

AGRICULTURAL PRODUCTION CONTRACT IN AMERICAN LAW

Izabela Lipińska

Poznań University of Life Sciences

Abstract. Nowadays agricultural production is more and more based on the production contracts. There are many types of them that can be conducted by a farmer and processing plants, brokers, etc. Signing the contract a farmer reduces the production risk and stabilizes his revenue. Because the legal system varies from state to state there are some regularities and models that can be followed. Unfortunately the differences do not allow to define one common pattern of contact.

Key words: contracts, contracting, marketing contracts, production contracts, vertical integration, vertical coordination

INTRODUCTION

The topic of this article determines a role and nature of “production contracts” in American law. Such contracts are commonly and broadly concluded in agriculture. Their parties are: agricultural producer (natural person who runs his farm) and so-called contractor¹ who can be a natural person or legal person (such as: food processing plant, collection point, wholesale company etc.).

Nowadays agricultural contracts play a significant role in the United States. Many agricultural products obtained without concluding the contract cannot enter the market and cannot be a subject of purchase. It must be mentioned that among them, appear ones which require the production’s rights, or their subjects must pass the final control such as for example genetically modified organisms (GMO). The agricultural production

¹ According to Article No 613 of Polish Civil Code a contractor is only a person who is a party of „*umowa kontraktacji*”. American law calls this way any person who is a party of a contract.

contract is also one of the links in vertical integration tied to rapid increase of industrialization of agriculture [Tiller 2001, Zawada 2006]. Only gathering the agri-products is no more the aim in itself. Namely, a special attention is given to uniform the quality, minimal seasonality, and more value added in processing and distribution.

Discussing issues are the subjects of many researches both economical and juridical. Economists search for some relations among contracts creating proper, repeatable models [Hueth and Hennessy 2004, Hueth and Melkonyan 2004]. One of its most important factor is a revenue. While, the American lawyers seek for new, common – in federal scale – elements and standards. They try to evaluate the farmer's protection as a party of the contract.

The aim of this paper is to indicate the typical features of production contracts and their typology in American law. Besides it is important to find out the specific regularities in conducting such contracts with reference to particular agricultural products and regulations being in force in some states.

Appropriately, to the aim of this article, it has been divided into five parts. The first one considers the forming of the production contract in the United States and its role on the internal market. Next concerns its diversification and legal definitions. To understand properly the nature of contract, the role and influence of the federal law was explained in the following part. The fourth part of the article is an analysing of a model of Producer Protection Act. In order, some internal, state regulations of agricultural contracting rules will be examined. The conclusions consist of the evaluation of the current in force American legislation in the subject of agricultural production contracts.

It has to be emphasized that the system of American law is totally different from Polish. Among its sources, listed in the order from the most important, which are: constitution, international agreements, federal law, states' constitutions, states' regulations, legal norms of local authorities (such as settlements, cities, counties). There are many kinds of law in the States. Considering the whole country, it has a typical federal system, where both federal and state law plays a very important role [Tokarczyk 2000]. First one is in force in the whole country, and the second only within the particular state. Furthermore, the system might be divided into common law and statute law. It has its own hierarchy and structure that has been constantly changed. The principle of precedents plays basic importance in American law, both in the case law and in the legislation. The similar cases should be adjudicated *per analogia*. The precedent creates particular legal norm, which expresses precise matter. This norm has a general character and might be applied in the future, as it takes place in the matter of arbitrating a dispute between parties.

PRODUCTION CONTRACT – HISTORICAL ASPECTS

Concluding the production contract has long, almost 100 years tradition. First contracts were used to market vegetables to grocery chains [Production Contracts 2004]. But since the 1960s, agriculture has increasingly used contracts as a means to clarify relationships and responsibilities between commodity and livestock farmer-producers and the entities that buy their goods-merchants, processors or end users. Contracts became widespread besides vegetables, in poultry production, hogs and eggs [Hueth and

Hennessy 2004]. In 1969, only 6% of all farms used production or marketing contracts, amounting to 12% of the total value of all U.S. agricultural production [Production contracts 2004].

