

Frequently Asked Questions (FAQs) On Ordinances Relating to Reforms

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

1. What is farming agreement?

Reply: Farming agreement is an agreement between farmer/FPO and Sponsor: both partners agree in advance on the terms and conditions for the production and marketing of farm products. Third parties like farm services provider and aggregators may also join such agreement.

2. What are various kinds of farming agreements?

Reply: Farming agreements can be agreements for purchase of future farming produce with risk of production remaining with the farmer or for payment of service charges to farmers where risk of production is borne by the sponsor/buyer. There can be a combination also. The sponsor may also agree to supply inputs or technology during the process of production.

3. Whether farming agreement usually specify the price to be paid to the farmer, the quantity and quality of the product demanded by the Sponsor, and the date for delivery to buyers?

Reply: Yes. Specific provisions have been incorporated for price variability.

4. Besides product related information, what else the farming agreement deals with?

Reply: The agreement may also include more detailed information on how the production will be carried out or if any inputs such as seeds, fertilizers and technical advice will be provided by the Sponsor to the farmer.

5. Why farming agreement is to be made popular among the farmers?

Reply: Earlier, contract farming has been in existence for decades. However, the farming agreement is to be made popular because of its uniqueness with reference to

- Equity or inclusiveness (to attract more investments in the agriculture sector and promote inclusiveness)
- Public Accountability (introducing system of e-registration and dispute resolution) and
- Innovation (as both the market and inputs will be available to the farmer at farm gate level).

6. What are the benefits of farming agreement for smallholders?

Reply: Farming agreement gives smallholder farmers the possibility of knowing in advance when, to whom and at what price they will sell their products. This helps to reduce the unpredictability of agriculture and allows them to better plan their production. When sponsor also provide access to inputs including technical assistance, farming agreement can lead to significantly increased yields and profits.

7. What are the major objectives of farming agreement?

Reply: The farming agreement can be adopted for different products with successful results in terms of net profits for farmers, increased yields, and more efficient use of inputs.

8. What are the major advantages to farmer/FPO under farming agreement?

Reply: The various advantages include: easier access to inputs, services and credit improved production and management skills, secure market, more stable income etc.

9. What is the major advantage to Sponsors under farming agreement?

Reply: The products purchased by sponsor from buyer conform to quality and safety standards. Niche product clusters can be developed.

10. Whether farming agreement is suitable to all categories of farmers?

Reply: Yes.

11. How are farming agreements to be prepared?

Reply: The agreement has to be in writing and in simple language so that a farmer of average education and experience can easily understand.

12. What are the good practices involved in preparing the farming agreement?

Reply: The whole agreement formation process should be carried out in a fair and transparent manner and in good faith. A good practice is for farmers to be involved in discussions with the sponsor from the beginning of the negotiation and contract formation phases, to make sure they understand all the conditions included in the contract, and to ensure that their interests and rights are considered.

13. What does a farming agreement usually look like?

Reply: Although verbal contracts do exist earlier, now such farming agreements will have to be written. Their presentation should be simple and the terms used understandable to all the parties.

14. Who are the parties in the farming agreement?

Reply: The parties in the farming agreement are usually a farmer and a sponsor. However, the agreement may include linkages to other third-party partners such as aggregator or farm service provider or FPO.

15. What are the major obligations of farmer and sponsor in the farming agreement?

Reply: In general, the farmer's main obligation is to produce and deliver the goods in accordance with the agreement and the sponsor's main obligation is to pay the agreed price in return for the goods provided by the farmer.

16. How long does a contract last?

Reply: The minimum period of the farming agreement shall be for one crop season or one production cycle of livestock, as the case may be, and the maximum period shall be five years. However, in case of horticultural crops like fruits, nuts, spices etc., where the production cycle is longer, it may go beyond five years.

17. Whether the farmer and Sponsor can renew their agreement?

Reply: Agreement may include provisions on renewing the contract upon expiration.

18. What are the common solutions to address *force majeure* in farming agreement?

Reply: In the event of a *force majeure* and/or the change in the policy of government, the affected party, to the extent of adverse impact, shall not be bound to honour the agreement and can accordingly alter the terms with mutual consent or terminate the agreement.

19. How can we solve a disagreement between the farmer and Sponsor?

Reply: Through a step-wise process like Communication (resolve difficulties through discussion and re-negotiation directly between parties as per the process of conciliation provided for in the agreement. In case such conciliation fails then any party may approach the sub divisional authority for settlement.

20. What are the major goals of The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Ordinance, 2020?

Reply: Major goals are Risk mitigation for farmers , Equity or inclusiveness, Public Accountability and Innovation.

