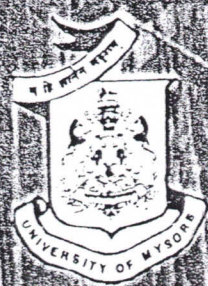
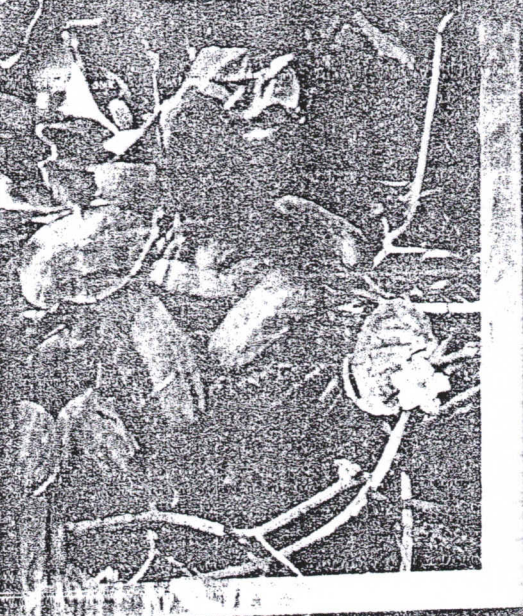
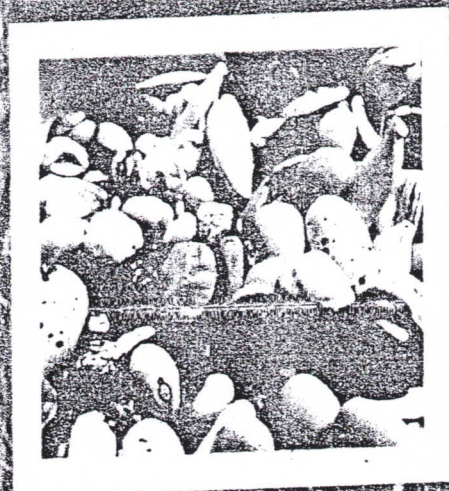
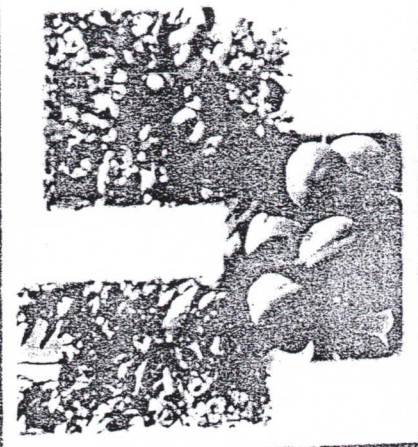


CONTRACT FARMING IN INDIA

PRESENT SCENARIO AND FUTURE PROSPECTS

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Legal Issues in Contract Farming in India

K.C. Gummamolmath and B.K. Paty

Contract farming has the potential to be a veritable instrument to address many of the traditional ills of the agriculture sector of the country. Besides ensuring economies of scale at the grassroots level, the ongoing models prevalent in the country have been successful, to a great extent, in providing the farmers access to market, technology, capital and quality inputs. However, the Achilles heel of the contract farming system is its legal aspect. The intricate legal issues now styming the smooth operation of contract farming call for immediate attention of the different stakeholders. Though some thoughts have gone into the issue through the different committees set up by the Government of India, the aspect still demands a threadbare analysis in all its subtleties for further fine-tuning of the same.

The Gordian knot of the contract farming system is the enforceability of the contracts. Contract farming, under the present dispensation, is an agreement between two unequal parties. There is a mighty sponsoring company in one hand and the unorganized small farmers on the other. It is observed that the sponsoring companies insert clauses in the agreement as per their own convenience, often riding roughshod over the interests of the farmers. There are instances of sponsoring companies reneging on their promise to buy from the farmers at the contract price on some pretext or other. There are also instances of farmers not selling their produce to the sponsoring companies, if the post-harvest market price is more than the contract price.

The present law for resolution of disputes of contract farming is the Contract Act, which comes under the jurisdiction of the civil court. It goes without saying that the disposal of cases through the civil court is a long-drawn process, and sometimes the farmer may not get verdict of the court in his lifetime. What is needed in the case of contract farming is that the farmers should get justice, when the crop is standing there in his field. Thus, the provisions of the Contract Act are not adequate to cater to the specific requirements of contract farming system.

