Building Local Networks for Integrated Agribusiness Development

Learning Module Series

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Module 12: Negotiation and contracting

Foreword

This module is related to Module 2 on Building Business Relationships in Agribusiness Clusters (ABCs). It specifically elaborates on the importance and practical aspects of negotiating and developing contractual arrangements between business partners, including farmers, processors, traders, input suppliers and credit organisations. Formalising business relationships through the development of contractual arrangements helps to prevent conflicts and improve the business climate.

Extreme variability in weather conditions during the agricultural season occurs more and more often, in parts of Africa and elsewhere. This includes patterns like long periods of drought alternating with periods of heavy rains. This situation negatively affects farm yields, making it more difficult for farmers to pay back their loans to input suppliers and to formal and informal credit providers. Producers, processors and some traders are generally unfamiliar with techniques and methods to properly negotiate with each other. This leads to information asymmetry among the stakeholders, and possibly to a lack of transparency within the ABC. When stakeholders do not understand or know information well enough , this may threaten the sustainability of the ABC. To prevent conflicts cropping up, it may help to formalise the different relationships and links between the stakeholders. To do this, the ABC actors will need to strengthen their negotiation skills and contracting techniques. Formalising their relationships will inevitably contribute to a better business climate.

About this module

Learning objectives

At the end of the workshop, the participants will be able to support ABC actors in developing negotiation skills with partners and in developing production contracts.

In particular, at the end of this workshop, participants will be able to:

- Understand the concept of a 'win-win' business relationship
- Identify negotiation types and techniques
- Effectively conduct a negotiating session
- Recognise the various forms of contracts and their components
- Identify the advantages and disadvantages of contracting, etc.

Proposed outline of the sessions

This module consists of 9 sessions that address aspects of negotiation and contracting in the context of the Agribusiness clusters. After the introductory section (Session 0), Session 1 clarifies the concept of business relations and its components. This session sets the scene for

the negotiation and contracting principles. Session 2 introduces the concept of negotiation and its principles. The negotiation skills and attitudes that a negotiator needs are developed in Session 3. In Session 4, the concept of contracts and their importance in business relations are specified. Session 5 outlines the various types of contracts. Session 6 highlights the advantages and disadvantages of contracting. Session 7 addresses the development of the Terms of Reference (ToR) for coaching in the field. A short evaluation of the workshop by the participants (Session 8) ends the module.

The various ideas developed through these sessions aim to strengthen the capacity of participants/coaches so that they are able to more effectively assist actors in the Agribusiness Clusters in the partnerships in which they are involved. This requires a commitment of the coaches as well as the capacity to adopt the concepts (knowledge), skills (know-how), and fundamental attitudes generated by this module.

Session title	Session activities	Time involved
Session 0: Introduction	Plenary introductory activities (Participant introductions & expectations; Facilitator introduction of module)	Up to 2 hours depending on whether participants have met before or not.
Session 1: Concept of business relations and components	Plenary brainstorm, Facilitator summary and interactive exchange Plenary summary	About 1 hour
Session 2: Concept of negotiation and its principles	Plenary brainstorm Plenary presentation by facilitator Plenary interactive checklist Facilitator conclusion	About 1 hour
Session 3: Negotiation skills and attitudes	Plenary exchange Group **Exercise 1**: Role play on Negotiation techniques and behaviour Plenary evaluation Final brainstorm	About 4 hours
Session 4: Concept of contracts and their importance in business relations	Reading of two stories about business relations between producers and processors Group **Exercise 2**: Answering questions on the importance of contracts in business relations Plenary discussion on the stories Plenary brainstorm on cards	About 2 hours
Session 5: Types of contracts	Introduction using Part B of **Exercise 2** Group **Exercise 3:** Basic elements in a business contract Plenary presentation & discussion of a model contract	About 1 ½ hours
Session 6: Advantages and disadvantages of contracting	Plenary introduction Group **Exercise 4:** Advantages and disadvantages of contracting Plenary presentation and discussion	About 1 hour
Session 7: Preparation of the field coaching TOR	Plenary round Work on TOR Plenary presentations & discussion	About 3-4 hours
Session 8: Workshop/ Module assessment	Final assessment exercises Plenary conclusion	About 2 hours

Session 0: Introduction

Introduction

This introductory session is for the participants to get to know each other and to get familiar with the learning method that is based on interactive communication and constructive feedback rather than on lecturing. The session also allows for some first exchanges on the topic of partnership and negotiations.

Learning objectives

At the end of this session, participants will be able to: `

- Get to know each other and to start to build a team (In most cases the session may be kept short as the coaches and the trainer will know each other already.)
- Become familiar with the learning method that is based on interactive communication and constructive feedback rather than through lecturing.
- Understand the objectives of the workshop and its set-up.

Procedure

List of tools/equipment required

- Flip chart, markers
- Coloured cards for expectations
- Sticky tack, pins or tape – depending on the location
- Printouts of the programme

Depending on the situation, this session consists of the following aspects:

1. **Facilitator welcome to the participants**: Provide information on accommodation, the workshop programme, training tools, directions, etc.

2. **Round of participant introductions:** Ask the participants to introduce themselves and present their expectations. Ask them to mention their name, affiliation, position within their organisation and/or Business Support Service (BSS), their experience in coaching, and in issues related to negotiation and contracting.

3. **Participant expectations and concerns on cards:** Ask participants to write down their expectations and concerns on coloured cards, to be referred to in the next point. Summarise the expectations and challenges of participants on a flipchart sheet. In the evaluation session of the workshop these will be looked at again.

4. **Facilitator explanation of workshop objectives and programme:** Explain the learning objectives and the themes that will be covered during the workshop. Present an overview of the training content as well as the methodology of the workshop,

emphasising its iterative character and its active participatory and collective learning approach.

- Inform the participants that the workshop programme can be adjusted to their desires and needs. If possible, visualise the programme and eventual changes on a flip chart or with PowerPoint slides. Distribute a printed programme.
- Agree on basic procedures to be followed during the workshop, i.e. on the do's and don'ts. Ask participants to list them on a flip chart paper and stick it on the wall for the duration of the workshop.

5. **Reflection Diary:** Introduce the idea of keeping a reflection diary in which each participant writes down his/her reflections of the day using a standard format, indication what was done, interesting, important and applicable (see General introduction; Annex 1).

Session 1: Concept of business relations and components

Introduction

This aim of this section is to clarify business relations and the characteristics that distinguish them from any other concept, to take away any doubt and confusion. Business relations, win-win relations, occasional customers, etc. will be addressed. This session also refers to Module 2 (Building Business Relationships), which deals in a more detailed way with the 'construction' of business relations. This session actually is a short review of Module 2, needed to effectively deal with the next sessions of this module.

Learning objectives

At the end of this session, participants will be able to:

- Define the concept of business relations
- Identify the characteristics and different types of business relationships
- Identify so-called win-win business relationships

Procedure

List of tools/equipment required

- Flip chart, markers
- Coloured cards
- Sticky tack, pins or tape – depending on the location

1. Plenary brainstorming session: Introduce the session with a brainstorm around two main questions

What is a business relationship?
What are the key elements of a good business relationship in the agricultural sector?

Ask participants to each write on a card what they think a 'business relationship' is. Then ask them to write on two other cards key factors characterising a good 'business relationship'. Group the cards in 'cloud concepts' to make the discussion more manageable.

Advice for the facilitator

Collect the cards as they come and display them on the board, trying to cluster ideas that are similar. This enables summarising the ideas by some common features (i. Definition of a business relationship, and ii. Characteristic features of good business relations). The facilitator concludes by giving his/her point of view and a summary of the business relation concept. The facilitator should not force participants to give their ideas. The purpose and expectations of brainstorming should be well explained.

In winding up the session, customer terms, operations, duration/continuity, custom, duty, stakeholders or partners should get attention. These terms may help in defining the concept of 'business relations'.

