

Cereal Sellers' Checklist

1. Before agreeing a contract

- ✓ Grow for a market
- ✓ Check assurance scheme requirements
- ✓ Manage price volatility

Avoiding the most common problems associated with cereals sales contracts

2. Agreeing the contract

- ✓ Check the price offered or calculation method
- ✓ Check delivery terms
- ✓ Consider asking for special clauses
- ✓ Discuss possible destinations for the grain
- ✓ Exchange contact numbers
- ✓ Ensure you receive the written confirmation promptly

3. Delivering the contract

- ✓ Keep a representative sample of each load
- ✓ Check lorries for cleanliness
- ✓ Ask to be notified of any claims before a load is tipped

Produced by AHDB Cereals & Oilseeds, on behalf of the Cereals Liaison Group

1. Before agreeing the contract

Grow for a market.

- Know exactly what quality and variety you intend to sell and deliver
- Take representative samples as stores are filled and at outloading
- Sampling and testing are key to knowing what you have to sell

If the quality delivered matches the quality sold, problems will not arise.

Check assurance scheme requirements.

Crop assurance is now required on the vast majority of crop sales. As such, it is important to remain aware of the standards as they evolve.

Manage price volatility.

Combinable crop markets remain volatile, so it is important to have flexible marketing plans in place and to develop a long-term business strategy to manage the impacts. There is no 'one size fits all' approach to crop marketing, so it is important to weigh up all the options, for example, averaging, pools, target/stop-loss prices and minimum price contracts. Longer term, ensuring that the business is cost-competitive and resilient, for example, building cash reserves in the good times, is key to surviving volatility.



2. Agreeing the contract

A contract is made when both parties agree to a transaction.

It is essential to establish all terms before finalising the deal. Any term can be negotiated but be aware that introducing more demanding terms may transfer risk, affecting the price.

The AIC No. 1 Contract sets out the rights and obligations of grain buyers and sellers. Grain buyers are obliged to make available the terms and conditions on which the contract is made. Additionally, NFU and NFUS members can view the AIC No. 1 Contract at www.nfuonline or www.nfus.org.uk

Check the contract basics.

- What contract is to be used?
- Are there any special terms or conditions in addition to the base contract? Are you willing to accept them?
- Are all the terms clearly stated?

Certainty is essential; do not be left in doubt.

Discuss the possible destinations for your grain before making the deal.

- Do you wish to exclude certain destinations?
- Does the receiver have any special terms?
- Is there a distance over which you do not want your grain delivered (eg 50 miles)?

Before selling, it is important to satisfy your needs on distance and risk of rejection. Bear in mind that the price obtained will reflect the level of risk accepted.

As a seller, you need to be aware of any separate final receiver's terms. Discuss this issue in detail or obtain a copy of them before you sell.

Check the price offered or calculation method.

- When will you be paid?
- Can you negotiate pre-payment or early payment?
- What are the penalties for sub-standard delivery?
- Are there any special terms and conditions proposed by the buyer?

The risk of rejection is best tackled by agreeing discount scales before the contract is concluded.

Be aware, especially if selling pre-harvest, of the potential replacement costs you may be called upon to meet under the contract.

All items applying to the price of a contract are negotiable. If you feel strongly about them, you should ask for changes to the contract terms.

Check delivery terms.

- Is there provision for extension?
- Can you agree new payment terms if this applies?

Specify a clear delivery period.

Under the AIC contract terms, delivery/collection is at the buyer's call. Are there any days during the period of delivery on which you are unable to move grain? Agree these before making the contract.



Consider asking for special clauses to be inserted to suit your own situation and have them stated in the confirmation note.

The negotiation phase is more important than simply agreeing price, quality and delivery period. Every grower should consider their situation and ask for specific requirements to be considered in 'special clauses' in the contract (eg no weekend collections, or any access restrictions). See AIC Contract No. 1/06 clause 4.

Consider the weighbridge charges.

- What are the weighbridge charges?
- Do the charges vary on load size?
- Can they be included in the price?
- Will the receiver accept this?

It is the seller's responsibility to pay for weighing of unweighed goods.

Consider moisture discount scales (fallbacks).