It is against this backdrop that the Government of India have provided for a dispute redressal mechanism and inserted other relevant provisions in the Model Agricultural Produce Market Development and Regulation Act, 2003, which was circulated amongst the states/UTs of India advising them to amend their respective state APMR Acts in its line. Since then, some states have amended their Acts and made provision for contract farming and some states have not. There are a number of apprehensions about contract farming raised by different states and stakeholders regarding its legal implications. The paper is a survey of the legal implications of contract farming with suggestions for strengthening the legal support for contract farming in India for improving the enforceability of the contracts entered into by the parties under the contract farming system.

Provisions of Model Act

Specifications of Contract Farming Agreements

Contents of a contract farming agreement depends on a number of factors such as the nature of the product, the primary processing required, if any, and the demands of the market in terms of supply reliability. Quality incentives, payment arrangements, the level of control the sponsor wants to have over the production process also influence the nature of the agreement, and the extent to which the parties have capital tied up in the contract. A contract covering, for example, oil palm, tea or sugar, where significant long-term investment is required from all parties, will be different from a contract covering annual crops such as fruits and vegetables for local supermarkets may not be the same as one covering such produce destined for overseas markets, which may have more rigid controls on pesticide use and product quality as well as higher presentation and packaging standards. Although corporate bodies, government agencies and individual developers are of necessity the catalysts of the contract, farmers and their representatives must be given the opportunity to contribute to the drafting of the agreement and assist in the wording of specification in terms farmers can understand. Management must ensure that agreements are fully understood by all farmers. The terms and conditions entered into must be written down for

independent examination and copies given to the farmers' representatives. Copies should also be available to relevant government agencies.

The legal framework of the Agreement should comply with the minimum legal requirements of the Indian Contract Act, local practice must be taken into account and arrangements for arbitration must be addressed. Agreements, in the form of a written contract, usually cover the responsibilities and obligations of each party, the manner in which the agreement can be enforced and the remedies to be taken if the contract breaks down. In most cases, agreements are made between the sponsor and the farmer, although in the case of multipartite arrangements, the contracts can be between the sponsor and farmer associations or cooperatives.

The Specifications

Within the broad categories of market-specification, resource-providing, and produce-management contracts, firms must specify terms that include:

- (a) **Marketing:** How much of the product will be purchased, when, and at what price for what quality? Must the grower deliver all of his product, a share, or set amount.
- (b) **Inputs and technical assistance:** How will inputs and technical assistance be delivered, how much, and at what price and quantity?
- (c) **Credit:** Will the grower receive credit in cash or kind? How much will he receive, at what interest rate? What will be the collateral?
- (d) **Production management:** What technological procedures must the grower follow? How will the grower be monitored?
- (e) **Delivery and grading:** Who will transport the harvest to the processor and how will the quality be graded?
- (f) The duration of the contract.
- (g) The way in which the price is to be calculated using
 - Prices fixed at the beginning of each season
 - Flexible prices based on world or local market prices

- Spot-market prices
- Consignment prices, when payment to the farmer is not known until the raw or processed product has been sold, or
- Split pricing, when the farmer receives an agreed base price together with a final price when the sponsor has sold the product
- Procedures for paying farmers and reclaiming credit advances;
- Arrangements covering insurance;
- Registration of Contract Farming Agreement with the notified govt. Agency and Dispute resolution mechanism.

Contents of a Model Contract Farming Agreement

Mandatory Provisions

Parties to the Agreement

- **Contract Farming Sponsor:** It may be a sole proprietor, a company registered under the Companies Act, 1956, a partnership firm registered under the Partnership firm 1932, a Government Agency, a Cooperative Societies registered under the State Cooperative Societies Act and shall include its administrators, successors, representative and assignee.
- **Contract Farming Producer/s** includes an agriculturist, farmers' associations, self-help groups, authorized tenants and farmers cooperatives societies registered under the State Cooperative Act. The expression shall include the successor, heirs, executors and representatives of the party contracting the agreement.

Description of Farm Land Covered by Contract Farming Agreement

- **Acreage, Location:** This would provide land particulars as recorded with the revenue authority of the concerned area.
- **Facilities available:** This would stipulate availability of irrigation, its kind and other specific features reflecting on production.

