

Report Summary

Report of the Expert Committee on Land Leasing

- An Expert Committee on land leasing (Chair: Dr. T. Haque), constituted under the NITI Aayog to prepare a model Agricultural Land Leasing Act, submitted its report on March 31, 2016. The term of reference of the Committee included: (i) to review the existing agricultural tenancy laws of states, (ii) to examine the distinctive features of land system, (iii) to suggest appropriate amendments to legalise and liberalise land leasing, and (iv) prepare a model Agricultural Land Leasing Act.
- **Land leasing laws in states:** The Committee observed that most states have either legally banned or imposed restrictions on agricultural land leasing. Land leasing laws in states differ from each other on several grounds such as, the people who can lease out land, the duration of lease, etc. For example, Kerala and Manipur prohibit leasing out agricultural land without any exceptions. Bihar, Karnataka, Madhya Pradesh, Telangana allow leasing out only by certain categories of land owners, such as those suffering from a disability, widows, members of armed forces, etc. Punjab, Assam, Gujarat and Maharashtra do not prohibit leasing, but the tenant acquires the right to purchase the leased land from the owner after a specified period of creation of tenancy. In West Bengal, while leasing is not banned, land can only be leased on the basis of share cropping (tenant uses the land in return for a share of the crops). In Andhra Pradesh, leasing has to be for a minimum period of six years.
- **Restrictions on land leasing:** After independence, land reform laws put restrictions on leasing of land and imposed ceilings on land holdings and redistribution of ceiling surplus land. The objective was to achieve efficiency and equity in agriculture. However, it was observed that these laws have affected agricultural productivity. With the abolition of large farmer groups and the support of panchayat raj institutions to the rural poor, lease farming cannot be used to exploit tenant farmers. Therefore, growth of land lease market will be helpful for the rural poor to get out of poverty.
- **Agricultural efficiency:** The Committee observed that legal ban or restrictions on land leasing have led to informal tenancy across the country. Informal tenants either have short duration oral leases or a lease that gets rotated from one plot to another each year. They cannot prove continuous possession of any particular piece of land for a specified period, and this deters them from making any investment to improve land productivity. They also do not have access to institutional credit, insurance and other support services. This affects productivity of land cultivated by them. Also, due to fear of losing land rights if they lease out their land, many land owners prefer to keep their land fallow.
- **Land lease and equity:** Presently, 36% of tenant farmers are landless and nearly 56% are marginal land owners, with less than one hectare land. These farmers lease in more land than they lease out. Legalization of land leasing will result in availability of more land which the rural poor can lease in. Improved access to land on lease by the landless and marginal farmers will help improve their economic condition.
- **Occupational diversification and rural growth:** Presently, 64% of the rural workforce is employed in agriculture. High dependence on agriculture is the main reason for low size of land holdings and the consequent low per-capita income. This necessitates the transfer of population from agriculture to non-agriculture activities. Legalisation of land leasing will encourage large land owners to lease out land holdings without fear of losing their land ownership rights. It will also enable marginal and small farmers to rent out their land to farmers who have more resources, and seek paid employment in other sectors.
- **Model Land Leasing Act:** Key features of the model Land Leasing Act proposed by the Committee include: (i) legalizing land tenancy to provide complete security of land ownership rights for land owners and security of tenure for tenants for the lease period, (ii) mutual determination of terms and conditions of lease by the land owner and the tenant, (iii) legalizing land tenancy to promote agricultural efficiency, equity and improvement in productivity, (iv) incentivizing tenants to make investment in land improvement, and (v) facilitating all tenants to access bank credit and insurance facilities.

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