



सत्यमेव जयते

## **MODEL ACT**

**The --- State /UT Agricultural Produce & Livestock Contract  
Farming and Services (Promotion & Facilitation) Act, 2018**

**May, 2018**

Government of India  
Ministry of Agriculture and Farmers' Welfare  
Department of Agriculture, Cooperation and Farmers' Welfare





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Government of India  
Ministry of Agriculture & FW  
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## PREFACE

Indian Agriculture suffers from certain structural weaknesses in the form of small holding size and fragmentation, apart from production uncertainties and market unpredictability. This makes agriculture risky and inefficient in respect of both input & output management. These challenges need to be addressed, if farmers' income is to be increased by way of realising higher productivity, cost effective production and efficient monetisation of the produce.

2. In recognition of the critical need for monetisation of the produce, Government has been making comprehensive interventions to impart efficiency & effectiveness to marketing. These encompass Model Agricultural Produce and Livestock Marketing (Promotion & Facilitation) Act, 2017; electronic National Agriculture Market (eNAM); new market architecture (integration of retail markets-GrAMs, regulated wholesale markets and export markets ); incentivising FPOs by offering exemption under IT Act; Operation Green (marketing models for onion, potato & tomato). This is in addition to reforms & robustness being imparted to MSP (Minimum Support Price) and MSP based procurements.

3. Promotion of contract farming and services contract is an extension of the strategy of strengthening the process of monetisation, whose primary objective would be to de-risk agriculture at various stages including marketing. Some elements of contract farming have for long been in practice in India in commercially processable and high value crops like cotton, sugarcane, tobacco, tea, coffee, rubber, white onion, basmati rice, barley, fruits & vegetables, poultry and dairy. Although, varied types of arrangements have been categorized in practice as contract farming indigenously & globally, as also in literature and law books, contract farming in essence is a pre-production season agreement between farmer individually or collectively and sponsor(s), which transfers the risk of post-harvest market unpredictability from the former to the latter. While market risk cover constitutes the fulcrum of contract farming, it also enjoys the latitude of greater partnership between the two parties, whereby, the sponsor agrees to professionally manage inputs, technology, extension education, pre-and post-harvest infrastructure and services, etc. as per mutually agreed terms. The small and marginal farmer thereby gets to enjoy additional benefits of operational efficiency.

4. Contracts are regulated under the Indian Contract Act, 1872 and under such other laws, considering both the contracting parties as being on an equal footing. Given a slightly different situation in case of farm contracts, it warrants a framework that facilitates the government to protect farmers' interests. The Union Government through its Model APMC Act, 2003 had suggested the states to promote contract farming. Over the span of more than 14 years since 2003, as many as 21 states have included the contract farming provisions in their respective APMC Acts; and Punjab alone is the state that has formulated a separate contract farming Act, 2013. However, Rules are yet to be notified. Notwithstanding this, the progress on the ground has been tepid across the country. The prime reasons are conflict of interest between the APMCs which were mandated to promote contract farming while themselves being market players, as also lack of positive facilitation in both promoting contract farming & protecting farmers' interests. This by implication necessitated a revisit of the legal framework vis-a-vis contract farming.

5. Pursuant to the announcement in the Union Budget, 2017-18 on drafting of a "Model Contract Farming Act", the Model APLM Act, 2017 consciously left out all provisions relating to contract farming and paved way for drafting of an exclusive model law on the latter subject. Further, the Minister for Agriculture and Farmers' Welfare approved constitution of a Committee vide Order dated 28<sup>th</sup> February, 2017 to formulate a Model Contract Farming Act. An important guiding factor that informed the Committee in formulating this law has been protecting and promoting the interests (land ownership, higher productivity, reduced cost, higher price returns) of the farmers in general and small & marginal farmers in particular with a view to de-risking market unpredictability in particular. Parallely, the Committee was guided by the necessity of incentivizing the sponsor, if the latter was to find it attractive enough to buy the market risks of a farmer. The provisions, therefore, aim at building a win-win framework for the two principal parties to the Agreement. In harmony with its mandate, the Committee comprising members from different departments / ministries of the union government and from select states, has prepared a model law called "The ..... State / Union Territory Agricultural Produce & Livestock Contract Farming and Services (Promotion & Facilitation) Act, 2018", that is comprehensive, promotional, facilitative and liberal.


6. The Committee was particular about seeking and incorporating the views of the states & union territories who will be the principal stakeholders & anchors in promoting contract farming. The Committee was wedded to openness and democracy in drafting the Model piece of law, and therefore held extensive consultations with various stakeholders including farmers, trade & industry, economists, policy makers etc., besides relying on national & global laws. Field visits were also undertaken. The first draft was placed in public domain for a period of one month, which elicited huge response. There were bouquets & brickbats, both of which provided constructive suggestions for amendment. These came from across the country & a spectrum of interests. There were also responses from outside the country. All these views, as also those from sister departments/ministries of Government of India and also the states/ union territories were examined, harmonised and redrafted into a more expansive

Model Draft Act to cater to contracting of both farming & related services. This was once again hosted on the Ministry's website (for one month) for feedback from all interested parties, and the responses were further harmonised into the final draft put up for approval of the competent authority. The framework is broad enough to take care of multiple sub-sectors of agriculture from one end of the value chain to another. The need for facilitation in contrast to regulation, and enabling in opposition to control has been the watchword in building the legal framework. While the interests of both farmers and sponsoring companies have been kept in mind for making it practicable & viable, the Committee felt that farmers constitute the weaker of the two parties, and therefore, needed relatively stronger legal support.

7. On behalf of the Committee, it is my privilege to thank Shri Radha Mohan Singh, Hon'ble Union Minister for Agriculture & Farmers' Welfare and Hon'ble Ministers of State, Agriculture & Farmers' Welfare, Shri Parshotam Rupala, Shri Gajendra Singh Shekawat and Smt. Krishna Raj, as also Prof. Ramesh Chand, Member, Agri., NITI Aayog. I would also like to thank Dr. S.K. Pattanayak, Secretary, DAC &FW for his guidance & valuable inputs. Thanks are due to various central ministries/departments, state/union territory governments, farmers & farmers' bodies, trade & industry, professional bodies and informed citizens who responded by way of their constructive critique & comments.

8. I place on record active involvement and contributions of all Members of the Committee. Special thanks are to Shri Bijay Kumar (ACS, Agriculture & Marketing, Maharashtra), Smt. Ranjana Chopra (Principal Secretary, Cooperation, Odisha), Shri Vikas Garg (M.D., Punjab Agro), Shri Rajesh Gowda (M.D. KSAMB, Bangalore) and Dr. Suresh Pal (Director, ICAR-NIAP) for their intense participation & contributions. I record special appreciations in favour of Shri P.K.Swain and Dr. Alka Bhargava, who held charge of Marketing Division at different times and Dr. J.P.Mishra (Adviser, NITI Aayog) who demonstrated keen interest and engagement in drafting the Model Act. The one with all passion for the subject and professional competence was Dr. S.K. Singh, Dy. Agriculture Marketing Adviser, who as Member Secretary of the Committee made the major contribution.

9. Lastly, it is hoped that all the states and union territories would embark upon the process of legislating Contract Farming Act on the lines of Model Act "The ..... State / Union Territory Agricultural Produce & Livestock Contract Farming and Services (Promotion & Facilitation) Act, 2018, as early as possible. However, they would be free to adopt needed changes to suit the local variations, while all the time ensuring that the spirit of the law as a comprehensive, promotional, facilitative and soft model Act is maintained and the fulcrum of protecting the farmers' interest is intact.

  
(Ashok Dalwai)

Dated: the 22<sup>nd</sup> May, 2018

**The ... State /UT Agricultural Produce & Livestock Contract Farming and Services (Promotion & Facilitation) Act, 2018**

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## **STATEMENT OF OBJECTS AND REASONS-**

The combined impact of inelastic nature of land, steadily increasing population density and continued dependence of a vast majority for their livelihood on agriculture and prevailing laws of inheritance has been causing division and fragmentation of arable land in India. More than 86 per cent of close to 120 million agricultural households are small (less than or equal to 2 ha. of cultivable land) and marginal (less than or equal to 1 ha. of cultivable land). As per census 2011, the average size of landholdings in India was 1.1 ha. The situation has only been worsening over time. The farms in the country can be called as 'family farms'.

