



Legal Analysis of Rice Purchase and Supply Contracts in Cooperative Companies Case Study: Rice Cooperatives in Babol County

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Abstract

Purpose: This study aims to provide a legal analysis of rice purchase and supply contracts in cooperative companies and to examine the obligations, liabilities, and legal remedies arising from such contracts.

Method: This study employs a descriptive-analytical method based on library sources, laws and regulations, principles of contract law, and cooperative law. Rice cooperatives in Babol County are examined as the case study.

Findings: The findings indicate that ambiguity regarding the quality and quantity of rice, weighing procedures, price, delivery and payment schedules, as well as the absence of clear legal remedies, may give rise to contractual disputes. Moreover, precise contract drafting, attention to commercial customs, the parties' obligations, and transaction-related documentation can enhance the legal security of transactions.

Conclusion: Rice purchase and supply contracts in cooperative companies require, in addition to the general rules of contract law, specialized drafting that takes into account the commercial characteristics of the product and the structure of cooperative organizations. Precise specification of the parties' obligations and legal remedies can contribute to reducing disputes and enhancing transaction security.

Keywords: Purchase Contract, Supply Contract, Rice, Cooperative Company, Contractual Liability, Legal Remedies, Commercial Law, Babol.

Introduction

Rice cooperative companies and contracts relating to the purchase, sale, and supply of rice are among the most important legal and economic mechanisms for organizing relationships among producers, cooperative members, buyers, and other actors in the rice production and distribution chain. Rice cooperative companies play an important role in organizing transactions involving this product by aggregating producers' capacities, purchasing products, supplying and distributing rice, and establishing connections between production and the market. In this context, rice-related contracts constitute the principal legal instrument for regulating relationships between cooperatives and their contracting parties, and the manner in which such contracts are drafted can directly affect transaction security, protection of the parties' rights, and the reduction of disputes.

Rice purchase and supply contracts, given the specific characteristics of this product—including rice type and variety, quality, moisture content, percentage of broken rice, impurities, weight, processing loss, delivery time, and price fluctuations—require precise determination of the subject matter of the transaction and the parties' obligations. Accordingly, a rice contract cannot be regarded merely as a simple agreement for the purchase and sale of goods; rather, it must be drafted in a manner that clearly specifies the parties' rights and obligations, the method of price determination, weighing and quality assessment procedures, the time and place of delivery, the method of payment, and liability arising from non-performance of obligations.

From a legal perspective, rice purchase contracts are primarily analyzed within the framework of the general rules of contracts and the provisions governing contracts of sale. Pursuant to Article 219 of the Civil Code, a valid contract is binding upon the parties, while Article 220 provides that the effects of a contract extend beyond its express terms to include consequences arising from custom, usage, or law. Furthermore, Articles 338 and 362 of the Civil Code establish the principal framework of a contract of sale and its effects, including the transfer of ownership, delivery of the subject matter of the sale, and payment of the price (Civil Code, 1307, Articles 219, 220, 338, and 362).

The significance of this issue is even greater in rice cooperative companies because these transactions are conducted within the framework of a legal entity and subject to the specific regulations governing the cooperative sector. Accordingly, in addition to the general rules of contracts, matters such as the cooperative's legal personality, the scope of authority of its governing bodies and managers, the provisions of its articles of association, the procedures for approving and concluding contracts, and the obligations of its members are also relevant to the validity and effects of contracts. The Cooperative Sector of the Islamic Republic of Iran Act recognizes cooperative companies as independent legal entities and regulates the relationships among their members and governing bodies within the framework of law and the articles of association (Cooperative Sector of the Islamic Republic of Iran Act, 1991, Articles 5, 7, 10, and 11).

On the other hand, rice contracts, due to the specialized nature of transactions involving this product, are in many cases influenced by commercial customs and professional market practices. Sampling and quality assessment procedures, determination of processing loss, weighing, delivery time, storage conditions, and settlement procedures may, in practice, be determined on the basis of commercial

customs. However, reliance solely on custom, without expressly incorporating essential terms into the contract, may give rise to disputes and difficulties in proving the parties' obligations. Therefore, Articles 224 and 225 of the Civil Code, concerning the role of custom in interpreting and supplementing contracts, are of particular importance in the legal analysis of rice contracts.

In transactions conducted by rice cooperative companies, determining the parties' liability in cases of late delivery, non-conformity of the quality or quantity of the product with the contract, delay in payment of the purchase price, and other instances of breach of obligation is also of fundamental importance. The inclusion of clear contractual clauses, appropriate guarantees, and legal remedies such as liquidated damages can help prevent subsequent disputes and ensure the performance of contractual obligations (Civil Code, 1307, Articles 221, 226, 227, and 230).

Accordingly, the main issue addressed by the present study is the legal analysis of rice cooperative companies and rice purchase and supply contracts, as well as an examination of the rules governing their contractual relationships. The case study of rice cooperative companies in Babol County provides an opportunity to examine this issue within the context of one of the important regions associated with rice production and transactions. The present study seeks, while clarifying the legal status of rice cooperative companies, to examine the principal requirements for drafting rice contracts, the parties' obligations, contractual liability, and the legal remedies for breach of obligations, and to propose solutions for enhancing the legal security of such contracts.