2. **Facilitator summary:** Summarise the discussion by clarifying that a business relationship is an economic relationship involving at least two parties. These include:
   - Economic operations, characterised by the number, duration and frequency (continuity), etc.
   - The commitment of the partners regarding keeping their words/promises, established trust and a clear definition of the terms of the contract.

3. **Plenary interactive exchange:** Continue by asking the participants to share their experiences regarding business relations with either the actors of the Agribusiness Cluster or with other agricultural stakeholders. Make note on a flip chart of the various experiences to help you come up with different forms of business relations in your conclusion.

4. **Facilitator conclusion:** Focus on five principal forms of business relations, but note that these forms are not mutually exclusive. These are:
   1. **Win-win relationships**: a relationship with shared or mutual benefits, e.g. the IMF granting loans to a Producer Organisation (PO) for rice production and in return the PO repays the loan with interest and the conditions that were defined up front.
   2. **Dynamic relationship:** a flexible relationship, adapting to the (business) context, e.g. in the relationship between paddy growers and women parboilers for the supply of raw material, the quantities of paddy are not being determined in advance.
   3. **Sustainable relationship:** a relationship that is durable and requires (long-term) mutual commitment, e.g. complying with contractual obligations between the producer and the retailer, followed by a regular renewal of the same type of contract between the two parties.
   4. **Value-generating relationship:** a relationship that leads to cost reduction and quality improvement, e.g. the relationship between soy processors and equipment manufacturers related to the use of a newly developed oil press. Processors will be ready to enter into this relationship if the equipment is able to add value to their business.
   5. **Relationships based on (mutual) trust:** a relationship built on trust only. E.g. when women rice parboilers sell their dehusked, parboiled rice on credit, to a financial institution such as CLCAM – *Caisse Locale de Credit Agricol Mutuel* –, and thereby get a monthly payment from the institution. These transactions are done without a formally signed contract. It can only be done when there is mutual trust between the producing/processing actors and the financial institution.

Session 2: Concept of negotiation and its principles

Introduction

In business relations, the committed partners are called upon to define the conditions for the implementation and for the management of transactions. As partners will have different interests, appropriate negotiation will need to lead to compromises that suit all parties. This section is on the negotiation principles.

Learning objectives

At the end of this session, participants will be able to:

- Define what is negotiation
- Identify the aim of negotiation

Procedure

List of tools/equipment required

- Flip chart, markers
- Coloured cards
- Sticky tack, pins or tape – depending on the location

1. **Plenary brainstorm on cards:** Start the session by showing the following picture, and asking participants to study it.

Figure 1: The actors as partners in business at the negotiating table

After observing the figure for a few minutes, ask the participants to answer the following questions placing their idea on a card:

1. Who are the people involved?
2. What are they doing around the table (what do you think they are talking about) and why?

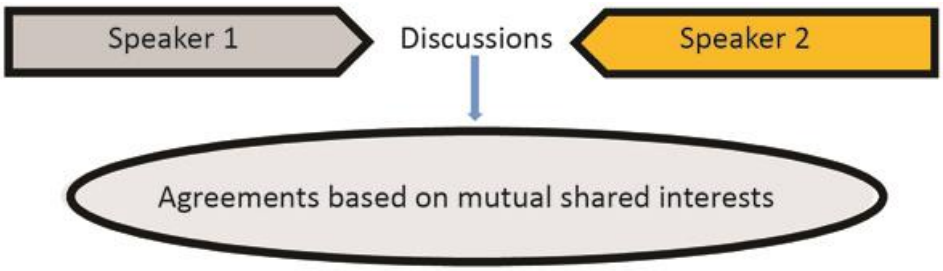
Collect the participants' reflections on cards.

Advice for the facilitator

Explain that each card should have a single idea only, as cards with more than one idea are difficult to use in the learning process. Assess whether the participants discussed all issues related to exchanges/discussion, the different organisations involved, search for compromises, informal or formal agreements, different interests, duration/time, etc. Pay attention to any other ideas that may arise from the brainstorming session.

2. **Plenary round:** Continue by making a round of the participants, asking them to explain what negotiation is or what it is according to their understanding. Based on their responses, construct a diagram according to the example schedule below, using all elements mentioned. Come up with a similar diagram, reflecting the ideas of the participants.

What is Negotiation?: A set of discussions/talks between two or more interlocutors, seeking an agreement that is centred on material interests or quantifiable issues in a limited time.



The search for agreement involves a confrontation of interests on which the interlocutors try to agree to reach a set of mutual concessions.

Contract negotiation: Set of discussions led by two people or groups of people (both sides) to reach agreements on mutual obligations, to be eventually summarised in a document that serves as a guide in the joint collaboration.

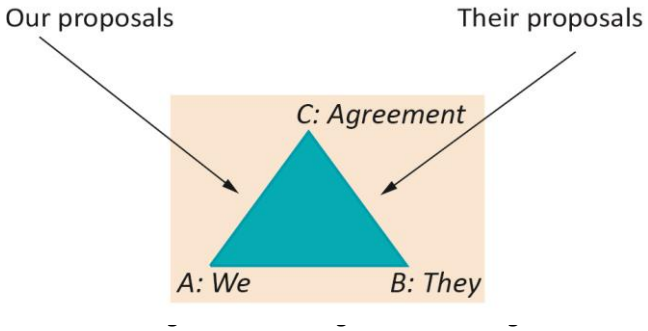
After the exchange, explain the importance or usefulness of negotiations in business relationships. Do this by starting a quick collection of ideas among the participants and then summarising them.

Advice for the Facilitator:

Remember that the most important issues are:

- In a cooperative domain: the negotiations take place in a friendly way and lead to a win-win agreement between the two negotiating parties.
- In a competitive domain: each party has its goals in mind and the negotiations take place without taking into account the objectives or potential interests of the other party. This will quickly lead to a dead-end relationship or to an agreement of the unstable win-lose or lose-lose type.

The triangle below reflects the negotiation mechanism.



Session 3: Negotiation skills and attitudes

Introduction

Considering the essential elements coming out of the previous section, we may wonder how to negotiate a good partnership agreement? This session offers some answers to this question and deals with techniques to build successful business agreements, especially in agriculture.

Learning objectives

At the end of this session, participants will be able to:

- Explain the techniques/rules of trading
- Understand the pitfalls in negotiating
- Identify the qualities and skills of a good negotiator

Procedure

List of tools/equipment required

- Flip chart, markers
- Coloured cards (red and green)
- Sticky tack, pins or tape – depending on the location
- Print out the TORs for the four groups in the role play (see **Exercise 1**). These should be on separate sheets per group, to keep them secret from the other groups.

1. **Facilitator introduction:** Explain that this session will be conducted as a role play between two groups of actors representing potential partners. This role play is built around the sale of soybeans by the producer organisation 'Finafa' to the processing plant 'ProRice'. Negotiations relate to the quantity, period, terms of delivery, price, product quality and terms of payment**.**

   Divide participants into four groups. Explain that a first group (two coaches) represents the producer organisation Finafa, a second group (two coaches) represents the processing company Gbénonkpo, a third group (two coaches and other participants) represents observers that carefully monitor and note down verbal and non-verbal communication as well as the environment, and finally a fourth group (one or two coaches) represents the facilitator of the meeting in the role play. Explain that there are terms of reference for each of the groups (see instructions in Exercise 1). Add that the role play will be carried out in three consecutive stages: preparation, implementation, and evaluation.
   Explain further that the groups will get 20 minutes to prepare for the role play and that the negotiation round itself will take a maximum of 60 minutes, with the possibility of a short break for improving concentration. Thereafter, the final evaluation will be carried out.

2. **Group role play:** Go to **Exercise 1** and distribute the instructions to the different groups.

3. **Plenary evaluation:** Start by asking the observer group (group 3) to present their report, after which other groups can then add their comments and complement by their own observations. Ensure that the following items come up in the evaluation:
   - Strengths and weaknesses of each party
   - Points of conflict and concessions made by each party
   - Essential negotiation techniques developed by the actors to convince their partner(s)
   - Possible traps to avoid
   - Qualities or talents of participants
   - Any other useful observations

   Subsequently, ask for comments on the performance of the facilitator, i.e. the ability to guide the discussions between the two partners, Finafa and ProRice. For example, did the facilitator dominate the discussion or not, how was the time management, has the facilitator been taking 'inside' or 'outside' positions (judge and party), does the facilitator master the topic, and was the facilitator able to bring both sides to a compromise?

