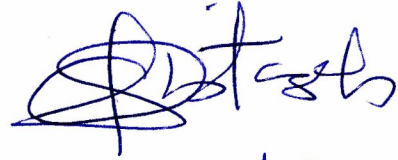
MOVER:

**ABED BWANIKA, MP,
KIMAANYA/KABONERA DIVISION**



SECONDRERS:

**ATUGONZA ALLAN, MP
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**APOLOT STELLA ISODO, MP
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THE CONTRACT FARMING BILL

MEMORANDUM

1. Principles of the Bill.

The object of the Bill is to regulate contract and block farming in Uganda; to create a legal framework to govern the execution of transactions relating to the sale of future agricultural produce at mutually agreed prices and the supply of farm services between a farmer and a third party; to prescribe the form of farming agreement; to govern the execution of block farming agreements between owners of parcels of land; to regulate the sale, payment, delivery, rejection and pricing of the agricultural produce produced pursuant to a farming agreement; to govern the enforcement of obligations arising from a farm agreement and block farming agreements; and for any other related matter.

2. Gaps in existing Laws

The agriculture sector continues to play a central role in Uganda's economy, contributing about 23.7% of GDP, 45% of export earnings, employs 64% of the total population of Uganda as well as employing 72% of the youth in Uganda. Owing to the importance of the agricultural sector to national development and transformation, the National Development Plan (NDP III) prioritizes agro-industrialization and contains interventions that aimed at improving production and productivity, market access and elimination of bottlenecks to agricultural development.

Despite the importance of the agricultural sector to the economic development of Uganda and its potential to transform the economy, the sector faces a number of challenges including land fragmentation, lack of affordable credit, limited access to farm input, limitation on market access, undeveloped value chain, pests and diseases, poor soil management and limited extension services.

Furthermore, Ugandan's agriculture potential is hindered by limited use and access to fertilizers, high yielding and quality seeds, irrigation infrastructure, insufficient storage facilities, poor post-harvest handling practices and non-commercialization of agriculture.

In order to obtain agricultural credit, quality farm inputs, and ensure availability of a market for agricultural produce, a number of farmers have also embraced contract farming and block farming, wherein the farmer produces agricultural produce for a specific buyer, on prior agreed prices, quantities and timelines for delivery.

Whereas contract and blocking farming have been embraced by farmers, there is currently no legal regime that specifically governs such arrangements in order to protect the interests of the farmer and those of the sponsor. The current legal regime only applies to the growing and marketing of Tobacco, under the Tobacco (Control and Marketing) Act, Cap 35 and the growing and marketing of sugar cane under the Sugar Act, 2020. The exclusion of other agricultural produce from legal regulation hinders the commercialization of the other agricultural produce whose growing and marketing is not regulated by law.

3. Remedies

This Bill therefore seeks to establish a legal framework to govern-

- (a) the execution of transactions relating to the sale of future agricultural produce at mutually agreed prices and the supply of farm services between a farmer and a third party; and
- (b) the consolidation of individual parcels of land into a single block for agricultural purposes.

4. Provisions of the Bill

The Bill has 46 clauses, divided into seven parts.

Part I—Preliminary

This part incorporates clauses 1, 2 and 3 dealing with Commencement of the Bill, application and Interpretation of the major words and phrases used in the Bill.

Part II- Farming Agreements

This part incorporates clauses 4 to 8 dealing with execution of farming agreements, farming prospectus, terms of a farming agreement, enforcement of farming agreement and duration of farming agreement.

Part III-Block Farming

This part incorporates clauses 9 to 18, dealing with block farming agreement, land available for block farming, terms of a block farming agreement, appointment of a land unit committee, functions of the land unit committee, decisions of the land unit committee, effect of a block farming agreement, enforcement of block farming agreement, limitation of land rights in a block farming agreement and execution of a farming agreement.

Part IV-General Provisions Relating To Farming Agreements

This part incorporates clauses 19 to 27, dealing with pricing of agricultural produce, delivery agricultural produce, sale of agricultural produce, payment for agricultural produce, rejection of agricultural produce, sponsor

prohibited from acquiring rights in land, title to agricultural produce, sponsor prohibited from constructing permanent structures and sale of land subject to a farming agreement.