2. Literature Review

2-1. Legal Status of Cooperative Companies in Rice Transactions

The legal literature concerning rice cooperative companies lies at the intersection of company law, contract law, commercial law, and the regulations governing economic activities in the agricultural sector. A cooperative company, upon formation and registration in accordance with legal requirements, possesses a legal personality independent of its members and may, within the scope of its business activities and statutory authority, enter into contracts, acquire rights, assume obligations, and engage in transactions. The Cooperative Sector of the Islamic Republic of Iran Act, while recognizing the independent legal personality of cooperatives, establishes their structure, governing bodies, membership, and scope of activities (Cooperative Sector of the Islamic Republic of Iran Act, 1991, Articles 5 and 7).

The independence of the cooperative's legal personality from its members is of fundamental importance in rice purchase and supply contracts because the contracting party is, in principle, the cooperative company itself, rather than the members of its board of directors or its managing director in their personal capacities. Accordingly, when examining the validity of a contract, in addition to its terms and conditions, the capacity and authority of the signatory, the articles of association, resolutions of the company's governing bodies, and the scope of their statutory powers must be taken into consideration. Under the Cooperative Sector Act, the board of directors is responsible for implementing the articles of association and the resolutions of the general assemblies, while the designation of persons authorized to sign

contracts and binding documents is also an important aspect of cooperative governance (Cooperative Sector of the Islamic Republic of Iran Act, 1991, Article 32).

From this perspective, one of the important issues in the legal literature on cooperative companies is the distinction between the legal personality of the company and the personalities of its members and managers. Where a contract is concluded within the scope of the company's statutory and corporate authority, its principal legal effects are attributable to the cooperative as a legal entity. Conversely, if a person acts beyond the scope of his or her authority and purports to create an obligation for the company, questions arise concerning the validity and attribution of the contract, as well as the liability of the person who undertook such action. Therefore, in rice purchase and supply contracts, verification of the signatory's authority is not merely a formal matter; rather, it constitutes an essential component of the legal security of the transaction.

Furthermore, the cooperative's articles of association are important in regulating its contractual relationships. The articles of association generally specify the company's objects, membership procedures, the powers of its governing bodies, financial and administrative regulations, and decision-making procedures. Consequently, rice purchase contracts must be consistent with the cooperative's objects and internal regulations. This issue is particularly significant for rice cooperatives in Babol County, where a substantial part of their economic activities may involve purchasing, collecting, storing, processing, or marketing the products of their members.

2-2. Legal Foundations of Rice Purchase and Supply Contracts

Rice purchase and supply contracts are primarily governed by the general rules of contracts. Pursuant to Article 190 of the Civil Code, the intention and consent of the parties, their legal capacity, a definite subject matter, and the lawfulness of the purpose of the transaction constitute the essential requirements for the validity of a contract. Article 219 of the Civil Code also emphasizes the binding nature of valid contracts, while Article 220 provides that, in addition to the express terms of a contract, the parties are bound by the consequences arising from the contract according to custom, usage, or law (Civil Code, 1307, Articles 190, 219, and 220).

Accordingly, a rice purchase contract is not merely an agreement to pay a price in exchange for receiving goods; rather, it creates a set of reciprocal obligations. The seller or supplier may undertake to supply a specified quantity of rice with particular characteristics within a specified period, while the cooperative, in return, may be required to take delivery, pay the purchase price, and perform other contractual obligations. The more precisely and clearly these obligations are formulated, the less likely disputes will arise concerning the terms of the contract.

Under Iranian law, a contract of sale (Bay') is one of the principal legal forms governing the purchase and sale of goods. Article 338 of the Civil Code defines sale as the transfer of ownership of an asset in exchange for a specified consideration, while Article 362 sets forth the principal effects of a valid sale. Accordingly, in many rice purchase transactions, the legal relationship between the cooperative and the seller may be analyzed within the framework of a contract of sale. However, where the contract, in

addition to the purchase of goods, includes continuing obligations relating to supply, storage, staged delivery, quality control, or other services, a careful analysis of the contractual provisions becomes necessary to determine its legal nature and effects.

Supply contracts are also of particular economic and legal importance because they may establish an ongoing relationship between the cooperative and the producer or supplier. In such relationships, the contract may specify not only the quantity and price but also supply planning procedures, delivery schedules, quality standards, product inspection methods, settlement procedures, and liability arising from non-performance of obligations. Therefore, in rice supply contracts, precise formulation of the parties' continuing obligations can prevent disputes arising from ambiguity in long-term contractual relationships (Katouzian, 2007; Shahidi, 2012).

2-3. Specific Characteristics of Rice and Their Impact on Contract Drafting

One of the most important issues in the literature concerning rice contracts is attention to the technical and economic characteristics of the product. Unlike many simple and standardized goods, rice may vary considerably in terms of variety, quality, moisture content, percentage of broken rice, impurities, processing loss, weight, and storage conditions. These characteristics can directly affect the economic value of the product and its final price.

For this reason, merely stating in a contract that a "specified quantity of rice" is to be purchased is, in many cases, insufficient to precisely determine the subject matter of the obligation. To the extent possible, the contract should specify the type and variety of the product, quality grade, quantity, net weight, permissible moisture content, percentage of broken rice, level of impurities, packaging conditions, and other characteristics that are significant according to professional market practice. The more specialized the goods, the greater the importance of establishing precise criteria for identifying the subject matter of the transaction.

