



Odisha Pomotes Contract Farming

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Why in News

Recently, the Odisha government has promulgated an ordinance allowing investors and farmers to enter into an agreement for **contract farming**.

The contract farming has been allowed in view of the continuing **uncertainties** due to the **Covid-19 pandemic**.

Key Points

- **Aim:**
 - The ordinance aims to facilitate both farmers and sponsors to develop **mutually beneficial and efficient** contract farming systems.
 - It is also expected to improve the production and marketing of agricultural produce and livestock while promoting farmers' interest.
- **Participants in the Contract Farming Agreement:**

The agreement will be entered into between the contract farming sponsor (the one who offers to participate in any component) or entire value chain including pre production, and the contract farming producer (i.e. farmers who agree to produce the crop or rear the livestock).
- **Involved Loans and Advances:**
 - The loans and advances given by the sponsor to the producer can be recovered from the sale proceeds of the produce.
 - It cannot be realised by way of sale or mortgage or lease of the land in respect of which the agreement has been entered into.
- **No transfer of Land Rights:**

It also states that notwithstanding anything contained in the agreement, no title, rights, ownership or possession of land or premises or other such property will be transferred or alienated or vest in the sponsor or its successor or its agent.

- **Contract Farming and Services Committee:**

It also mentions the constitution of a “**Contract Farming and Services (Promotion and Facilitation) Committee**” to review the performance of the contract farming and to make suggestions to the government for its promotion and efficient performance.

Contract Farming

- **Description:**

- Contract farming signifies an agricultural production (including livestock and poultry) based on a **pre-harvest agreement** between buyers (such as food processing units and exporters), and producers (farmers or farmer organisations).
- The producer can sell the agricultural produce at a specific price in the future to the buyer as per the agreement.
- Under contract farming, the **producer** can **reduce the risk** of fluctuating **market price and demand**. The **buyer** can reduce the **risk of non-availability of quality produce**.

- **Regulations:**

- In India, contract farming is regulated under the **Indian Contract Act, 1872**.
- In addition, the Model APMC (Agricultural Produce Market Committee) Act, 2003 provides specific provisions for contract farming, like compulsory registration of contract farming sponsors and dispute settlement.
- Since **agriculture is a state list** subject, therefore contract farming is **not uniform**.
 - The **NITI Aayog** observed that market fees and other levies are paid to the **APMC** for contract farming when no services such as market facilities and infrastructure are rendered by them.
 - Thus, it has been recommended that contract farming should be out of the ambit of APMCs. Instead, an **independent regulatory authority** must be brought in to disengage contract farming stakeholders from the existing APMCs.
- Therefore, the Ministry of Agriculture came out with a **draft Model Contract Farming Act, 2018**.

The draft Model Act seeks to create a regulatory and policy framework for contract farming. Based on this draft Model Act, legislatures of states can enact a law on contract farming.

- **Advantages:**

- Contract farming addresses the problem of **low investment** in agriculture and ensures a supply of quality inputs, technical guidance and management support for farmers.
- It provides an **assured market and a pre-agreed sale price for produce**, makes it easier for farmers to **access cheaper institutional credit**.

Way Forward

- The contract farming seeks to provide alternative marketing channels and better price realisation to farmers. It has been observed that if the market price rises higher than the contracted price, the farmers are tempted to sell the produce to someone else for a higher price. On the other hand, if market prices were to fall below the contracted rate, the buyer often fails to honour the commitment.
- It is also necessary to remember that for **growers agriculture is a livelihood issue** and for **processors and aggregators it is business**. Hence the Government should play the **role of a facilitator** to promote as well as to develop a healthy system of **farmer-corporate relationship for mutual benefit and development of the agriculture sector in India**.

Source:TH