Part V- Specific Provisions Relating To Provision Of Farm Services

This part incorporates clauses 28 to 31 dealing with duties of a sponsor, rejection of farm service, payment for farm services, and farm services in form of loan or monetary advances to farmer.

Part VI- Breach of Farming Agreement and Block Farming Agreement

This part incorporates clauses 32 to 38 dealing with action for breach of farming agreement or block farming agreement, performance of obligations in a farming agreement or block farming agreement, time for performance, breach of farming agreement or block farming agreement, damages for breach of farming agreement and block farming agreement, prohibition of payment of compound interest and other fees and reopening transactions relating to a farming agreement.

Part VII -Miscellaneous

This part incorporates clauses 39 to 46 dealing with offence and penalties, protection of illiterate farmers, prohibition of charge for expenses on loan, prohibition of waiver of this Act, report on the implementation of this Act, regulations, amendment of schedule, savings and transitional Provisions.

Abed Bwanika, MP,

Kimaanya Kabonera Division

THE CONTRACT FARMING BILL

ARRANGEMENT OF CLAUSES

Clauses

Part I—Preliminary

1. Commencement
2. Application
3. Interpretation

Part II- Farming Agreements

4. Execution of farming agreements
5. Farming prospectus
6. Terms of a farming agreement
7. Enforcement of farming agreement
8. Duration of farming agreement

Part III-Block Farming

9. Block farming agreement
10. Land available for block farming
11. Terms of a block farming agreement
12. Appointment of a land unit committee
13. Functions of the land unit committee
14. Decisions of the land unit committee
15. Effect of a block farming agreement
16. Enforcement of block farming agreement
17. Limitation of land rights in a block farming agreement
18. Execution of a farming agreement

Part IV-General Provisions Relating To Farming Agreements

19. Pricing of agricultural produce
20. Delivery agricultural produce
21. Sale of agricultural produce
22. Payment for agricultural produce
23. Rejection of agricultural produce
24. Sponsor prohibited from acquiring rights in land
25. Title to agricultural produce
26. Sponsor prohibited from constructing permanent structures
27. Sale of land subject to a farming agreement

Part V- Specific Provisions Relating To Provision Of Farm Services

28. Duties of a sponsor
29. Rejection of farm service

30. Payment for farm service
31. Farm services in form of loan or monetary advances to farmer

Part VI- Breach Of Farming Agreement And Block Farming Agreement

32. Action for breach of farming agreement or block farming agreement
33. Performance of obligations in a farming agreement or block farming agreement
34. Time for performance
35. Breach of farming agreement or block farming agreement
36. Damages for breach of farming agreement and block farming agreement
37. Prohibition of payment of compound interest and other fees
38. Reopening transactions relating to a farming agreement

Part VII -MISCELLANEOUS

39. Offence and penalties
40. Protection of illiterate farmers
41. Prohibition of charge for expenses on loans
42. Prohibition of waiver of this Act
43. Report on the implementation of this Act
44. Regulations.
45. Amendment of schedule
46. Savings and transitional Provisions

SCHEDULE 1: Currency Point

A Bill for an Act

ENTITLED

THE CONTRACT FARMING ACT, 2022

An Act to regulate contract and block farming in Uganda; to create a legal framework to govern the execution of transactions relating to the sale of future agricultural produce at mutually agreed prices and the supply of farm services between a farmer and a third party; to prescribe the form of farming agreement; to govern the execution of block farming agreements between owners of parcels of land; to regulate the sale, payment, delivery, rejection and pricing of the agricultural produce produced pursuant to a farming agreement; to govern the enforcement of obligations arising from a farm agreement and block farming agreements; and for any other related matter.

BE IT ENACTED by Parliament as follows:

Part I—Preliminary

1. Commencement

This Act shall commence on a date appointed by the Minister, by statutory instrument.

