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# IDEAL MATUNDA FARMER GROUP PARTNERSHIP PROGRAM

TEMPLATES FOR PARTNERS IN THE AVOCADO VALUE CHAIN

**AUGUST 2008**

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# IDEAL MATUNDA FARMER GROUP PARTNERSHIP PROGRAM

TEMPLATES FOR PARTNERS IN THE AVOCADO VALUE CHAIN

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# IDEAL FARMER GROUP PARTNERSHIP PROGRAM AGREEMENT

IDEAL PARTERNSHIP PROGRAM AGREEMENT made this \_\_\_\_\_ day of **September 2008** between IDEAL MATUNDA LTD of P.O Box 42918-00100, Nairobi, Kenya (hereafter referred to as IDEAL), and IDEAL Farmer Group, \_\_\_\_\_, hereinafter referred to as the IFG whose address is P.O Box \_\_\_\_\_;in \_\_\_\_\_ District; \_\_\_\_\_ Division; \_\_\_\_\_ Location; \_\_\_\_\_ Village.

This agreement specifies the terms and conditions covering the IDEAL Partnership Program. Farmers are required to fully comply with the covenants described in this and all other documentation provided by IDEAL.

## Table Banking

1. The Farmer agrees to:

1.1 Participate in all aspects of Table Banking, including:

- 1.1.1 Regularly attend monthly meetings
- 1.1.2 Use pay for and use documentation provided by IDEAL
- 1.1.3 Follow the IFG and IDEAL bylaws on Table Banking
- 1.1.4 Contribute 200 Ksh to the IFG Table Banking account
- 1.1.5 Contribute 200 Ksh annually to the credit-life insurance fund
- 1.1.6 Pay IDEAL a one (1) percent Table Banking management fee based on the monthly account balance

*Failure to comply with all aspects of the Table Banking will result in penalties and fines as described in the bylaws and possible expulsion from the IFG.*

2. IDEAL agrees to:

Attend, supervise and support monthly meetings, including training and continuous oversight in record keeping and assistance in dispute resolution  
Provide IFG with savings and loan documentation  
Provide IFG with standard group savings and loan bylaws  
Settle outstanding member financial obligations to the group in the case of death from credit-life fund

## Production Support

3. The Farmer agrees to:

Regularly attend monthly meetings (concurrent with Table Banking)

To complete and provide IDEAL with a detailed production plan (the production plan animates fertilizing and spraying regimes, which in turn drives yield forecasts, and the purchase of fruits by IDEAL)

To follow all agronomic recommendations made by IDEAL. Agronomic refers to the science of soil management and the production of tree fruits and field crops. In addition, IDEAL farmers will:

- 3.3.1 Adhere to the agreed harvest and collection schedule (contained in the production plan)
- 3.3.2 Deliver tree fruits to the agreed upon collection center
- 3.3.3 Conform to the highest standards of handling produce in order to maintain yields amounts and quality
- 3.3.4 Use IDEAL supplied crates for packing and shipping tree fruits; to reimburse IDEAL for lost or damaged crates (500 Ksh per crate)
- 3.3.5 Provide security for tree fruit from the farm to the collection center until graded, accepted and purchased by IDEAL

Participate in the IDEAL Agricultural Finance Program for spraying and fertilizing:

Receive a loan from IDEAL to cover all costs of spraying and fertilizing based on the production plan

Repay the IDEAL loan through a deduction of the final settlement price when fruit is graded, collected and sold to IDEAL (details provided in the production plan and loan agreement)

Provide water for mixing appropriate chemical applications

Make necessary arrangements for each farmer to have appropriate facilities for disposal of agrochemical waste that may arise from the agrochemical spraying activity; this includes disposals pits for solids and liquids

Provide necessary oversight/supervision to IDEAL agrochemical service providers to ensure completed to the satisfaction of IFG and the farmer

Sign a Service Delivery Note (SDN) issued by IML service provider on completion of each spraying service cycle per farmer. The Service Delivery Note indicates the date of spraying, name of service provider, name of farmer, chemicals sprayed, number of trees sprayed, and the price charged for each tree/pumps sprayed and the total amount expected to be paid. The IFG will have each member of the IFG sign the Service Delivery Note for trees sprayed

Make arrangements for member farmers to evacuate children, livestock and remove animal/human food near the spraying area at the time of the spraying activity

Maintain proper records of pesticide usage and crate control

*Failure to comply with all aspects of Production Support will result in reduced yields and lower quality which ultimately decreases farmer income; non-compliance with the production plan and IDEAL Agricultural Finance Program will result in possible legal action and lifetime expulsion from the IDEAL Partnership Program.*

4. IDEAL agrees to:

- 4.1 Undertake a technical analysis of farming practices currently employed by farmers and develop a suitable farmer education program on how to improve orchard management
- 4.2 Provide training in produce harvesting, handling and grading techniques as needed
- 4.3 Develop a detailed production plan that includes a spraying schedule and information on harvesting, grading and collection
- 4.4 Issue a Service Delivery Note for spraying services provided
- 4.5 Provide adequate crates to farmers as necessary
- 4.6 Identify convenient collection centers

4.7 Issue relevant delivery notes to each IFG for all the fruits collected at any given date

## **Purchase of Produce**

5. The farmer agrees to:

5.1 Make available all avocado tree fruits, grade I and II, for IDEAL to purchase (this means not side selling to any others); selling to others constitutes a significant and serious breach of trust and contract with IDEAL that will result in (a) other members in the group covering losses stemming from that specific farmer's actions, (b) possible legal action taken against that farmer and the group; lifetime expulsion from the IDEAL Partnership Program

6. IDEAL agrees to:

Purchase fruits at a premium price as indicated in the annex to this agreement and in the IDEAL Agricultural Finance Program loan agreement  
Not to discount the purchase of fruits; to pay in full  
Ensure that farmers receive payments for fruit less IDEAL loan costs  
Expedite payment to IFG bank account within seven (7) business days

## **7. Duration of the IDEAL Partnership Program Agreement:**

This agreement will be effective until either party – IDEAL or the IFG or the farmer – terminates the agreement in writing. The Annex will be updated each production season, in addition to the production schedule and other attending documentation.