Nowadays production and marketing contracts govern 39% of the value of U.S. agricultural production [MacDonald et al. 2004]. Now, contracts are the primary method of handling sales of corn, soybeans, sugar beets, wheat, rice, peanuts, tobacco, cotton, fruits and vegetables, many livestock commodities, including milk, hogs, and broilers, poultry and eggs, mushrooms, seeds, sunflowers, hops, hems, peppermint and lentils [MacDonald and Korb 2006].

According to the research done in 2003 by *Agricultural Resource Management Survey* (ARMS), farms with \$1 million or more in sales have nearly half their production under contract. It is caused by many factors. For producers, contracting can reduce income risks of price and production variability, ensure market access, and provide higher returns for differentiated farm products. For processors and other buyers, vertical coordination through contracting is a way to ensure the flow of products and obtain differentiated products, ensure traceability for health concerns, and guarantee certain methods of production².

TYPES OF PRODUCTION CONTRACTS

Generally contracts are divided into two groups: production and marketing. Among the first group appears production management contracts and resource providing contracts. To the marketing contracts belong “cash forward” and basis difference contracts. There are many differences between them.

The production contracts specify in detail the production inputs supplied by the contractor (processor, feed mill, other farm operation or business), the quality and quantity of a particular commodity, and the type of compensation to the grower (contractee) for services rendered. Since contractors control the amount produced and the production practices that are used, they tend to dominate the terms of the contracts. One advantage of production contracts is that the grower and contractor share risks of both production and marketing of the commodity³.

The marketing contracts have different character. They establish a pricing mechanism, usually a set price for established quality grades, and identify delivery procedures. The parties set the rules of breeding, cultivation and harvest. The contractee also assumes all risks of production, but shares price risk with the contractor. Besides in some situation – except animal production – the contract may provide for a farmer some bonus (such as for certain fat level in the corn, sugar content in sugar beets ect.). Most management decisions remain with the growers since ownership is retained while the commodity is being produced. He makes all the decisions, however, the second party may make some suggestions.

² See: www.ers.usda.gov/Browse/FarmEconomy.

³ See: <http://www.ers.usda.gov/Briefing/FarmStructure/glossary.htm#contract>.

PRODUCTION CONTRACT IN AMERICAN LAW

Issues of conducting the contracts belong to the contract law, which is a part of private law [Tokarczyk 2000]. From the historical point of view, they are based on common law, and in most States its source is Uniform Commercial Code (UCC). However, there is a lack of one proper definition.

The term "production contract" has got many meanings, even consists of a group of contracts, which subject is agricultural production [Peck 2006]. It seems that those contracts are similar to Polish one, called "*umowa kontraktacji*" [Polish Civil Code]⁴. However it has been normalized as a special type of contract, what can not be said about American one. And because of many differentials among the State it is impossible to explicitly define its model or type. The impact of federal law on developing its elements is limited [Tokarczyk 2000]. There is no one coherent deed which regulates such issues. There are many regulations, but they only indirectly influence that matter. Federal legislation designed to recapture capital investment, enhance farmers' bargaining power to protect against unfair contracting practices, require that contracts be written in plain language, disclose material risks, guarantee producers three days to review contracts before signing⁵, implies promise of good faith is applied to all production contracts and introduces 30-60 days contract termination. Those provision were mentioned in 2000 in the so-called model-making Producer Protection Act.

Among the basis regulation in the meaning of major statutes there are 5 positions such as: Farm Security and Rural Investment Act of 2002 (FSRIA)⁶, Perishable Agricultural Commodities Act (PACA)⁷, Packers and Stockyards Act (PSA)⁸ and Agricultural Fair Practices Act (AFPA)⁹. Whereas to regulations belongs: Perishable Agricultural Commodities Act Regulations¹⁰, Rules of Practice for Reparation Proceedings¹¹, Packers and Stockyards Act Regulation¹² and Rules of Practice Governing Formal Adjudicatory Proceedings¹³. Furthermore American legislator listed here Federal Register Rules Open for Comment and Federal Register Digest.