2. Application

- (1) This Act applies to the
 - (a) production of agricultural produce arising from a farming agreement; and
 - (b) the sale and purchase of agricultural produce arising from a farming agreement.
- (2) Notwithstanding the general effect of subsection (1), this Act does not apply to production and marketing of leaf tobacco under the Tobacco (Control and Marketing) Act, Cap 35 and the growing and marketing of sugar cane under the Sugar Act, 2020.

3. Interpretation

In this Act, unless the context otherwise requires—

"agricultural produce " included anything which can be reared or grown by a farmer;

"block farming" means the consolidation of small farm holdings into a single farm holding for purposes of commercial agriculture;

"contract farming" means the production, purchase and sale of agricultural produce arising from a farming agreement;

"competent court" means a Magistrate Court or the High Court;

"currency point" has the value assigned to it in the schedule to this Act;

"farm services" includes the financing of the production of agricultural produce and includes the supply of seed, genetic material, feed, fodder, agro-chemicals, machinery and technology, advice, agro-inputs and such other inputs for farming;

"farmer" means a person engaged in the commercial production of agricultural produce , and includes a farmer, cooperative society, association of farmers or any other farming group recognised under this Act;

"farming agreement" means a written agreement entered into between a farmer and sponsor prior to the production of agricultural produce in which the-

- (a) sponsor agrees to purchase agricultural produce of predetermined quality and quantity from the farmer at a predetermined price;

- (b) farmer, in return for remuneration fixed under the agreement, is employed by the sponsor to produce agricultural produce of a predetermined quality and quantity; or
- (c) sponsor provides farming services to a farmer and purchases agricultural produce from that farmer in return for the farmer producing agricultural produce of a predetermined quality, quantity and price;

“land unit” means the consolidated parcel of land arising from the execution of a block farming agreement;

“land unit committee” means the committee appointed in section 12 of this Act;

“Minister” Means the Minister responsible for Agriculture;

“Parcel of land” means any quantity of land capable of being described with such definiteness that its locations and boundaries are established;

“sponsor” means a person who has entered into a farming agreement with a farmer to purchase agricultural produce of predetermined quality and quantity at a predetermined price.

Part II- FARMING AGREEMENTS

4. Execution of farming agreements

- (1) A sponsor may enter into a farming agreement with a farmer.
- (2) A farming agreement shall be in writing and shall be made with the free consent of parties to the farming agreement.
- (3) A sponsor shall maintain records of all the farmers with whom the sponsor has entered into farming agreements.

5. Farming prospectus

- (1) A sponsor shall, prior to executing a farming agreement with a farmer, avail to the farmer, a farming prospectus and a draft agreement.
- (2) The farming prospectus referred to in subsection (1) may contain the following-
 - (a) the sponsor's commercial information;
 - (b) information on production plans, the quality and estimated quantity or volume of agricultural produce under the agreement;
 - (c) the farming services to be provided to the farmer, if any,
 - (d) the estimated payback period, in the case of funds;
 - (e) information in relations to the production of agricultural produce, including information on qualities and standards of plant or animal varieties, food, drugs, production factors, chemicals, tools, devices or articles to be used in the production of agricultural produce; and
 - (f) any other information the sponsor determines necessary.
- (3) The prospectus shall form part of the farming agreement and where there is a conflict between the farming agreement and the prospectus, the prospectus shall prevail and that conflict shall be construed in favour of the farmer.

6. Terms of a farming agreements

- (1) A farming agreement may be in any language agreed upon by the parties to the agreement.
- (2) A farming agreement shall, as a minimum,-
 - (a) identify the parties to the farming agreement;
 - (b) provide the responsibilities of the parties in the farming agreement;
 - (c) provide for the duration of the farming agreement;
 - (d) identify the agricultural produce contracted under the agreement;
and
 - (e) contain ascertainable terms and conditions for the supply of agricultural produce , including the-