## **8. Termination:**

- 8.1 Either party may terminate this agreement for non-compliance by giving a three (3) month written notice
- 8.2 At the termination of this agreement, IDEAL will provide the IFG with necessary records kept on its behalf provided that the IFG is in compliance with this and all other agreements with IDEAL
- 8.3 The IFG will pay IDEAL for its services rendered on a time-prorated basis through the termination of the agreement.

## **9. Natural Calamities:**

- 9.1 Where loss is attributed to natural calamities (e.g. acts of God - flooding, earthquakes, drought) neither will be held responsible or liable for any losses.

## **10. Breach of Contract**

- 10.1 Should the IFG deliver contractually obligated agreed fruits, which do not meet the agreed quality standards, IDEAL reserves the right of rejection. The farmer may choose to resubmit after sorting; however, IDEAL is under no obligation to accept produce, which is not up to standard.
- 10.2 Should the IFG fail to deliver fruits as per mutually agreed schedules, the IFG will bear the loss for spoilt or uncollected fruit, and/or compensate IDEAL accordingly.
- 10.3 Should the IFG terminate or breach this agreement unilaterally without proper notification, it will be liable to pay the equivalent of a full season's expected profits from their orchards to IDEAL.
- 10.4 Should the IFG fail to follow the procedure detailed in this agreement, it will be warned verbally and in writing. After three written warnings IDEAL reserves right of termination.





# IDEAL FARMER GROUP PARTNERSHIP PROGRAM AGREEMENT ANNEX

## Spraying costs:

- 40.00 Ksh per tree per spray plus 5.00 Ksh finance cost equals a total cost of 45.00 per tree
- Farmers must adhere to spraying regime provided by Ideal and outlined in the production plan
- Under perfect conditions, trees will be sprayed seven (7) times per year

## Purchasing:

- Fruit will be purchased per piece
- Minimum prices
  - Grade 1
    - Fuerte: 4.00 Ksh
    - Hass: 4.50 Ksh
    - Pinkerton: 4.50 Ksh
  - Grade 2
    - Fuerte: 7.00 Ksh per kg
    - Hass: 7.00 Ksh per kg
    - Pinkerton: 7.00 Ksh per kg

*Condition changes that affect prices listed above will be reflected amendments to the purchase agreement.*

## Grade 1 specifications:

- Fuerte: 12,14,16,18 and 20
- Hass: 12,14,16,18, 20, 22, and 24
- Pinkerton: 12,14,16,18, 20, 22, and 24

## Fruit quality requirements:

- Free from pests, wounds, scars, bruises
- Free from mud, dust or other debris
- Not broken or damaged in any manner
- Picked with the remains of the stalk up to 10mm, intact
- Fresh and not pre-wilted by sun-burn or other sources of heat
- Naturally green, not tainted by disease, smoke, etc.

## Grade 2 specifications:

All fruit that cannot be sold as grade 1.

# IDEAL FARMER GROUP PARTNERSHIP PROGRAM AGREEMENT DESCRIPTION

Table Banking, agricultural production support services, and the purchase of contractually-agreed upon produce

## Table Banking

- Mandatory for all farmers seeking to partner with IDEAL on agricultural production and sales; it promotes group solidarity and meeting attendance as a means to mobilize resources
- Self-managed saving and credit organization for IDEAL Farmers
- IDEAL provides management oversight and support for a small fixed monthly fee
- The group mobilizes savings from its members at a minimum 200 Ksh per month
- Each month the escalating balance is lent to its members with interest determined by the IFG
- Profits are shared out as dividends at the end of the year to IFG members
- Members are required to participate in a credit-life insurance plan on an annual basis
- Used to disburse IDEAL agricultural finance and pay farmers for their produce after deducting IDEAL costs
- Continuous support throughout the year – not driven by agricultural seasonality or based on a specific crop

## Production Support

- Advice on agronomic practices from qualified IDEAL professionals on orchard management, including: site preparation (fertilizing), grafting, pruning, spraying (disease control), harvesting, grading, etc
- Post-Harvest Handling and Distribution
  - Crates for safe packing and transport to collection centers
  - A convenient collection center grading and packing
  - Grading at the collection center considered final
  - Secure transport to market
- IDEAL Agriculture Finance
  - (1) Affordable loans to finance spraying for pest and disease control administered through the Table Banking account financed by IDEAL
  - Professional IDEAL spraying service providers and extension staff, guaranteeing reliable inputs and appropriate applications
  - (2) Affordable loans for fertilizers
  - Professional IDEAL service providers and extension staff, guaranteeing reliable fertilizers and appropriate applications
- Increased yields and quality improvements not previously realized

## Purchase of contractually-agreed upon produce

- Buying IFG produce at the farm gate, at full price (no discounting ) and at a premium price
- Reliable payments deposited into farmer bank accounts with in seven (7) business days

# DECLARATION OF IDEAL FARMER GROUP RIGHTS AND RESPONSIBILITIES

## *PREAMBLE*

An IDEAL Farmer Group (IFG) is a group of Kenyan citizens who have voluntarily joined together to participate in the IDEAL Matunda (hereafter referred to as “IDEAL”) Partnership Program in Table Banking, agricultural production support, and the purchase of contractually-agreed upon produce. IDEAL offers an exclusive partnership with farmers by vertically integrating agricultural value chains, helping both parties overcome obstacles that stand in the way of long-term development and profitability such as access to finance, agronomic best practices and reliable markets that offer market-driven prices.