In rice transactions, the issue of processing loss is also of particular importance. The initial quantity of the product at the time of delivery may differ from the usable quantity or the final quantity after processing and cleaning. In such circumstances, if the contract is silent regarding the method of calculating processing loss, its permissible limits, and liability arising from excessive loss, the likelihood of disputes increases. Accordingly, it is advisable to expressly determine the criteria for calculating processing loss and its legal consequences from the outset.

The issue of weighing and determining the actual weight of the goods is also an important aspect of rice contracts. The use of a weighbridge, specification of the time of weighing, determination of gross and net weight, allocation of weighing costs, and establishment of a procedure for resolving disputes concerning weight can prevent subsequent disagreements. In professional contracts, the weighing result should preferably be recorded in a delivery document or an official record and signed by the parties or their authorized representatives.

From a legal perspective, this issue is directly related to the requirement that the subject matter of the transaction be determined. The subject matter of a contract must be sufficiently specified so that the scope

of the parties' obligations and the criteria for their performance can be ascertained. Therefore, the technical characteristics of rice are not merely technical and economic matters; they may directly affect the determination of the subject matter of the contract, the verification of performance, and the determination of contractual breach (Civil Code, 1307, Articles 214 and 215).

2-4. The Role of Commercial and Professional Custom in Rice Contracts

Commercial and professional custom is another important issue in the analysis of rice purchase and supply contracts. Rice transactions in producing regions generally involve specific practices and professional terminology with which market participants are familiar. Methods of quality assessment, determination of processing loss, sampling, weighing, delivery, settlement, and even the appropriate timing of transactions may be influenced by regional and professional customs.

The Civil Code also recognizes the role of custom in interpreting and supplementing contracts. Article 220 recognizes the consequences arising from custom and usage alongside the express terms of the contract. Furthermore, pursuant to Article 224, the terms of a contract are to be interpreted according to their customary meanings, while Article 225 recognizes certain customary and generally accepted matters that may be deemed implicit in a contract even without express stipulation. Accordingly, in professional rice transactions, custom may have an interpretive and supplementary role where the contract is silent or ambiguous (Civil Code, 1307, Articles 220, 224, and 225).

Nevertheless, excessive reliance on custom may give rise to disputes because customs may differ among regions, individuals, or groups of market participants. For example, the parties may have different understandings of "customary processing loss" or "first-grade quality." Therefore, matters that are of fundamental economic and legal importance should preferably be transformed from customary understandings into express and provable contractual terms.

With regard to rice cooperative companies in Babol, this issue is of particular significance because a cooperative may transact not only with producer-members but also with buyers, wholesalers, processors, and other market participants. The broader the scope of contractual relationships, the greater the need to standardize contractual concepts and terms. Accordingly, the use of standard contractual forms that translate customary terminology into precise and measurable criteria can enhance the legal security of transactions.

2-5. Rice Contracts in the Agricultural Supply Chain

Rice purchase and supply contracts can also be examined from the perspective of the agricultural supply chain. From this perspective, a contract is not merely an instrument for transferring ownership of a product; rather, it serves as a mechanism for coordinating producers, cooperatives, processing units, and the market. A contract can regulate product flows, delivery schedules, quality, price, payment, and the allocation of risks between the parties.

This issue is particularly important for rice cooperatives because a cooperative can serve as an organized intermediary between producers and the market. Collecting members' products, quality control, storage,

processing, packaging, and marketing can reduce transaction costs and increase producers' bargaining power. However, the realization of these economic effects requires clear legal regulation of the relationship between the cooperative and the producers.

In such relationships, the contract can specify the quantity of products that the producer must deliver, the delivery time, and the applicable standards, as well as the cooperative's obligations concerning acceptance, assessment, storage, and payment. It should also specify which party bears liability and risk in the event of a decline in quality, quantity shortages, delayed delivery, or changes in market conditions.

From this perspective, rice supply contracts can contribute to reducing economic uncertainty. However, this objective can be achieved only when the contract, rather than relying on general or vague provisions, identifies the principal risks of the transaction and establishes specific contractual solutions for addressing them.

2-6. Contractual Liability and Legal Remedies in Rice Transactions

Another fundamental area of the legal literature concerns liability arising from breach of contractual obligations. Pursuant to Article 221 of the Civil Code, in the event of failure to perform an obligation, damages may, as applicable, be claimed, while Articles 226 and 227 establish the conditions and limits of liability arising from non-performance of obligations. The parties may also stipulate a liquidated damages clause (*Wajh al-Tazam*) for breach of an obligation, pursuant to Article 230 of the Civil Code (Civil Code, 1307, Articles 221, 226, 227, and 230).

In rice purchase and supply contracts, instances of breach may vary considerably, including failure to deliver the goods, delayed delivery, delivery of a smaller quantity, delivery of products that do not conform to the contractual specifications, failure to comply with quality requirements, delay in payment of the purchase price, or refusal to perform other contractual obligations. Therefore, in addition to specifying the principal obligations, the contract should, to the extent possible, determine the legal consequences of breaching each obligation.

For example, where the quality of the product does not conform to the contractual specifications, the contract may establish mechanisms for rejecting the goods, reducing the price, correcting or replacing the product, or referring the matter to an expert. In the event of delayed delivery, the parties may stipulate liquidated damages for each day or period of delay or establish other agreed remedies. These measures ensure that, in the event of a dispute, the parties and the adjudicating authority have clearer criteria for determining liability.