- (i) time for delivery of agricultural produce ;
 - (ii) quantity of agricultural produce to be supplied;
 - (iii) the farming standards to be complied with in producing agricultural produce ;
 - (iv) quality or grade of agricultural produce to be supplied;
 - (v) agreed price payable or method for calculating the price for the agricultural produce;
 - (vi) terms of payment;
 - (vii) farm services to be provided, if any; and
- (f) any other term as prescribed by the Minister, by regulations.
- (3) The sponsor shall ensure that where a farming agreement contains technical terms or is written in the English language, the farming agreement shall be translated in a language the farmer understand or accompanied by explanatory notes.
- (4) The following terms or conditions in a farming agreement shall be deemed to be of no effect-
- (a) a term obliging the farmer to take plants or animals varieties, food, drugs, production factors, chemicals, tools, devices or articles to be used in the production of any agricultural produce or services which are below the standard expected by the farmer;
 - (b) a term excluding or limiting the sponsor's liability to the farmer for defects or failure to meet standards of plant varieties or animal varieties, food, drugs, chemicals, tools, devices, production factors or articles needed to be used in the production of agricultural produce;
 - (c) a term or condition requiring the distribution, disposal or transfer of any property or right of the farmer to the sponsor subsequent to the termination of a farming agreement or in the event of a breach of the agreement;
 - (d) a term or condition requiring the farmer to be contractually liable despite the occurrence of a force majeure event or a natural disaster not attributable to the farmer;

- (e) a term entitling the sponsor to terminate the farming agreement without the farmer committing a breach of the farming agreement;
- (f) a term requiring the farmer to assume greater burden than that stipulated at the time of the farming agreement;
- (g) a term preventing, limiting or ousting the application of any of the provisions of this Act in whole or in part; or
- (h) a term allowing the sponsor to unilaterally change the price of raw materials required in the production of agricultural produce, the provision of farming services or remuneration for the production of agricultural produce.

7. Enforcement of farming agreement

A farming agreement may be enforced by or against a farmer or sponsor and the successor in title of the farmer or sponsor.

8. Duration of farming agreement

- (1) A farming agreement shall be for the duration prescribed by the farming agreement, in any case, not later than five years.
- (2) A farming agreement may be renewed.

Part III-BLOCK FARMING

9. Block farming agreement

- (1) The owner of a parcel of land may, for agricultural purposes, enter into a block farming agreement with another owner of a parcel of land for purposes of consolidating their different parcels of land into one unit
- (2) For purposes of this section, a person shall be taken to be the owner of a parcel of land where that person has a legal or equitable interest in a parcel of land.

10. Land available for block farming

A parcel of land shall only be available for block farming where -

- (a) the owner of the parcel of land has obtained all the necessary consents, if any; and
- (b) the parcel of land is free from any encumbrances or other rights which may hinder the consolidation of the parcels of land into a single unit.

11. Terms of a block farming agreement

- (1) The owner of a parcel of land desirous of executing a block farming may enter into an agreement on terms prescribed in subsection (3).
- (2) A block farming agreement shall be in writing and shall be made with the free consent of parties.
- (3) A block farming agreement shall, as a minimum-
 - (a) identify the parties to the block farming agreement;
 - (b) describe the size of each parcel of land subject to the block farming agreement;
 - (c) prescribe the duration of the block farming agreement;
 - (d) identify the ownership of each parcel of land which is subject to the block farming agreement, including the land tenure system under which the parcel of land is held;
 - (e) prescribe the duration of the block farming agreement;
 - (f) describe the management of the land unit created as a result of block farming agreement;
 - (g) prescribe the grounds for termination of the block farming agreement; and
 - (h) identify the agricultural undertaking to be carried out on the land unit created as a result of block farming agreement.
- (4) The Minister may by statutory instrument prescribe additional terms that may be included in a block farming agreement.

12. Appointment of a land unit committee

- (1) Parties to the block farming agreement shall appoint, from amongst their number, a land unit committee to operate the land unit.

- (2) The land unit committee shall be composed of owners of parcels of land which are subject to the block farming agreement or their representatives.
- (3) The land unit committee shall have a chairperson and such other office bearers as parties to the block farming agreement may appoint.
- (4) Each parcel of land in the land unit shall be represented on the land unit committee by one person.

13. Functions of the land unit committee

The land unit committee shall be the decision making body of the land unit and shall direct the day to day activities of the land unit.