Therefore, IDEAL’s primary goal is to increase the economic and social well-being of Kenyan smallholder farmers and their families by dramatically increasing agriculture production yields and quality improvements. In order to reach this goal, both IDEAL and the IFG, and its members, must actively and responsibly fulfill certain obligations. As a formally constituted participant in the IDEAL partnership program, every IFG, as represented by each of its members, has specific **rights and responsibilities** that are fundamental to the mutual success of both IDEAL, the IFG and each of its members.

## *I. RIGHTS*

A. An IFG and each of its members, who have fulfilled the requirements for participation in the partnership program, has the right to receive, equally and without discrimination, access to Table Banking, agriculture production support, and the purchase of contractually-agreed upon produce. Production inputs will be financed through IDEAL and the IFG Table Banking account.

B. Each IFG has the right to freely decide its own membership, basing its decision on the ability, capacity and willingness of each individual farmer to receive production support, purchasing services and access to finance from IDEAL, including compliance with these three essential elements of the IDEAL partnership program. Each IFG will establish its own criteria regarding dependability, trustworthiness, and dedication to principles of the IFG and partnership with IDEAL. In addition, the IFG has the right to reject any undue or unreasonable interference or imposition on the process of member selection by an IDEAL representative.

C. During its initial group formation and at any time thereafter that it should be considered necessary, the IFG has the right to democratically elect or dismiss its own Committee, made up of a Chairperson, Treasurer, and Secretary.

D. The IFG has the right to determine various aspects of its **bylaws**: such as member attendance rules and regulations; amounts, reasons and procedures for fines and penalty collections; and membership requirements beyond those established by IDEAL.

E. An IFG has the right to full and complete information regarding all aspects of IDEAL's production, produce purchasing, and Table Banking policies and procedures. An IFG, as a whole or individually, has the right to approach any staff member of IDEAL for clarification of any rules or regulations.

F. Upon completion of the production cycle and the fulfillment of all financial obligations to IDEAL, the IFG and its individual members have the right to payment for its produce within a reasonable timeframe (generally not more than seven (7) working days).

G. Each IFG has the right to freely decide the management and use of its member's required Table Banking account but not to deviate from the basic requirements established by IDEAL, including:

- The right to determine monthly savings' quotas but at a minimum to save 200 Ksh per member each month.
- The right to democratically decide internal account loan amounts, terms and interest rates but to at all times to remain in absolute compliance with IDEAL Table Banking principles. The internal account constitutes member savings and not funds lent by IDEAL.
- The right to set up its own system or criteria for determining who among its members will receive an internal account loan but at all times to remain in compliance with IDEAL Table Banking principles.
- The right to determine fines, penalties, and collection procedures for late or non-repayment of internal account savings and loans.
- The right to take any judicial or extra-judicial steps to recover funds owed to the group by individual members or funds owed to IDEAL.

H. The IFG has the right to any and all profits resulting from the management of its Table Banking internal account, according to group bylaws, after any monies owed to IDEAL have been paid in full.

I. An IFG has the right to obtain, each and month, at the monthly meeting, receipts for funds repaid to IDEAL (should this be the case).

J. Once all financial obligations to IDEAL are fulfilled, the IFG has the right to voluntarily dissolve its affiliation with IDEAL.

K. An IFG has the right to obtain a letter informing it of any changes regarding IDEAL policy or procedures.

## II. RESPONSIBILITIES

A. An IFG has the responsibility to insure that all of its members faithfully and responsibly follow their **bylaws** and adhere to all rules and regulations outlined in documents provided by IDEAL (Partnership Agreement, Rights and Responsibilities, etc). If a farmer does not adhere to these rules, IDEAL may eliminate them from the IFG.

B. In consideration of the fact that IFG meetings involve the discussion of agricultural production best practices, produce purchasing, and Table Banking which includes the management and the handling of potentially large sums of money, each IFG has the responsibility to guarantee a secure and adequate meeting location in order to properly house and insure the safety of IDEAL representatives, group members and funds.

C. Each IFG has the responsibility to follow the prescribed production schedule, and other agriculture practices established by IDEAL, including:

- To follow all technical recommendations made by IDEAL with regard to pruning, weeding, fertilizing, controlling pests and diseases, picking, sorting and grading of produce and maintenance of proper field and orchard hygiene.
- To supervise all matters pertaining to harvesting produce ensuring that immature or diseased fruits are not prematurely picked.
- To conform to the highest standards of handling produce in order to maintain yields amounts and quality.
- To adhere to the agreed harvest and collection schedule.
- To sell all produce on the farm to IDEAL as specified in the Partnership Agreement and Purchase Agreement.
- To maintain all collection crates in good order and hygiene. Company crates that are lost will be replaced at the group's expense at the rate of 500.00 Ksh per crate.
- To maintain proper records of pesticide usage and crate control.
- Not to side sell produce to other buyers (side selling will constitute a breach of contract forcing IDEAL to take legal action against the farmer and or/group if necessary).
- To provide the required information to IDEAL on the number and variety of agricultural crops (e.g. avocados) owned by IFG farmers.
- To pay for IDEAL services and production inputs, while following the agreed upon production schedule.

D. Each IFG, as represented by its democratically elected Committee, has the responsibility to maintain full and transparent records of all production practices planned and completed. In addition, the IFG must document transactions related to the receipt, management and repayment of IDEAL working capital loans provided to group members for spraying services, as well as the group's Table Banking internal account. IDEAL's documents officially represent all transactions and are the only documents legally binding in a Kenyan court of law.

