



The people to talk to if you are "Planning to Grow"



A good contract

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By Ron Marshall

When times are tough, we are reminded of the need for discipline in our businesses. One important discipline that gets frequently over looked is contracting. It is assumed that we don't need to review our contracts or the one we are using will cover us. However after review of several industries over the last couple years it is painfully obvious that better contracts are needed to protect our businesses. The contracts that are in place are getting tested more and more of late and those without a contract are in many cases stuck with no protection.

Contracts are every where in business. From buying supplies and inputs to selling outputs, borrowing money or interacting with stake holders; contracts determine how we interact with the world around us. Some contracts, we realize are there and others are nearly invisible. All of them however dictate how transactions are executed.

What makes a good contract? This is a really tough question. Give me every possible scenario for your business interaction and a good contract could likely be formulated. In reality it is difficult to anticipate every scenario. A good contract lawyer is likely your best resource, but trade groups, associations, industry advocates are good sources for examples. In the end, it is the business owner's responsibility to determine areas that we might need to protect with a contract. As I mentioned earlier, in many cases our businesses are under protected.

If there are critical issues about the business interaction, there is a need for a good contract. In many cases the contract is about expectations. What do you expect to happen if XYZ happens?



A lender has an expectation that payment will be made in a timely manner. A buyer of grain expects of grain to be delivered at a specific quality. The seller of biofuels expects to get paid the price agreed upon at the time of sale.

A contract can also be about consequences. What will be the consequence if XYZ does not happen?

I wish it were not so but contracts will be tested this year. Are your contracts ready?