14. Decisions of the land unit committee

- (1) Decisions of a land unit committee shall be arrived at by consensus and in the absence of a consensus, decisions shall be by the votes of the majority of the members of the land unit committee present and voting.
- (2) The quorum of the land unit committee shall be one third of its members and shall only be required for purposes of voting.
- (3) Each member of the land unit committee shall be one vote.
- (4) The decisions of the land unit committee shall bind all parties to block farming agreement.

15. Effect of a block farming agreement

- (1) Upon execution of a block farming agreement, the parcel of land subject to the block farming agreement shall be deemed be one unit.
- (2) The land rights of the individual owners of the parcels of land subject to a block farming agreement shall be subject to the terms of the block farming agreement.
- (3) A block farming agreement may be registered on each parcel of land subject to the block farming agreement as an encumbrance.
- (4) Notwithstanding the execution of a block farming agreement, the owner of a parcel of land subject to the block farming agreement shall

remain the owner of the parcel of land and the execution of a block farming agreement does not constitute a sell or transfer of the parcel of land or any rights in the parcel of land to the other contracting parties in the block farming agreement.

16. Enforcement of block farming agreement

A block farming agreement may be enforced by or against the owner or successor in title of the owner of each parcel of land.

17. Limitation of land rights in a block farming agreement

The owner of a parcel of land shall not, during the subsistence of the block farming agreement sale, pledge, mortgage, transfer or do any act that would render the block farming agreement invalid.

18. Execution of a farming agreement

- (1) A sponsor who is desirous of executing a farming agreement with parties to a block farming agreement shall execute the farming agreement with the land unit committee.
- (2) Where a farming agreement is executed over a parcel of land which is subject to a block farming agreement, the parties to the block farming agreement shall individually and jointly be liable to fulfil the obligations arising under the farming agreement.

Part IV-GENERAL PROVISIONS RELATING TO FARMING AGREEMENTS

19. Pricing of agricultural produce

- (1) The price to be paid for the purchase of a agricultural produce may take the form of-
 - (a) a guaranteed price;
 - (b) the prevailing market price of the agricultural produce at the time of sale;
 - (c) reference benchmark price; or
 - (d) any other method of price determination as agreed upon by the parties.

- (2) Where the price to be paid for the agricultural produce is to be determined by a method or formula, that method or formula shall be annexed to the farming agreement.

20. Delivery agricultural produce

- (1) Unless otherwise agreed upon in a farming agreement, delivery of the agricultural produce shall be at the farm gate.
- (2) A person taking delivery of agricultural produce may, before accepting the delivery of any agricultural produce, inspect the quality and ascertain the quantity of agricultural produce to ensure compliance with the farming agreement.
- (3) The inspection of the quality or quantity of agricultural produce shall, unless otherwise agreed, be at the farm.
- (4) Where a person takes delivery of agricultural produce without inspecting the agricultural produce for purpose of ascertaining the quality or quantity of agricultural produce, that person shall be deemed to have inspected the produce and shall have no right to retract from acceptance of such produce at the time of its delivery or at any time after.

21. Sale of agricultural produce

- (1) Except as otherwise provided in this Act, a farmer shall only sell agricultural produce that is subject to a farming agreement to the sponsor.
- (2) A farmer who sells agricultural produce, subject to a farming agreement, to any person other than the sponsor shall account for the proceeds of sale to the sponsor.

22. Payment for agricultural produce

- (1) A person purchasing agricultural produce shall pay for the agricultural produce in accordance with the farming agreement.

- (2) A sponsor may withhold payment for agricultural produce only where the agricultural produce does not meet the contracted quality, quantity, farming standards or timeline for delivery.
- (3) Notwithstanding subsection (2), a sponsor shall not withhold payment for agricultural produce where the sponsor has taken delivery of the agricultural produce.

23. Rejection of agricultural produce

- (1) Subject to section 20 (2), a sponsor shall only reject agricultural produce where the agricultural produce does not meet the contracted quality, quantity, standard or timeline for delivery.
- (2) A farmer may sell agricultural produce rejected by a sponsor to any other person and take any further action as provided in the farming agreement or this Act.