- Nature, tenure, rights etc. of the Contract Farming Producer/s on the land

Duration of Agreement

- Seasonal
- Annual
- Long Term (3-5 years)

Explanatory Note

The duration of agreements depends on the nature of the crop. Contracts for short-term crops such as table vegetables are normally issued and renegotiated on a seasonal basis, whereas crops such as tea, coffee, sugar cane, and cocoa require long-term contracts that can be amended periodically.

Description of Farm Produce

This would clearly indicate name of the agricultural produce with specific variety or any other characteristic, which the buyer wants the producer to grow on the contracted land identified under clause 2.

Quantity Specification of the Farm Produce

This would indicate the quantity of produce in respect of which the agreement is entered into. This could be determined on the following basis:

- On volume basis
- On area basis
- Entire crop
- Fixed quantity

Explanatory Note

Quotas are employed in the majority of contracts in order to utilize processing, storage and marketing capacities efficiently; guarantee markets for all farmers; ensure quality control; and monitor farmer's

performance. The allocation and distribution of production quotas will vary according to crop and circumstances. Where there is no alternative market for the crop and farmers have made significant long-term investments in production (tree crops) or processing facilities (e.g. tobacco curing barns), the sponsor must be committed to purchase the entire crop covered by the quota. This obligation, of course, is subject to the crop meeting the agreed quality specifications. The most common and practical method is to allocate quotas on an area basis, with sponsor calculating the total area to be cultivated in relation to the project's processing capacity and their knowledge of each farmer's expected yield. Where there are alternative markets for crops under contract, quite often farmers are tempted to sell outside the contract. Quotas deliberately set at levels lower than the farmers' actual production capacity may enable them to take advantage of high open market prices when they occur. Such an arrangement is likely to apply particularly when the pricing arrangement is for a fixed price rather than a market-based price.

Quality Specifications of Commodity Contracted

- Quality specifications in terms of size, weight, degree of maturity, packaging, intrinsic quality like juice content, safety requirements, if any
- Agency to decide quality in case of dispute
- Consequences of non-conformity with quality specifications
 - o Rejection
 - o Reduction in price
 - o Any other

Explanatory Note

Contracts should contain quality specifications of produce covered by the agreement and indicate as to whether the produce that does not conform to the agreed criteria can be rejected. It is important that farmers fully understand the reasons for standards. Contract sponsor should demonstrate the grades to farmers at the beginning of each season

- Payment on delivery
- Final payment
- Arrangement with banks

Explanatory Note

Pricing and payment arrangements are the most discussed and challenging components of all farming contracts. The choice of crop pricing structure to use is influenced by whether the crop is for the local or export market, the seasonal nature of production and the degree of competition in the marketing system. The application of transparent pricing formulas is crucial and the drafting of a clear pricing structure and the organization of a practical method of payment encourage confidence and goodwill. There are several ways in which prices offered to farmers can be calculated. Fixed prices are the most common method.

The practice is usually to offer farmers set prices at the beginning of each season. In almost all cases, fixed prices are related to grade specifications. Flexible prices structure applies to prices calculated on a formula related to changing global and local markets. This form of pricing is common in, for example, the sugar industry where the final price to the farmer is known only after the processed sugar has been sold. Under split pricing system, an agreed base price is paid out at the time of purchase, or at the end of the harvesting season. The final price is calculated once the sponsor has on-sold the commodity, and depends on the prevailing market price. If the crop is sold in the fresh form the second price can usually be calculated within a month. When the product is processed, it may take much longer.

Registration and Dispute Resolution Mechanism

In the majority of cases, it is highly unlikely that a sponsor will take legal action against a small holder for a breach of contract. The costs involved are inclined to be far in excess of the amount claimed, and legal action threatens the relationship between the sponsor and all farmers, not just those against whom action is being taken. Action by a farmer against a sponsor is similarly improbable. As neither side is

and explain the rationale for the specifications. Wherever possible, the number of grades should be kept to a minimum and each grade's specifications should be presented in clear terms. Often, however, there may be a need for only one standard, with all produce delivered being required to fall within a particular specification range.

