

Contract Farming

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What is contract farming?

Contract farming can be defined as agricultural production carried out according to an agreement between a buyer and farmers, which establishes conditions for the production and marketing of a farm product or products.

Typically, the farmer agrees to provide agreed quantities of a specific agricultural product. These should meet the quality standards of the purchaser and be supplied at the time determined by the purchaser. In turn, the buyer commits to purchase the product and, in some cases, to support production through, for example, the supply of farm inputs, land preparation and the provision of technical advice.

Advantages:

Both partners engaged in contract farming can benefit. Farmers have a guaranteed market outlet, reduce their uncertainty regarding prices and often are supplied with loans in kind, through the provision of farming inputs such as seeds and fertilizers.

Purchasing firms benefit from having a guaranteed supply of agricultural products that meet their specifications regarding quality, quantity and timing of delivery.

Model Contract Farming law

The following are the salient features of the Model Contract Farming Act 2018:

Setting up of an appropriate and unbiased state level agency called "Contract Farming (Development and Promotion) Authority" to carry out the assigned mandates under the provisions of contract farming and popularize it among the stakeholders.

Constitution of a "Registering and Agreement Recording Committee" at district/block/taluka level for registration of

contract farming sponsor and recording of contract, so as to implement effectively contract farming. No rights, title ownership or possession to be transferred or alienated or vested in the contract farming sponsor.

Contract farming to remain outside the ambit of respective Agricultural Produce Marketing Act of the states/UTs. The additional benefit in consequence to the buyers is freedom from mandi fee and commission charges, resulting in a saving of 5–10 per cent to their transaction costs.

Enables 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.

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.

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-a-vis pre-agreed price as a win-win framework.

Purchasing of agricultural produce, livestock and/or its produce based on quality parameters and pre-agreed quantity as per contract farming agreement.

Providing Contract Farming Facilitation Group (CFFG) 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.

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.