2. The small size of farms has brought in challenges of farm viability, particularly in case of marginal parcels. Even if this hypothesis is countered, as some do, there is no doubt about the operational inefficiency that these handkerchief size farms are subject to. As long as farming remained subsistence in character, involving minimal outputs, most of which was just sufficient to meet family's food consumption needs and the meager surplus could be disposed off in local or near markets, efficiency did not count. Thanks to increasing Marketable Surplus Ratios (MSRs) for many commodities and growing consumption expenditure of the family, Input – Output ratio has come to demand critical attention.

3. As noticed from CACP (Commission for Agricultural Costs and Prices) estimates of cost of production, they are registering annual increases. This has an impact on the net returns of the farmers. The farm income is also a function of the prices one receives on the produce. This too does not present a satisfactory picture. In order to improve the efficiency of input and output management at farm level, one of the determinants is the scale of operations. When small parcels of farmers' land are pooled, not by dispossession, but by mobilizing the owners into some form of collective operational unit, the advantages of scales of economy can be harvested to benefit small and marginal farmers. Contract farming is one of many other tools that holds such a positive potential.

4. Contract farming which in essence is a pre-production season agreement between farmers (either individually or collectively) and sponsor(s), transfers the risk of post-harvest market unpredictability from the former to the latter. While market risk cover constitutes the fulcrum of contract farming, it also enjoys the latitude of greater partnership between the two parties, whereby, the sponsor agrees to professionally manage inputs, technology, extension education, pre and post-harvest infrastructure and services, etc. as per mutually agreed terms. The small and marginal farmer thereby gets to enjoy additional benefits of operational efficiency.

5. Continuing with a basket of reforms in the agriculture sector, as a natural corollary to its commitment to doubling the farmers' income by 2022, the Union Government in its budget, 2017-18 announced, that a "Model Contract Farming Act" shall be drafted and shared with all the States and Union Territories. Respecting this sentiment necessitated removal of the conflict of interest that plagued the system of contract farming under the provisions of the state APMC Acts. This was addressed in the Model Agricultural Produce and Livestock Marketing (Promotion & Facilitation) Act, 2017 which left out all provisions relating to contract farming and paved way for drafting an exclusive model law on the subject of contract farming.

6. It is in response to the announcement of Union budget, 2017 that the model provision called "The ..... State / Union Territory Agricultural Produce & Livestock Contract Farming and Services (Promotion & Facilitation) Act, 2018" has been brought out.

7. The singular guiding factor that informed the Committee in formulating this law has been protecting and promoting the interests (land ownership, higher productivity, reduced cost, higher price returns) of the farmers in general and small & marginal farmers in particular. Parallely, the Committee was guided by the necessity of incentivizing the sponsor, if the latter was to find it attractive enough to buy the market risks of a farmer. The provisions, therefore, aim at building a win-win framework for the two principal parties to the Agreement. The role of a guide and an umpire has been recognized, and hence the creation of a Board has been facilitated. Keeping in mind the spectrum of agricultural activities that Indian farmers practice, the Model Act has been tailored comprehensively to include all categories of agronomic & horticultural crops, as also the diverse universe of livestock, dairy, poultry and fishery. It further encompasses outputs that are both raw and primary processed in form. Apart from providing for contract relating to marketing, the Model Act also enables entering into one or more services relating to pre-production, production and post-production. The salient features of this Model Contract Farming and Services Act are as follows:

- (i) Setting up of an appropriate and unbiased state level agency called "Contract Farming and Services (Promotion & Facilitation) Board" to carry out the assigned mandates under the provisions relating to contract farming, services contract and such other contracts and popularize it among the stakeholders. Alternatively, existing organization/ institution in the State/UT deemed appropriate to take on such a role to be recognized.

- (ii) Constitution of a “Registering and Agreement Recording Committee” or alternatively designation of “Registering and Agreement Recording Officer” at district/block/taluka level for registration of contract farming sponsor, services contract sponsor & such other sponsors and recording of contract thereof, so as to implement the same effectively.
- (iii) Enable production support, including extension services to the contracting farmers or group of farmers through supply of quality inputs, scientific agronomic package of practices, technology, managerial skills and necessary credit. Contracted produce is to be covered under crop / livestock insurance in operation.
- (iv) Contract farming, services contract and such other contracts under this Act to remain outside the ambit of respective Agricultural Produce Marketing Act of the states. The additional benefit in consequence to the buyers is freedom from market fee and commission charges, resulting in a saving of 5 – 10 per cent to their transaction costs.
- (v) Services contracted may be varied in nature and at various stages in the end to end supply chain like seeds/planting materials/fingerlings , fertilizer, manure, irrigation, farm machinery, agri- logistics, transportation, post-harvest management & marketing and so on. It also includes land/soil development and marketing support to value added produce of farmers.
- (vi) Regulating the sponsor in respect of raising permanent structure (s) on contract farming producer’s land or premises. If any such structure is raised to fulfill the objective of the contract, and as agreed to by contracting parties , it shall be binding on the sponsor to remove if desired by farmer/ producer.
- (vii) Promoting Farmer Producer Organization (FPOs) / Farmer Producer Companies (FPCs) to mobilize small and marginal farmers to benefit from scales of economy in production and post-production activities. FPO/FPC can be a contracting party if so authorized by the farmers.
- (viii) No rights, title ownership or possession to be transferred or alienated or vested in the contract farming sponsor etc.
- (ix) Ensuring buying of entire pre-agreed quantity of one or more of agricultural produce, livestock or its product of contract farming producer as per contract, consistent with the provisions of this Act and Rules made thereunder.

- (x) Making provision to guide the contracting parties to fix pre-agreed price and also to decide sale-purchase price in case of violent movement (upswing or downswing) of market price vis-à-vis pre-agreed price as a win-win framework.
  - (xi) Providing Contract Farming Facilitation Group (CFFG) for promoting contract farming and services at village /panchayat level to take quick and need based decision relating to production and post-production activities of contracted agricultural produce, livestock and/or its product.
  - (xii) Purchasing of agricultural produce, livestock and/or its product based on quality parameters as per contract farming agreement.
  - (xiii) Catering to a dispute settlement mechanism at the lowest level possible for quick disposal of disputes arising out of the breach of contract or contravention of any provision of the Act.
8. The Act falls under Entry 7- “*Contracts, including partnership, agency, contracts of carriage, and other special forms of contracts, but not including contracts relating to agricultural land*” of the List-III (Concurrent List) of the Seventh Schedule (Article 246) of the Constitution. Hence, the State Legislature, in accordance with Article 246 (2), is competent to enact the law on farming contract.

**The ..... State/UT Agricultural Produce & Livestock Contract Farming and Services (Promotion & Facilitation) Act, 2018**

An  
Act

to provide for improved production and marketing of agricultural produce and/or livestock and/or its product through holistic contract farming and to promote the farmers' interest and facilitate the contracting parties to develop mutually beneficial and efficient contract farming system, and also promote services contract, by putting in place a friendly and effective institutional mechanism and conducive regulatory and policy framework for contract farming and services contract or such other contracts and lay down procedures and systems and the matters connected therewith and incidental thereto.

BE it enacted by the ..... State Legislature in the Sixty Ninth year of the Republic of India as follows:

**CHAPTER –I  
PRELIMINARY**

**Short title, extent and commencement.**

1. (1) This Act may be called “The ..... State/UT Agricultural Produce & Livestock Contract Farming and Services (Promotion & Facilitation) Act, 2018”.
- (2) It extends to the whole of State/ Union Territory (UT).
- (3) It shall come into force on such date as the State Government/Union Territory Administration may, by notification, appoint.

