

Ordinance Summary

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

- The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Ordinance, 2020 was promulgated on June 5, 2020. It provides a framework for the protection and empowerment of farmers with reference to the sale and purchase of farm products. The provisions of the Ordinance will override all state APMC laws.
- **Farming agreement:** The Ordinance provides for a farming agreement prior to the production or rearing of any farm produce, aimed at facilitating farmers in selling farm produces to sponsors. A sponsor includes individuals, partnership firms, companies, limited liability groups and societies. 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 and price of farming produce as well as terms related to supply of farm services. These terms and conditions may be subjected to monitoring and certification during the process of cultivation or rearing, or at time of delivery. The farming agreement may be linked with insurance or credit instruments under schemes of central and state governments or any financial service provider. This will ensure risk mitigation and credit flow to farmers or sponsors or both. The Ordinance prohibits sponsors from acquiring ownership rights or making permanent modifications on a farmer's land or premises under a farming agreement.
- **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.
- **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. These produce will be exempted from provisions of the Essential Commodities Act, 1955 and will not have any stock limit obligations.
- **Pricing of farming produce:** The price to be paid for the purchase of a farming produce will be mentioned in the agreement. In case of prices subjected to variations, the agreement must include: (i) a guaranteed price to be paid for such produce, and (ii) a clear 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 or any other suitable benchmark prices. The method of determining any prices including guaranteed prices and additional amount will be provided in the farming agreement.
- **Delivery and payment:** The Ordinance provides that the sponsor will be responsible for all preparations for the timely acceptance of deliveries and will take deliveries within the agreed time. In case of seed production, the sponsor will 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 will prescribe the payment modes.
- **Dispute Settlement:** The Ordinance requires a farming agreement to provide for a conciliation board as well as a conciliation process for settlement of disputes. The Board should have a fair and balanced representation of parties to the agreement. At first, all disputes must be referred to the board for resolution. If the dispute remains unresolved by the Board after thirty days, parties may approach the Sub-divisional Magistrate for resolution. Parties will have a right to appeal to an Appellate Authority (presided by collector or additional collector) against decisions of the Magistrate. Both Magistrate and Appellate Authority will be required to dispose a dispute within thirty days from the receipt of application. The Magistrate or the Appellate Authority may impose certain penalties on the party contravening the agreement. However, no action can be taken against the agricultural land of farmer for recovery of any dues.

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