The first regulation gives provisions in each contract between a producer and a processor for linked to the production of livestock or poultry. According to §229b (FSRIA) both parties can freely develop its provisions. And if in any marketing agreement between a producer and a processor for the sale of livestock or poultry for a term of 1 year or more, that provides that information contained in the contract is confidential, a party to the contract shall not be prohibited from discussing any terms or details of the contract with a Federal or State agency; a legal adviser to the party; a lender to the party; an accountant hired by the party; an executive or manager of the party; a landlord of the party; or a member of the immediate family of the party.

⁴ See: art. 613-626 Polish Civil Code, Dz. U. Nr 16, poz. 93.

⁵ Only working days are taken into account (without weekends and holidays).

⁶ 7 U.S.C. §229b).

⁷ 7 U.S.C. (Unites States Code), 1930 r. §§499a-499t.

⁸ 7 U.S.C. §§181-229.

⁹ 7 U.S.C. §§2301-2306.

¹⁰ 7 C.F.R. (Code of Federal Regulations) §§46.1-46.49.

¹¹ 7 C.F.R. §§47.1-47.49.

¹² 9 C.F.R. Parts 200-206.

¹³ 7 C.F.R. §§1.130-1.151.

In 1930, Congress enacted the Perishable Agricultural Commodities Act (PACA) to promote fair trade in the marketing of perishable agricultural commodities (such as fresh and frozen fruits and vegetables). Its sec. 449 b (PACA) says that it is unlawful for any commission merchant, dealer, or broker to engage in or use any unfair, unreasonable, discriminatory, or deceptive practice in connection with the weighing, counting, or in any way determining the quantity of any perishable agricultural commodity received, bought, sold, shipped, or handled in interstate or foreign commerce [Hueth and Ligon 1999]. Besides this each contractor, merchant dealer, broker is required to have a special license under the violations (sec. 449c PACA).

The following regulation, called Packers and Stockyards Act (PSA), relates to contracting the production and selling of livestock (cattle, sheep, swine, horses, mules, or goats) – whether live or dead. According to its provisions the term “production contract” means any grow out contract or other arrangement under which a production contract grower raises and cares for the animal in accordance with the instructions of another person, as animal rearing specialist. It might be a person who is engaged in the business of obtaining swine under contract for the purpose of slaughtering or selling (§182 PSA).

The last mentioned federal act relates to widely understood “good faith” in contracting. It cannot provide any discrimination methods in pricing, setting the quality of products, quantity, and ways of deliveries. In accordance to §2303 (AFPA) it is forbidden to force a farmer/producer to sign a contract or unilaterally change its provisions. As a producer must be understood a farmer, ranger or planter of fruits, vegetables and nuts. The regulation excludes from influence the cotton and tobacco (§2302/3e AFPA).

THE LEGAL PROTECTION OF PRODUCER IN AMERICAN LAW

In the state law a production contract can be defined as an agreement between an agricultural producer (a farmer) and a contractor, who most of the time is a legal person (for instance food processor). Its content determinates some specific productions’ provisions [Hamilton 1995]. In the matter of contracting the federal legal power is limited, thus each state has the opportunity to makes its own provisions. There are some states that have implemented special regulation. Among them there are: Arkansas, Georgia, Illinois, Iowa, Kansas, Minnesota and Wisconsin.

Quiet often the contracts are signed between parties who come from different states. This is the reason that some general rules had to be implemented to avoid problems in specifications and standardisations of its basis elements. Such a need arose at the end of 20th century and was caused by appearing new ways for increasing farmers’ incomes by using modern technologies, genetics and extended methods of marketing. It forced the contractor to look for new solutions that could fully protect his rights to produce and deliver products.