Advice for the facilitator

After the role play, organise a plenary debate to analyse and share the comments of all participants, especially those of the observers. Use educational resources to run the plenary and guide the process.

This can be done by using cards displayed on a wall to enable syntheses and consolidation of ideas on the different objectives (techniques/rules, pitfalls, and qualities and skills). This enables adding elements to the list – which does not need to be exhaustive. A summary should also take into account the views and experiences based on the knowledge and skills of the facilitator.

4. **Final brainstorm on coloured cards:** Summarise the discussion and ask participants to now consider the various comments to finally identify the qualities and talents they think a good negotiator should have, and the fundamental pitfalls in negotiating. Collect these ideas on coloured cards (one idea per card): **green ones** for good qualities of a negotiator and **red ones** for poor qualities of a negotiator (what to avoid doing or saying).
   Group the cards to finally identify the qualities and talents of a good negotiator and the pitfalls to avoid. Read the additional references mentioned below to help guide this discussion.

Additional reading

Reference sheet M12/1: Negotiation techniques and rules
Reference sheet M12/2: Qualities and talents of a negotiator

Session 4: Concept of contracts and their importance in business relations

Introduction

Market access is generally influenced by certain commitments of the different parties. Compliance to these commitments may be a source of conflict or a loss for stakeholders. On what conditions have the commitments been made by farmers and how are these commitments formalised in practice? This session answers these questions. It deals with the concept of the contract and its importance in the agribusiness value chains (ABC).

Learning objectives

At the end of this session, participants will be able to:

- Define a contract in its various forms
- Clarify the importance of a contract for an ABC

Procedure

List of tools/equipment required

- Flip chart, markers
- Coloured cards
- Sticky tack, pins or tape – depending on the location

1. **Plenary reading of story:** Begin by reading a small fictional (but realistic) story that presents a case of two stakeholders or parties that collaborate without a contract (**A**); and a case of two parties collaborating with a contract (**B)**. The parties are producers, represented by their producer organisation (PO), and post-harvest actors, processors and traders. This story relates the unfortunate state of affairs of paddy producers and women parboilers on the one hand; and the contractual relationship between soybean growers and a processing unit on the other hand.

2. **Group exercise:** Divide the participants into 2 groups: one for soy and one for parboiled rice (**Exercise 2**). After reading the story individually, ask the two groups to answer questions that are provided in the exercise.
   The groups then continue working, specifying:
   1. Concerning text A:
      - The strengths and weaknesses of rice parboilers and rice producers
      - The causes or sources of conflict
      - Why did institutions seized by the women parboilers declare they were not aware of their crisis? Whether they were or not, what could be the barriers that prevented the parties from coming to an agreement?

   2. Concerning the text B:
      - The contents of the signed document

- The mistakes and shortcomings of the contract

3. As the coach of the ABC, related to the ABC actors (parboilers, rice producers, the Wadagbé association, soybean producers and the Ngbèho unit):
   - What are the recommendations to prevent problems arising in both cases?

3. **Plenary discussion:** After going through all the questions together, come up with a definition for a contract and why it is useful. Use the following guidelines to make your presentation:

   What is a contract?

   A contract is an agreement between two or more parties in which arrangements and obligations for the parties are laid down. A contract has the following elements:

   - **Voluntariness**: each party enters into the agreement voluntarily. Parties that enter into a contract are called contractors.
   - **Commitment and consent:** one party makes an offer and the other party accepts it (note that silence does not automatically mean acceptance)
   - **Legal capacity:** the capacity to make official contracts
   - **Object or action**: transfer of property, money or service
   - **A reason**: the reason for commitment to the contract
   - **A legal status**: any contract must be in accordance with the common law so that in case of non-compliance legal action can be taken.

4. **Plenary brainstorm on cards:** Ask the participants to think about why contracts are made – what are their ideas on the purpose or importance of contracts? Ask each participant to come up with two reasons and to write them on two cards, to be displayed on the wall. You can then synthesise the collected ideas based on your own experiences and in light of the list of reasons given below:

   Why make a contract?

   - To secure the interest in an entrepreneurial transaction
   - To mitigate market imperfections (input supply, non-financial services such as extension, training, information, facilitation of market access, various financial services, etc.)
   - To solve the problem of lack of trust among the parties
   - To get access to markets that require stability regarding standards, certification, and niches
   - To meet the growing demand for standards, certification and traceability
   - To limit the variability (often seasonal) of prices
   - To guarantee credit from banks
   - To enable legal action in case something goes wrong in the partnership and cannot be settled amicably, based on a breach of contract

Session 5: Types of contracts

Introduction

Engaging in a business relationship inevitably involves a contract, whether verbal or written. While it is good to have a contract to make your business more secure, it is even better to know the type of contract you should make, to be able to commit to its conditions. This session will inform the coaches about different types of contracts, their content and their characteristics[1]. The session also presents a standard contract format, and some requirements for developing a contract.

Learning objectives

At the end of this session, participants will be able to:

- Recognise the different types or forms of sales contracts
- Understand the key elements of a standard contract format

Procedure

List of tools/equipment required

- Flip chart, markers
- Coloured cards
- Sticky tack, pins or tape – depending on the location

1. **Plenary introduction:** Start the session by reading again part B of the story presented in Exercise 2. Then introduce the following different aspects of a contract:
   - **Formality**: a contract can be oral (which requires a witness and has its limitations), or written.
   - **Type of transaction**: which types of transaction can be imagined in case B: product, money, services, do's and don'ts, etc.
   - **Source**: who takes the initiative and makes the contract? Is there one party that establishes the rules and conditions, and asks the other party to adhere to these (or not - it is the producers or processors who have the 'most' interest in this); or do the two parties negotiate and develop the contract together?
   - **Time**: Is the contract unique and for one specific occasion, or is it intended to be multiannual? Will there be one delivery of produce or several deliveries at particular intervals over an indicated period of time?
   - **Status of the signatories**: will the contract be signed by an individual on behalf of a group, or else?

[1] Note that we are not talking here about production contracts of agricultural goods. Reference sheet 3 provides a short overview of such contracts. For more information we refer to the ' Contract farming handbook ' of GIZ: https://www.giz.de/fachexpertise/downloads/giz2013-en-handbook-contract-farming-manual-low-resolution.pdf

- **Legality**: even if the two parties agree on the conditions, does the contract comply with the common law?

2. **Group exercise:** Continue by dividing the participants into 2 groups: one group of women and one of men. Explain the question they need to discuss, as found in **Exercise 3**. Based on their experiences, the groups are asked to identify the key elements that form the basis of a written contract. The women work e.g. on a contract with a finance institution for credit and the men on a contract between producers and processors.

3. **Plenary presentation:** Ask the two groups to present the outcomes of their work. Then summarise the key elements of a generic type of contract, according to the following points:

   - Date of contract
   - Names of parties involved
   - Details of services that each partner/company will provide or receive (including provision of goods specifying quantity, grades, standards)
   - Payment amounts and/or bases for calculation, which can be relative (for example x% more than the medium market price established on a certain basis)
   - Payment due dates (note that payments do not need to be made as a lump sum at the end of the project/business. You may make or receive incremental payments for specific services once they are completed)
   - Interest on late payments
   - Deadlines for services due (this is also called a 'time is of the essence' clause. This phrase should be used in a contract if there is a timeline for a project)
   - Expiration dates for the contract, such as a lease expiry
   - Renewal terms, if applicable
   - Damages for breach of contract (also called 'liquidated damages,' this clause can specify amounts to be paid if services are incomplete or deadlines are missed. A court can also award damages if a contract is breached, even if damages and amounts were not included in the agreement)
   - Termination conditions
   - Signatures

4. **Present a model sales contract:** Show **Reference Sheet M12/4** to the participants, as an example of a sales contract.