**Definition.**

2. In this Act, unless the context otherwise requires,-
  - (a) “**Administration**” means an administration of a UT;
  - (b) “**Agreement**” means the Contract Farming Agreement between the Contract Farming Sponsor, who offers to participate in any component or entire value chain including pre-production, nursery/ hatchery/breeding & purchase the agricultural produce and/or livestock and/or its product, and the Contract Farming Producer, who agrees to produce

the crop and/or rear the livestock, under which the production/rearing and marketing of an agricultural produce and/or livestock and/or its product, as the case may be, is carried out as per the provisions laid down in the Agreement not inconsistent with this Act or any other law for the time being in force. Agreement also includes the Agreement between Services Contract Sponsor or such other Sponsors and Farmer(s) / FPO made under this Act;

- (c) **“agriculture”** means and includes growing or cultivation of plants or produce of agriculture, horticulture, apiculture, sericulture, or permissible forest species, or of medicinal & aromatic usage, or any other such activity for the purpose of seed/ plantation material, food, fodder, fiber, bio-fuel and also raw materials for agro-industries as decided by contracting parties under section 18 (1) for the purpose of this Act;
- (d) **“agricultural produce”** includes all produce, whether minimally processed or not, of agriculture, horticulture, apiculture, sericulture, permissible forest species and medicinal & aromatic plants, or any other such produce like seedlings/saplings raised in nursery as planting material, as decided by contracting parties under section 18 (1) for the purpose of this Act;
- (e) **“Authority”** means dispute settlement Authority constituted under section 33 of this Act;
- (f) **“Board”** means Contract Farming and Services (Promotion and Facilitation ) Board established under section 3 of this Act;
- (g) **“Chairperson”** means Chairperson of the Contract Farming and Services (Promotion & Facilitation) Board appointed by Government/ Administration under section 4 of this Act;

- (h) “**Committee**” means “Registering and Agreement Recording Committee” constituted under section 17 (2) of this Act;
- (i) “**company**” means a company incorporated under the Companies Act, 1956 as amended from time to time or under any other law for the time being in force;
- (j) “**Contract**” means law enforceable agreement made under this Act;
- (k) “**Contract Farming**” means farming by a Contract Farming Producer as specified under Agreement with Contract Farming Sponsor to the effect, that agricultural produce and /or livestock and /or its product shall be purchased by the Contract Farming Sponsor or by duly authorized agent therefor, as specified in the Agreement;
- (l) “**Contract Farming Producer**” means a farmer or FPO, who has agreed to produce/rear the crop and/or livestock and/or its product, as specified and in the manner set forth in the agreement and supply the same to the Contract Farming Sponsor, or Services Contract Sponsor or such other Sponsors, as the case may be, or duly authorized agent therefor, as specified in the Agreement;
- (m) “**Contract Farming Sponsor**” means a person who has entered into Contract Farming Agreement under this Act;
- (n) “**farmer**” means a person, who is engaged in production of agricultural produce or rearing of livestock by himself or by hired labour or otherwise, including lessee, tenant and sharecropper;
- (o) “**Farmer Producer Company (FPC)**” means a company of farmer producer members as defined in Section IXA of the Companies Act, 1956, including any amendments thereto, re-enactment thereof and incorporated with the Registrar of Companies;

- (p) **“Farmer Producer Organisation” (FPO)** means an association of farmers, by whatever name/ form it is called/ exists, registered under any law for the time being in force, which is to mobilize farmers and build their capacity to collectively leverage their production and marketing strength;
- (q) **“firm”** means a firm as defined under Indian Partnership Act, 1932 including any amendment thereto;
- (r) **“force majeure”** means an event that is unforeseeable, unavoidable and outside the control of contracting parties’, comprising flood, drought, bad weather, earthquake, epidemic outbreak of disease and insect-pests and such other events;
- (s) **“Fund”** means Contract Farming and Services (Promotion and Facilitation) Fund constituted under section 16 (2) of this Act;
- (t) **“Government”** means the State Government;
- (u) **“lease”** means a contract between the land/ premises owner –Lessor and the Contract Farming Sponsor-Lessee for contract farming under this Act, not inconsistent with any law for the time being in force;
- (v) **“livestock”** includes domesticated animals like cattle, buffalo, goat, sheep, pig, and also includes other species like poultry, fish, birds and such other animals species, as decided by contracting parties under section 18 (1) for the purpose of this Act;
- (w) **“livestock product”** means all products of livestock including those obtained through hatchery and breeding-farm management, as decided by contracting parties under section 18 (1) for the purpose of this Act;



- (x) **“marketing”** means all activities involved in the flow of agricultural produce and /or livestock and/ or its product from production point commencing at the stage of harvest or otherwise, as the case may be, till the same reaches the ultimate consumers viz. grading, processing, storage, transport, buying-selling , channels of distribution and all other functions involved in the process;
- (y) **“Person”** includes individual, Hindu Undivided Family, a co-operative society or a company or firm or an association or a body of individuals, whether incorporated or not;
- (z) **“premises”** include building, structure, enclosure and surroundings thereof meant for rearing of livestock and structures/ activities connected and incidental thereto;
- (za) **“prescribed”** means prescribed by Rules made under this Act;
- (zb) **“Prescribed Officer”** means Registering and Agreement Recording Officer designated by Government/Administration under section 17 (3) for the purpose of this Act;
- (zc) **“Presiding Officer”** means Presiding Officer of Dispute Settlement Authority constituted under section 33(1);
- (zd) **“price volatility”** refers to the degree to which prices rise or fall over a period of time;
- (ze) **“processing”** means any one or more of a series of treatment including powdering, crushing, decorticating, de-husking, parboiling, aging, polishing, ginning, pressing, curing, tendering , chilling and pasteurization or any other manual, mechanical, chemical or physical treatment to which raw agricultural produce, livestock or its product is subjected to; and processing also includes such post-harvest activities like cleaning, sorting, grading and such other value additions;

- (zf) “**Processor**” means a person that undertakes processing of any agricultural produce, livestock or its product on his own accord or on payment of a charge;
- (zg) “**produce**” includes agricultural produce, livestock and/or its product, agreed by the contracting parties for contract farming, services contract or any such other contract consistent to this Act;
- (zh) “**Recording of Agreement**” means recording of Contract Farming Agreement made between Contract Farming Sponsor, or Services Contract Sponsor, or such other Sponsors and Contract Farming Producer under section 17 of this Act;
- (zi) “**registration**” means registration of Contract Farming Sponsor or Services Contract Sponsor, or such other Sponsor made under section 17 ;
- (zj) “**Regulation**” means regulation made by the Board under section 15 in accordance with the provisions of this Act;
- (zk) “**Rules**” means the rules made under this Act;
- (zl) “**Schedule**” means the Schedule appended to this Act;
- (zm) “**Services Contract**” means the agreement between the Farmer(s)/ FPO(s) and Services Contract Sponsor wherein former supplies the produce or offers the activity and latter provides any one or more pre-production and production services like land/soil development, seeds/planting materials / fingerlings, fertilizer, manure, feed, fodder, irrigation, farm machinery, harvesting and such other services ; and post-harvest management and marketing services like transportation, storage, primary value addition, processing and such other services. Services contract also includes services , wherein, Farmer / FPO offers value added produce and Services

Contract Sponsor provides marketing support in the form of its trade brand name and such other supports, as mentioned in the Agreement.

- (zn) **“Services Contract Sponsor”** means a person who has entered into pre-production, production and post-harvest management and marketing services contract under this Act;
- (zo) **“Sponsor”** includes Contract Farming Sponsor and Services Contract Sponsor or such other Sponsors under this Act;
- (zp) **“State”** means a State as specified in the first Schedule of the Constitution of India;
- (zq) **“UT”** means Union Territory, as specified in the first Schedule of the Constitution of India;
- (zr) **“Year”** means the year as may be notified by the State Government / UT Administration;

## **CHAPTER–II**

### **CONTRACT FARMING AND SERVICES (PROMOTION & FACILITATION) BOARD**

#### **Establishment and Incorporation of Contract Farming and Services (Promotion & Facilitation) Board.**

3. (1) With effect from such date as the Government/ Administration may, by notification, specify in this behalf, there shall be established a Board to be called the Contract Farming and Services (Promotion and Facilitation) Board, hereinafter called Board, to exercise the powers conferred on, and to perform the functions assigned to it by or under this Act:

Provided that till such time the Board is not established by the Government/ Administration, it may, by notification, nominate any officer to perform the functions and exercise the powers of the Board under this Act.

- (2) The Board shall be a body corporate by the name aforesaid having perpetual succession and a common seal with power, subject to the provisions of this Act, to acquire, hold and dispose of property, both movable and immovable, and to contract and sell, by the said name, sue or be sued.
- (3) The head office of the Board shall be at State/ UT capital or at such place, as the Government/ Administration may notify from time to time; and the Board may establish its office(s) at other places in State/UT.
- (4) Save as otherwise provided under sub-section (1), the Government/Administration may also alternatively designate any existing organization/ institution, excepting organization/ institution dealing with agricultural marketing and has conflict of interest with the activities of contract farming, services contract and such other contracts under this Act. The designated organization/ institution shall—
  - (i) have at least two expert incumbents, with experience and/or of status *mutatis mutandis* to that of official Members of Board, appointed by Government / Administration, as may be prescribed;
  - (ii) have ex-officio and non- official Members same as , *mutatis mutandis*, to that of Board appointed by Government /Administration, as may be prescribed; and
  - (iii) exercise the powers and perform functions in the manner and capacity *mutatis mutandis* to Board.

