

Bill Summary

The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Bill, 2020

- The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Bill, 2020 was introduced in Lok Sabha by the Minister of Agriculture and Farmers' Welfare, Mr. Narendra Singh Tomar, on September 14, 2020. It replaces the Ordinance promulgated in June 2020. The Bill provides a framework for farmers to engage in contract farming, i.e. farming as per an agreement with the buyer before sowing, under which farmer sells produce to the buyer at a pre-determined price.
- **Sponsors:** The Bill defines a sponsor as individuals, partnership firms, companies, limited liability groups and societies, who may enter into an agreement with farmers to purchase farming produce.
- **Farming agreement:** The Bill provides for a farming agreement prior to the production or rearing of any farm produce, aimed at facilitating farmers in selling farm produce to sponsors. Such agreement may be between: (i) a farmer and a sponsor, or (ii) a farmer, a sponsor, and a third party. The role and services of any third party, including aggregators (one who acts as an intermediary between farmer(s) and sponsor to provide aggregation related services), involved will have to be explicitly mentioned in the agreement. State governments may establish a registration authority to provide for the electronic registry of farming agreements.
- The agreement may provide for mutually agreed terms and conditions for supply, quality, standards, price of farming produce and farm services. Farm services include services such as supply of seed, feed, fodder, agro-chemicals, machinery and technology, advice, non-chemical agro-inputs and other farming inputs.
- **Duration of agreement:** The minimum period of an agreement will be one crop season, or one production cycle of livestock. The maximum period will be five years. For production cycle beyond five years, the maximum period for the agreement will be mutually decided by the farmer and the sponsor.
- **Pricing of farming produce:** The price to be paid for purchase of farming produce by the sponsor (including methods of determining any price) may be mentioned in the agreement. In case the price is subject to variation, the agreement must include: (i) a guaranteed price to be paid for such produce, and (ii) a clear price reference for any additional amount over and above the guaranteed price, including bonus or premium. The price references may be linked to the prevailing prices in APMC market yards or any other suitable benchmark prices.
- **Delivery:** The Bill provides that the delivery (i) can be taken by sponsors at farm gate within the agreed time, or (ii) can be made by farmer. In case of deliveries by farmers, the sponsor will be responsible for all preparations for the timely acceptance of deliveries. The Bill specifies that, before accepting deliveries, the sponsor may inspect the quality of the produce as defined in agreement. In case the produce is not inspected by the sponsor, he will be deemed to have inspected the produce and will have to accept the delivery within agreed time.
- **Payment:** In case of seed production, the Bill requires the sponsor to pay at least two-third of the agreed amount at the time of delivery. The remaining amount can be paid after due certification within 30 days from the date of delivery. For all other cases, the entire agreed amount must be paid at the time of delivery and a receipt slip must be issued with the details of sales proceeds. The state government may prescribe the payment modes.
- **Exemptions from existing laws:** Farming produce under a farming agreement will be exempted from all state Acts aimed at regulating sale and purchase of farming produce. Such produce will also be exempted from any stock limit obligations applicable under the Essential Commodities Act, 1955, or any other law.
- **Dispute Settlement:** The Bill requires a farming agreement to provide for a conciliation board (comprising of representatives of parties to the agreement) and a conciliation process for settlement of disputes. At first, all disputes must be referred to the board for resolution. If the dispute remains unresolved by the Board after thirty days, the Sub-divisional Magistrate (SDM) may be approached for resolution. Parties can appeal to an Appellate Authority (presided by collector or additional collector) against decisions of the SDM. Both SDM and Appellate Authority will be required to dispose a dispute within 30 days from the receipt of application.

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