21. What the farming agreement stipulates?

Reply: The farming agreement may stipulate the timely supply of inputs by the sponsor to the farmer before the start of cropping season to carry out farming operations, the farmer will supply the products at the farm gate or mutually agreed other place at agreed price.

22. Whether farming agreement affects the rights of the sharecropper?

Reply: No farming agreement shall be entered into by a farmer in derogation of any rights of a share cropper

23. Besides supply and inputs and products between the farmer and Sponsor, what are the other criteria the farming agreement deals with?

Reply: Farming agreement should also deal about product guarantee price determination, agreement duration and conditions for termination.

24. How the parties negotiate in terms of inputs and outputs in farming agreement?

Reply: Standard template will be available in the model farming agreements. Parties may negotiate on agricultural practices, supply of and use of specific inputs, price determination mechanism, quality grade and standards, mode and place of delivery and timely payment.

25. Whether input and output quality grade standards are to be necessarily mentioned in the farming agreement?

Reply: Yes as per mutually agreed terms.

26. How the prices are determined in the farming agreement?

Reply: There should be more transparency in the price determination of output. The parties may negotiate in order to agree to a price, and both sides are expected to honour this agreement. The price to be paid for the purchase of a farming produce has to be determined and mentioned in the farming agreement itself. In case of variable price then the provisions of ordinance have to be strictly followed. The methodology for calculating guaranteed price or additional price must be annexed to the agreement.

27. Where the sponsor has to purchase the farming produce?

Reply: At a place as mentioned in the agreement.

28. Who is responsible for inspecting the quality of produce?

Reply: It shall be the responsibility of the Sponsor to inspect the quality or any other feature of such produce as specified in the farming agreement before accepting the delivery at the farm gate; otherwise, he shall be deemed to have inspected the produce and shall have no right to retract from acceptance of such produce at the time of its delivery or thereafter. In case the agreement provides for inspection by third party then such third party may inspect the produce.

29. What is mode of payment of sales proceeds in case of farming agreement meant for crop production?

Reply: Regarding crop production, the Sponsor has to make payment of agreed amount to the farmer at the time of accepting the delivery of farming produce and he has to issue a receipt slip with details of the sale proceeds.

30. What are the exemptions of farming agreement under this ordinance?

Reply: The farming agreement entered for any kind of produce under this Ordinance shall be outside the ambit of regulation of State /UT Agricultural Marketing Act. It shall also be outside the purview of The Essential Commodities Act, 1955 and Control Orders issued there under issued pertaining to stock limits of Sponsor purchasing produce from the Farmer/FPOs for trade/ processing/ export.

31. Whether sponsor enjoy can acquire ownership rights on farmer's land or premises?

Reply: No

32. Whether sponsor enjoy can raise new permanent structures or modifications on existing permanent structures on land, modifications on the land or premises of the farmer?

Reply: No. However, if both the parties agree upon to have a new permanent structures or modifications on existing permanent structures on land, it has to be removed and res land restored to its original condition, at the sponsor's cost after the expiry of the Agreement. If the structure is not removed, its ownership shall vest with the Farmer after the expiry of the Agreement

33. As a consequence of agreement between the Farmer and Sponsor, whether there will be any change in the title, rights, ownership or possession of land or premises or other such property to the Sponsor or its successor or its agent?

Reply: No.

34. Whether the farming agreement can be linked with insurance or credit?

Reply: Yes. The farming agreement may be linked with insurance or credit instrument under any scheme of the Central Government or State Government or any financial service provider to ensure risk mitigation and flow of credit to farmer or Sponsor or both.

35. Whether there is scope to include other parties besides farmer and sponsor in the farming agreement?

Reply: Yes. An aggregator or farm service provider or FPO may become a party to the farming agreement

36. Who will regulate the farming agreements under this ordinance?

Reply: The State Government may establish a Registration Authority to provide for electronic registry for that State that provides facilitative framework for registration of farming agreements.

37. Whether the farming agreement is made accountable?

Reply: Yes, by ensuring enforceability through dispute resolution mechanism. Recoveries can be made as arrears of land revenue.

38. What will be liability of farmer in case of dispute?

Reply: Liability of farmer is limited to any advance received or cost of inputs provided by the Sponsor.

39. What will be the status of farming agreements signed before the promulgation of this ordinance?

Reply: Such farming agreements shall remain valid till the expiry of the period for such agreement.

40. Is Mandi fees or any cess/levy applicable to farming produce under farming agreements.

Reply: Farming agreements are exempt from applicability of any State law enacted for regulation of sale or purchase of farming produce, therefore such produce shall be exempt from applicability of any kind of mandi fees/levy/cess.