Crop Delivery Arrangements

- At farm gate
- At processing unit
- At specified collection centres
- Transportation arrangements

Explanatory Note

Arrangements for collection of products or delivery by the farmers vary widely. Some ventures stipulate that farmers should deliver their harvest to processing plants at given dates; others may include the use of the sponsor's transport to collect harvested crops at centrally located buying points. For contracted fresh vegetables a normal practice is farm gate collection. When the sponsor's transport is used there is normally no cost to the farmer. In the sugar industry, farmers deliver their harvested cane to a central loading point from which it is then transported to the crushing mill, weighed and purchased. Many formal contracts have clauses that outline the obligations of both the farmer and the sponsor regarding delivery and collection respectively. As a routine practice, sponsors and their extension staff should confirm delivery or collection arrangements at the beginning of each season and reconfirm these prior to harvest.

Pricing Arrangements

- Fixation of price
- Payment and loan/credit recovery procedure
- Advance payment
- Credit in cash/ kind (input)
- Recovery of bank loan

extension staff must make every effort to explain to farmers why the specifications and input recommendations must be followed.

Insurance Arrangements

- Price fluctuations
- Pest epidemic
- Natural calamities
- Acts of God
- Destruction of assets
- Loan default
- Production loss
- Buyer's insolvency

Explanatory Note

Agricultural investments always involve risk. The five most likely reasons for investment failure are poor crop management, climatic calamities, pest epidemics, and market collapse and price fluctuations. The standard agribusiness approach to indemnify against quantity shortfalls is crop insurance. As the farming involved in a contract arrangement becomes technologically more advanced, the range of risks to which it is subject generally becomes more limited. In many cases, some of the remaining risks can be managed with the assistance of insurance. Where there are fixed price contracts, there is no apparent risk to farmers with regard to payment for their crops. If a market collapses, the sponsor should automatically shoulder the loss. However, if the sponsor becomes bankrupt, farmers could be permanently affected. Where contracts are on a flexible on spot-price basis the stability of farmers' incomes is always at risk. In theory, the proposal of crop and property insurance for farmers in contract farming ventures is appealing. However, a qualified risk analysis has to be made to determine the economic advantages of insurance against the specific risks applicable to the particular crop. Some authorities classify the four main categories of crop insurance in order of "their comprehensiveness in terms of coverage of risks" as follows:

likely to seek a legal remedy through the courts, it is important that quick and easy ways of resolving disputes are identified in the agreement. A body representing the sponsor, farmers and other interested like market committee might be the most appropriate forum, which can act as an arbitrator. For the purpose, appropriate legal provision will have to be made in the law governing the marketing of agricultural produce (APMC Act) to inter-alia provide for compulsory registration of all contract farming agreements and the procedure for settlement of disputes arising therefrom.

Indemnity in Favour of Producer

In order to protect producers land and properties it is essential that an indemnity is provided to him. The sponsor in any case shall not have any right whatsoever over the title or possession of the producers land.

Optional Provisions

Cultivation/Input Specifications to be Followed by the Producer

- Land preparation
- Nursery
- Fertilization
- Pest management
- Irrigation
- Harvesting

Explanatory Note

When sponsors provide seeds, fertilizers and agrochemicals, they have the right to expect that those inputs will be used in the correct quantities. They also have the right to expect that farmers follow the recommended cultivation practices. Of particular concern is the possibility that farmers may apply unauthorized or illegal agrochemicals, which can result in toxic residues, with dramatic repercussions for market sales. It is therefore essential to spell out these clearly so that all contracted farmers adhere strictly to the project's input policies. Sponsors and their

Acts of Gods

This category encompasses natural disasters such as drought, floods, hail, storms, cyclones, lightning, insect plagues and disease epidemics that are beyond management control.

Destruction of Specified Assets

Tractors and farm implements can be insured against damage and theft. Insurance of curing kilns by farmers when growing tobacco under contract is essential. If a contract-farming venture is well established, management can sometimes organize the insurance of non-contractual farm buildings and housing as part of the sponsor's total indemnity policies, reducing the cost of premiums to the grower.

Loan Default

In almost all ventures, sponsors assume the liability of credits advanced by management to the farmer for the contracted crop. It is therefore important that advances do not accumulate into debts that the farmer cannot repay. Sponsors normally allow farmers who cannot repay advances because of climatic or other mitigating factors to extend their loans to the following seasons. Sponsors, of course, do have the option to indemnify their farmer loans against default through their own insurance brokers.