5. **Plenary summary:** End the session with a summary on the critical conditions of a contract that potential signatories should check before signing. Include the following points:
   - The 'technical' feasibility: this is the main condition. One must never establish a contract on (optimistic) assumptions. Although mishaps may always occur (and have to be dealt with in the contract) the contractors must define at least a minimum of what they are committing to.
   - Hidden clauses and assumptions: these must be avoided. This is not always easy when contractors are not yet much experienced (for example, producers expecting that the

company will provide them with packaging, or a company expecting a cleaned product when the producers mean to provide

- What is to be regarded defaulting to the contract has to defined clearly. Again, proper knowledge and time taken for making the contract contributes to workable contracts.

Additional reading

Reference sheet M12/3: Types of production contracts
Reference sheet M12/4: Model of a supply-buy contract; http://www.afdi-opa.org/fr/images/uploaded/admin0509/Dossiers%20et%20analyses/fiche%2012.pdf

Session 6: Advantages and disadvantages of contracting

Introduction

The adoption of contract farming has both advantages and obligations for stakeholders. This session aims to show the benefits of contracts to producers and buyers and to make clear what the implications of a contract are in terms of constraints or disadvantages for each party.

Learning objectives

At the end of this session, participants will be able to:

- Identify the benefits and consequences related to the use of contracting for the production and marketing of agricultural products

Procedure

List of tools/equipment required

- Flip chart, markers
- Coloured cards
- Sticky tack, pins or tape – depending on the location

1. **Introduce group exercise:** Return once again to stories A and B and ask the participants to reread them. Split the participants into two groups again, but this time the first group represents the producers (or the PO), and the second one the post-harvest stakeholders (processors and traders).

2. **Group exercise:** Ask each group to extract from the text and the previous discussions, the benefits and consequences or disadvantages that apply to its group (see **Exercise 4**).

3. **Plenary discussion:** Organise a briefing, followed by a discussion that will lead to the development of benefits and disadvantages of a contract for each contracting party, i.e. for particular buyers (processors or traders) and for the producers or the producer association. Use the following table to write down the responses.

Producers/Producer Organisation	
Advantages	Disadvantages
Processors/traders	
Advantages	Disadvantages

Advice for the facilitator

With this specific exercise, the facilitator must draw the attention of the groups to prejudices or assumptions of the different parties. Participants should put themselves 'in the shoes' of real actors in this exercise. Having a contract as experienced in the texts is of what benefit to the different parties and what are the consequences of this practice?

The participants may use coloured cards to write down an advantage or disadvantage or flip chart paper to make a more or less exhaustive inventory.

Additional reading

Reference sheet M12/5: Advantages and disadvantages of a contract

Session 7: Developing Terms of Reference for the coaching session

Introduction

This session provides practical support to coaches for using the new competences acquired, to be able to go on to coach the agribusiness (clusters) on negotiation and contract development issues. This session must be highly interactive, enabling the coaches to express all feelings and opinions they have on the topic, to be able to develop the tools they will deliver afterwards.

Learning objectives

At the end of the session, the participants will be able to facilitate a coaching session on developing negotiation skills and creating contracts.

Procedure

List of tools/equipment required

- Flip chart, markers
- Coloured cards
- Sticky tack, pins or tape – depending on the location

Step 1: Review the sessions

1. **Plenary reflection of module:** Guide the participants (BSS/coaches) in reviewing each of the sessions, asking the following questions:
   - Did you understand well what has been done so far? What needs additional clarification?

   Go over some aspects of the module, if needed.

   - What do you think are the most important parts of the workshop you can use for coaching ABC members?
   - What are the 'messages' that you think need to be delivered to ABC members?
   - How do you think you can develop topics/messages during the coaching session to your ABC?
   - Are there some tools / information / methodology missing? If so, what are they? Please discuss.
2. **Individual session:** Ask the participants to systematically review all the sessions, by listing the key points that they have learned and what they find relevant to use during their subsequent coaching sessions.

			WHAT WILL BE RELEVANT TO BE

SESSION	TOPIC	WHAT I LEARNT	APPLIED TO MY CLUSTER
1.			
2.			
…			

Step 2: Preparing ToR for the field coaching

1. **Plenary interactive exchange** on the progress of the coaches activities of their ABC and identify potential partnerships that could be the subject of negotiations either for access to agricultural supplies or for the marketing of agricultural products. The coaches should thus assist their ABC to negotiate with input suppliers (on quantity, quality, prices, and terms of payment, etc.), traders, or paddy processors. To this end, each participant should come to the coaching session with clear and precise ideas of partnership opportunities (while specifying the parties/stakeholders, subject or theme of the negotiation), and whether to aim for a formal document for production or procurement of agricultural products like rice or soybeans.

2. **Group & individual exercise:** Split the participants into two groups (product-specific or at random) to revisit the outcomes of Step 1 (last column on the table) Starting from there, introduce the session with a summary of the ideas developed in the previous sessions. Ask all coaches to individually fill in the table below.

Session	Relevance for the ABC	Why important?	How to deal with this? (learning tool)
1			
2			
3			
4			
5			

Ask the participants to summarise the lessons learned and based on: i) Column 5 of the table which specifies the application of theoretical concepts to their ABC, and ii) with the information they have of their ABC, their environment and their own experiences, they develop the Terms of References. They focus on the following:

- The problem to be solved, the specific objectives (max. 2)

- Concrete and operational activities/actions (max. 3) to achieve the specific objective of solving the identified problem
- Approach and learning materials (oral presentation on negotiations by staging a producer and a processor, for example)
- Key actors involved (specify their importance and role in coaching: input supplier, trader, etc.)
- Specific date of the coaching session (the coaches must make sure to prepare a more specific programme before the end of the workshop).

Session 8: Workshop/ module assessment

Introduction

Did this training workshop fit the participants' needs and did it satisfy their expectations? Do they now feel able to train (coaches and mainly) ABC members in the basic knowledge of negotiation and contracting? These are some of the questions this session would like to answer.

Learning objective

With this assessment, the facilitator can find out whether the workshop was appreciated by participants, and get ideas on how to adjust it for further trainings, if necessary.

Procedures

List of tools/equipment required

- Flip chart, markers
- Coloured cards
- Sticky tack, pins or tape – depending on the location

There are several ways and tools to assess a workshop, at the beginning, during the sessions, and at the end. Select the methods that you would like to use:

1. **Before starting the workshop**: each participant writes down their expectations and concerns (see Session 0). The facilitator prepares a summary of these expectations and concerns to be dealt with during this final workshop session (see below).

2. **During the workshop**: at the end of each day (even for a 2-day session), the participants were given the opportunity to reflect on what was done during the day in a Reflection Diary. Ask each participant to indicate how well they appreciated each session, why, and if relevant to propose improvements to the content.

3. **At the end of the workshop** participants either:
   - Express their opinion on how the workshop went along in plenary, or
   - Give their opinion on the workshop individually and confidentially, on a paper (flipchart) hung somewhere in the room, in such a way that other participants cannot see what others are writing. This paper could contain the following table (learning assignment) that is to be filled by each participant:

Table 1: Appreciation of the workshop

Session/topics	Good	Average	Bad
S0: Introduction			
S1: Concept of business relations and components			
S2: Concept of negotiation and its principles			

S3: Negotiation skills and attitudes			
S4: Concept of contracts and their importance in business relations			
S5: Types of contracts			
S6: Advantages and disadvantages of contracting			
S7: Preparation of the field coaching TOR			
Your opinion on the facilitation			
General comments			
Each participant indicates his/her appreciation of the sessions and facilitation work, and adds a general comment.			