24. Sponsor prohibited from acquiring rights in land

- (1) A sponsor shall acquire no rights over land on which a agricultural produce is grown or reared.
- (2) A sponsor shall not require or hold, as security, or sale, lease or sub lease or mortgage the land or any other property of a farmer –
 - (a) as a condition for providing farm services under a farming agreement;
 - (b) as guarantee for performing any condition under the farming agreement; or
 - (c) in settlement of a debt arising from a farming agreement.
- (3) A farming agreement that makes provision or the effect of which is to make provision for the matters prescribed in subsection (2) is void.

25. Title to agricultural produce

Except as may be agreed upon by parties to a farming agreement, the title to agricultural produce shall vest with the farmer until full payment of the contracted price.

26. Sponsor prohibited from constructing permanent structures

- (1) A sponsor shall not construct a permanent structure or making any modification on the land or premises of the farmer, unless the Sponsor agrees to remove such structure or to restore the land to its original condition, at his or her cost, on the conclusion of the agreement.
- (2) Where sponsor constructs a structure on land belonging to a farmer, the ownership of the structure shall, upon expiry of the farming agreement, vest with the farmer.

27. Sale of land subject to a farming agreement

Nothing in this Act shall be interpreted as prohibiting a farmer from selling, disposing, pledging or mortgaging the land subject to a farming agreement except that the-

- (a) rights of the sponsor shall take precedent over the rights of the buyer or mortgagee; and
- (b) title to the agricultural produce shall pass to the sponsor.

Part V- SPECIFIC PROVISIONS RELATING TO PROVISION OF FARM SERVICES

28. Duties of a sponsor

Where a farming agreement obligates the sponsor to supply to the farmer, farm services, the sponsor shall-

- (a) assess the suitability of the land proposed by the farmer for farming operation to be undertake; and
- (b) supply farm services that are suitable for the proposed farm operation.

29. Rejection of farm service

A farmer may reject the farm services supplied by a sponsor or any other person, on behalf of the sponsor where, in the opinion of the farmer, the farm services are below the standard, quality or quantity expected of such farm services.

30. Payment for farm service

- (1) Subject to the farming agreement, farm services shall only be paid for by the farmer from sale of agricultural produce.
- (2) The sponsor may withhold from a farmer, a portion of the proceeds arising from the sale of agricultural produce under a farming agreement as costs for farm services.
- (3) The costs referred to in subsection (2) shall be specified in the farming agreement and shall either be the actual cost of the farm services supplied or an agreed sum, representing the cost of farm services supplied.
- (4) Where a sponsor is allowed to deduct as costs, any sum other than the actual cost of farm services, the cost withheld by the sponsor shall not exceed fifty percent of the actual cost incurred in supplying farm services to the farmer.
- (5) A sponsor is entitled to recover from the proceeds of sale of agricultural produce, the full cost of farming services supplied to the farmer.
- (6) Notwithstanding subsection (5), where the proceeds from sale of agricultural produce is not sufficient to enable the sponsor to recover in full, the costs for farm services, the sponsor shall recover a sum representing fifty percent of the cost of agricultural produce and the unrecovered portion of the costs of farm services shall be carried forward until fully recovered.
- (7) The cost of farm services shall not carry interest.

31. Farm services in form of loan or monetary advances to farmer

- (1) Where a farming agreement obligates a sponsor to provide farm services in the form of a loan or other monetary advances, the sponsor shall-
 - (a) obtain acknowledgement from the farmer of every sum received or advanced to the farmer under the agreement;
 - (b) issue a receipt to a farmer for every repayment made on the loan or other monetary advances.
- (2) A sponsor shall keep a record which shall contain—
 - (a) the date on which the loan was disbursed;
 - (b) the amount of the principal;
 - (c) the rate of interest; and
 - (d) the sum repaid on the loan or monetary advance and the date on which the repayment is made.
- (3) A loan or other monetary advances given by a sponsor to a farmer shall only be recovered from the agricultural produce or the proceeds from the sale of agricultural produce.
- (4) Nothing in this Act shall be interpreted as allowing a sponsor to-
 - (a) take as security for a loan or other monetary advances any land or property of a farmer; or
 - (b) realize the loan or other monetary advances, by way of sale, pledge, mortgage or lease or sub lease of the land which is subject to the farming agreement or any other property of the farmer.
- (5) A farming agreement that makes provision or the effect of which is to make provision for the matters prescribed in subsection (4) is void.
- (6) Where a sponsor is a money lender, the provisions of the Tier 4 Microfinance Institutions Act and Money Lenders Act, 2016 shall apply to that farming agreement.