**Composition of the Board.** 4. (1) The composition of the Board shall be-

- (a) Chairperson, as head of the Board, to be appointed by the Government/Administration from amongst the persons of eminence in the field of agricultural sciences, agricultural marketing, agri-business, agri-trade & commerce, land revenue & management, judiciary, general administration, development administration, banking or in other like areas with cumulative experience of not less than 20 years in one or more of the above areas or in public life or from amongst the persons from the administration who has been associated with the subject and is holding or has held the position of not below the rank of Additional Chief Secretary of State/UT or Additional Secretary to the Government of India;
- (b) Official Members-
  - (i) two Members to be appointed by the Government/ Administration from amongst the persons having the experience of agriculture, agricultural marketing, agri-business and agri-trade & commerce of not less than 20 years, or from amongst the persons from the administration who have been associated with the subject and are holding or have held the position not below the rank of Principal Secretary of State/UT or Joint Secretary to the Government of India. In case of exceptional suitability, Government / Administration may relax the aforesaid eligibility, as may be prescribed;

- (c) Non- official Members-
  - (i) upto three Members to be nominated by the Government/ Administration to represent broadly the Food Processors, Seed Processors, Exporters, Bulk-Buyers linked with retail chain, Sponsors including those engaged in Poultry / Broiler sector, as non-official Members;
  - (ii) upto two Members to be nominated by the Government / Administration, to represent the farmers or their groups or association by whatever name it is called, as non- official Members.
- (d) Ex-officio Members, one each from (i) and (ii) –
  - (i) Principle Secretary/ Secretary, in-charge of agriculture, horticulture, agriculture marketing, cooperation, animal husbandry and fisheries or his nominee not below the rank of Deputy Secretary to the Government of India;
  - (ii) Representative of the All India Financial Institutions (AIFIs) or such other institutions.
- (e) preferably there may be at least two women among the Chairperson and Members inclusive of official and non-official Members;
- (f) one Chief Executive Officer (CEO) to be appointed on deputation by the Government/ Administration from amongst the officers of State/UT/central government not below the rank of “Director” of State / UT/Central

Government, as the case may be. The CEO, under the control of Chairperson, shall have administrative control over the officers and other employees of the Board.

**Tenure of office and conditions of service of Chairperson and official Members of the Board.**

5. (1) The Chairperson and every official Member shall hold office for a term not exceeding five years from the date of assuming the office and shall not be eligible for reappointment in the Board:

Provided that no person shall hold office as the Chairperson or as an official Member after he has attained the age of sixty-five years:

Provided further, that every official Member may be reappointed as Chairperson.

- (2) The person already holding an office, on appointment as Chairperson or official Member in the Board, shall have to resign or seek retirement from that office before joining the Board. In case of exceptional suitability, Government/Administration may appoint any person on deputation also, as may be prescribed.
- (3) The Chairperson and official Members shall, before entering the office, make and subscribe before the Governor / Lt. Governor/ Administrator or any officer authorized in this behalf, an oath or affirmation according to the form set out for this purpose in the Schedule.
- (4) Notwithstanding anything contained in sub-section (1), the Chairperson and every official Member may-
- (a) relinquish the office by giving in writing to the Government/ Administration a notice of not less than three months; or
  - (b) be removed from the office in accordance with the provisions of this Act.

**Salary, allowances and other terms and conditions of Chairperson and official Members of the Board.**

6. (1) Subject to the Rules as may be made in this behalf, the salaries and allowances payable to and other terms and conditions of service of-
- (a) the Chairperson shall be *mutatis mutandis*, at par to the post as held/ holding and drawing the salary before this appointment; and
  - (b) the official Members of the Board shall be *mutatis mutandis*, at par to the post as held/ holding and drawing the salary before this appointment.

**Removal and suspension of Chairperson and official Members of the Board.**

7. (1) The Government /Administration may remove the Chairperson or any official Member from office, who-
- (a) is, or at any time has been, adjudged as an insolvent; or
  - (b) has become physically or mentally incapable of acting as a Chairperson or Member, as the case may be; or
  - (c) has been convicted of an offence which, in the opinion of the Government/Administration, involves moral turpitude; or
  - (d) has acquired such financial or other interest as is likely to affect prejudicially his functions as a Chairperson or Member, as the case may be; or
  - (e) has so abused his position as to render his continuation in office detrimental to the public interest; or
  - (f) has been adjudged as non-performing and non-committal.
- (2) No Chairperson and any official Member shall be removed under sub-section (1) unless has been given a reasonable opportunity of being heard in the matter.



- (3) Government/ Administration may suspend Chairperson or any official Member in respect of whom the process of removal from service is pending.
- Term of office of non-official Member of the Board.**
8. (1) The term of office of the non-official Member of the Board shall be for five years. However, the Member may hold office at the pleasure of the Government/ Administration. The Government/ Administration may, if it thinks fit on the ground, as prescribed, remove any non-official Member of the Board before expiry of term of office.
- (2) No person may be non-official Member of the Board twice consecutively.
- (3) No non-official Member shall be removed under sub-section (1) unless has been given a reasonable opportunity of being heard .
- Allowances to the non-official Member.**
9. The non-official Member of the Board shall be paid from the Contract Farming and Services (Promotion and Facilitation) Fund, such sitting fee and allowances for attending its meeting and/or attending to any other work as may be assigned by the Board.
- Meetings of the Board, its Proceedings and Quorum.**
10. (1) The Board shall meet for the transaction of its business at least once in every month on such date and at such time, as the Chairperson may determine:
- Provided that the Board may, in special circumstances meet at any time and at any place in the State/UT, as may be prescribed.
- (2) In the absence of the Chairperson due to leave etc., the Chairperson will authorize any of the other Members to function as Chairperson and shall preside over its meeting. In case of vacancy of Chairperson arising out of suspension, resignation, dismissal or death etc., the Government/

Administration will nominate any of the other Members to function as Chairperson till such time as a regular incumbent assumes the office.

- (3) The Member so authorized or nominated to discharge the functions and powers of the Chairperson under sub-section (2) shall not be entitled to any compensation, allowance or facility in addition to what he would be entitled to as a Member.
- (4) Minimum half of the total number of Members of the Board shall form the quorum for transacting the business at the meeting of the Board.
- (5) All questions which come up before any meeting of the Board shall be decided by a majority of the Members present, and in the event of tie, the Chairperson, or the person presiding shall have a second or casting vote.

**Vacancies, etc.,  
not to invalidate  
proceedings of the  
Board.**

11. (1) No act or proceeding of the Board shall be invalid merely by reason of-
  - (a) any vacancy in, or any defect in the constitution of, the Board; or
  - (b) any defect in the appointment of a person acting as a Member of the Board; or
  - (c) any irregularity in the procedure of the Board not affecting the merits of the case.

**Officers and  
employees of the  
Board.**

12. (1) The Government/ Administration shall provide the Board with such officers and employees as may be necessary for the efficient discharge of its functions under this Act.
- (2) The terms and conditions of service of officers and other employees of the Board appointed under sub-section (1) shall be governed by regulations to be approved by the Government/ Administration.