List of reference sheets

Reference sheet 1: Negotiation techniques and strategies

Reference sheet M12/4: Model of a purchase contract and of the supply of products/or: a products sales contract

Reference sheet M12/2: Qualities and talents of a negotiator

Reference sheet M12/3: Types of contracts and characteristics

Reference sheet M12/4: Model of a purchase contract and of the supply of products/or: a products sales contract

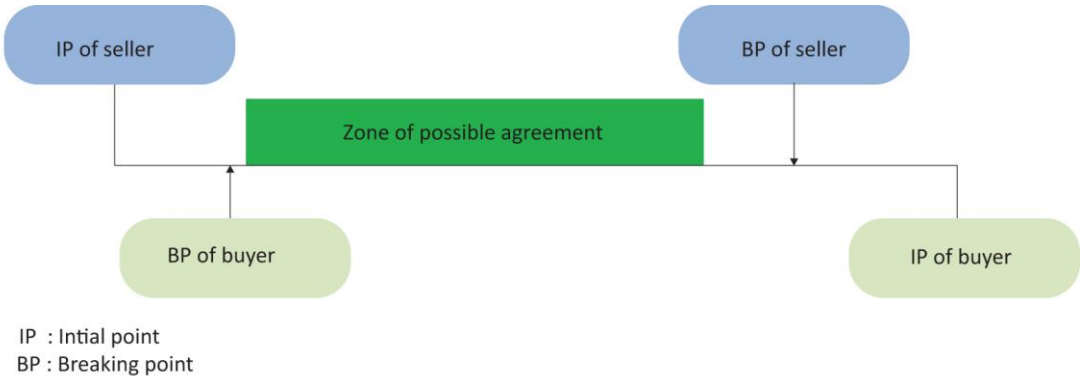
Reference sheet M12/1: Negotiation techniques and strategies

Source: http://www.technique-de-vente.com/5-cles-pour-negocier-efficacement/.

Strategy 1: Dare to start with a high demand!

1. The initial position (IP): This is your starting position. Aim high, so that you can make concessions during the negotiation.
2. The cut-off point (BP): this is the threshold you're not ready to go beyond (breaking off the negotiations)

Between the two points there is a zone of possible agreement (ZOPA) or bargaining range.



Strategy 2: Respond with an argument if you are asked to make a concession

You should always defend your original position to maintain your credibility. Whatever your flexibility is, if you do not resist, your partner will think he/she can get more. Once the Zone of possible agreement is defined, it is time to make concessions (by counter trade, of course).

Strategy 3: Making a concession means getting something in return

Take all the points of conflict, the more there are, the more you are armed for negotiation. Carefully prepare a list of requirements (essential requirements and other, rather favourable conditions) that you are willing to give up easily (delivery, warranty, ease of payment, associated services, options, etc.). Your negotiation partner person must be convinced that you are making a significant effort by giving them up so that he/she will something in return.

Strategy 4: In case you give in, do so in small steps

Once you have defined the ZOPA, move in small steps towards your breaking point (staying as close as possible to the ideal situation).

Three tips for more efficient negotiation:

1. Prioritise and specify goals and your concessions (e.g. 10% on the first delivery, two free deliveries, etc.), because when you say "temporary" the other party hears "final".
2. Mark your territory by claiming at least one unattainable requirement on a minor point for the client (for you to detect), because if you react positively on all requests, he/she may think to be able to get more.
3. Never improvise in negotiations. List the cost of each concession that you may be asked to make and have a very clear idea of all the concessions that you would like in return.

Strategy 5: It is up to you to bring your negotiating partner to an agreement!

You must formalize the commitments and record them in a signed action plan. If this is not done, there is the risk that the negotiating partner reconsiders made agreements, has some afterthoughts and other last-minute demands. If you keep the leadership of the discussion, you will control the negotiation.

Reference sheet M12/2: Qualities and talents of a negotiator

A good negotiator should be:

- Willing: the negotiator must be certain that it is possible to establish at least a partial consensus with the other party.
- Firm: the negotiator should be self-confident and confident in the position (s)he defends.
- Pragmatic: in order to be action-oriented and have the necessary know-how to make new proposals if necessary (have problem-solving approach).
- Convincing: by clarity of expression, by being the right person, the desire of finding a joint solution.
- Patient: the negotiation should have good listening skills and an open mind.
- Resourceful: the negotiator should have sufficient useful and convincing information (identify and formalize the various points of agreement and disagreement and the progress achieved).
- Creative and pro-active: anticipating to claims and reactions of the other party (know the arguments of the other party, clarify issues and check the understanding).
- Confident and trustworthy: confidence and trust are important because they allow people to be committed to a mutually beneficial solution.

Pitfalls in negotiations

Source: http://tinyurl.com/qysdp93

Pitfall 1: Not having properly defined limits!
To negotiate well, you must have set the limits that define your room for negotiation:

- If you are the buyer: the amount above which you will not step into business as it will not be profitable for you
- If you are the seller: the amount below you will not step into business as it will not be profitable for you.

As it is not just the price that is being negotiated on, make sure to prepare your breaking points on all negotiable issues:

i) Payment period
ii) Delivery
iii) Guarantees
iv) Packaging
v) Quantity
vi) Payment, etc.

Pitfall 2: Led emotions take over!
You need to keep a clear head and stay lucid in negotiations. Follow your calculator instead of your sentiments.

Pitfall 3: To want to negotiate what cannot be!
It would be a waste of time to want things the other parties cannot give you or a purchase or selling price that is way out of the market norms.

Reference sheet M12/3: Types of contracts and characteristics

Type of contract	Description	Production techniques	Payments to producers
Marketing contract (commercial contract)	Specifies the final product and the sale conditions (quantity, quality, price, and delivery times).	The producer controls the assets and the decisions on the agricultural products	The producer receives the price of his products as negotiated before or during the growing season.
Production contract (production management contract)	Contains specifications relating to sales (e.g. quality, quantity, method of payment) and production (e.g. choice of inputs, production schedule). The producer agrees to deliver a product that is obtained in the manner specified in the agreement.	The contractor has control over certain production decisions or business assets. Most of the risk is transferred to the contractor except for the quality of the product.	The producer receives compensation for agricultural services rendered in the production.
Fixed price production contract (contract on providing resources)	The producer provides labour and capital. The contractor provides most inputs (animals, feed, veterinary services, management and transportation).	The producer is little or not involved in production and investment decisions.	The farmer is usually paid per unit produced

Reference sheet M12/4: Model of a purchase contract and of the supply of products/or: a products sales contract

This model is taken from http://www.afdi-opa.org; http://www.afdi-opa.org/fr/images/uploaded/admin0509/Dossiers%20et%20analyses/fiche%2012.pdf

This fact sheet provides a product sales contract template of the PO. It highlights the key points that need to be discussed with the buyer and included in the contract. Making a contract with the buyer enables you to come to an agreement on the conditions of sale and purchase, and on the obligations of each signatory. in case of a dispute this document can be used as evidence of the decisions made with the buyer.

Note:
The parts in *brown and italic* are suggestions for drafting the contract.
The parts in black are drafting proposals.

Designation of signatories: Please mention here the names of the organisations that sign this sales or purchase contract.

This contract is made

BETWEEN

Organisation XY…….. represented by, hereinafter called the PURCHASER…., at the one Part

AND

Cooperative …… represented by …, hereinafter called the SUPPLIER, at the other Part.

It has been decided and agreed as follows:

Article 1: SUBJECT

Explain here what is in the contract: what is the product that will be sold/purchased? In what quantities and with what error margin? What are the penal clauses in case of non-compliance to the contract? Who are the actual people involved in the contract?

By this contract:
THE PURCHASER agrees to buy from THE SUPPLIER ..... kg of ……..during the period of ..... to ……, with an error margin of ……

Special conditions:
- In case of cyclone, flood, or major damage to crops, THE SUPPLIER shall not be obligated to honour this quantity
- If THE SUPPLIER has a higher tonnage than the tonnage specified above (e.g. in case of new members joining the cooperative), THE BUYER agrees to buy the surplus, provided that the products are of the same quality and actually from the fields of members.

Article 2: DURATION OF THE CONTRACT

A contract usually lasts for the length of one cropping season or harvest period.

This contract is agreed for the period of ..... to ..... It may be extended in increments of one year with the agreement of both parties, effectuated at least 30 days before expiration of the contract.