Production and Income Loss

Insurance against both production and income loss is expensive and complex. Production loss may be caused by a combination of factors that are difficult to insure against. To determine who is culpable when a crop is destroyed by insects is one example. Was it an "Act of God" or the failure of the farmer to take measures for pest control at the appropriate time, or was it the fault of management for not training and instructing the farmers in pesticide techniques? There are also social risks that could cause crop loss such as theft and animal damage.

Support Services to be Provided by Sponsor

The sponsor of large volume of produce may as part of the agreement provide one or more of the following services:

- Coordination of production which includes identifying suitable production areas and forming farmers' groups;
- Provision of extension advice on new cultivation/harvesting practices, appropriate use of chemicals, and efficient farm management;
- Transfer of technology leading to higher yield and/or improved quality;
- Cropping schedules; and
- Training and awareness programmes

Farmer-Management Forum

- Organization of farmers' association
- Interaction with associations

Explanatory Note

Intermediary bodies that link management/sponsor and farmers for purposes of negotiation and interaction are necessary for all contracts. By creating farmer-management forums, sponsors can negotiate contracts with farmers either directly or through their representatives. The representatives should meet with management/sponsor periodically, but at least three times in a season. The first meeting should be at the beginning of season in order to ratify the pricing structure and the season's crop schedules. A second meeting is advisable immediately before harvesting to discuss the crop progress and to confirm buying procedures. A final meeting to review performance at the end of harvest season may coincide with the final payment to farmers. The farmer's management forums include Farmers' Associations, Farmers' Cooperatives, Farmers' Groups or any other organization of the farmer by whatever name called (to be named in the agreement).

Monitoring quality and yields

Each Contract Farming agreement must incorporate quality control and monitoring system suitable for its particular operation. Sponsor must prioritize monitoring procedures and decide how often they should be carried out, in what locations and who should be inspected and at what locations. Checking product quality can take place before, during and immediately after harvesting as well as at the time farmers grade their own production and when the produce reaches the company's processing or packaging facility.

Different States have adopted the provisions of Model Act differently in their respective Acts & Rules. The following is a picture of the position of different States in respect of different clauses of the Model Act/Rules on Contract Farming.

I. Contract: Farming Sponsor shall register himself with the Market Committee or with a prescribed officer in such a manner as may be prescribed

States which have adopted the suggested provision:

A.P., Arunachal Pradesh, Assam, Goa, Himachal Pradesh, Karnataka, Maharashtra, Nagaland, Orissa, Rajasthan, Sikkim, Tripura, Uttar Pradesh

States which have not adopted it:

Chhattisgarh, Gujarat, Madhya Pradesh, Punjab/UT of Chandigarh, Himachal Pradesh

11. The Contract Farming Sponsor shall get the Contract Farming agreement recorded with the prescribed officer

States which have adopted the suggested provision:

A.P., Arunachal Pradesh, Assam, Chhattisgarh, Goa, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Nagaland, Orissa, Rajasthan, Sikkim, Tripura, Uttar Pradesh

States which have not adopted it:

Himachal Pradesh, Punjab/UT of Chandigarh, Tamil Nadu

III. No title, rights, ownership or possession shall be transferred or alienated or vest in the Contract Farming sponsor or his successor or his agent as a consequence arising out of the Contract Farming agreement

States which have adopted the suggested provision:

Arunachal Pradesh, Assam, Goa, Maharashtra, Nagaland, Orissa, Rajasthan, Sikkim, Tripura, Karnataka.

States which have not adopted it:

A.P., Chhattisgarh, Gujarat, Himachal Pradesh, Madhya Pradesh, Punjab/UT of Chandigarh, Tamil Nadu

IV. Dispute Settlement Mechanism

States which have adopted the suggested provision:

A.P., Arunachal Pradesh, Assam, Chhattisgarh, Goa, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Nagaland, Orissa, Rajasthan, Sikkim, Tripura, Uttar Pradesh

States which have not adopted it:

Himachal Pradesh, Punjab/UT of Chandigarh, Tamil Nadu

V. Exemption of market fee on the sales to the Contract Farming Sponsor taking place out side the market yard under the Contract Farming agreement

States allowing direct sale of produce under Contract Farming:

Arunachal Pradesh, Goa, Himachal Pradesh, Karnataka (fee reduced by 30%), Maharashtra, Nagaland, Orissa, Punjab/UT of Chandigarh (fee exempted under the Rules), Rajasthan, Sikkim, Tripura

States which have no provision on Contract Farming:

Tamil Nadu

Following States have not exempted market fee:

A.P., Assam, Chhattisgarh, Gujarat, Madhya Pradesh, Himachal Pradesh, Tamil Nadu, Uttar Pradesh

VI. Specification of Model Agreement for Contract Farming

States which have adopted the suggested provision:

Chhattisgarh, Goa, Gujarat, Karnataka, Madhya Pradesh, Maharashtra (Rules), Nagaland, Rajasthan, Sikkim, Tripura.