In 2000 the Attorneys General from 16 states proposed new laws to protect contract growers and producers that models its own provisions, called Model Producer Protection Act – (PPA)¹⁴. Its main goal was to ensure the balanced position of both parties, to

¹⁴ This model of PPA was sponsored by General Attorneys from Colorado, Indiana, Iowa, Kentucky, Minnesota, Mississippi, Missouri, Montana, Nebraska, North Dakota, Oklahoma, Vermont, West Virginia, Wisconsin and Wyoming.

protect the farmer from exaggerated and one-sided risk. The act has implemented many definitions and legal answers in contracting.

According to §2 PPA as agricultural contracts must be understood both production, as well as marketing contract. It is a contract that relates to the production of a commodity owned by an active contractor and produced by him and sold to the processor. The subject of this contract might be providing feed or services relating to the care and feeding of livestock, milking the dairy cattle and storing raw milk and planting, raising, harvesting, and storing a crop.

An agricultural contract imposes an obligation of good faith (§3 PPA). Whereas §4 PPA orders that it must be accompanied by a clear written disclosure statement which must meet the readability. In addition the statement shall set forth the nature of the material risks faced by the producer if the producer enters into the contract. A producer may also cancel a production contract by mailing a written cancellation notice to the contractor within three business days after the contract is executed, or before a later cancellation deadline if a later deadline is specified in the contract.

A contractor or processor shall not enforce a provision in an agricultural contract if the provision provides that information contained in the agricultural contract is confidential (sec. 6 PPA). The confidentiality provision is void whether the confidentiality provision is expressed or implied; required or conditional; contained in the contract, another agricultural contract, or in a related document, policy, or agreement. This section also does not require a party to an agricultural contract to divulge information in the agricultural contract to another person.

PPA provides a special protection for a producer if he does not receive the payment (*Production Contract Lien*). A lien established under §7 PPA depends upon the execution of a production contract that provides for producing a commodity owned by a contractor by a contract producer at the contract producer's contract operation. The producer has the line from his production means and then from his property.

Quite often to perform the obligations set up in the contract, a producer must make capital investments, like new buildings, extending the number of machineries. So he takes a certain financial risk. It may consider the cancellation of contract and it is not terminated during the amortization, etc. To reduce such risk legislator implements a special provision if capital investments exceed \$100,000. If contractor has not fulfilled his obligation, and producer has not delivered goods, a contractor shall not terminate, cancel, or fail to renew a production contract until has provided the contract producer written notice of the intention to terminate, cancel, or not renew at least 90 days before the effective date of the termination, cancellation, or nonrenewal. The contract producer might be reimbursed for damages and they shall be based on the value of the remaining useful life of the structures, machinery or equipment involved. But if the contractor fulfill the obligations and producer has not done them yet than contractor may provide a written notice of termination, cancellation, or nonrenewal at least 45 days before the effective date of such an action. The contract producer fails to remedy each cause of the breach as alleged in the list of complaints provided in the notice within 30 days following receipt of the notice (§8 PPA).

The mentioned act relates also to unfair practices. It is forbidden to limit the producers' production rights, give the false information or use the rules of unfair competitions. Any provision of an agricultural contract which waives a producer right or an obligation of a contractor or processor established by this Act is void and unenforceable

(§10 PPA). Also any condition, stipulation, or provision requiring the application of the law of another state in lieu of this act is void and unenforceable. It has to be passed the law of the state where the farm is located. It gives more proper legal protection among the states.

According to §12 PPA an agricultural contract must contain language providing for resolution of disputes concerning the contract by mediation. If there is a dispute, either party may make a written request to the state for mediation services as specified in the contract, to facilitate resolution of the dispute. It is very important that the parties must receive a release from the mediation service before the dispute can be heard by a court. The matter that has been involved in PPA provides also some penalties, insurance and enforcement. In each state the Attorney General's office is the agency primarily responsible for enforcing them (§13 PPA).