Article 3: PRICE OF THE PRODUCTS

The price may be fixed in the contract, or depend on the market price.
Fixing the price in the contract is not always advantageous as the market price may be higher at harvesting. A way of avoiding this problem is negotiating on paying or getting the current market price plus an additional bonus payment if the market prices changes. How the market price and the bonus are calculated has to be specified.

The product will be paid at the price of ..... .
This is the price when collected from the cooperative. The transport costs shall be borne by the PURCHASER.

Article 4: PREMIUM OR BONUS

Premiums or bonuses may be paid by the purchaser to farmers, based on the services rendered and the quality of the product sold. You need to fix here the conditions, dates and bonus payment terms.

For support and encouragement to the cooperative structure and to the effort of the SUPPLIER, the PURCHASER agrees to pay a PREMIUM to the product prices. The component and the bonus amounts are defined in the following table:

	Standard quality	Superior quality
Premium on collection of the produce		
Premium on processing the produce		
Premium on grading the produce		
Premium on getting a superior quality product		
Premium on homogeneity and on biological certification of the produce		
TOTAL		

- Payment of premiums by the PURCHASER to the SUPPLIER will occur at regulate intervals, every ..... months.
- In case of a sharp increase or significant fall (> 25%) of the price of the product, premiums will be redefined in consultation with the parties concerned.

Article 5: QUALITY AND STANDARDS

Quality and packaging standards can be fixed here by the purchaser as follows:
- *Minimum quality for sale*
- *Superior quality, which allow for paying bonuses as specified below.*

The quality criteria can be specified here or in an annex.

To be entitled to a premium, the delivered product must meet all the quality criteria and standards as specified in the contract.

Non-compliance to the specified criteria will lead to degrading the product to standard quality, which does not lead to payment of a bonus.

Regarding packaging, the PURCHASER may, upon request of the SUPPLIER, provide polypropylene or jute bags, depending on the availability.

In all cases, the product delivered should be of sound, fair and merchantable quality and the moisture content must not exceed ... %.

Article 6: DELIVERY OF THE PRODUCTS

A product delivery schedule may be made in advance, in consultation between the purchaser and the farmers. The schedule should mention dates and place of collection, as well as the foreseen quantities to be sold/purchased at each date and location.
Such a schedule enables the purchaser to plan transport, processing, packaging etc. of the produce ahead.

Delivery of the products will be according to the provisional timetable.

Cooperative	Date 1	Date 2	Date 3	Date 4	Date 5	
Coop.: …… Location of collection: ……						
Coop.: …… Location of collection: ……						
Coop.: …… Location of collection: ……						
Coop.: …… Location of collection: ……						
Total						

When collecting the products, the PURCHASER will write a Proof of Delivery, to be signed by the driver of the PURCHASER and the representative of the SUPPLIER. The PURCHASER will be responsible for products loaded into its vehicles.

Upon receipt of the products in the warehouse of the PURCHASER, the produce is weight in the presence of the representative of the SUPPLIER, and a **weight certificate**, specifying the weight of the products and a copy of this is returned to the SUPPLIER.

Subsequently a **purchase voucher** will be produced that specifies:

- The final amount of product
- The quality (standard or higher, organic or conventional)
- The price
- The total amount to be received by the SUPPLIER

The SUPPLIER may, by a duly authorized person and a member of the cooperative, check the receipt of the products delivered by the inspecting the weighing, controlling the humidity and verifying the agreement on quality.

Article 7: RESPONSIBILITY

The SUPPLIER is fully responsible for the products until they are in the possession of the PURCHASER.

Article 8: ADVANCES ON THE DELIVERY

For its members, the producer organisation may need payments in advance of the delivery of the goods (credit). The most common solution for this is microfinance, which is a tripartite agreement to be developed between the SUPPLIER (PO), the PURCHASER and the microfinance institution.
Some buyers are willing to pay advances to farmers before the harvest. This system, however, is very risky, and purchasers often have great difficulty to recover credits.
In most cases, the buyer does not grant any advance.

No advance payments shall be paid made by the PURCHASER to the SUPPLIER.

Article 9: PAYMENT OF THE VALUE OF THE PRODUCTS

This is to set the terms of payment of the products by the purchaser. In the case of bundling, the PURCHASER rarely pays each seller individually. It is then necessary that some members have been mandated to receive the payments.

The SUPPLIER will appoint three (3) officers from the members of the cooperative who will be authorized to collect money on its behalf. At least two (2) of these three (3) mandated members shall be present when receiving payments.
The document for appointing the proxies will be annexed to this contract.

Article 10: LEVIES AND CHARGES

Taxes and rebates have to be paid by the buyer.

Taxes and levies pertaining to the products delivered by the SUPPLIER shall be borne by the PURCHASER.

Article 11: …AND MONITORING OF THE CONTRACT

There may be underwriters/signatories of the contract that do not engage financially but attest to the seriousness of the SUPPLIER, and undertake to monitor the sale transaction. They can be for example an NGO or a support project accompanying the PO.

NGO ……, offering technical support for the execution of this contract, is the moral guarantor of the SUPPLIER vis-à -vis the PURCHASER.

The monitoring of this contract and the technical monitoring of member producers will be executed by technicians (both local and international ones) of the organization that supports the cooperative and the PO, as well as by the technicians of the PURCHASER.

Article 12: Allocation of competence

Any dispute arising from/concerning the interpretation or execution of this contract should preferably be settled amicably or otherwise automatically come under the jurisdiction of the Tribunal of the location where the contract was signed.

Agreement made up at ……., on ……..,

Instruction on group work and exercises

Before starting each exercise and the group work, please verify whether all group members have well understood the exercise or the assignment at hand.

To the facilitator:

- Make sure participants are distributed into groups of interest, based on gender, or at random, whatever is needed.
- Make sure each group receives adequate tools and materials such as flip sheets, markers, etc.
- Assign an appropriate place/location to each group and sufficient chairs and tables so that they can work comfortably.
- Make sure the participants have good understanding of the task at hand before they split into their groups so that they do not spend unnecessary time in trying to understand the assignment.

To the participants:

Discuss and exchange within the group about your individual understanding of the expected outputs of the exercise and make sure to come to a common understanding on:

- The objective of the exercise (what is expected and why?)
- How to proceed to answer the question as a group
- How to 'visualise' your findings (using poster paper or pin board and coloured cards or the computer)
- Who to appoint to lead/moderate the discussion
- How and who to present results during the plenary session
- Who will be in charge of the final electronic write up?

Exercise 1: Negotiation techniques and behaviour

This exercise is a short role play of a fictitious but realistic situation built around the sale of soybeans by the producer organisation (PO) 'Finafa' to the processing plant 'ProRice'. The negotiations are on the quantity, period, terms of delivery, price, product quality and payment terms.

1. The participants form four groups:
   - Group 1 represents the PO Finafa
   - Group 2 is the processor, ProRice
   - Group 3 (1 or 2 persons) is the mediator or facilitator
   - Group 4 are the observers who will closely monitor the process and write down the verbal, non-verbal communication and the environmental aspects.

2. Each group gets a copy of the specific terms of reference; this should be kept secret from the other groups.

3. Each group has 20 minutes to prepare before the start of the negotiation. Everyone reads their group's own terms of reference and prepare the session. This preparation is very important and it should enable the groups to develop their negotiation strategy (for groups 1 and 2); the facilitation strategy (of group 3); and the observation and reporting strategy (group 4). The 4th group are the observers and have to present their analysis primarily on the basis of their TORs; the others will make their own strategy, adding to their TOR.

4. Role play: The negotiation itself last a maximum of 60 minutes, with the possibility of a short break to improve concentration, to be decided upon by the moderator.

5. The final evaluation takes place in a plenary session.

Terms of reference for the group representing 'Finafa' producer organisation (Group 1)

Finafa is an umbrella organisation of soybean and paddy producers. In the last growing season, the members of this PO produced a significant amount of soybeans and rice for the local and regional market. The PO decided to look for an industrial soy processing company on the local market and negotiate on a deal for its soybean production. The rice they produce is being processed by some members of the PO for and sold in public institutions both in Benin and in the sub-region.