In this context, distinguishing between security for performance, security for payment, and compensation for damages is also important. For example, a check, promissory note, guarantee, or liquidated damages clause may serve different functions and should not be used in a contract without clearly specifying their intended purpose. Proper drafting of these provisions can play an important role in reducing the cooperative company's contractual risk.

2-7. Legal Relationship between the Cooperative and Producer Members

The relationship between a cooperative company and its members is a specific issue that must be taken into consideration in rice purchase contracts. Membership in a cooperative creates an organizational legal relationship whose effects arise from the law, the articles of association, and the decisions of the company's legally constituted bodies. At the same time, the purchase of a member's product by the cooperative may establish an independent contractual relationship.

Accordingly, not all rights and obligations arising from the purchase of products should be attributed solely to the membership relationship. Where a member transfers his or her product to the cooperative under a separate contract, the terms of the transaction, quantity, quality, price, delivery method, and payment must also be examined within the framework of that contractual relationship. This distinction is particularly important in determining the parties' liability in the event of a dispute.

It should also be determined whether the purchase of the member's product is conducted pursuant to a separate contract or on the basis of the cooperative's articles of association and internal resolutions. This issue may affect the manner in which obligations are established, the method of calculating the price, the timing of payment, and even the procedure for resolving disputes.

Therefore, one of the legal requirements applicable to rice cooperative companies is to ensure consistency among membership regulations, the articles of association, resolutions of the company's governing bodies, and product purchase contracts. Any conflict among these documents may create grounds for disputes and difficulties in determining the parties' liability.

2-8. Documentation, Evidence, and Settlement of Contractual Disputes

In rice transactions, merely drafting a contract is insufficient, and the manner in which the performance of the contract is documented is also of considerable importance. Documents relating to the delivery of goods, warehouse receipts, weighbridge tickets, quality-control records, invoices, payment receipts, and correspondence between the parties may play an important role in establishing the performance or breach of contractual obligations.

This is particularly important in disputes concerning quality and weight, where accurate technical and commercial documentation can facilitate the determination of the facts. For example, if the product is sampled and its quality assessed at the time of delivery and the results are recorded in an official record, subsequent disputes concerning the condition of the goods at the time of delivery can be reduced.

The contract may also specify the method of dispute resolution in advance. Referring technical disputes to an expert, designating the competent authority, providing for negotiation or consensual mechanisms before initiating litigation, and determining the method of assessing damages can reduce the time and costs associated with disputes. This issue has considerable practical importance for cooperative companies that maintain relationships with a large number of members and commercial counterparties.

A review of the legal literature indicates that rice purchase and supply contracts in cooperative companies cannot be analyzed solely on the basis of the general rules governing contracts of sale. These contracts operate within a multilayered legal structure that encompasses, on the one hand, the legal personality,

articles of association, and regulations governing the cooperative company and, on the other hand, the general rules of contracts, the provisions governing sales, professional custom, the technical characteristics of the product, and rules concerning contractual liability.

From this perspective, the validity and effectiveness of rice purchase and supply contracts depend to a considerable extent on the precision with which the subject matter of the contract, quantity and quality of the product, weighing method, calculation of processing loss, price and payment method, time and place of delivery, contractual guarantees, liability arising from breach of obligations, and dispute-resolution procedures are determined. In rice cooperatives, it is also necessary to consider simultaneously the membership relationship and the transactional relationship between the member and the cooperative.

Accordingly, the existing literature provides a basis for treating rice purchase and supply contracts in cooperative companies, particularly within the economic and commercial environment of Babol County, as specialized contracts influenced by the characteristics of the product and the cooperative structure. The practical implication of this approach is a shift from general contracts based primarily on trust and oral custom toward standardized, precise, documented contracts that are adapted to the technical and legal characteristics of rice transactions. Such an approach can enhance the legal security of transactions and increase the predictability of the parties' liability.

3. Research Methodology

In terms of purpose, this study is applied, and in terms of method, it is descriptive-analytical, employing a library-based documentary approach. The research data were collected through an examination of laws and regulations, legal sources, books, articles, and studies related to cooperative companies, contract law, and transactions involving agricultural products.

In this study, the regulations governing rice cooperative companies and rice purchase and supply contracts were first examined. Subsequently, the general rules of contracts, contracts of sale, contractual obligations and liability, and legal remedies for breach of obligations were compared with the specific characteristics of rice transactions. The role of professional custom in rice transactions was also considered within the framework of Articles 220, 224, and 225 of the Civil Code.

The case study of rice cooperative companies in Babol County was conducted from a legal perspective, with the aim of analyzing the legal framework of rice contracts, the parties' obligations, contractual liability, and mechanisms for enhancing the legal security of transactions. The findings were analyzed through interpretation of legal rules and principles and their application to the specific characteristics of rice contracts.

4. Findings

4-1. Legal Status of Cooperative Companies in Rice Purchase and Supply Contracts

The findings of the study indicate that rice purchase and supply contracts in cooperative companies operate within a dual legal structure. On the one hand, these contracts are subject to the general rules of

contracts and, insofar as they concern the purchase and sale of goods, to the provisions governing contracts of sale. On the other hand, because such contracts are concluded by cooperative companies, the specific rules governing their legal personality, articles of association, and governing bodies also affect the manner in which the contracts are concluded and performed. Therefore, the legal analysis of these contracts cannot be complete solely by reference to the general rules of contracts; the legal status of the cooperative and the scope of authority of its governing bodies must also be taken into consideration.