E. Participation in the IDEAL Partnership Program requires full cooperation with IDEAL personnel. An IFG has the responsibility to provide IDEAL with full and accurate reporting of all production practices and procedures used, and in addition to financial information covering IDEAL working capital loans or Table Banking account activity at IFG meetings or upon demand by IDEAL.

F. An IFG has the responsibility to ensure that its members follow their bylaws and the Partnership Program Agreement with IDEAL, including prescribed agricultural production best practices and Table Banking policies and procedures. In the case of loan delinquency, the group has the responsibility to take all appropriate actions to recover funds due to either IDEAL or the group-managed Table Banking account. These actions should include, but not be limited to: immediate notification to an IDEAL representative of potential or actual problems; visits by designated group members to the home, farm or business of the member having problems; and any other options deemed necessary and prudent by IDEAL.

G. In the event of late or non-repayment of an IDEAL working capital loan by any individual member, each remaining member of the IFG is responsible for paying the delinquent member's loan from their own pockets or the group-managed Table Banking account.

H. IDEAL's activities are designed to assist Kenyan smallholder farmers and their families with limited financial resources so that they can help themselves. Additionally, IDEAL wishes to avoid placing an undue burden upon any one household. Therefore, an IFG has the responsibility to ensure that no two members of the same household are members of the same or any other IFG.

I. Any member of IFG has the responsibility not be a member of another IFG at the same time.

J. The members of an IFG have the responsibility to provide IDEAL with valid Kenyan identity cards or passports including up-to-date registration to participate in the Partnership Program. Additionally, all members must be able to answer questions asked by an IDEAL representative about IDEAL methodology (production, purchasing, Table Banking, spraying program loans) in order to participate in the partnership program.

K. An IFG has the responsibility to have a bank account with a recognized commercial bank in Kenya.

I have read and fully understand this agreement. I will faithfully honor the articles and representations contained within this document.

\_\_\_\_\_

**IDEAL Matunda, Managing Director**                      **Date**

Name	Signature	Date
1. (Chairwoman)		
2. (Treasurer)		
3. (Secretary)		
4. (Non-executive)		
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**For IDEAL office use only**

**Agro Business Development Officer:**

- I HAVE READ THE MEMBER TO IDEAL LOAN AGREEMENT TO EACH AND EVERY MEMBER.
- I ATTEST THAT ALL MEMBERS UNDERSTAND THIS AGREEMENT TO THE BEST OF THEIR ABILITIES.
- I HAVE WITNESSED ALL SIGNATURES AND VERIFY THAT THEY ARE CORRECT.

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**ABDO Name**

**Signature**

**Date**

# IDEAL FARMER GROUP BYLAWS

## Article 1: SCG Name and Address

This document serves as the official bylaws of IFG (name) \_\_\_\_\_, which is located at (address):\_\_\_\_\_. The members of the group are listed below.

## Article 2: Meetings

The members of this IFG agree that official meetings will be held on \_\_\_\_\_ (day) at \_\_\_\_\_ o'clock \_\_\_\_\_ at \_\_\_\_\_ (location.)

IDEAL Matunda or the IFG may decide to call additional meetings as necessary.

## Article 3: Rights of Members

- a. To receive training on financial services (e.g. Table Banking and external IDEAL loans), group management, and agronomic best practices, et cetra.
- b. To participate in IFG decision making with an equal representative voice and vote.
- c. To ask about, and be informed on, the overall status of the IFG and each individual member as it pertains to health and viability of the group.
- d. To withdraw individual savings from the IFG, the group must meet the following conditions:
  - i. If the group is current on its loan to IDEAL, then an individual can withdrawal his or her savings leaving the balance of interest and principle owed to IDEAL in savings.
  - ii. If the group is in arrears to IDEAL, then the arrears must be brought current before any individual can withdraw a portion of his or her savings.

## Article 4: IFG Governance

- a. Groups must register as Self-Help Group under the Ministry of Gender, Culture and Social Services.

- b. Each IFG must open and maintain a group bank account for the safe and secure custody of group funds.
- c. The signatories to the IFG bank account will include the chairperson, secretary, treasurer and one ordinary non-executive member. Signatures of any three, including the non-executive, are required to withdraw funds. The non-executive position will be selected by a majority vote of the IFG as are the executive members.
- d. The ownership of the IFG consists of its membership, which has ultimate authority and responsibility for the IFG and its assets and liabilities. This means that each member has equal rights, responsibilities and decision making power. For signing agreements and making binding contractual decisions, members must have meetings where there is a quorum of more than 50% in attendance. All binding decisions must receive support of 75% of attending members.
- e. The IFG must name an executive committee which is in charge of the management of the IFG. This committee is elected by the members of the IFG during general meetings.
- f. The executive committee consists of a chairperson, a secretary and a treasurer. The IFG may name other officers to the committee, if it votes to do so.
- g. **The Duties of the Chairperson:**
  - i. Represent the group in its dealings with IDEAL and its employees.
  - ii. Call for and preside over all official and extraordinary IFG meetings. IDEAL has the right to call for and preside over IFG meeting of any nature at anytime.
  - iii. Maintain the motivation and discipline of the IFG.
  - iv. Foster the solidarity of the IFG and good relations between members.
  - v. Coordinate all IFG activities.
  - vi. Ensure the completion of IFG bylaws and all contractual agreements.
  - vii. Support other members of the committee in the completion of their duties.
  - viii. Be a signatory on IFG bank accounts.
- h. **The Duties of the Secretary:**
  - i. Record attendance at meetings.
  - ii. Create and maintain meeting agendas.
  - iii. Record and maintain minutes of each IFG meeting. (The minutes of the previous meeting must be read to members and approved at each subsequent meeting.)
  - iv. Ensure the completion of these bylaws and all contractual agreements of the IFG.
  - v. Support other members of the committee in the completion of their duties.
  - vi. Be a signatory on IFG bank accounts.
- i. **Duties of the Treasurer:**
  - i. Record all financial transactions of the IFG and members in IFG official record books and journals.
  - ii. Review and control all IFG and member financial records to ensure that they are accurate and current.
  - iii. Execute payments between the IFG and IDEAL.
  - iv. Ensure the completion of IFG bylaws and all contractual agreements.
  - v. Support other members of the committee in the completion of their duties.
  - vi. Be a signatory on IFG bank accounts.
- j. The IFG may vote to change members of the committee, through a simple majority, at any time if they fail to complete their tasks and responsibilities appropriately. (IDEAL reserves the right to replace committee members at anytime.)
- k. Committee members must be removed from their position if they fail in their responsibility to secure, control and deposited, if necessary, IFG member funds (either internal group or external IDEAL repayments or member savings.) All money received by committee

