

**GOVERNMENT OF INDIA  
AGRICULTURE  
LOK SABHA**

UNSTARRED QUESTION NO:4428

ANSWERED ON:25.04.2005

PROMOTION OF CONTRACT FARMING

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**Will the Minister of AGRICULTURE be pleased to state:**

- (a) whether the Government is contemplating any changes in the agriculture policy by adopting Crop Plan and contract farming;
- (b) if so, the steps taken for promotion of contract farming in the country;
- (c) the number of States in which contract farming is already undertaken;
- (d) the legal protection available to farmers under contract farming;
- (e) whether the Government proposes to formulate a legislation for regulating contract farming in the country; and
- (f) if so, the details thereof?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE AND MINISTER OF STATE IN THE MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION (SHRI KANTILAL BHURIA):

(a) Yes, Sir. Crop diversification to high value and low water demanding crops like oilseeds, pulses, horticulture, floriculture, medicinal and aromatic plants is suggested in order to conserve natural resources and enhance the income of the farmers. Contract farming as an arrangement to link small farmers to source of technology, extension and credit and to assured and profitable markets, is suggested to integrate farm production with markets.

(b) Contract farming has gained importance in the recent times in wake of economic liberalization. In order to promote contract farming, it is necessary to incorporate provisions in the law dealing with agricultural markets (APMC Act) to specifically allow contract farming as the produce is otherwise required to be canalised through licensed traders and regulated markets. State Governments have accordingly been advised to amend the APMC Act. A Model APMC Act inter-alia containing provisions to the said effect has been circulated to State Governments/UTs for adoption.

(c) Contract farming is in vogue in a number of States such as Karnataka, Maharashtra, Madhya Pradesh, Pujnab, Tamil Nadu, Chhattisgarh, Uttaranchal, Haryana, Andhra Pradesh, Gujarat, Orissa, Rajasrthan and West Bengal.

(d) Under the model law, registration of sponsoring companies and recording of contract farming agreements has been suggested in order to protect the farmers from unreliable and spurious companies. A dispute resolution mechanism has been suggested to be set up near to farmers to quickly settle dispute, if any, arising with the sponsoring company. Farmers while raising the contracted crop run the risk of incurring debt and consequent displacement from land in the event of crop failure. Model law provides indemnity to farmers' land from such displacement.

(e) and (f) Since Agricultural Market is a State subject, it is for the State Governments to adopt the model law, as suited to them.