**CHAPTER –III**  
**POWERS AND FUNCTIONS OF THE BOARD AND ITS**  
**CHAIRPERSON**

**Powers and  
Functions of the  
Board.**

13. (1) It shall be the duty of the Board to ensure proper implementation of this Act and to make suggestions to the State/UT for promotion and efficient performance of contract farming, services contract and such other contracts. For this purpose, the Board shall-

- (a) entertain and dispose of appeal under section 34;
- (b) take *suo motu* notice of failure to perform as per agreement and refer such cases for decision to the concerned Authority of the Sub-Division, pass such order, as may be appropriate;
- (c) carry out inspections of offices entrusted with the task of contract farming, services contract and such other contracts under this Act, and also the office of the Authority of the Sub-Division concerned;
- (d) recommend departmental action against any officer or employee of the Government/ Administration who has failed in due discharge of functions cast upon under this Act:

Provided that before making such a recommendation, the Board shall consult the administrative Secretary in-charge of the department concerned to whom the matter relates;

- (e) undertake changes in procedures for contract farming, services contract and such other contracts in consultation with Government / Administration, which will make the subject more transparent, objective, simpler and successful;

- (f) categorize the produce and place in the Schedule under section 18 and also add or delete the produce from Schedule; and
  - (g) issue general instructions, not inconsistent with the provisions of this Act for the guidance of Authority of Sub-Division concerned and related to it.
- (2) Where the Board is satisfied that there are reasonable grounds to inquire into a matter arising out of the provisions of this Act, it may, *suo motu*, initiate an inquiry in respect thereof.
- (3) The Board shall, while inquiring into any matter under this section, have the same powers as are vested in a Civil Court while trying a suit under the Code of Civil Procedure, 1908, in respect of the following matters, namely-
  - (a) summoning and enforcing the attendance of persons, compelling them to give oral or written evidence on oath and producing documents or things;
  - (b) requiring the discovery and inspection of documents;
  - (c) receiving evidence on affidavits;
  - (d) requisitioning any public records or copies thereof from any court or office;
  - (e) issuing summons for examination of witness or documents; and
  - (f) any other matter which may be prescribed.
- (4) The Board shall, under section 26, levy and collect facilitation fee and ensure that not less than fifty per cent of such total annual collection is spent on promotion of contract farming like training, engaging specialists/experts for formulation of grade standards and undertaking arbitration, research and such other activities connected

- therewith and incidental thereto. The Board may also spend of such collection in formulating and implementing welfare and contract farming promotional schemes, as may be prescribed.
- (5) Every year, the Board shall also prepare-
    - (a) a general report covering all the activities of the Board in the previous year;
    - (b) programmes of work;
    - (c) the annual accounts of the previous year; and
    - (d) the budget for the coming year clearly indicating the probable revenue including grants from Government/Administration, if any, and expenditures to constitute the Contract Farming and Services (Promotion and Facilitation ) Fund made under section 16 (2).
  - (6) The Board shall forward the general report and the programmes to the Government/Administration and shall publish it.
  - (7) The Board shall approve its financial expenditure for the contract farming in the State/UT as well as for day to day activities of the Board and report to the Government/Administration.
  - (8) The Board may prepare a Standard Operating Procedure (SOP) to facilitate the efficient contract farming and services contract activities; and may also undertake periodical capacity building programmes through awareness & training on contracts and holistic produce value chains under this Act, including quality inputs, good production & marketing practices, farm management and other areas/activities related or incidental thereto, with particular focus on youth & women, the producers processors, the sponsors and other such stakeholders.

The Board will also undertake an extensive and periodical publicity programme to publicize contract farming and services contracts among the stakeholders.

- (9) The Board may, on its own or by engaging experts, formulate grade standards for produce to be contracted upon, undertake capacity building and publicity programmes .
  - (10) The Board as a neutral facilitator should foster a dialogue between Producers and Sponsors, by organizing joint meetings/ workshops, to discuss contractual terms, their duties, obligations and also doubts, apprehensions & misconceptions, if any and suggest appropriate remedies.
  - (11) The Board may also represent in the meetings/ workshops of farmers and FPOs organized by Sponsor to facilitate them to understand the contracts under this Act, the relevant law and other things incidental thereto.
  - (12) The Board may endeavour to popularize the contracted product under this Act in domestic and overseas markets as brand of contract farming produce.
  - (13) The Board shall develop and maintain suitably designed Management Information System (MIS) for operations of contract farming, services contract and such other contracts including digital registration and recording of Agreements in the State/UT.
  - (14) The Board shall maintain a panel of experts to perform the functions and discharge the duties as Arbitrators under this Act, as may be prescribed.
- 14. (1)** The Chairperson shall have powers of general superintendence and direction in the conduct of the affairs of the Board. The Chairperson shall preside over the meetings of the Board as well as exercise and discharge the powers and functions

**Powers and Functions of the Chairperson.**

of the Board vested in him in accordance with the rules framed under this Act.

- (2) The Chairperson shall also be responsible for:-
- (a) the day-to-day administration of the Board;
  - (b) drawing up of proposal for the Board's work programmes in the State/UT;
  - (c) implementing the work programmes and the decisions adopted by the Board;
  - (d) ensuring that the Board carries out its tasks in accordance with the requirements of its users, in particular with regard to the adequacy of the services provided and the time taken;
  - (e) the preparation of the statement of revenue and expenditure and the execution of the budget of the Board; and
  - (f) any other activity as necessary to carry out the affairs of the Board smoothly and in accordance with the applicable provisions of this Act and the Rules made thereunder.
- (3) In case of absence of the Chairperson or vacancy in its office, the Member, so authorized or nominated, as under section 10 (2), shall perform the functions and exercise the powers vested in the Chairperson as long as the vacancy or absence continues.

**Board to make Regulations.**

15. (1) The Board may, with the previous approval of the Government/ Administration, make regulations, not inconsistent with this Act and Rules made thereunder for the administration of the affairs of the Board.
- (2) In particular and without prejudice to the generality of the foregoing power, such regulations may provide for all or any of the following matters, namely:-

- (a) summoning and holding of meetings of the Board;
- (b) powers and duties of the officers and other employees of the Board;
- (c) salaries and allowances and other conditions of service of officers and other employees of the Board;
- (d) management of the property of the Board;
- (e) maintenance of accounts and the preparation of balance sheet by the Board;
- (f) procedure for carrying out the functions of the Board under this Act; and
- (g) other matter for which provision is to be or may be made in regulation.

## **CHAPTER-IV**

### **FINANCE, ACCOUNTS AND AUDIT**

#### **Grants by State Government/UT Administration, Constitution of Fund and Audit of Accounts.**

16. (1) The Government/ Administration may, after due appropriation made by the State/UT Legislature by law in this behalf, or by other appropriate mechanism in case of UT without Legislature, make to the Board grants of such sums of money, at the initial stage, as may be prescribed, for being utilized for the purposes of this Act.
- (2) There shall be constituted a Fund to be called Contract Farming and Services (Promotion and Facilitation) Fund, hereinafter called "Fund":
- (a) The Fund shall be credited thereto-
    - (i) all grants provided by the Government/ Administration, facilitation fee, etc. received by the Board;



- (ii) all sums received by the Board from such other source as may be decided upon by the Government/ Administration; and
  - (iii) all sums realized by way of penalties under this Act.
- (b) The Fund shall be applied for meeting-
  - (i) the salaries, allowances and other remuneration of the Members, officers and other employees of the Board; and
  - (ii) the other expenses of the Board in connection with the discharge of its functions and for the purposes of this Act.
- (3) The Board shall maintain proper accounts and other relevant records and prepare an annual statement of accounts in such form and manner as may be prescribed by the Government/ Administration.
- (4) The accounts of the Board shall be subject to audit by an agency as the Government/ Administration deems fit. The Board may also make arrangement for internal audit of accounts.
- (5) The Board shall furnish to the Government/ Administration at such time and in such form and manner as may be prescribed, or as the Government/ Administration may direct to furnish such returns, statements and other particulars in regard to any proposed or existing programme for the promotion and development of contract farming and services contract and such other contracts at State/UT level, as the Government/ Administration may, from time to time, require.

**CHAPTER-V**  
**REGISTRATION, RECORDING OF AGREEMENT AND**  
**FACILITATIVE FRAMEWORK**

**Registration of  
Contract Farming  
Sponsor and  
Recording of  
Agreement.**

17. (1) Every Contract Farming Sponsor, Services Contract Sponsor and any other such Sponsor, before entering into the Agreement under this Act, hereinafter called “Sponsor”, shall be registered and “Agreement” recorded in such a manner and form as may be prescribed and no such Agreement shall be valid under this Act unless the Sponsor is so registered and Agreement recorded with the prescribed “Registering and Agreement Recording Committee”, hereinafter called “Committee”, constituted under sub-section (2) or with the designated “Registering and Agreement Recording Officer” hereinafter called “Prescribed Officer” as designated under sub-section (3):

Provided that a Sponsor carrying on the contract farming or services contract or such other contracts immediately before the commencement of this Act, may continue to do so for a period as mentioned in the contract from such commencement.

- (2) Government/Administration may constitute a Committee, as provided in Rules, comprising officials of stakeholder Departments headed by an Officer as nominated by the Government/ Administration. The officers so nominated by the Department to constitute such Committee should at the minimum be a member of group “B” gazette service.
- (3) Notwithstanding anything contained in sub-section (2), Government / Administration may, as prescribed, designate a Prescribed Officer, as it deemed fit, taking care and ensuring to avoid conflict of interest with the contract farming .