**members** must be duly secured, recorded and deposited, if necessary, within 24 hours of reception.

- I. If any member of the committee fails in arrears (either loan payment or savings) they will not be allowed to administer IFG funds or repayments until becoming current on all their accounts. (Committee members serve as role models for the group.)

## **Article 5: Table Banking (Internal Account)**

*Table Banking refers to the IFG individual savings and loan account funded entirely by member contributions.*

- a. Basic principles:
  - i. IFG's are required to meet a minimum of every month to save and manage lending accounts (both Table Banking internal and IDEAL external).
  - ii. Members, at a minimum, must contribute 200 Kenyan Schillings to the internal account.
  - iii. If a member is in default on the external loan to IDEAL, that member can not withdraw his or her savings.
  - iv. While a member has an external loan to IDEAL, that member can only withdraw savings to the point where his or her balance equals what is outstanding to IDEAL.
  - v. If a member is in default to IDEAL, the group must cover the cost of that member's loan to IDEAL from Table Banking balances or elsewhere.
  - vi. Each member of the IFG is obligated to keep their loan current. Failure to do so may lead to the removal from the IFG, forfeiture of their savings, goods or other assets equal to the amount of their delinquents loan balances (including capital, interest and any legal penalties and fees assessed), or other legal actions as decided by the IFG and IDEAL
  
- b. Fees in Kenyan Schillings
  - i. Mandatory One-Time Registration Fee: 100
  - ii. Mandatory Record Passbook Payment: 100
  - iii. Mandatory Annual Insurance Fund Payment: 200  
(In case of member death, individual saving balance will be paid to the deceased client's next of kin (each member must nominate a beneficiary)
  - iv. Mandatory Monthly Management Fee:
    - One (1) percent of Group Internal Account Balance (total savings).
    - During the first three months of partnership with IDEAL the fee is waived.

## **Article 6: Guarantees**

The loan guarantee is member solidarity. In other words, if one member fails to pay their debt for any reason, the rest of the SCG members agree to pay in full the debt (including capital, interest and any legal penalties and fees assessed).

**Article 8: Other – Determined by IFG but must not contradict article described above**

a. Withdraw Policy.

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b. Fines and Penalties.

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c. Lending Policies.

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d. Other.

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**Article 9: Signatures**

I have read and fully understand this agreement. I will faithfully honor the articles and representations contained within this document.

Name

Signature

Date

1. (Chairwoman)		
2. (Treasurer)		
3. (Secretary)		
4. (Non-executive)		
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20.		

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**For IDEAL office use only**

**Agro Business Development Officer:**

- I HAVE READ THE BY LAWS TO EACH AND EVERY MEMBER.
- I ATTEST THAT ALL MEMBERS UNDERSTAND THIS AGREEMENT TO THE BEST OF THEIR ABILITIES.
- I HAVE WITNESSED ALL SIGNATURES AND VERIFY THAT THEY ARE CORRECT.

---

**ABDO Name**

**Signature**

**Date**

# LOAN APPLICATION

To: Ideal Matunda, Managing Director  
From: The IFG (name) \_\_\_\_\_  
Date: \_\_\_\_\_  
Location: \_\_\_\_\_

\* \* \*

We respectfully ask you for a loan totaling \_\_\_\_\_ in Kenyan Schillings  
( \_\_\_\_\_  
in writing  
\_\_\_\_\_ ) for the purposes of agrochemical farm inputs, including  
spraying services and fertilizers.

## COMMITMENT AND PLEDGE:

1. We agree to follow Ideal financial services methodology concerning loan principle and repayment. If we fail to repay loan, Ideal is entitled to take our property at the value equal to the loan principle and interest due.
2. We agree to repay loan according to our member production plans and purchase agreement, and individual loan agreements. Should an individual member default on his or her loan from Ideal, the remaining group and individual members will service those delinquent loans.
3. We consent to provide Ideal with all necessary documentation related to our mutually beneficial partnership and to keep our record books and other paperwork current (treasurer's book, secretary's book, etc).
4. We commit to repay loan to Ideal even if our group is reorganized or liquidated by ourselves or Ideal.
5. We will honor our by-laws and other rules/regulations without exception
6. If fail to repay loan to Ideal, for whatever reason, Ideal is entitled to any legal remedies necessary to recover the loan, including places each member's name in the Kenyan credit reference bureau that give us a negative rating.
7. To not lend or give momey – personal or internal savings – to Ideal employees. This practice is never acceptable and is a violation of Ideal policy by the employee. All violation should be reported to the Managing Director.