A cooperative company possesses an independent legal personality and, in this respect, the rights and obligations arising from a contract are, in principle, attributable to the company itself rather than personally to its members or managers. Accordingly, one of the important findings of the study is that, when examining the validity of rice purchase and supply contracts, it must be established by whom the contract was concluded, in what capacity, and within what scope of authority. This issue is particularly important in contracts involving substantial financial value, because a lack of authority or failure to comply with the formal requirements established by the articles of association may give rise to disputes concerning whether the obligations can be attributed to the company.

Consequently, it is recommended that cooperative contracts clearly state the complete legal identity of the company, registration number, authorized representative or representatives, the capacity of the signatory, and the documentary basis of his or her authority. In addition to enhancing the evidentiary value and validity of contractual documents, this measure facilitates verification of the parties' capacity and authority in the event of a dispute. The Cooperative Sector of the Islamic Republic of Iran Act also establishes a specific framework for the governing bodies and administration of cooperatives, and compliance with this framework is important in concluding binding contracts (Cooperative Sector of the Islamic Republic of Iran Act, 1991).

4-2. Specialized Nature of Rice Purchase and Supply Contracts

The second finding of the study is that rice contracts cannot, in practice, be regarded merely as simple contracts of purchase and sale. Although many rice transactions can legally be analyzed as contracts of sale, the technical and economic characteristics of the product require specialized contractual provisions to precisely determine the subject matter and manner of performance of the parties' obligations.

Rice varies in terms of variety, quality, moisture content, percentage of broken rice, level of impurities, weight, processing loss, and storage conditions, and these differences can affect the economic value of the product. Therefore, the general expression "purchase of rice," without specifying the essential characteristics of the product, may create ambiguity during the performance of the contract. In such circumstances, the dispute may concern not the existence of the contract itself, but whether the goods delivered are in fact the goods agreed upon by the parties.

The findings indicate that one of the most important factors in reducing disputes in rice contracts is the conversion of the product's qualitative characteristics into objective and measurable criteria. For example, rather than using general expressions such as "high-quality rice" or "good-quality rice," specific criteria should preferably be established for quality, moisture content, percentage of broken rice, and impurities.

In this way, in the event of a dispute, conformity or non-conformity of the product can be determined by reference to the contractual criteria and technical assessment.

Accordingly, a specialized rice contract should specify not only the name of the product but also the criteria for its identification and assessment. This issue is directly related to the legal requirements concerning determination of the subject matter of a contract and, in the event of ambiguity, may affect the enforceability of the obligation and the manner in which its performance can be established (Civil Code, 1307, Articles 214 and 215).

4-3. Importance of Determining Quantity, Weight, and the Method of Calculating Processing Loss

The findings of the study indicate that disputes concerning the quantity and weight of the product are among the issues that may give rise to contractual disputes in rice transactions. In wholesale transactions, even a relatively small discrepancy in weight can have significant financial consequences. Therefore, determining the weighing method and recording its results constitute important elements of the contract.

Rice purchase contracts should specify where, by what means, and at what time the weight of the goods is to be determined. The contract should also specify the treatment of packaging weight, gross weight, net weight, and responsibility for weighing costs. Where a weighbridge is used, it is advisable to retain the weighbridge receipt as one of the contractual documents.

The issue of processing loss is also of particular importance. Rice may undergo changes in weight during various stages of storage, drying, cleaning, or processing. If the contract is silent regarding the permissible amount of processing loss and the method of calculating it, disputes concerning the payable quantity or the final quantity of the product are likely to arise. Accordingly, one of the important findings of the study is that “processing loss” should be transformed from an ambiguous customary concept into a clear contractual criterion.

In specialized contracts, the permissible amount of processing loss, the method of calculation, the time of assessment, and the consequences of exceeding the permissible limit can be specified. Such an approach makes it possible to determine liability arising from a reduction in the quantity of the product or a discrepancy in weight on the basis of predetermined criteria.

4-4. The Role of Price, Payment Methods, and Market Fluctuations

Another finding of the study concerns price and payment methods. The rice market is influenced by various economic factors, including production levels, the supply season, product quality, production costs, market conditions, and changes in supply and demand. Consequently, contracts whose performance extends over a relatively long period may be affected by changes in market prices.

Under such circumstances, one important legal issue is whether the price is fixed or subject to adjustment. Where the price has been definitively determined at the time of conclusion of the contract, the general principle is that the obligation should be performed in accordance with the parties' agreement, and a subsequent change in the market price does not, by itself, invalidate the contract. Conversely, if the

parties intend to determine or adjust the price on the basis of a specific index or criterion, such a mechanism should be expressly and clearly provided for in the contract.

The time of payment of the purchase price should also be precisely specified. Determining whether payment is to be made simultaneously with delivery, after quality approval, in installments, or on a specified date can prevent subsequent disputes. In cooperative contracts, the relationship among delivery of the goods, quality approval, issuance of the relevant receipt, and payment should preferably be clearly established.

Accordingly, the findings indicate that ambiguity regarding price and payment methods can reduce contractual security to the same extent as ambiguity regarding product quality. Precise regulation of pricing and payment mechanisms is particularly important in continuing supply contracts.