- (4) The “Committee” constituted under sub-section (2) or the “Prescribed Officer” designated under sub-section (3) shall facilitate registration of Sponsor and recording of Agreement, as may be prescribed.
- (5) The Sponsor shall digitally register and get its Agreement recorded with the designated “Committee” or “Prescribed Officer” of the jurisdiction within which the produce is to be grown / raised/ serviced , as the case may be, in such a form and in such manner with a requisite fee, as may be prescribed, and for such a period as contained under section 22(2):

Provided that if produce is partly or fully grown /raised/serviced in jurisdictions of more than one “Committee” or “Prescribed Officer”, the Sponsor shall digitally register and get its Agreement recorded with any one of the Committees/designated Prescribed Officer and the same will be forwarded to the concerned Committees/ designated Prescribed Officer in the State/UT considering it single point registration and Agreement recording.

- (6) There may be one or more than one Agreements as per categorization of produce under section 18 (2). The Agreement shall be prepared bilingually with one regional/local language clearly understandable to the Producer and shall be in such legally acceptable “Form (s)”, containing such particulars and terms and conditions unambiguously and explicitly mentioned, as may be specified in the Rules, not inconsistent with this Act and any law for the time being in force.
- (7) The Contract Farming Producer may enter into Contract with one Sponsor or with multiple Sponsors without any overlap of same produce.

- (8) Notwithstanding anything contained in any law for the time being in force, Agreement under this Act shall be made on one legal stamp paper only in denomination minimally required in the law for the time being in force.
- (9) The FPO may, on behalf of farmers on being so authorized, be a party to the contract.
- (10) While recording Agreement, the “Committee” or Prescribed Officer may ensure that the title of land is, as reflected in latest record of rights.

**Produce under  
Contract Farming.**

- 18.** (1) Considering the significance of the produce for the purpose of contract farming, services contract and such other contracts under this Act, contracting parties may mutually decide the name of the produce and such decided produce will be explicitly mentioned in the Agreement.
- (2) The Board may, based on varied factors such as price volatility and/or other such criteria, as may be prescribed in the Rules, categorize the produce from time to time for contract farming, to guide the contracting parties to benchmark the pre-agreed and sale-purchase price as provided in the Agreement under this Act, and such categorized produce may be placed in the Schedule to this Act:

Provided that Board may add, delete the produce from Schedule or alter its categorization, as it deems fit.

Provided further that if such produce is not categorized and mentioned in the Schedule to this Act, contracting parties shall be free to mutually decide the pre-agreed and sale-purchase price as explicitly mentioned in the Agreement.

**Support to  
agricultural  
production and  
rearing of livestock.**

19. (1) The Contract Farming Producer, hereinafter called “Producer”, may get support from Sponsor for improving production and productivity by way of land/soil management, seeds/saplings/fingerlings, inputs, feed & fodder, technology and other such service(s) related thereto as specified in the Agreement.
- (2) The latitude of the Contract under the Act may include holistically from pre-production to post-production or any component(s) thereof; and may also include varied types of contracts based on nature of produce, its production and shelf life etc., with all terms and conditions, mentioned explicitly in the Agreement, not inconsistent with this Act.
- (3) Save as otherwise provided in sub-sections (1) and (2), Farmer (s)/FPO may also enter into pre-production, production and post-production services or any other such contract with Service Contract Sponsor or such other Sponsor, as may be prescribed and explicitly specified in the Agreement, not inconsistent with this Act and Rules made thereunder.
- (4) Farmer-Producer Organizations (FPOs), by whatever name/ form it is called/ exists, including Farmer-Producer Companies (FPCs) will be promoted among small and marginal farmers and other such farmers engaged in rearing of livestock for scale of economy in production and post-production activities.
- (5) There may be a Contract Farming Facilitation Group (CFFG) for every contract comprising the members from contracting parties, as may be prescribed, to facilitate in selection of inputs, feeds, good agriculture practices, sorting, grading, packing and delivery of produce and such other pre-production, production and post-production activities of contracted produce.

**Sponsor prohibited from raising permanent structure on Producer's land or premises.**

20. Notwithstanding anything contained in the Agreement or any law for the time being in force, the Sponsor is prohibited from raising any permanent structure or creating any kind of leasehold rights or any kind of charge of whatever nature on the land or premises of the Producer:

Provided that any kind of structure can be raised as agreed upon in the Agreement being related to production processes of produce and / or rearing of livestock or its marketing, including services contracted, and shall be removed, if desired and so agreed by the Producer/Farmer, and land restored to pre-contract condition before the expiry of the Agreement, and if not removed, its ownership shall vest in the Producer/Farmer after the expiry of the Agreement.

**No title, rights, ownership or possession shall be transferred or alienated or vest in the Sponsor.**

21. Notwithstanding anything contained in the Agreement, no title, rights, ownership or possession of land or premises or other such property shall be transferred or alienated or vest in the Sponsor or its successor or its agent as the case may, as a consequence of the Agreement. As a corollary to this, no charge, whatsoever, on the land of the Producer shall be validly created by any act or omission of the contracting parties.

**Object and Period of Agreement.**

22. (1) The Agreement shall be made by the Sponsor exclusively for the purchase of produce and may also include pre-production and production activities like land /soil management, nursery management (seedlings/saplings/fingerlings/etc.), supply of inputs, feed & fodder, medicine and technology or any other activity related thereto as specified in the Agreement.

- (2) The minimum period of the Agreement shall be for one production cycle of contracted produce and further continuance subject to renewal thereafter, as mutually decided by Producer and Sponsor and explicitly mentioned in the Agreement:

Provided that in case of multiple produce contract, the produce with more than one year production cycle may have separate Agreements.

**Explanation:** More than one produce upto one year production cycle may be in one Agreement itself and produce with longer duration production cycle exceeding one year may be in separate Agreement.

- (3) Save as otherwise provided in sub-section (1), there may be a services contract or such other contracts for the period as may be mutually agreed by the contracting parties, not exceeding five years and renewable thereafter.
- (4) Notwithstanding anything contained in sub-sections (1) & (3), Producers (land/premises owner-lessor), may lease out their agricultural land and/or premises to the Sponsor-lessee for contract farming under this Act, not inconsistent with respective state's law or any law for the time being in force.

**Quality Grade Standards.**

23. (1) The contracting parties may, considering the channel of outlet, end use, agronomic practices, agro-climate and such other factors, also work out mutually acceptable quality grade standards or adopt any such standards formulated by an agency of the State/UT or Commission for Agriculture Costs and Prices (CACP) of Government of India or any other agency authorized by the Board, explicitly mentioned in the Agreement, to execute the quality standard based sale-purchase.

- (2) Save as otherwise provided under sub-section (1), the Board may also formulate quality grade standards for produce for adoption by the contracting parties explicitly mentioned in the Contract.
- (3) The quality grade standards may be categorized into (i) premium quality; (ii) fair average quality; and (iii) below fair average quality, or contracting parties as mentioned in the Agreement may, mutually otherwise categorise quality grade standards based on their marketing and other such requirements, not inconsistent with any law for the time being in force.
- (4) While identifying and defining quality parameters and their values, generic and specific use of the produce may be taken into consideration.

**Explanation:** In case of contract farming for seed production, genetic purity, germination percentage, Viability, etc., as the case may be in the contract, may be important parameters.

- (5) Contracting parties may mutually identify any 3<sup>rd</sup> party quality assayer, as prescribed and mentioned in the Agreement, to facilitate in determining the quality grade standards of the contracted produce before delivery.

**Principles to determine pre-agreed price for Produce.**

24. To provide reasonable protection to the weaker party to the agreement, i.e., the Producer, the pre-agreed price, category-wise as under section 18(2), may be determined in accordance with the guiding criteria as provided in the Rules and mentioned in the Agreement.

**Principles to determine Sale-purchase price of Produce.**

25. Notwithstanding anything contained in this Act or any other law for the time being in force, the sale-purchase prices, explicitly mentioned in the Contract, may be determined in accordance with the guiding criteria as provided in the Rules.