# FARMER PRODUCTION & SALES PLAN

Number of Trees	Example		Enter Actuals	
Fuertes	5			
Haas	10			
Pinkerton	5			
<b>Total</b>	<b>20</b>			
<b>Estimated yield</b>				
<b>per Tree (# fruits)</b>				
G1 Fuertes	300			
G1 Hass	500			
G1 Pinkerton	500			
G2 Fuertes	500			
G2 Hass	800			
G2 Pinkerton	800			
<b>Total Estimated</b>	<b>23,500</b>			
<b>Avocado Tree Fruit Yield</b>				
<b>Cost per Tree</b>	40	Ksh	40	Ksh
<b>Finance cost per tree</b>	5	Ksh	5	Ksh
<b>Total cost</b>	45	Kush	45	Ksh
<b>Cost of Spraying (one cycle)</b>	900	Ksh		Ksh
<b>Spray Schedule</b>				
	<b>Cost</b>		<b>Cost</b>	
August	900	Ksh		Ksh
September	900	Ksh		Ksh
August	900	Ksh		Ksh
November	900	Ksh		Ksh
December	900	Ksh		Ksh
January	900	Ksh		Ksh
February	900	Ksh		Ksh
March	900	Ksh		Ksh
<b>Total</b>	<b>7,200</b>	<b>Ksh</b>		<b>Ksh</b>
<b>Per Piece Sales</b>				
<b>Price to Ideal</b>				
G1 Fuertes	4.0		4.0	
G1 Hass	4.5		4.5	
G1 Pinkerton	4.5		4.5	
G2 Fuertes (kg)	7.0		7.0	
G2 Hass (kg)	7.0		7.0	
G2 Pinkerton (kg)	7.0		7.0	
<b>Total Estimate</b>	<b>50,600</b>	<b>Ksh</b>	<b>2,100</b>	<b>Ksh</b>
<b>Farm revenue</b>				
<b>Total Spray Cost</b>	<b>7,200</b>	<b>Ksh</b>		<b>Ksh</b>
<b>Annual Estimated</b>	<b>43,400</b>	<b>Ksh</b>		<b>Ksh</b>
<b>Net Revenue to Farmer</b>				

I, the Farmer, agree to the following:

- 1) To purchase spraying services at the price per tree from Ideal as outlined on the previous page
- 2) To purchase spraying according to the spray schedule at the predetermined prices as outlined on the previous page
- 3) Total spraying costs will be deducted from the price paid for the avocado fruit that I exclusively agree to sell to IDEAL; IDEAL has the exclusive right to grade and either accept or reject my harvested fruit
- 4) IDEAL will deduct spraying costs from the amount paid to me over the first five collections or, if Ideal estimates that the total harvest will require less than five, costs will be prorated over the appropriate number of anticipated harvests
- 5) I agree to exclusively sell my fruit to IDEAL
- 6) I agree not to side sell to brokers, processors, exporters or their agents
- 7) Side selling will result in expulsion from the IDEAL Farmer Group Partnership Program and its support features including: Table Banking, Production Support and the Purchase Program, etc.

I, IDEAL agree to the following:

- 1) To provide farmers with spraying services at the costs outlined on page one and according the attendant schedule
- 2) To purchase all the farmer's avocado fruit that meets quality and grading considerations
- 3) To pay the farmer with in 7 business days for the avocado fruit we accept
- 4) To deposit funds into the Farmer Group bank account

IDEAL Managing Director	(signature)
Name	(print)
Farmer	(date)

Name

(signature)

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(print)

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(date)

# LOAN AGREEMENT: IDEAL TO IFG

IFG #: \_\_\_\_\_

IFG Name: \_\_\_\_\_

Season: \_\_\_\_\_

## TERMS AND CONDITIONS

### ARTICLE 1: PARTIES

This loan agreement is between:

1. **Ideal Matunda**, referred as “Ideal”, a legally recognized business entity operating under the Companies Act in Kenya.
2. The **Ideal Farmer Group**, referred to as an IFG, under the name of \_\_\_\_\_ and represented by a democratically elected management committee and all the participating farmer members that have signed this loan agreement.

### ARTICLE 2: LOAN AMOUNT

Ideal agrees to lend the IFG in kind for the purchase of pest and disease spraying service as outlined in the group production plan:

\_\_\_\_\_ Kenyan Shillings

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(In words)

### ARTICLE 3: LOAN TERM AND DISBURSEMENTS

The loan term includes the growing, harvest and collection season. Loans will be disbursed according to spraying schedule in the production plan. The term begins when the spraying cycle commences and concludes when the harvest, collection and purchase of fruit ends. Loans will be drawn on behalf of the each farmer when their trees are sprayed.

#### **ARTICLE 4: RATE OF INTEREST**

The interest rate is 3% (three percent) per month on the amount drawn for each spraying application and the cumulative outstanding balance.

#### **ARTICLE 5: PAYMENT**

Loan repayment will take place over five collection periods as outlined in the farmer member production plan and purchase agreement.