**Part VI- BREACH OF FARMING AGREEMENT AND BLOCK FARMING
AGREEMENT**

32. Action for breach of farming agreement or block farming agreement

- (1) A party to a farming agreement or block farming agreement may enforce the farming agreement by bring an action against a person who breaches the terms of a farming agreement.
- (2) The action shall be instituted in a court of competent jurisdiction.

33. Performance of obligations in a farming agreement or block farming agreement

- (1) The parties to a farming agreement or block farming agreement shall perform or offer to perform, their respective promises, unless the performance is dispensed with or excused under this Act or any other law.
- (2) Unless a contrary intention appears from the farming agreement or block farming agreement, the obligations under a farming agreement or block farming agreement shall bind the parties to the farming agreement and the block farming agreement and in case of the death of a party to the farming agreement or block farming agreement before performance, the successor in title of the party to the contract.
- (3) The performance of any obligation in a farming agreement or block farming agreement shall be excused in the event of a force majeure event.
- (4) A party to a farming agreement or block farming agreement affected by a force majeure event shall, within seven days of the occurrence of a force majeure event, notify the other contracting party.
- (5) Where a force majeure event occurs, the obligation affected by the force majeure event shall be suspended and the parties may alter the terms of the farming agreement or block farming agreement with mutual consent or terminate farming agreement or block farming agreement.

- (6) In this section, "force majeure" means an event that is unforeseeable, unavoidable and outside the control of contracting parties', comprising flood, drought, bad weather, earthquake, epidemic outbreak of disease and insect-pests and such other events which renders the performance of any obligation under a farming agreement or block farming agreement impossible.

34. Time for performance

- (1) Where time for performing any obligation under a farming agreement or block farming agreement is not prescribed, the obligation shall be performed in a reasonable time.
- (2) Time shall be of the essence in the performance of obligations arising from a farming agreement and block farming agreement.

35. Breach of farming agreement or block farming agreement

- (1) Where there is a breach of a farming agreement or block farming agreement, the party who suffers the breach is entitled to receive from the party who breaches the farming agreement or block farming agreement, compensation for any loss or damage caused to him or her.
- (2) Notwithstanding subsection (1), compensation referred to in subsection (1) shall not to be awarded for remote or indirect loss or damage sustained by reason of the breach.
- (3) In estimating the loss or damage arising from a breach of a farming agreement or block farming agreement, the means of remedying the breach caused by non-performance of the agreement shall be taken into account.

36. Damages for breach of farming agreement and block farming agreement

- (1) Where a farming agreement or block farming agreement is breached, the party who breaches the agreement shall pay the party who suffers a breach, damages.

- (2) The damages referred to in subsection (1) may be awarded by court or stipulated in the farming agreement or block farming agreement.
- (3) The damages stipulated under subsection (2) may carry simple interest at any rate not exceeding seven percent per annum on from the date of default until the sum is paid.

37. Prohibition of payment of compound interest and other fees

Notwithstanding section 36, a farming agreement or block farming agreement is illegal and unenforceable if it directly or indirectly provides, as a consequence of a breach of the agreement—

- (a) the payment of compound interest;
- (b) the payment of damages or compensation in addition to payment of a penalty or any such sum which is not related to the actual harm suffered as a result of the default or breach of a farming agreement or block farming agreement; or
- (c) the rate or amount of interest being increased by reason of a default in the payment of sums due under the farming agreement or any other agreement.