**Levy of Facilitation fee.**

26. (1) The Board shall levy and collect facilitation fee from the Sponsor as prescribed in respect of contracted produce, at such rate, as may be notified by the Government/ Administration, but not exceeding 0.3 per cent *ad valorem* on contracted produce:

Provided that the Government/ Administration may, in consultation with the Board, exempt levy of facilitation fee at initial stage of implementation of the Act, as it deems fit, or at any time in the course on any or all contracted produce.

- (2) Notwithstanding anything contained in this section, Government /Administration may, in order to promote contract farming, services contract & such other contracts under this Act and to attract investment, exempt levy of facilitation fee.
- (3) In case of excess collection/ deposition of facilitation fee, the Board will refund the same within 30 days of notice of such collection / deposition.

**Sale-purchase of Produce.**

27. (1) The contracted produce shall be outside the ambit of regulation of State /UT Agricultural Produce Marketing Act.

- (2) The Sponsor shall buy the entire pre-agreed quantity of contracted produce of the Producer:
  - (a) In case, production support under section 19 has been provided for in the Contract,-
    - (i) the Sponsor shall buy entire pre-agreed quantity of the contracted produce commensurate to quality standards as provided in the Agreement, but not less than fixed percentage of pre-agreed quantity of the produce, as may be prescribed and as provided in the Agreement; and

- (ii) the Sponsor shall also buy rest of the pre-agreed quantity not purchased under sub-section (2) (a) (i) at lower rate mutually acceptable to both parties, as may be prescribed, and as provided in the Agreement :

Provided that the Producer and Sponsor shall be free to mutually decide, and as mentioned in the Agreement, to sell the remaining quantity as under sub-section (2) (a) (ii) to other desirous buyer (s).

- (b) In case of only buying Contract,-

- (i) the Sponsor shall buy entire pre-agreed quantity of the contracted produce commensurate to quality standard as provided in the Agreement but not less than fixed percentage of pre-agreed quantity of the produce, as may be prescribed and as provided in the Agreement; and

- (ii) the Sponsor shall also buy rest of the pre-agreed quantity not purchased under sub – section (2) (b) (i) at lower rate mutually acceptable to both parties, as may be prescribed, and as provided in the Agreement:

Provided that the Producer and Sponsor shall be free to mutually decide, and as mentioned in the Agreement, to sell the remaining quantity as under sub-section (2) (b) (ii) to other desirous buyer(s).

- (c) In the event of windfall gains,-

- (i) the Sponsor may, *suo motu* share a portion of such margin with contracting Producers in the form of “bonus” to sustain their interest in contract farming; and/or

- (ii) the producer may, as mutually agreed, be allowed to sell certain percentage of the pre-agreed quantity of the produce, as decided in the open market; and/or
  - (iii) contracting parties may, to mutual satisfaction through negotiation, agree on any other option provided in the Agreement or acceptable to both the parties when not provided in the Agreement.
- (3) Notwithstanding anything contained in the Essential Commodities Act, 1955 and Control Orders issued thereunder or any other law for the time being in force, the provision of stock limit shall not be applicable on such Sponsor purchasing produce for trade/ processing/ export to the extent of quantity purchased under contract farming.
- (4) Only electronic weighing instruments or other such instruments, which satisfy the requirements of such weights and measures, as prescribed by “The Legal Metrology Act, 2009” or any other provisions of law for the time being in force for such purpose, shall be used for weighing or measuring produce.
- (5) The Sponsor shall, as provided in the Agreement, make all arrangements for purchase and provide materials required for filling and weighing/ measuring of the produce, in advance, when the produce is to be taken by the Producer for delivery to the Sponsor at the agreed place. The Sponsor shall also be responsible to make the weighment/ measurement immediately and after the weighment / measurement is over, shall take the delivery of the produce, forthwith by issuing a receipt slip with the details of sale proceeds, as may be prescribed.

- (6) The Sponsor shall be considered to have thoroughly inspected the produce at the time of delivery and have subsequently no right to retract it:

Provided that in case of seed and such other produce where quality assessment is made later on, the quality issue will be settled after quality assessment report, as may be prescribed.

- (7) Sponsor shall make the full payment to the Producer of the value of the produce, delivered as per the Agreement, and shall be made through bank or electronic clearance on the same day or in the maximum next day, if procedurally so required, or on the day as mutually agreed and mentioned in the Agreement:

Provided that in case of seed and such other produce where quality is to be assessed later on, 2/3<sup>rd</sup> of the value is to be made at the time of delivery of the produce or on the day as mutually agreed and mentioned in the Agreement; and remaining 1/3<sup>rd</sup> soon after receipt of quality assessment report as prescribed.

- (8) In case, Sponsor does not make payment as under sub-section (7), in accordance with the terms of Contract, a penal interest as prescribed, will be levied for late payment upto thirty days. If the said payment is not made within thirty days, it shall be recovered as an arrear of land revenue with interest as prescribed, till such time as it is recovered and paid to the Producer :

Provided that in case of pendency of dispute, charge of penal interest and recovery as an arrear of land revenue with interest, as the case may be, will be decided under dispute settlement mechanism as per chapter VI and as provided in the Agreement.

- Insurance of Produce.**
28. (1) The produce under contract farming shall be covered under production linked agricultural insurance scheme in operation or any other such scheme, as may be prescribed, and provided in the Agreement.
- (2) Save as otherwise provided under sub-section (1), the produce under contract farming may be covered under price/market linked insurance scheme or any other such scheme, as and when it may come to be implemented by Central Government or Government/ Administration or any other agency, as may be prescribed and provided in the Agreement.
- Other parties to the Contract.**
29. Save as otherwise provided in the Act, insurance company, banking institution providing credit, agri-input supplier, knowledge partner, buy-back buyer and other buyer(s) intending to purchase produce may be parties to the Contract, and their roles and services be explicitly mentioned in the Agreement.
- Obligation of contracting parties.**
30. The contracting parties must either perform, or offer to perform, their respective promises, unless such performance is dispensed with or excused as under section 31 of this Act, or of any other law for the time being in force.
- Alternation and termination of Contract.**
31. (1) The contracting parties may, in the course, alter or terminate the Contract with mutual consent, in intimation to the Board or the officer authorized in this behalf.
- (2) In the event of a *force majeure* and/or the change in the policy of government, the affected contracting party, to the extent of adverse impact, shall not be bound to honour the Contract and can accordingly alter the terms with mutual consent or terminate the Contract, with the approval of the Board or the officer authorized in this behalf.

## **CHAPTER – VI**

### **DISPUTE SETTLEMENT, APPEAL AND PENALTIES**

- Negotiation or third party mediation / conciliation.** 32. (1) In case of any dispute arising out of Agreement made in conformity to this Act, the parties to the contract may seek a mutually acceptable an amicable solution through the process of mutual negotiation or through third party conciliation/ mediation in the manner, as may be prescribed; and in consistent with the law for the time being in force.
- (2) The contracting parties may mutually identify the conciliator/mediator in the manner as mentioned in the Agreement.
- Dispute Settlement Authority.** 33. (1) The Government/Administration may, by notification, constitute a “Dispute Settlement Authority”, as may be prescribed, comprising Sub-Divisional Magistrate/Officer, in-charge of Revenue and General Administration of Sub-Division, by whatever name called, or retired Judge/Magistrate of appropriate rank with relevant expertise, as “Presiding Officer” and other three Members, one each representing farmers / FPOs, agro-industries and domain experts.
- (2) Failing to reach a mutually acceptable an amicable solution under section 32, the aggrieved party may refer the dispute to the “Dispute Settlement Authority”, hereinafter called “Authority”.
- (3) The Authority shall resolve the dispute democratically by a majority present, and in the event of tie, the Presiding Officer, or the Member presiding shall have a second or casting vote.
- (4) The Authority shall resolve the dispute in summary manner within fifteen days, after giving the parties a reasonable opportunity of being heard .

- (5) The decision of the Authority under this section shall have force of the decree of a Civil Court and shall be enforceable as such, and decretal amount shall be recovered as an arrears of land revenue.

**Appeal.**

- 34.** (1) Any person aggrieved by the decision/ order of Authority under section 33, may prefer an appeal to the Board, in the manner as may be prescribed, within fifteen days, or within thirty days by submitting reasons for delay, if any, from the date of such decision/order. The Board shall dispose off the appeal within fifteen days after giving the parties a reasonable opportunity of being heard and decisions of the Board shall be final:

Provided that the Sponsor or the Producer filing the appeal shall have to deposit with the Board in advance, an amount or security through bank guarantee or any other such instrument equal to twenty per cent and ten per cent respectively of the due amount, as decided by the Authority under section 33 of this Act, with the Board. If the Board dismisses the appeal, the Board shall forthwith transfer the twenty per cent or ten per cent, as the case may be, kept deposited with it and balance amount is to be paid by the petitioner within fifteen days to the beneficiary, and if not complied with otherwise it will be recovered as arrears of land revenue.