REGULATION OF PRODUCTION CONTRACTS IN SELECTED STATES

As it was mentioned before, drawn up by General Attorneys the model of PPA was only a proposal for regulation without the legal power. It has roughly delimited some legal frames for rules which became a law in some states [Zawada 2006]¹⁵. The existing state laws regulating production contracts reveal two differing philosophies about the role of state regulation, focusing either on substance or process. The first type, characterised by Iowa creates substantive rights and protections for producers, and provides producers with broad license to police contractor behaviour through private rights of action [Peck 2006]. The second type (and more recent trend), characterised by the Illinois law focuses on regulating contract formation and performance with provisions intended to equalize bargaining power (including comprehension and access to information) and the amount of financial risk to the parties in the event of termination or change in the relationship.

One of the leading states in the US has been Iowa, which has a proper legislation in place [Zawada 2006]. It is caused by excellent agriculture and significant industry. Iowa law includes several separate provisions regulating the content and performance of production contracts. Chapter 202 art. 1 of the Iowa Code prohibits use of confidentiality clauses in contracts for the production of livestock, raw milk, or a crop. Under the law, a confidentiality clause in any form is unenforceable, but the clause is severable and any unaffected provisions of the contract may be enforced. A contractor who executes a production contract with a confidentiality clause is guilty of a "fraudulent practice," classified as an aggravated misdemeanor under Iowa criminal law (art. 5 chapter 202 and art. 8 and art. 11, chapter 714 Iowa Code 2003).

Chapter 579B of the Iowa Code creates the first agricultural lien for contract producers. The lien creates a security interest for any producer of livestock, raw milk or crops under a production contract, and applies to the commodity or, if sold, to the proceeds from the commodity. The lien is perfected by filing a financing statement with the secretary of state and terminates one year from the date the commodity is no longer under the authority of the contract producer.

¹⁵ Among them is: Arkansas, Georgia, Illinois and Kansas.

In last example, chapter 654B of the Iowa Code provides a mediation process for disputes arising out of livestock care and feeding contracts. Voluntary mediation may be requested by the producer (“farm resident”) for any dispute, and mediation is mandatory before a producer may file suit in court (with exceptions for potential irreparable harm or claims included in a class action). Judicial review is limited to whether, based on clear and convincing evidence, the mediator’s decision is an abuse of discretion.

Illinois is the only state where Agricultural Production Contract Code (APCC) was adopted. Effective January 1, 2005, Illinois’ APCC, title 505, sections 17/1 through 17/99, of the Illinois Compiled Statutes, was intended to “ensure fairness and clarity in the contracting process”¹⁶. The provisions of the Illinois law appear to serve two primary functions: first, equalizing bargaining power between contractors and producers; and second, redistributing the economic risk of changes in the relationship by providing legal protections for producers against some of the most potentially damaging unilateral changes by contractors. This law applies only to contract with a duration of longer than 30 days (sec. 10).

On the basis of sec. 20 Illinois’ Code provisions relating to readability and indexing of the contract ensure equal understanding of the contract’s terms by producers and contractors. This rule is related both to the subject of the contract, as well as its form. The law permits confidentiality clauses but ensures that producer bargaining power will not be adversely affected by such clauses by requiring that the producer be permitted to discuss the contract with certain advisors, business partners and family members (sec. 30). To ensure full disclosure, the law requires “special provisions,” such as requirements related to disease protocols or grain identity preservation, should be fully explained in the contract¹⁷.

Code’s provisions strictly limit unilateral termination or alteration by the contractor to help equalize the risk of changes in the relationship for the contractor, which may have thousands of producers under contract, and the producer, which may depend on the contract at issue for his or her livelihood. In general, on the basis of sec. 45, a contractor who terminates a contract must give notice and compensate the producer for any capital investments required by the contract. Like the termination or alteration provisions, this law is geared toward equalizing the parties’ risk of loss in the event of termination of the relationship. Contractor can do it within 60 days. In addition, the Illinois Attorney General has enforcement authority for violations relating to the contract structure, with fines of up to \$10,000 per violation. Producers have a private right of action relating to the contractor’s performance of the contract (termination, alteration, and compensation for capital investments. A claim that a production contract violates this Act must be filed within 4 years after the date on which the party alleging the violation knew or should have known of the existence of the violation (sec. 55).