38. Reopening transactions relating to a farming agreement

- (1) Where a farmer or sponsor applies to court for breach of a farming agreement or block farming agreement, the recovery of damages or the costs of farming services provided to a farmer under the farming agreement or the enforcement of a farming agreement, court may reopen a transaction if it is satisfied that—
 - (a) the interest prescribed in the farming agreement is excessive;
 - (b) the amount charged for farming services or other expenses incurred during the duration of the farming agreement or for accesses farming services, including a fine, bonus, premium, renewal or any other charges, is excessive;
 - (c) the transaction is harsh and unconscionable; or
 - (d) the transaction is such that a court of equity would give relief.

(2) Where the court reopens a transaction, the court shall take into account the agreement between the farmer and the sponsor and may, notwithstanding any statement or settlement of account or any agreement to close previous dealings—

- (a) relieve the farmer or sponsor, as the case maybe, from payment of a sum in excess of the sum adjudged by the court to be fairly due in respect of the matter in dispute between the farmer and the sponsor, as the court, having regard to the risk and all the circumstances, may adjudge to be reasonable;
- (b) order the farmer or sponsor, as the case may be, to repay the excess sum paid, if any;
- (c) set aside, either wholly or in part, or revise or alter any obligation under the farming agreement or any sum due arising from a breach or dispute between the parties to the agreement;
or
- (d) security given or agreement made in respect of money lent.

Part VII -MISCELLANEOUS

39. Offence and penalties

A person who infringes any provision of this Act commits an offence and is liable, on conviction, to a fine not exceeding seventy two currency points or imprisonment for a period not exceeding three years or to both fine and imprisonment.

40. Protection of illiterate farmers

- (1) A farming agreement entered into between a sponsor and an illiterate farmer shall be void except where the farming agreement was-
 - (a) attested by two or more witnesses, each of whom must have seen the illiterate farmer sign or affix his or her mark to the farming agreement; and

(b) translated and explained to the illiterate farmer as required under the Illiterate Persons Protection Act, Cap.79.

- (2) For the purposes of this Act, a farmer shall be deemed illiterate if the farmer is unable to read and understand the script or language in which the farming agreement is written or printed.

41. Prohibition of charge for expenses on loans

A farming agreement between a sponsor and a farmer for the payment of a sum on account of costs, charges or expenses incidental to or relating to the negotiations for farming agreement or the granting of a loan or other monetary advances to a farmer is illegal, and if a farmer pays a sum to a sponsor on account of any such costs, charges or expenses, that sum shall be recoverable as a debt due to the farmer or, be off set against any amount due from the farmer to the sponsor.

42. Prohibition of waiver of this Act

An agreement waiving or the effect of which is to waive any provision of this Act shall be void.

43. Report on the implementation of this Act

(1) The Minister shall annually submit to Parliament a report on the implementation of this Act.

(1) The report referred to in subsection (1) shall, in addition to any other information prescribed by regulations, contain the following information

- (a) the effectiveness of this Act and Government policy;
- (b) the challenges faced in enforcing the Act; and
- (c) the recommendations on the challenges faced in implementing the Act.

44. Regulations.

- (1) The Minister may, by statutory instrument, make regulations for the better carrying into effect the provisions of this Act.
- (2) Regulations made under this section may, in respect of any contravention of any of the regulations, prescribe a penalty of a fine not exceeding one hundred currency points or imprisonment not exceeding one year or both;

45. Amendment of schedule

The Minister may, with the approval of Cabinet, by statutory instrument, amend the Schedule to this Act

46. Savings and transitional Provisions

- (1) A farming agreement or block farming agreement executed before the commencement of this Act shall continue in existence as if the same had been executed under this Act.
- (2) Notwithstanding subsection (1), a sponsor shall, within six months from the commencement of this Act, comply with the provisions of this Act.
- (3) A farming agreement or block farming agreement in existence at the commencement of this Act which makes provision for any matter in contravention of this Act shall be interpreted as required in this Act.

SCHEDULE
CURRENCY POINT

Section 3

One currency point is equivalent to twenty thousand shillings.

DRAFT