On Monday June 1st, 'ProRice', which specialises in processing soy into *Goussi* (hard pressed soybean paste) and other products, was seen in a television show on business. Thus having noticed the importance of the processing plant, the PO decided to approach the company to see if they were interested in purchasing their soybeans. After some telephone calls, an appointment was made for Monday, June 15, 2015 at the headquarters of the company

'ProRice' in the town of Kakafidé, located about one hundred kilometres from the soybean production area. Issues to be discussed in the first meeting were:

a. Quantity for sale
b. Price
c. Payment method (cash or credit)
d. Collection of the product (transportation)
e. Possibility of financing (credit)
f. Supply of agricultural inputs

You are a member of the delegation of 'Finafa' PO, which is a party at the negotiating table with the processing enterprise. You have at least 5,000 tonnes of soybean and 3,000 tonnes of paddy. Official information collected from the company's website shows that the processing capacity or annual consumption does not exceed 3,500 tonnes under the most optimal production conditions. After prior consultation you have made the decision to convince the processing company to buy the entire production of your members (5,000 tonnes) while knowing that their annual capacity is only up to 3,500 tonnes and anyway you would not be interested in contracting for less than 3,000 tonnes.

The price of soybeans in the production area at the time of the negotiation was 200 CFA francs per kilogram. Prices are likely to increase with more than 100 FCFA per kg after three months of storage with negligible operation costs. You propose a price of 300 FCFA per kg of soya if they want to buy on credit and need to have the produce delivered to its store, knowing that the cost of transporting soybeans to Kakafidé will only cost you 25 FCFA per kilogram. You opt to accept a reduction of 50 FCFA per kilogram if the payment period does not exceed two months after the date of the sale. You are not ready to give in if the payment time is 3 months or more. In case the company offers to pay cash and collecting the produce itself, the minimum price you will take is 225 CFA francs per kilogram.

You defend your point of view by pointing out the storability of the product (low perishable nature) and the availability of sufficient, adequate storage facilities. In addition, in case of storing your soy to sell at a higher price later, you will receive some credit from 'Yanayi', a microfinance institution. You argue that you need credit in particular for the purchase of inputs early in the season. In this way you will 'provoke' a discussion on inputs and input credits to find out whether ProRice has anything to offer in this field. If they have, you tell them you are willing to review the 'price conditions'. Still, you are not ready to sell below 225 FCFA per kilogram but you insist on a serious commitment from their side (e.g. a notarial agreement) to be sure of their sincerity and promises.

In short, the terms of discussion are:

- A maximum price of 300 FCFA in case the soy is to be delivered at the processing enterprise. If the sale is on credit, payment should be done within two months after delivery. If payment is done beyond that period, the minimum price they will have to pay is 325 FCFA/kg.
- A decrease of 25 up to a maximum of 50 FCFA per kg is possible if the soy is paid cash with an absolute minimum price of 250 FCFA/kg. In case of delivery at store level of the PO, a minimum price of 225 FCFA/kg is accepted.

Based on these conditions, prepare your arguments with your negotiation partner 'ProRice' to reach a compromise on the delivery of your soybeans (quantity and maximum price). You are also asked to assume that this company has the opportunity to purchase stock in other areas but that your product offers a certain guarantee in terms of higher quality than other available offers.

Terms of reference for the group representing the processing enterprise Gbénonkpo (Group 2)

Finafa is an umbrella organisation of producers of soybean and paddy. In the last growing season, the members of this PO produced a significant amount of soybeans and rice for the local and regional market. The PO decided to look for an industrial soy processing company on the local market to negotiate a deal for its soybean production. The rice they produce is being processed by some members of the PO and sold in public institutions both in Benin and in the sub-region.

On Monday June 1st, 'ProRice' that specialises in processing soy into *Goussi* (hard-pressed soyabean paste) and other products, was seen in a television show dedicated to business enterprises. Thus having noticed the importance of the processing plant, the PO decided to approach the company to see if they would be interested in purchasing their soybeans. After some telephone calls, an appointment was made for Monday, June 15, 2015, at 'ProRice' headquarters in the town of Kakafidé, located about one hundred kilometres from the soybean production area. Issues to be discussed in the first meeting were:

a. Quantity for sale
b. Price
c. Payment method (cash or credit)
d. Collection of the product (transportation)
e. Possibility of financing (credit)
f. Supply of agricultural inputs

You are the CEO of 'ProRice' and you are accompanied by your procurement officer, who is also the company's production manager in the negotiations with the delegation of 'Finafa' PO. According to the information provided by the storekeeper, your enterprise has about 1,000 tonnes of soybeans in stock. At the start of the discussion, 'Finafa' offers to deliver to your company all of its soybean production, an estimated 5,000 tonnes. You can only take 2,500 tonnes of soy in order not to overburden your processing unit. Soybean prices in the production area at the time of the negotiation were 200 CFA francs per kilogram but are likely to rise by more than 100 FCFA per kilogram after three months of storage. Additional costs for storing are very low. You offer a price of 200 CFA francs/kg and if this is not acceptable to the PO, you are willing to pay up to 225 CFA/kg, on the condition of paying within three months after delivery. If the OP is not ready to wait for three months, you may negotiate to pay a price of maximum 250 FCFA/kg of soybeans, on the condition that the PO delivers the product to your plant. If you have to collect the soybeans yourself and in case you have to pay cash, you are ready to pay a maximum price of 225 CFA francs/kg only. You use high transport costs and problems en route (road blocks, etc.) as arguments to justify your proposal.

Later in the discussion, when facing resistance from PO members, and knowing the difficulties that producers often have in accessing inputs and credit, you offer to facilitate their access to inputs they need for the next growing season. In addition, your company mentions the possibility of pre-financing the production of the marketing year for 50% of the operating expenses, to be determined at a later stage. If the PO demands a contract, you will use various success stories to prove your sincerity and honesty without ever having signed a contract that might jeopardise your enterprise. Note that your company is not willing to pay more than 200 FCFA/kg of soybeans purchased.

Based on the following terms that serve as benchmarks in the discussion, negotiate with your partner, the contact person of 'Finafa', for a compromise to obtain their raw quality produce. The PO may choose to deliver its products to the local market or to store to fetch higher prices later in the season, when soybeans are more difficult to get.

- In case of cash payment, the proposed minimum price is 200 FCFA/kg, if the soybeans are delivered at the 'ProRice' plant, and the maximum price is 225 CFA francs per kilogram. If the purchase is on credit with payment within three months after delivery, the company is willing to pay a maximum price of 300 FCFA/kg.
- If soybeans have to be collected from the PO, the soy is bought at a basic minimum price of 175 FCFA/kg. In case of cash payment, an increase of maximum 25 FCFA per kg is possible. When bought on credit, the maximum price the company is willing to pay is 250 FCFA/kg.

Terms of reference for the mediators (Group 3)

Finafa is an umbrella organisation of producers of soybean and paddy. Last growing season, the members of this PO produced a significant amount of soybeans and rice for the local and regional market. The PO decided to look for an industrial soy processing company on the local market to negotiate a deal for its soybean production. The rice they produce is being processed by some members of the PO and sold in public institutions both in Benin and in the sub-region.

On Monday June 1st, 'ProRice' that specialises in processing soy into *Goussi* (hard-pressed soyabean paste) and other products, was seen in a television show dedicated to business enterprises. Thus having noticed the importance of the processing plant, the PO decided to approach the company to see if they would be interested in purchasing their soybeans. After some telephone calls, an appointment was made for Monday, June 15, 2015, at 'ProRice' headquarters in the town of Kakafidé, located about one hundred kilometres from the soybean production area. Issues to be discussed in the first meeting were:

a. Quantity for sale
b. Price
c. Payment method (cash or credit)
d. Collection of the product (transportation)
e. Possibility of financing (credit)
f. Supply of agricultural inputs

As part of this negotiation, you as a mediator are prompted to facilitate the discussion session. Your role is not to lead or guide the discussion but to bring the two parties to a

trade 'agreement' on each of the matters that need to be discussed. As the coach of the ABC, you need to play an arbitrational role without any bias, to not run the risk of being both judge and party.