As it was mentioned before, since the proposal of the MPPA in 2000, several states (Arkansas, Georgia, Illinois and Kansas) have passed legislation regulating production contracts, though, as anticipated, the terms of these laws vary significantly from the MPPA and from other state laws.

Appropriately the new Arkansas Livestock and Poultry Contract Protection Act (ALPCP), section 2-32-201 of the Arkansas Code,¹⁵ applies to production contracts for

¹⁶ See: title 505, chapter 17/1-17/99 (ILCS),(2004 & Supp. 2005).

¹⁷ See: title 505, chapter 17 (ILCS), section 5 – definitions.

livestock and poultry entered into on or after September 1, 2005¹⁸. The Act affects only a few aspects of production contracts and applies only to livestock and poultry contracts. Substantively, the Act requires: 1. readability and disclosure requirements for production contracts; 2. requirements including disclosure of a list of “material risks” such as contract duration, termination provisions, and provisions affecting calculation of a grower’s compensation (sec. 201(b)1); 3. prohibition of unfair or deceptive trade practices or other violations of law (sec. 201(b)2) and prohibition of any terms (such as confidentiality clauses) that would inhibit growers from associating and comparing contract terms (sec. 201(b)3), prohibition of any terms (such as confidentiality clauses) that would inhibit growers from seeking professional, legal, financial, or agricultural advice relating to the contract (sec. 201(b)4), and 4. guarantee of the right to file suit in court (sec. 201(b)5)(A) and (B).

Next State where are in force special provisions for production contract is Georgia. Georgia’s production contract law, sections 2-22-1 through 2-22-5 of the Georgia Code (GC) provides some protection only for poultry contract growers through limited regulation of the bargaining process and of compensation determinations¹⁹. According to sec. 2 GC, the law regulates the bargaining process by requiring that a grower be permitted to review the contract with advisors for three days prior to execution, and, with limited exceptions, be entitled to cancel the contract for three days after execution. Besides the law regulates the contractor’s actions under the contract by providing that the grower has a right to statistical information affecting compensation under the contract and a right to be present during weighing that affects compensation under the contract (sec. 4GC). The law provides for a private right of action for violations, consistent with that provided by Georgia law for unfair or deceptive business practices (sec. 5 GC).

Kansas has separate laws regulating swine production contracts and poultry production contracts²⁰. On the basis of sec. 15.1d (chapter 16 Kansas Law) if the contractor is a member of cooperative, than this company is liable for claims against performing the contract, payments and delivery. But in the case, the contract can not be performer, and the capital investments of exceed at least \$100,000 and with a useful life of at least five years the contract may not be cancelled without 90-day written notice. But if the producer who receives the notice fails to correct the reasons stated for termination or cancellation in the notice within 60 days of receipt of the notice. All arbitration proceedings held pursuant to this act shall follow the procedures set forth in K.S.A. 5-201 et seq., and amendments thereto. If the parties cannot agree upon a mediator or arbitrator, either party may make a written request to the secretary of agriculture for mediation or arbitration services to facilitate resolution of the dispute.

Kansas’ poultry production contract law, closely resembles Arkansas’ production contract law, with a few important differences. First, the Kansas law applies only to poultry production contracts. Second, while requiring a disclosure of “material risks,” the phrase is not defined in the Kansas law. Third, Kansas expressly protects contractors from disclosure of trade secrets (sec. 17 pkt. 1b(1)).

¹⁸ Arkansas Code ANN. §2-32-201 (Supp. 2005); Acts 2005, No. 1253, §1.

¹⁹ Georgia Code ANN. §§2-22-1 do 2-22-5 (Supp. 2005). Code 1981, §2-22-1, enacted by Georgia Legislator 2004, p. 688, §1.

²⁰ See: Kansas Statutory ANN. §§16-1501, 16-1506 (1995).

