Draft Model Contract Farming Act, 2018

Why in news?

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The Ministry of Agriculture recently released a draft Model Contract Farming Act, 2018.

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What is contract farming?

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- Under this, agricultural production (including livestock and poultry) can be carried out based on a pre-harvest agreement.
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- The contract would be between buyers (such as food processing units and exporters), and producers (farmers or farmer organisations).
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- Accordingly, the producer can sell the agricultural produce at a specific price in the future to the buyer as per the agreement.
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- It reduces the risks of fluctuating market price and demand for the producer and non-availability of quality produce for the buyer.
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How is the existing regulatory structure?

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- **Provisions** - Currently, contract farming requires registration with the Agricultural Produce Marketing Committee (APMC) in few states.
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- Consequently, the APMCs can also resolve disputes arising out of these contracts.
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- Further, market fees and levies are paid to the APMC to undertake contract farming.

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- **Concerns** - The market fees and other levies are paid to the APMC when no services such as market facilities and infrastructure are rendered by them.
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- There are other concerns relating to stockholding limits and poor publicity of the benefits among the farmers.
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- **Model APMC Act** - The Model APMC Act, 2003 provided for contract farming.
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- This was meant for the states, to use as reference while enacting their respective laws.
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- 20 states have amended their APMC Acts; however, the procedures for registration and recording of agreements vary across states.
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- Also, only 14 states have actually notified rules related to contract farming, as of October 2016.
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What are the key provisions of the present Act?

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- The draft Model Act seeks to create a regulatory and policy framework exclusively for contract farming.
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- Based on this, the states can enact their own laws, as contracts fall under the Concurrent List.
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- **Authority** - The Act seeks to bring contract farming outside the ambit of the state APMCs.
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- Accordingly, buyers need not pay market fee and commission charges to APMCs.
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- It provides for a state-level **Contract Farming (Promotion and Facilitation) Authority** to ensure implementation.
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- Functions of the Authority include:
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i. levying and collecting facilitation fees
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ii. disposing appeals related to disputes under the draft Model Act
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iii. publicising contract farming
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- Further, the sale and purchase is out of the ambit of regulation of the respective state/UT Agricultural Marketing Act.
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- **Support** - As per the Act, the producer can get support from the buyer for improving production through inputs.
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- It may include that on technology, pre-harvest and post-harvest infrastructure, etc as per the agreement.
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- However, the rights or title ownership of the producer's land cannot be transferred to the buyer.
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- Also, the buyer cannot raise a permanent structure on the producer's land.
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- **Registration** - Registering and Agreement Recording Committee will be set up at the district, taluka or block levels.
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- It will consist of officials from departments such as agriculture, animal husbandry, marketing, and rural development.
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- The Act specifies that every agreement should be registered with this Committee.
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- **Disputes** - The draft Model Act offers ways for resolving any dispute arising between a producer and a buyer.
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- They are:
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i. negotiation or conciliation for a mutually acceptable solution
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ii. referring the dispute to a dispute settlement officer designated by the state government

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iii. appealing to the Contract Farming (Promotion and Facilitation) Authority if not satisfied by the decision of the dispute settlement officer
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- **Stockholdings limits** - The existing provisions of stockholding limits on contracted produce discourage buyers to enter into contracts.
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- Under the draft Model Act, stockholding limits will not be applicable on produce purchased under contract farming.
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What are the concerns?

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- Given the states' lethargic response for the model APMC Act, the implementation of the model law on contract farming, even if passed by the states, is uncertain.
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- It allows companies to enforce price cuts or reject the produce on the plea of inferior quality.
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- But the quality parameters stipulated by the companies are often hard to meet.
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- The restrictive provisions in the model act thus need a reassessment for balancing the interests of farmers and businesses.
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Source: PRS India

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