

Before you sign that contract...

These best-practice contract tips from Morrinsville lawyer and sharemilker Jacqui Owen could save you a whole lot of sleepless nights down the track.

Every year I am confronted with contracts that are in disarray. And almost all of these disputes could have been avoided if best practice had been implemented before the agreements were even signed.

As an industry we are hurtling through a time of change. Sound contracts for both farm owners and contractors (be they sharemilkers or contract milkers) can help to facilitate this change and provide positive work environments moving forward. Here's what you should know before you sign:

1. Surround yourself with good advice

More often than not, the contracts that end up on my desk at this time of year have been signed in a rush.

Too many farm owners and contractors fail to see the value of getting independent advice on an agreement. Ideally, the farm owner should be taking their planned offer to their advisors prior to presenting it to the contract milker or the sharemilker, then allowing the other party a minimum of a week to have that agreement checked by their advisors.

Ensuring you have shown your agreement to your banker, accountant and lawyer before you sign will allow you to gauge whether you are a) entering a viable agreement and b) whether that offer meets current acceptable industry standards.

Using mentors and industry groups such as DairyNZ and Federated Farmers, and the many free or subsidised tools they have on offer, will help to ensure that all parties are entering into agreements fully informed.

2. Use actual figures

Often disputes arise because the figures provided in the schedules in the agreements are inaccurate or unrealistic. Most farms should be able to provide potential contractors with recent invoices, financial statements or, at a minimum, dairy base averages. These should be readily available and provided with every contract prior to signing to allow for budgets to be completed. There should be no excuse for inaccuracies in these figures of more than 20 per cent, even with seasonal variances:

3. Ensure production targets are realistic

Be careful to assess whether production targets are realistic under new environmental rules and feed availability. Contractors should be preparing a feed budget on supplied feed to ensure that it matches the targets set out in the agreement.

In my experience, disputes often result from miscommunication, sub-standard staff accommodation, feed not supplied as agreed, cost blow-outs and using an old version of an agreement or a mish-mashed agreement that is not from a standardised form. ■

Jacqui Owen LLB runs Morrinsville law firm Jacqui Owen Legal. In her other life, Jacqui runs a sharemilking operation with her husband on a 250-cow job.

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