- What is the moisture content (max and min) for the contract price?
- What is the maximum level before rejection?
- What is the scale of moisture discounts applying to the price?
- Under what circumstances might a moisture premium be paid?

Similar fallbacks can be applied to the specific weight, Hagberg falling number, screenings, protein content and nitrogen content. Establishing fallbacks in this way can avoid expensive haulage charges resulting from rejection or redirection and give guidance to a seller in planning deliveries to different receivers depending on assessment of stocks.

Establish what feedback will be received on delivered goods.

- What information will be passed back on quantity and quality from delivery, and when and how?
- Can this be done on accepted loads as well as 'problem' loads?

Some receivers are able to assist in this area, while others cannot, so it is important to establish what is possible before sale.

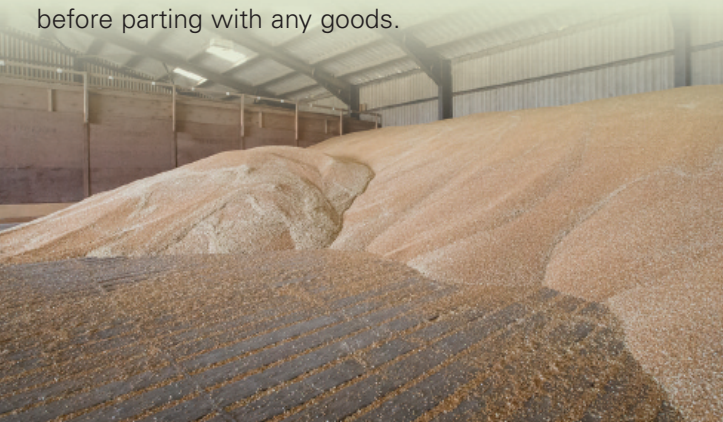
You may insist on being notified of any claims before a load is tipped unless there is a fallback provision but there may be a cost for delaying the vehicle.

Ensure that you and your buyer have all possible contact numbers.

Nominate a specific person to deal with problems in your absence.

Ensure you receive the written confirmation promptly.

Check that all of the terms (price, quality, variety, quantity, delivery period, payment terms and any special conditions) are as agreed. If they are not, tell the buyer immediately, otherwise your silence will be taken as acceptance. Obtain an amended confirmation before parting with any goods.



3. Delivering the contract

Double-check the load.

Check which variety is being loaded. The grain should be sound, in a merchantable condition and free from contamination.

Keep a sealed, representative sample of each load taken.

Label samples with vehicle details (registration and trailer number), farm name, store and bin name/number, date and time, and variety.

Store samples in airtight containers in a cool, dry place, safe from rodent attack.

Retain the appropriate samples until payment has been received for the load.

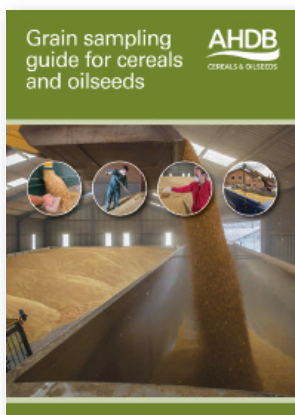
These samples will not be contractual for the purposes of the determination of quality or condition at the delivery point but they may help if problems arise.

Check lorries for cleanliness prior to signing the grain passport.

Get a receipt for every load you despatch.

The receipt should show the nature of the goods loaded, the approximate weight, the vehicle registration and trailer number, the name of the haulage company, the date and time, and the contract number. In addition, the driver should print their name clearly, and sign.

See: *Grain sampling guide (AHDB Cereals & Oilseeds)*



Claims and rejections

Claims should be notified as soon as possible and written confirmation should be posted within two business days of the goods arriving at their ultimate UK destination.

If they are not, the buyer will not have complied with the terms of the contract and you will not have to accept them unless the contract already has a sliding scale of price (fallbacks) against quality on delivery.

If a claim/rejection is notified and you dispute it, you have the right to request that a sealed sample is sent for independent testing by an agreed analyst. Also, ensure you have the contractual right to be represented when that sample is taken. The costs of independent sampling and analysis are for the grower if the claim/rejection is upheld.

Summer 2016

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