

No. T-14018/23/2016 /MDRC-CF  
Ministry of Agriculture & FW  
Department of Agriculture, Cooperation &FW  
Directorate of Marketing and Inspection,  
Head Office, Faridabad.

Dated: the 24<sup>th</sup> May, 2017

**Subject: Formulation of Model “The -----State/UT Contract Farming (Promotion & Facilitation) Act, 2017 and soliciting views/comments of farmers, general public, experts, professional bodies and institutions thereon –reg.**

As well appreciated, over the last seven decades since Independence, India’s broad focus has been on achieving higher production and ensuring food security, and this has been achieved with satisfaction. However, the need of the hour is critical attention on post-harvest management and marketing of agricultural produce with a view to enhancing farmers’ income and farm viability. Even as of now, 22.50 per cent of the country’s farmers continue to live below poverty line. The average monthly income of the agricultural household at all India level in the year 2013 was Rs.6,426 against the average monthly consumption expenditure of Rs. 6,223 (Source: Situation Assessment Survey of Agricultural Households, 2013). This is reflective of the vulnerability of the farmer in terms of adequacy of his income to meet family expenses and create savings that can be ploughed back as investments on his farm. In absence of savings coupled with non-availability of required quantum of institutional credit, the farmer is driven to borrowings from moneylenders, causing indebtedness. As per survey, about 52 per cent of the agricultural households in the country are estimated to be indebted and the average amount of outstanding loan per agricultural household is about Rs.47,000/-.

In view of this situation, the Government has committed itself to doubling the farmers’ income by the year 2022 through adoption of targeted policies and multipronged schemes and programs, including those relating to post-production, reduce food loss (inability to reach the market due to poor market infrastructure & agri-logistics) and food wastage (at various stages including storage, transportation & consumers). The Government is keen to establish a robust & efficient supply-chain & value chain management. These include dry & cold storage, dry & cold transportation, processing & unified national market, in addition to making available easy & accessible loan to the farmers at both crop production and post-production stages. The Ministry of Agriculture & Farmers’ Welfare in association with NITI Aayog identified a basket of agricultural reforms to create a more conducive environment for the farmers to produce & market and earn enough to improve their standard of living. On the post-production front, these include National Agricultural Market (e-NAM) and formulation and circulation of a promotional and facilitative model Marketing Act, called “The ----- State/UT Agricultural Produce and Livestock (Promotion and Facilitation) Act, 2017”. While e-NAM rolled out on 14.04.2016 and is already showing results, the Model APLM Act, 2017 has been shared with all the States & UTs on 24.04.2017 and is receiving a positive

response. It will help in creating multiple marketing channels and offer advantage of competitive price discovery to the farmers across the agricultural sector. Other reforms on which the Ministry is working include promotion of food value chain and supply chain management, renewed thrust on Negotiable Warehouse Receipt System (NWRS) and a model Contract Farming Act. As per declaration in the Union Budget, 2017 an expert Committee on derivative markets has also been constituted at SEBI.

Further, Indian agriculture is dominated by large number of small & marginal farmers, who constitute about 85 per cent of the total land holdings in the country. The average size of the farm holding is as low as 1.1 ha. The problem of land division & fragmentation is continuing and this is challenging farm viability. Land pooling for purpose of achieving efficient scale of operations at both production & marketing stages has been felt necessary. NITI Aayog has drafted & circulated a Model Land Leasing Act to all the States & UTs. Further, the Union Finance Minister in his budget speech for 2017-18 announced the Government's commitment to prepare a "Model Contract Farming Act" and circulate the same to the States & UTs for its adoption.

The concept of Contract Farming (CF) refers to a system of farming and marketing in which agro-processing/exporting or trading units enter into a contract with farmers to purchase a specified quantity and quality of one or more agricultural commodities at a pre-agreed price. The contracting firm / company also provides all production support to the farmers including extension services with full protection of land right to them. Further, in the absence of any agency of the State for verification of the credentials / track record of the sponsoring companies, there are reported cases of farmers becoming victims of the fly-by-night operators.

Thus, in pursuance of announcement in the Union Budget 2017, an appropriate & unbiased state agency for registration of contracting firm, recording of agreement, dispute settlement and protecting the interests of farmers and sponsors (firm/companies) of Contract Farming, the Ministry of Agriculture and Farmers' Welfare has constituted a Committee on 28.02.2017 to draft a Model Contract Farming Act under the Chairmanship of Dr. Ashok Dalwai, Additional Secretary. Other members of the Committee are Joint Secretary (Marketing), Joint Secretary (MIDH) of DAC&FW; M.D., SFAC; Adviser, NITI Aayog; Representative from the Department of Revenue, Ministry of Finance, GoI; Director, NIAEP; Additional Chief Secretaries/Principal Secretaries, in-charge of agricultural marketing from Govt. of Punjab, Odisha, Madhya Pradesh, Maharashtra and Karnataka. The Committee is committed to formulating a comprehensive, promotional and facilitative model Contract Farming Act, which can address all the constraints in adopting contract farming in a big way. The approach shall be to promote a win-win situation for both the farmers and the sponsoring company, so that the risks & uncertainties in meeting the obligations of the contract are addressed. The aim is to let the farmers benefit from a pre-agreed future price for his produce, besides efficiency in resource management and knowledge at production stage.

Simultaneously, the sponsoring company should be able to plan for his processing, marketing & exports based on pre-agreed quantity & quality of the contractual price.

The Committee has begun its deliberations & consultations. It is seeking inputs from a cross-section of the society including farmers, trade bodies, industry, academics & experts. The Committee values highly the inputs from the general public, as it believes 'out of box' and non-conventional ideas are necessary to draft a robust & practical law to promote contract farming, and these can come from informed citizens. Hence, all the concerned & committed farmers, students, experts, practitioners, institutions and citizens at large, are requested to forward their views / comments, suggestions and also experience that will help the committee in drafting a model Contract Farming Act through e-mail at [surendrak.singh@nic.in](mailto:surendrak.singh@nic.in).

(Dr. Alka Bhargava)

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