States which have not adopted it:

A.P., Arunachal Pradesh, Assam, Himachal Pradesh, Orissa, Punjab/UT of Chandigarh, Tamil Nadu

Special Concern about Contract Farming in different States
ANDHRA PRADESH

- No provisions regarding indemnity against the alienation of producer's land on failure of Contract Farming
- No provision specifying a model agreement format for Contract Farming
- No provision for single point levy of market fee in the State

Arunachal Pradesh

- No provision specifying a model agreement format for Contract Farming
- No provision for single point levy of market fee in the State

Assam

- Registration of Contract Farming sponsor with the DC - would have been better at State level; recording agreement also with DC - would have been better at lower level/ APMC
- Dispute settlement on Contract Farming at Director level; no clear provision for appeal - dispute settlement below District level and appeal at District/ Divisional level was desirable
- No provision specifying a model agreement format for Contract Farming
- No provision for single point levy of market fee in the State

Chattisgarh

- No provision indemnity against the alienation of producer's land on failure of Contract Farming

Gujarath

- No provisions for indemnity against the alienation of producer's land on failure of Contract Farming

Himachal Pradesh

- Registration of Contract Farming sponsors or processors vested with the Secretary of the APMC - would have been better at State level
- No provision for recording of the Contract Farming agreement, safeguarding the rights of the farmers over land in the case of the failure of the contract, dispute redressal under Contract Farming etc.
- No provision specifying a model agreement for Contract Farming

Madhya Pradesh

- No provisions for indemnity against the alienation of producer's land on failure of contract

Orissa

- Registration of Contract Farming sponsors or processors vested with the Secretary of the APMC - would have been better at State level
- Dispute settlement authority is Director - would have been at below District level for easy access to farmers
- No provision specifying a model agreement for Contract Farming

Punjab

- No clear-cut provisions for registration of Contract Farming sponsors, recording of Contract Farming agreement, dispute settlement mechanism and indemnity against the alienation of producer's land on failure of contract etc.
- No provision specifying a model agreement format for Contract Farming

Rajasthan

- Registration of Contract Farming sponsors or processors vested with the Secretary of the APMC - would have been better at State level
- No clear-cut provision for single point levy of market fee in the State
- Tamil Nadu
- No provisions for registration of Contract Farming sponsors, recording of Contract Farming agreement, dispute settlement mechanism and indemnity against the alienation of producer's land on failure of contract etc.
- No provision specifying a model agreement format for Contract Farming
- No clear-cut provision for single point levy of market fee in the State

Measures to Encourage Contract Farming

In view of several observed and perceived benefits of Contract Farming, such arrangements need to be encouraged widely, for different commodities in different regions, in a manner to equitably protect the interests of farmers as well as the industry. Though some States have taken measures to firm up the legal framework of Contract Farming, the system needs to be spruced up to cater to needs of the stakeholder. The limited commodity specific experience of Contract Farming in the country shows that the spread and success of Contract Farming would require the following measures in respect of its legal issues.