4-5. The Role of Professional Custom in Rice Transactions

The findings of the study indicate that professional custom plays an important role in supplementing and interpreting contracts in rice transactions. In the rice market, there are established terms and practices concerning quality, processing loss, weighing, delivery time, settlement, and product assessment that may not be fully incorporated into written contracts. Pursuant to Articles 220, 224, and 225 of the Civil Code, custom and usage may influence the determination of contractual effects and the interpretation of contracts.

Nevertheless, the study indicates that excessive reliance on custom may give rise to disputes because the parties may have different understandings of a customary term. For example, expressions such as “high-quality rice,” “customary processing loss,” or “sound delivery condition” may be understood differently by different market participants.

Therefore, one of the important findings of the study is the need to transform customs that have a significant effect on the economic value of the transaction into express contractual terms. In other words, custom may supplement a contract, but where a matter has substantial financial and legal importance, it is preferable to convert the customary criterion into a specific, measurable, and provable standard. This approach transforms the role of custom from an ambiguous factor into a supplementary instrument for interpreting the contract.

4-6. Distinguishing the Membership Relationship from the Transactional Relationship between the Member and the Cooperative

One of the important findings of the study is the need to distinguish between the membership relationship and the contractual relationship. A cooperative member has rights and obligations arising from the law, the articles of association, and the lawful decisions of the company’s governing bodies. However, when the same member sells his or her product to the cooperative or enters into a separate supply contract, a distinct transactional relationship is also established.

Accordingly, membership alone should not result in all financial and transactional relationships between the member and the cooperative being analyzed as part of the membership relationship. Where the member's obligation to deliver the product arises from a separate contract, the terms of that contract—including quantity, quality, price, and delivery time—should be examined independently.

This distinction is also important in determining liability. For example, a member's breach of a contractual obligation to deliver a product is not identical to a breach of an organizational obligation arising from the articles of association. Identifying the source of the obligation makes it possible to determine the applicable remedy and assess the parties' liability more precisely. The Cooperative Sector of the Islamic Republic of Iran Act also imposes obligations on members within the framework of the laws and regulations governing their commitments (Cooperative Sector of the Islamic Republic of Iran Act, 1991, Article 11).

4-7. Contractual Liability and Remedies for Breach of Obligations

The findings of the study indicate that the absence of clear legal remedies is one of the factors increasing the legal risk associated with rice purchase and supply contracts. In these contracts, breach of an obligation may take various forms, including failure to deliver the goods, delayed delivery, delivery of a smaller quantity, delivery of goods that do not conform to the contractual specifications, failure to comply with quality standards, or delayed payment.

Articles 221, 226, and 227 of the Civil Code establish the framework for liability arising from non-performance of obligations, while Article 230 permits the parties to stipulate liquidated damages. Accordingly, depending on the nature of the obligations, the contract may provide for appropriate remedies in the event of breach (Civil Code, 1307, Articles 221, 226, 227, and 230).

Another important finding is that the remedy should be proportionate to the type of breach. For example, in the event of delayed delivery, liquidated damages for delay may be stipulated; in the event of non-conformity of quality, rejection of the goods or a price reduction may be provided for; and in the event of non-payment of the purchase price, liability arising from delayed payment should be clearly specified in the contract.

Accordingly, standardized cooperative contracts should preferably establish specific and enforceable remedies for major forms of breach. This not only reduces the likelihood of breach but also provides a clearer framework for determining liability in the event of a dispute.

4-8. Importance of Guarantees and Documentation of Contract Performance

The findings of the study indicate that drafting a contract without considering how its performance will be evidenced cannot provide complete legal security. In rice transactions, delivery documents, weighbridge receipts, warehouse receipts, quality-control reports, delivery records, and payment documents can play an important role in establishing the performance of contractual obligations.

From this perspective, a contract should not merely constitute an initial document; rather, a set of interconnected documents relating to the performance of the transaction should be created. For example, at the time of delivery, the quantity, quality, packaging condition, and assessment results should be recorded in the delivery document. It should also be specified who signs the delivery document and in what capacity.

In high-value transactions, the use of guarantees appropriate to the relevant obligation can also reduce contractual risk. However, the type of guarantee should correspond to its intended purpose, and the contract should specify whether the guarantee is provided to secure proper performance, payment, compensation for damages, or other obligations.

4-9. Dispute Resolution and the Need for Expert Assessment

Another finding of the study is the need to establish an appropriate dispute-resolution mechanism. Disputes concerning rice may not be purely legal in nature and may require technical assessment for their proper determination. Disputes concerning moisture content, percentage of broken rice, impurities, weight, or processing loss often cannot be accurately resolved without expert opinion.

Accordingly, rice purchase and supply contracts may provide for a mechanism to refer technical disputes to an expert or specialized authority. It is also preferable to specify, to the extent possible, the stages of dispute resolution, from negotiation and examination of documents to referral to an expert and, ultimately, recourse to the competent authority.

Providing for such a mechanism enables technical disputes to be distinguished from legal disputes and ensures that decisions concerning technical matters are based on specialized criteria. This is of considerable practical importance for cooperative companies that may be involved in a large number of contracts and a high volume of transactions.