#### **ARTICLE 6: FINES AND PENALTIES**

- 6.1 The IFG will pay Ideal a penalty of 10% per month on loan balances in arrears or default post harvest and collection
- 6.2 If the Ideal loan is repaid early, before the term expiration date, the IFG will pay the accumulated interest through the date of early repayment

#### **ARTICLE 7: SCG AND MEMBER COMMITMENTS**

- 7.1 Ideal loans are disbursed in-kind; although, the IFG and its members will follow their production plans and purchase agreements in keeping with the intended use of loans to the benefit
- 7.2 Members must attend the required monthly meetings as a minimum requirement to participate in Table Banking and to receive information on agronomic best practices and/or other important updates
- 7.3 Members must contribute a minimum of 200 Kenyan Schilling to their Table Banking saving account managed by the SCG through monthly contributions.
- 7.4 Members must strictly adhere to Ideal financial services methodology, their productions plans and purchase agreements
- 7.5 All IFG records must be kept accurate and up-to-date

## **ARTICLE 8: FINCA COMMITMENTS**

- 8.1 Ideal will monitor all IFG financial and legal documentation each month and continuously throughout the loan term and agriculture season
- 8.2 If a member fails to honor their production plan and purchase agreement leading to default, then Ideal will use any and all necessary and legal means to recover the loan
- 8.3 Ideal will continue to honor its commitment to partnership and all the services explicitly outlined in the agreement to support members if all conditions of production plan and purchase agreement have been met, up to and including properly administering the IFG Table Banking account and fully servicing the Ideal loan
- 8.4 Loan delinquency or default by the IFG will result in a suspension of future lending to the IFG and necessary legal action against the IFG and individual members – and expulsion from the Ideal IFG Partnership Program

## **ARTICLE 9: OTHER CONDITIONS**

- 9.1 All articles, terms, and commitments of the loan agreement enter into force the day this document is signed by both parties and remain in effect until all outstanding balances of interest, principle and associated penalties have been paid to Ideal
- 9.2 Both parties concur that unresolvable disputes regarding this loan agreement will be settled in court.

## **ARTICLE 10: SIGNATURES**

10.1 I have thoroughly read and completely understand this loan agreement and I will honor all the articles, terms, conditions and commitments contained within this agreement and the other documents mentioned in 10.2 below

10.2 This loan agreement will be retained with the following legal documents:

- Ideal Farmer Partnership Program Agreement
- IFG Partnership Program Annex
- Declaration of IFG Rights and Responsibilities
- IFG Bylaws
- IFG to Ideal Loan Application
- Production Plan
- Purchase Agreement
- Ideal Farmer Group Agriculture Finance Program Loan Agreement, Ideal to IFG
- Ideal Farmer Group Agriculture Finance Program Loan Agreement, IFG to Farmer Member

I have read and fully understand this agreement. I will faithfully honor the articles and representations contained within this document.

---

**Ideal Matunda, Managing Director**

**Date**

**Name**

**Signature**

**Date**

1. (Chairwoman)		
2. (Treasurer)		
3. (Secretary)		
4. (Non-executive)		

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**For Ideal office use only**

**Agro Business Development Officer:**

- I HAVE READ THE LOAN AGREEMENT TO THE COMMITTEE MEMBERS.
- I ATTEST THAT ALL COMMITTEE MEMBERS UNDERSTAND THIS AGREEMENT TO THE BEST OF THEIR ABILITIES.
- I HAVE WITNESSED ALL SIGNATURES AND VERIFY THAT THEY ARE CORRECT.

---

**ABDO Name**

**Signature**

**Date**

# LOAN AGREEMENT: IFG TO FARMER MEMBER

\* \* \*

IFG #: \_\_\_\_\_

IFG Name: \_\_\_\_\_

Season: \_\_\_\_\_

**Statement of Purpose:**

Working in conjunction with Ideal, individual IFG members receive three critical services:

1. Table Banking which includes –
  - Working capital loans to finance self employment opportunities
  - An effective mechanism for promoting family savings
  - A community-based system which provides mutual support and self-help
  
2. Production support on agronomic practices from qualified Ideal professionals on orchard management, leading to quality improvements and increased yields
  
3. The purchase of IFG member produce at contractually agreed upon prices, at the farm gate in a timely manner with no discounting

**This loan agreement is between the following parties:**

1. All individuals listed below as **members** of the IFG and
  
2. **The Ideal Farmer Group (IFG)** represented by a democratically elected management committee and a non-executive member.

**ARTICLE 1: Statement of Commitment**

As an active member of the above stated IFG member, I agree to strictly honor the following obligations without exception.

- 1.1 To follow the IFG bylaws that I democratically elected
- 1.2 To faithfully observe the Declaration of IFG Rights and Responsibilities
- 1.3 To use my Ideal loan in good faith and according to my production plan and purchase agreement approved by the IFG executive committee and submitted to Ideal
- 1.4 To maintain my record book in an accurate and up-to-date manner

**Failure to follow all the commitments listed above will result in possible fines and penalties levied by Ideal and/or the IFG against the member and suspension of all future loan opportunities with partnership with Ideal.**

## **ARTICLE 2: Interest Rate, Loan Term and Repayment**

- 2.1 The interest rate is 3% (three percent) per month
- 2.2 The loan term expires when the harvest and collection season expires
- 2.3 Repayment of principle and interest will be collected over the first five collections and deducted from the purchase price paid to the farmer by Ideal (refer to the production plan and purchase agreement)

## **ARTICLE 3: Penalties**

- 3.1 I will pay Ideal a penalty of 10% per month on balances in arrears or default if my loan is not current post harvest and collection
- 3.2 If I repay my loan early, before the term expiration date, I will pay the accumulated interest through the date of early repayment

## **ARTICLE 4: Saving Requirements**

- 4.1 I will save a minimum of 200 Kenyan Shilling per month loan. This amount will be paid to the IFG and held in a joint saving account on my behalf, called Table Banking, for the benefit of myself and other members
- 4.2 Every month, I will contribute the minimum savings requirement or more to the IFG and participate in meetings

## **ARTICLE 5: Fees in Kenya Shillings**

- 5.1 Table Banking registration one-time payment of 100 Ksh
- 5.2 Table Banking record book payment of 100 Ksh
- 5.3 Annual insurance fund payment of 200 Ksh
- 5.4 Monthly management fee on accumulated group savings balances: 1% (one percent)
- 5.5 Table Banking loan application fee: 100 per application for each individual

**ARTICLE 6: Mutual Support**

- 6.1 I pledge to help and support other members of the IFG in the event they require assistance or as unanticipated circumstances arise
- 6.2 I will be honest to the IFG, to other members of the IFG and to Ideal
- 6.3 I am responsible for the repayment of my Ideal loan and for the repayment of other members' loans to Ideal. Should an individual member default on their loan, I agree to repay that individual's loan to Ideal.