The last state to special provisions on production contracts are in force is Wisconsin. In 1993, Wisconsin became the second state to substantially regulate production contracts through regulations governing “vegetable procurement contracts,” at sections 101.01-101.07 of the Agriculture section of the Wisconsin Administrative Code. According to chapter 101.02(1) of ATCP (*Agriculture, Trade and Consumer Protection*) parties have to prepare written contract. In the same form should be done a cancellation notice to the contractor within 72 hours after the producer receives a copy of the signed contract, or before a later cancellation deadline if a later deadline is specified in the contract (§101.02(2)). The farmer is obliged to disclosure related to requirements not to harvest some acreage and its reason (such as plantation’s devastation, drought, an overdose of pesticides that does not meet the quality norms, etc. Each contract has to make identification of harvesting responsibilities. If the producer is responsible for harvest, the contract shall not state or imply that the contractor will provide harvest equipment or services unless the contractor is equipped to meet the reasonably foreseeable demand for harvest equipment and services on a timely basis. Under every contract, the contractor shall agree to submit contract disputes to impartial arbitration at the request of the producer (§101.02(5)).

The contract has to be free from some provisions, like: charging producers more than fair market value for seeds or services; relieving the contractor from liability for its negligence or shifting contractor liability to the producer; failing to pay the producer according to the contract terms; misrepresenting contract terms as an inducement to the producer to sign an agreement; conspiring to fix prices or restrain trade; refusing to contract with a producer in retaliation for certain actions by the producer, such as filing a complaint with the government, seeking arbitration of a dispute, or associating with or organizing other producers and charging a producer for defective seed for which the contractor has been reimbursed.

Wisconsin law also includes a limited regulation of livestock production contracts (defined to include poultry). The law, section 100.04 of the Wisconsin Statutes, requires that livestock production contracts contain provisions defining the distribution between the owner of the livestock and the possessor of the livestock of any payments received in the event of destruction due to “disease, fire or other unanticipated cause.

CONCLUSIONS

Agriculture in the United States has seen a steady movement towards the increased use of production contracts. Most of the states regulate their provision independently, what allowed the juridical system. There is no uniform legislation at the federal level. There are only a few legislations that influence contracts but their scale is limited.

At the beginning of nineties in some states were made provisions and were set up rules of the so-called law of agricultural contracts. With some amendments it has been in force. The turning point was in 2000 when the model of legislation that regulated obligations and rights of parties, called *Producer Protection Act (PPA)* was introduced. Some, states, mostly rural, have started to implement its provisions into state law. Thus the law of agricultural contracts has been enriched with some codes, like in Illinois.

At first states' legislators specified producer's rights. Nowadays, they are focused on process of contract shaping, redistribution of production risk and its termination. A wide range of contracts facilitates making the proper selection according to who delivers means of production, services, etc.

The production contracts have changed their free nature between producers/farmers and contractors. First, they are not anymore the owners of the plantations and livestock, but they are allowed to produce them and deliver according to the conditions made by contractor. The last can be the processing plant, seeds station, slaughter house or food processing plant. Besides such contracts foresee new obligations and financial consequences for both parties. They absolutely change the way and place of making production decisions.

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ROLNICZA UMOWA PRODUKCYJNA W PRAWIE AMERYKAŃSKIM

Streszczenie. Obecnie większość produktów rolnych jest wytwarzanych i dostarczanych w oparciu o umowy produkcyjne. Istnieje wiele typów kontraktów, które potencjalnie mogą być zawierane przez rolników z przetwórcami, pośrednikami, etc. Zawierając umowę producent rolny zmniejsza ryzyko produkcji oraz stabilizuje dochód. Z uwagi na to, że pomiędzy poszczególnymi stanami istnieją duże różnice we wzorcach omawiany kontraktów, dlatego też nie jest możliwe określenie jednego wspólnego ich modelu.

Słowa kluczowe: umowa, kontraktacja, umowa marketingowa, umowa produkcyjna, integracja horyzontalna, współpraca horyzontalna

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