- (2) The decision of the Board in the appeal shall have force of the decree as of the Civil Court and shall be enforceable as such and decretal amount shall be recovered as arrears of land revenue.

**Alternative  
Dispute Resolution  
mechanism**

- 35.** Save as otherwise provided in section 33, contracting parties may also mutually decide any one or more of Alternative Dispute Resolution (ADR) mechanisms including Arbitration as provisioned in the Arbitration and Conciliation Act, 1996 and as amended from time to time.

The ADR (s) so decided under sub-section (1) shall be explicitly mentioned in the Agreement and also as the “Arbitration Clause”, not inconsistent with the “Arbitration and Conciliation Act, 1996” and amendment thereto and this Act:

Provided that Arbitrator (s) shall be appointed in the manner, as may be prescribed, from the panel of experts maintained by the Board.

**Penalties.**

- 36.** (1) The Sponsor and the Producer shall on contravention / breach of contract made under this Act, be liable to un-liquidated damages or compensation and liquidated damages or penalty, as may be prescribed.
- (2) The compensation or penalty, as the case may be under sub-section (1), shall be recovered from Sponsor and Producer as arrears of land revenue, as may be prescribed.

**CHAPTER – VII**

**MISC.**

**Submission of annual reports of accounts.**

- 37.** The Sponsor shall submit annual reports of accounts, in relation to Agreement entered into and executed for contract under this Act, to the Board, as may be prescribed.

**Recovery of dues from any party to the Agreement.**

- 38.** If there is any due from any party to the Contract, it will be recovered as arrears of land revenue.

**Recovery of loans and advances given by Sponsor to the Producer.**

- 39.** Both loan and advances given by the Sponsor to the Producer can be recovered from sale proceed of the produce in accordance with the procedure and manner as may be prescribed and in no case, be realised by way of sale or mortgage or lease of the land in respect of which the Agreement has been entered into.



**The Chairperson and the Members or employees of the Board to be public servants**

**40.** The Chairperson, the official Members and the employees of the Board shall be deemed to be public servant within the meaning of section 21 of the Indian Penal Code.

**Protection of action taken in good faith**

**41. (1)** No suit, prosecution or other legal proceeding shall lie against any person for anything which is done in good faith or intended to be done in pursuance of this Act or any Rule made thereunder.

**(2)** No act done or proceedings under this Act by the Board shall be invalid merely on the ground of existence of any vacancy or by reason of defect or irregularity in its constitution or absence of any Member in its meeting.

**Action taken by the Government/ Administration on the recommendations of the Board**

**42. (1)** The Government/Administration shall consider the recommendations made by the Board under clauses (d) and (e) of sub-section (i) of section 13 and send to the Board, information or action taken within thirty days or such longer time as may be decided in consultation with the Board. In case the Government/ Administration decides not to implement any of the recommendations of the Board, it shall communicate its decision to the Board with reasons thereof.

**(2)** The Board shall prepare an annual report of the recommendations made by it under section 13 (5) along with the action taken and reasons for not taking action, if any. The Government/ Administration shall cause a copy of this report to be laid on the table of the Legislative Assembly of the State/UT. In case of UT without Legislature, it shall adopt its established due procedure.

**Power of the Government/ Administration to restrict the produce for contract.**

**43. (1)** The Government/ Administration may, by notification, identify the produce for negative list in the Schedule, which due to statutory and other extra ordinary reason(s), specified therein, shall be restricted for contract farming for the specified period:

Provided that no notification shall be issued under this section without publishing in the official Gazette with previous notice of not less than 30 days as the Government/Administration may consider reasonable of its intention to issue such notification.

- (2) Government/Administration may, by notification, amend the negative list of the Schedule, to add or omit any produce, specified therein, and thereupon the negative list of the Schedule shall be deemed to have been amended accordingly.

**Power to make Rules.**

44. (1) The Government/Administration may, by notification in the Official *Gazette*, make Rules for the purposes of carrying out the provisions of this Act.
- (2) All Rules made under this Act should be laid before each house of the State/UT Legislature. The UT without Legislature shall follow its due procedure.

**Power of Government/ Administration to give direction.**

45. (1) Without prejudice to the foregoing provisions of this Act, the Board shall, in exercise of its powers and performance of its functions under this Act, be bound by such directions on questions of policy, other than those relating to technical and administrative matters, as the Government/ Administration may give in writing to it from time to time:

Provided that the Board shall, as far as practicable, be given an opportunity to express its views before any direction is given under this sub-section.

- (2) The decision of the Government/ Administration, whether a question is one of policy or not, shall be final.

**Power of Government/ Administration to supersede Board.**

46. (1) If, at any time, the Government / Administration is of the opinion-
  - (a) that, on account of circumstances beyond the control of the Board, it is unable to discharge

the functions or perform the duties imposed on it by or under the provisions of this Act; or

- (b) that the Board has persistently defaulted in complying with any direction given by the Government/ Administration under this Act or in the discharge of the functions or performance of the duties imposed on it by or under the provisions of this Act and as a result of such default, the financial position of the Board or the administrative function of the Board has suffered; or
- (c) that circumstances exist which render it necessary in the public interest so to do, the Government/Administration may, by notification and for reasons to be specified therein, supersede the Board for such period not exceeding six months, as may be specified in the notification, and appoints an Administrator or the Board of Administrators or any person 'as it deems fit' to look after the functions of the Board for the period of supersession:

Provided that before issuing any such notification, the Government/ Administration shall give a reasonable opportunity to the Board to make representations against the proposed supersession and shall consider the representation, if any, of the Board.

- (2) Upon the publication of a notification under sub-section (1) superseding the Board,-
  - (a) the Chairperson and other Members shall, as from the date of supersession, be deemed to have vacated their offices;

- (b) all the powers, functions and duties which may, by or under the provisions of this Act, be exercised or discharged by or on behalf of the Board shall, until the Board is reconstituted under sub-section (3) be exercised and discharged by the person nominated by the Government/ Administration under clause (c) of sub-section (1);
  - (c) all properties owned or controlled by the Board shall, until the Board is reconstituted under sub-section (3), vest in the Government / Administration.
- (3) On or before the expiration of the period of supersession specified in the notification issued under sub-section (1), the Government/ Administration shall reconstitute the Board by a fresh appointment of its Chairperson and other Members, and in such case, any person who had vacated his office under clause (a) of sub-section (2) shall not be deemed to be disqualified for reappointment.
  - (4) The Government/ Administration may cause a copy of the notification issued under sub-section (1) and a full report of any action to be laid before each House of the State/UT Legislature as soon as may be after it is issued. The UT without Legislature shall follow its due procedure.
  - (5) Notwithstanding anything contained in any law or in any contract or Memorandum or Articles of Association, a person on removal, from office under this section, shall not be entitled to claim any compensation for the loss or termination of office.
- 47.** No Civil Court shall have jurisdiction to entertain any suit or proceedings in respect of any matter, the cognizance of which can be taken and disposed of by any Board empowered by this Act or the Rules made thereunder.

**Bar of Jurisdiction  
of Civil Court.**

- Delegation of powers.**                    **48.** The Board may, by general or special order in writing, delegate to the Chairperson or any other Member or officer of the Board subject to such conditions, if any, as may be specified in the order, such of its powers and functions (excluding the power to make regulations under this Act as it may deem necessary.
- Act to have overriding effect.**                    **49.** The provisions of this Act shall have effect notwithstanding anything inconsistent therewith contained in any other law for the time being in force or in any instrument having effect by virtue of any law other than this Act.
- Power to remove difficulties.**                    **50.** If any difficulty arises in implementation of any provisions of this Act, Government/ Administration may, as exigency requires, by order not inconsistent with the provision of this Act, do anything which appears to it to be necessary or expedient for the purpose of removing the difficulty.
- Saving**                    **51.** Nothing herein contained shall affect the provisions of any Statute, Act or Regulation not hereby expressly repealed, nor any usage of or customs of trade, nor any incident or any contract, not inconsistent with the provisions of this Act.