**ARTICLE: 7 Other Conditions**

- 7.1 This IFG to farmer member loan agreement enters into force the day the loan agreement is signed and expires the date the loan is paid in-full to Ideal (interest, principle and applicable fines/penalties).
- .2 As a member of the IFG, failure to follow this agreement will result in fines and other penalties payable to the IFG and/or Ideal as outlined in the group By-laws and other official Ideal documents.
- .3 Failure to completely repay the loan to Ideal will result in appropriate legal measures in a Kenyan court of law.

**ARTICLE: 8 Signatures**

I have read and fully understand this agreement. I will faithfully honor the articles and representations contained within this document.

Loan Amount	Name	Signature
1. (Chairwoman)		
2. (Treasurer)		
3. (Secretary)		

4. (Non-executive)		
5.		
6.		
7.		
8.		
9.		
10.		
11.		
12.		
13.		
14.		
14.		
15.		
17.		
18.		
19.		
20.		

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**For Ideal office use only**

**Agro Business Development Officer:**

- I HAVE READ THE MEMBER TO IDEAL LOAN AGREEMENT TO EACH AND EVERY MEMBER.
- I ATTEST THAT ALL MEMBERS UNDERSTAND THIS AGREEMENT TO THE BEST OF THEIR ABILITIES.
- I HAVE WITNESSED ALL SIGNATURES AND VERIFY THAT THEY ARE CORRECT.

\_\_\_\_\_

\_\_\_\_\_

# IFG PRODUCTION AND SALES PLAN

Number of Trees	Example		Enter Actuals (consolidated group numbers)	
Fuertes	500			
Haas	1,000			
Pinkerton	500			
<b>Total</b>	<b>2,000</b>			
<b>Estimated yield</b>				
<b>per Tree (# fruits)</b>				
G1 Fuertes	300			
G1 Hass	500			
G1 Pinkerton	500			
G2 Fuertes	500			
G2 Hass	800			
G2 Pinkerton	800			
<b>Total Estimated</b>	<b>2,350,000</b>			
<b>Avocado Tree Fruit Yield</b>				
<b>Cost per Tree</b>	40 Ksh		40 Ksh	
<b>Finance cost per tree</b>	5 Ksh		5 Ksh	
<b>Total cost</b>	45 Ksh		45 Ksh	
<b>Cost of Spraying (one cycle)</b>	90,000 Ksh		Ksh	
<b>Spray Schedule</b>				
	<b>Cost</b>		<b>Cost</b>	
August	90,000 Ksh		Ksh	
September	90,000 Ksh		Ksh	
August	90,000 Ksh		Ksh	
November	90,000 Ksh		Ksh	
December	90,000 Ksh		Ksh	
January	90,000 Ksh		Ksh	
February	900 Ksh		Ksh	
March	900 Ksh		Ksh	
<b>Total</b>	<b>541,800 Ksh</b>		<b>Ksh</b>	
<b>Per Piece Sales</b>				
<b>Price to Ideal</b>				
G1 Fuertes	4.0		4.0	
G1 Hass	4.5		4.5	
G1 Pinkerton	4.5		4.5	
G2 Fuertes	7.0		7.0	
G2 Hass	7.0		7.0	
G2 Pinkerton	7.0		7.0	
<b>Total Estimate</b>	<b>5,060,000 Ksh</b>		<b>210,000 Ksh</b>	
<b>Farm revenue</b>				
<b>Total Spray Cost</b>	541,800 Ksh		Ksh	
<b>Annual Estimated</b>	<b>4,518,200 Ksh</b>		<b>Ksh</b>	
<b>Net Revenue to</b>				

We, the IDEAL Farmer Group Partner, agree to the following:

- 1) To purchase spraying services at the price per tree from Ideal as outlined on the previous page
- 2) To purchase spraying according to the spray schedule at the predetermined prices as outlined on the previous page
- 3) Total spraying costs will be deducted from the price paid for the avocado fruit that we exclusively agree to sell to IDEAL; IDEAL has the exclusive right to grade and either accept or reject our harvested avocado fruit
- 4) IDEAL will deduct spraying costs from the amount paid to our group over the first five collections or, if Ideal estimates that the total harvest will require less than five, costs will be prorated over the appropriate number of anticipated harvests
- 5) We agree to exclusively sell our fruit to IDEAL
- 6) We agree not to side sell to brokers, processors, exporters or their agents
- 7) Side selling will result in expulsion from the IDEAL Farmer Group Partnership Program and its support features including: Table Banking, Production Support and the Purchase Program, etc.

I, IDEAL agree to the following:

- 1) To provide farmers with spraying services at the costs outlined on page one and according the attendant schedule
- 2) To purchase all the farmer's avocado fruit that meets quality and grading considerations
- 3) To pay the farmer with in 7 business days for the avocado fruit we accept
- 4) To deposit funds into the Farmer Group bank account

IDEAL Managing Director \_\_\_\_\_  
 (signature)

Name \_\_\_\_\_  
 (print)

\_\_\_\_\_  
 (date)

Farmer Group Executive \_\_\_\_\_

Committee

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(signature)

Names

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(print)

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(date)