- The Contract Farming should be made legal in all areas of the country. In case of violation of contract, from either side, farmers as well as the company should be in a position to approach an organization or institution, which can mediate and settle the dispute.
- There is no denying the fact that, every state should have an institutional arrangement for registration of sponsoring companies and recording of Contract Farming agreements may be with the local Government machinery such as the Sub Divisional Magistrate or an independent authority such as field officer of the Directorate of Marketing. This is considered necessary for maintaining the records and checking the unscrupulous and fly-by-night companies from duping the farmers. This will promote and strengthen confidence building between the parties and also help solve any dispute, arising out of violation of contract.
- Since APMC is competing agency with Contract Farming system, APMC should not be the registration authority, but unfortunately, many States have authorized APMCs as the registering authority for Contract Farming.
- A typical Contract Farming agreement is an agreement between two unequal parties involving large number of illiterate farmers on one side and a mighty sponsoring company on the other. These farmers do not have sufficient means to approach the court of law for resolution of disputes, if any, with the company. It is equally difficult for the company to redress the breach of agreement by the farmers through the present mechanism of civil court. Hence it is necessary to create a dispute resolution mechanism near to the farmers, which can quickly settle the disputes in a quasi-judicial manner. The dispute redressal authority should be a body at the sub-divisional level comprising a representative of the sponsoring company, a farmers' representative and the Sub Divisional Magistrate of the area under whose jurisdiction the Contract Farming land falls. The party aggrieved by the decision of the prescribed authority as above may prefer an appeal to an Appellant Authority within thirty days from the date of decision. A body representing the

- Leasing of land should be permitted for a relatively long period making it coterminous with the asset invested by the sponsoring company in the farmer's land. A long lease period will ensure security of tenure for the sponsoring companies encouraging them to go in for long term investment in the contracted land.
- The contract for labor should be at least for a period of three years in place of the present provision of 6 months only. This will facilitate long term investment of the companies in training and manpower development.
- In many parts of the country, agricultural tenancy is legally banned, although concealed tenancy exists. Tenants who do not enjoy security of tenure cannot participate in Contract Farming. Hence, legalization of tenancy would be a precondition for enabling the tenant farmers to benefit from Contract Farming. Although different forms of land tenants including sharecroppers can be adopted to maintain the Contract Farming, security of tenure would be necessary.
- Proper insurance products need to be developed appropriate for Contract Farming.
- Some Contract Farming incentives should be given to the sponsoring companies for disseminating technical knowledge or introduction of new technology amongst the farmers in the line of the Punjab Model of partial reimbursement of extension expenditure of the sponsoring companies. This incentive should be increased to its full percentage over a period three years, i.e. a company in its first year of Contract Farming will be getting lesser incentive than a company in its third year of operation. This will prevent a fly-by-night operator from availing the full incentive in its first year of operation itself.

At the time of registration itself, a company should give a declaration regarding the technology to be introduced in its Contract Farming model. This should simply be filed by the registering authority and there is no need of any approval for this.

While transferring a technology through the extension staff, the intellectual capacity of the workers, the technical feasibility, and economic viability and cultural acceptability need to be taken into

- sponsor, farmers and other interested stakeholders like the market committee might be the appropriate forum, which can act as an arbitrator.
- The farmers may be required to invest substantial amount of resources to raise the contracted crops and run the risk of incurring huge debt in the event of crop failure, which may result in their displacement from the land, affecting their livelihood. In order to protect the farmers from such displacement, it is considered necessary to prevent by law displacement of farmers from their land as a consequence of the Contract Farming agreement. Many States which have amended their Act in line with Model Act have not incorporated the provisions.
 - The States who are yet to amend their Act should soon amend their respective APMR Acts in the line of the Model Act of the Government of India so as to permit Contract Farming, direct marketing, and facilitate the appointment of authority for dispute redressal mechanism. The APMR Act should also be amended for the rationalization of market fees, formation of Bureaus of standards at the state level, and marketing extension etc, single point levy of market fees etc.
 - The contracts should be managed in a more transparent and participatory manner so that there is greater social consensus in handling contract violation from either side without getting involved in costly as well as lengthy process of litigation. The best contract between parties is the contract of trust and loyalty. The sponsoring companies should discharge some social responsibilities for the farmers in respect of health, hygiene, education, and long term training in good agricultural practices, good hygiene practices, good marketing practices etc. This help in the sustenance of long term relationship between the farmers and the sponsoring companies. Some governmental incentives should be given to the sponsoring companies for this through a well-designed incentive programme of Contract Farming through some state agency in the line of Punjab Agro Corporation. Also the contract needs to be drawn in a more comprehensive and flexible manner.

consideration. Only tested technology should be adopted for Contract Farming.

Conclusion

Despite all apprehensions, raised by the doubting Thomasses regarding Contract Farming, the instrument has proved to be highly successful in many commodities in many States. What is however, much called for is proper awareness about the rights and responsibilities of different stakeholders. Concerted efforts by the different agencies involved in Contract Farming will go along way towards making it success. There is, after all, an idea whose time has come for the agriculture sector in India.