Overall, the findings of the study indicate that the legal security of rice purchase and supply contracts in cooperative companies does not result from compliance with a single factor, but rather from the coordination of several legal and economic elements. The cooperative's independent legal personality, compliance with its articles of association and the scope of the signatories' authority, precise determination of the subject matter of the contract, quantitative and qualitative specifications of the product, weighing and processing-loss calculation methods, price and payment terms, the role of professional custom, distinction between the membership and transactional relationships, determination of liability and remedies, and provision for dispute-resolution mechanisms are all factors that affect the security and enforceability of the contract. Accordingly, the principal finding of the study can be summarized as follows: the more rice purchase and supply contracts move away from general and customary arrangements toward specialized, precise, documented contracts adapted to the technical characteristics of the product and the legal structure of the cooperative, the greater the potential for preventing disputes, determining liability, and ensuring effective performance of obligations.

With regard to rice cooperative companies in Babol County, this conclusion is particularly significant because the nature of the product, the relationships between producer-members and the cooperative, and

the cooperative's relationships with other actors in the market chain create a set of legal relationships that require precise contracts adapted to the realities of the transactions. Accordingly, standardization of contracts, establishment of technical product criteria, documentation of delivery and payment procedures, and provision of appropriate remedies can be regarded as the most important instruments for enhancing the legal security of transactions conducted by these companies.

5. Discussion and Conclusion

The findings of the study indicate that rice cooperative companies and rice purchase and supply contracts constitute multilayered legal relationships that are simultaneously influenced by the general rules of contracts, specific regulations governing cooperative companies, the provisions of the articles of association, and professional customs governing rice transactions. Therefore, rice contracts cannot be analyzed merely as simple purchase and sale transactions. On the one hand, the cooperative company enters into the transaction as an independent legal entity, while on the other hand, the subject matter of the contract is a commodity whose quantitative and qualitative characteristics play a fundamental role in determining its economic value and the obligations of the parties. Accordingly, the validity and effectiveness of rice contracts largely depend on the manner in which the rights and obligations of the parties are precisely defined and drafted (Cooperative Sector Act of the Islamic Republic of Iran, 1991, Articles 5, 7, and 11; Civil Code, 1928, Articles 190 and 219).

One of the most important findings of the study is the necessity of precisely determining the subject matter of the contract. In rice transactions, merely stating the term "rice" is insufficient to fully determine the subject matter of the transaction, because the type and variety of the product, quality, moisture content, percentage of broken rice, impurities, weight, loss, and storage conditions may affect the value and acceptability of the product. Therefore, the contract should specify the technical and commercial criteria of the product in such a manner that, at the time of delivery, the delivered goods can be compared with the contractual obligations. In addition to preventing disputes, this provides a basis for expert assessment and for determining whether the obligation has been properly or incompletely performed in the event of a dispute.

From a legal perspective, clarity in determining the quantity and method of weighing is also of particular importance. Disputes concerning the initial weight, weight after unloading, natural or technical loss, or shortage may directly affect the amount of the purchase price and the financial obligations of the parties. Therefore, the contract should specify at what stage the contractual weight is determined, by whom or by which authority the weighing is conducted, what method will be used to determine the final weight in the event of a dispute, and which party will bear the costs of weighing and expert assessment. Such provisions prevent ambiguity in contract performance and enhance the parties' ability to substantiate their claims.

Another important issue concerns the price and the method of payment. Given fluctuations in rice prices, purchase and supply contracts for this product may be subject to significant price changes between the time of execution and delivery. Accordingly, the parties should specify in the contract whether the price is fixed or will be determined at the time of delivery based on a specified index or criterion. The timing of

payment, advance payment, final settlement, method of securing payment, and consequences of delayed payment should also be expressly stipulated. Ambiguity in these matters may give rise to financial disputes and claims for damages and may be inconsistent with the principle of the binding force of contracts (Civil Code, 1928, Articles 219, 220, and 226).

The findings also emphasize the importance of the relationship between the cooperative company and its members. A cooperative member may, in addition to the membership relationship, have a specific obligation to deliver products based on a valid contract or resolution. Conversely, the cooperative has obligations toward the member, including receiving the product, evaluating it, paying the agreed price, and complying with the stipulated conditions. Therefore, a distinction must be made between the legal effects of membership and those arising from the underlying transaction. This distinction is highly important in determining the liability of the member or the cooperative in the event of non-performance and prevents the creation of ambiguous or difficult-to-prove liabilities.

On the other hand, the scope of authority of the cooperative's governing bodies and representatives is an important issue concerning the validity of rice contracts. Contracts must be concluded by persons who, pursuant to the law, the articles of association, and valid corporate resolutions, have the requisite authority. Identifying authorized signatories, observing the limits of authority of the board of directors and the managing director, and recording and maintaining resolutions relating to significant transactions can prevent disputes concerning the validity or enforceability of contracts. This issue is particularly important in cooperative companies because the contract must be attributable to the cooperative as a legal entity rather than merely to the natural person who signed it.

Commercial customs relating to rice transactions are another noteworthy issue. Common market practices concerning sampling, quality assessment, loss calculation, weighing, and settlement may affect the interpretation of contracts. The Civil Code also recognizes the role of custom in determining the effects of and interpreting contracts in Articles 220, 224, and 225. However, the findings indicate that exclusive reliance on custom, particularly where the parties or adjudicating authorities do not share the same understanding of the relevant custom, may increase disputes. Therefore, it is appropriate, to the extent possible, to convert important and commonly applied rice-market customs into clear, written, and contractually verifiable provisions.