Some useful information on the OP

- The acceptable quantity is 2,500 tonnes of soybeans and the offer is at least 3,000 tonnes.
- Maximum price of 300 FCFA if the soybeans are delivered at the procession plant. If the sale is on credit, payment should be within 2 months. Beyond that period, the minimum price is 325 FCFA/kg.
- In case of cash payment of the soy, a price between 25 and 50 FCFA per kg lower is accepted, or a minimum sales price of 250 FCFA/kg. If delivery is at the store level of the PO, a minimum price of 225 CFA francs/kg is accepted.
- In case credits or agricultural inputs for the next growing season are offered, the PO is willing to sell its produce to the processing company by committing to a price increase of 25 FCFA/kg but it will sell even with a minimum increase of 10 FCFA/kg or even without a price increase.

You have 60 minutes (maximum) for the discussions between the two parties with a break of 15 minutes if necessary. The aim is to get both parties to compromise.

Terms of reference for the observers (Group 4)

You are a student International Trade related to agriculture at a Higher Business School. As part of an internship for a local company, you visit the 'ProRice' processing plant where you happen to fall right into the negotiations between the processor and a delegation of the soybean producers. You arrive when the discussions have just started. Discussion points agreed at the beginning of the meeting were:

a. Quantity for sale
b. Price
c. Payment method (cash or credit)
d. Collection of the product (transportation)
e. Possibility of financing (credit)
f. Supply of agricultural inputs

What you need to know

Finafa is an umbrella organisation of producers of soybean and paddy. In the last growing season, the members of this PO produced a significant amount of soybeans and rice for the local and regional market. The PO decided to look for an industrial soy processing company on the local market to negotiate a deal for its soybean production. The rice they produce is being processed by some members of the PO to sell in public institutions both in Benin and in the sub-region.

On Monday June 1st, 'ProRice' that specialises in processing soy into *Goussi* and other products, was seen in a television show dedicated to business. Thus having noticed the importance of the processign plant, the PO decided to approach the company to see if they were interested in purchasing their soybeans. After some telephone calls, an appointment was made for Monday, June 15, 2015 at the headquarters of the company 'Gbénonkpo' in the town of Kakafidé, located about one hundred kilometres from the soybean production area.

After the meeting and when you return to the place where you are interning, your mentor asks you to assess and evaluate the stakeholder negotiations. Present the results of your observations with respect to the following points:

- Strengths and weaknesses of each party
- Maximum and minimum prices that have been advanced by both parties and the final agreed price
- Points of conflict and the concessions made by each party
- Rules/essential technical negotiation techniques developed by the actors to convince their partner
- Possible tricks applied to avoid bargaining
- Qualities or talents of the negotiating persons
- Any other useful observations

Furthermore, you are asked to evaluate the performance of the facilitator based on their ability to guide the negotiations between the two partners (giving each party equal time to speak, time management, etc.). Has the facilitator demonstrated taking on an 'inside' position (both judge and jury) or an 'outside' one, does the facilitator master the topic, and was he/she able to bring both sides to a compromise?

Exercise 2: The importance of contracts in business relations

Part A:

In 2012, paddy rice in the Collines Department in Benin experienced an exceptional decline in production. The women rice parboilers looked everywhere in search of raw materials, despite their strong purchasing power and their high liquidity. In their search for rice, some women advanced money and thus pre-financed the purchase of paddy to allied producers and other members of their social networks. With the shortage of rice in the 2012 growing season, parboilers that still had to repay some debts therefore demanded that their partners, the rice producers, returned the advanced funds with immediate effect, and in some cases charged outrageously high interest rates.

Following several failed attempts to compromise, the women parboilers called upon institutions specialised in solving 'interpersonal' disputes (between groups of people). However, these insitutions proved to be incompetent in managing the crisis due to lack of supporting documents or official statements. Faced with this challenging situation, farmers consulted their organisation and decided to pay back their debt with paddy to be produced during the next cropping season. The women rice parboilers accepted this offer on condition that they could pay only 50% of the current paddy marketing price, upon delivery to the parboilers' place, contrary to common practice.

After many negotiations, conciliation and mediation, this situation reached crisis proportions and created a social breach among the players in the parboiled rice value chain - the rice producer organisations and the rice processors.

Part B:

In the light of these experiences, the association of soybean producers, *Wadagbé*, from Glazoué Municipality, decided to prepare for the worst and largely marketed their products at the level of the processing plant *Ngbèho Gbomina*. When the processing unit demanded the delivery of a certain amount of soybeans, some clever producers used their organisation to pave the way. The organisation then held meetings with officials of the processing plant to clarify the real needs of the processor and to define the conditions of delivery. During the extensive discussions, the actors each time came back to agreeing to fix soybean prices, the amounts available, measures and rules for packing (packaging materials, weighing, etc.), payment terms and terms for delivery of the produce, product qualities, and access to inputs, credits, etc.

To better manage the relationship between the two partners, it was agreed to define the responsibilities of each party (i.e. the organisation of producers of Wadagbé and processors of Ngbèho) and to record them in a document that was to be signed by each party. After some heated discussions, it became clear that the producer association was to deliver a total of 100 tonnes of soybeans to the processing unit three months after the harvest, at a selling price of 250 CFA francs per kilogram, which was the price of soybeans at harvest time. Ngbèho would facilitate the access of soybean producers to seeds and fertilisers and other specific inputs, and in some cases to credit through a warrantage mechanism. The processing unit did not take any further liability. Obviously, it had to pay the soybeans once delivered to the mill.

In the month of November, which is the soybean harvesting period, Nigerian traders arrived in search of 1,000 tonnes of soybeans in the area. Given the good quality of soy in Gbomina Municipality, the traders decided to get that product and were willing to pay 300 FCFA per kilogram with the possibility of receiving a dividend after selling the stock. Tempted by this generous offer, almost all soy producers, without the consent of their association, decided to sell their produce to the Nigerian traders.

TO BE CONTINUED…..

1. The exercise starts by individual reading of parts A and B of a short story.

2. Form two groups (a soy group and a parboiled rice group) and within each group answer the following questions:
   - What general observations can you distinguish in stories A and B?
   - What are the causes or sources of conflict in story A?
   - Why did institutions consulted by the women parboilers declare they were not aware of their crisis? Whether they were or not, what could be the barriers that prevented the parties from coming to an agreement?
   - In text A, what are the strengths and weaknesses of women parboilers on the one hand, and the producers of rice on the other hand?
   - What is the content of the document signed in text B? Do you spot any shortcomings? If so, which? If not, why?
   - What are the errors made in the two cases?
   - As an ABC coach, what would you recommend to the different actors (parboilers, rice producers, the Wadagbé soybean association, soybean growers, and the Ngbèho processing unit) to avoid problems arising in case A or case B?

Exercise 3: Basic elements in a business contract

1. The participants form two groups: one consisting of men and one consisting of women.

2. Based on experiences, each group identifies and lists what should be included in a business contract (or the key elements in a contract). For example, one group (e.g. the Women) can be inspired by a credit agreement with a finance institution, whereas the other group (e.g. the Men) might be inspired by a contract between a producer group and a buyer-processor.

3. Prepare to present your list in plenary.

Exercise 4: Advantages and disadvantages of contracting

1. The exercise begins with an individual (re-)reading of stories A and B (see **Exercise 2**).
2. The participants then split into two groups, the first one representing producers or a producer association, the second one a group of post-harvest stakeholders (processors and traders).
3. Each group extracts from the texts and the previous discussions, what they think are the benefits and disadvantages of contracting to the group they are representing. Put yourselves 'in the shoes' of these actors, to help come up with answers.
4. Write your answers down on flip chart paper.
5. Be prepared to present the results in plenary.

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