With respect to contractual liability, the results indicate that rice contracts should provide specific mechanisms for various forms of breach of obligation. Non-delivery of the product, delay in delivery, delivery of a smaller quantity, non-conformity of quality with contractual specifications, delay in payment of the purchase price, and refusal to accept products that conform to the contract are among the circumstances that may give rise to disputes. Providing for liquidated damages, appropriate guarantees, the right of termination where applicable, the possibility of claiming damages, and a defined dispute-resolution mechanism can reduce the legal risk of the transaction. Articles 221, 226, 227, and 230 of the Civil Code provide an important legal basis for analyzing these issues (Civil Code, 1928, Articles 221, 226, 227, and 230).

The analysis further indicates that contractual guarantees should be selected in proportion to the type and value of the transaction. Obtaining a guarantee without precisely defining the underlying obligation, the conditions for invoking the guarantee, and the time for its release may itself give rise to disputes. Therefore, the contract should specify which obligation the guarantee secures, under what circumstances it may be called upon, when it must be returned, and what its status will be upon termination or expiration of the contract. It is also preferable to distinguish between performance guarantees, payment guarantees, and guarantees for compensation of damages.

From the perspective of dispute resolution, it is recommended that contracts used by rice cooperative companies establish a clear and phased mechanism for addressing disputes. Disputes concerning the quality, weight, or amount of loss are often technical in nature, and referring them directly to judicial authorities without providing for an expert-assessment mechanism may prolong the adjudication process. Accordingly, the contract may provide for an initial review and reconciliation of documents and weighing reports, followed by specialized expert assessment and, if the dispute remains unresolved, referral to the competent judicial authority or mutually agreed arbitration, provided that the arbitration clause is validly and clearly drafted.

Based on the findings of the study, the first recommendation is to develop a standardized and specialized rice purchase and supply contract for cooperative companies. At a minimum, this model should include the complete particulars of the parties; the position and authority of the signatories; the type and variety of rice; quantity; quality; moisture content; percentage of broken rice and impurities; sampling method; weighing procedure; criteria for calculating loss; price; payment terms; time and place of delivery; procedures for accepting or rejecting the product; guarantees; liquidated damages; the parties' liabilities; and the dispute-resolution mechanism.

The second recommendation is to establish a unified form and protocol for the delivery and evaluation of rice. For each shipment, the delivery receipt, weight, quality specifications, assessment results, amount of any potential loss, and status of acceptance of the goods should preferably be recorded in writing and signed by the parties or their authorized representatives. Such documents can play an important role in establishing how the contract was performed in the event of a dispute.

The third recommendation is to develop and implement internal guidelines for contract execution within rice cooperative companies. These guidelines should specify the scope of authority of the managing director, board of directors, and other authorized persons; the process for approving significant transactions; the manner of archiving contracts and financial documents; and procedures for monitoring the performance of contractual obligations. This measure can prevent contracts from being concluded beyond the scope of authority or the creation of ambiguous obligations for the company.

The fourth recommendation is to provide specialized training for cooperative managers and employees in the areas of contract law, contractual liability, and the drafting of rice contracts. Many contractual disputes can be reduced before the conclusion of a contract by accurately identifying obligations and drafting appropriate contractual provisions. Accordingly, legal training for managers and employees involved in purchasing and sales may be regarded as part of the cooperative's risk-management system.

The fifth recommendation is to establish a specialized expert-assessment mechanism for disputes concerning rice quality and weight. The contract should preferably specify which competent authority or qualified expert will conduct sampling and assessment in the event of a dispute concerning quality, loss, or weight, as well as which party will bear the associated costs. This measure can help prevent prolonged disputes concerning technical matters.

The sixth recommendation is to use an electronic system for registering and archiving contracts and documents relating to delivery and payment within cooperative companies. Digital registration of contracts, delivery receipts, weighing documents, expert reports, and payment records can enhance the accessibility and evidentiary value of transaction records and prevent disputes concerning the existence or content of documents.

The seventh recommendation is to pay greater attention to managing the risk of rice-price fluctuations in long-term contracts. Where there is a substantial time interval between contract execution and delivery, the parties may establish a clear and legally valid mechanism for determining, adjusting, or reviewing the price so that significant market fluctuations do not result in disputes concerning the parties' obligations. Any adjustment clause, however, should be drafted precisely and clearly so that it does not itself become a source of new disputes.

The eighth recommendation is to clearly distinguish purchase contracts with members from purchase contracts with third parties. Given the difference between the membership relationship and the transactional relationship, it is preferable for cooperative companies to adopt appropriate contracts and internal procedures for these two categories of transactions so that the rights and obligations of each party are determined on a proper legal basis.

Ultimately, it can be concluded that enhancing the legal security of transactions conducted by rice cooperative companies cannot be achieved merely through the enactment of new regulations. Rather, an important part of such security depends on improving the quality of contract drafting, documenting the transaction process, establishing technical product criteria, observing the limits of authority of cooperative governing bodies, providing effective contractual remedies, and establishing specialized dispute-resolution mechanisms. Within this framework, the rice cooperative companies in Babol County can, by developing a specialized contractual model and standardizing the processes of purchasing, delivery, evaluation, and settlement, reduce the risk of disputes while increasing transparency and trust in their transactional relationships. This approach is also consistent with the principle of the binding force of contracts and the role of custom in supplementing and interpreting contractual obligations (Civil Code, 1928, Articles 219, 220, 224, and 225).

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