

# T.N. TO ENACT A LAW ON CONTRACT FARMING

Relevant for: Indian Economy | Topic: Agriculture Issues and related constraints

Tamil Nadu has become the first State in the country to enact a law on contract farming with President Ram Nath Kovind giving assent to the Agricultural Produce and Livestock Contract Farming and Services (Promotion and Facilitation) Act.

The State government in an official release on Tuesday said the law would safeguard the interests of farmers during times of bumper crop or when market prices fluctuate. They would be paid a pre-determined price, which had been arrived at the time of signing agreements with buyers.

Such agreements would have to be registered with designated officers from the Department of Agricultural Marketing and Agri Business.

## Six-member body

A six-member body, called the Tamil Nadu State Contract Farming and Services (Promotion and Facilitation) Authority, would be formed to ensure proper implementation of the Act and make suggestions to the State government for promotion and better performance of contract farming.

Farmers could get support from purchasers for improving productivity by way of inputs, feed and fodder and technology. Also, farmers engaged in rearing of livestock for scale of economy in production and post-production activities would be covered. The latitude of the contracts may include "holistically from pre-production to post-production."

## Banned produce

However, any produce, banned by the Centre or State government or the Indian Council of Agricultural Research, would not be covered under contract farming. Chief Minister Edappadi K. Palaniswami had given instructions to officials to complete finalisation of rules and ensure early implementation of the law, the release added.

The formulation of the Act is based on a model law prepared by the Central government, which consulted various stakeholders, including State governments. In its budget for 2018-19, the Tamil Nadu government announced that it would come out with one such law. In February 2019, the Assembly adopted the bill.

## 'Progressive reform'

Asked how the issue of the possibility of exclusion of small and marginal farmers has been addressed, given the preference of sponsoring entities for economies of scale to achieve profit maximisation, Gagandeep Singh Bedi, Agricultural Production Commissioner and Principal Secretary (Agriculture), told *The Hindu* that the Act specifically talks of the promotion of farmer-producers organisations (FPO) or farmer producer companies, comprising such farmers.

To another question, Mr. Bedi said the law was needed in the light of contract farming being "legalised" through the Agricultural Produce Marketing (Regulation) Act of 1987.

The existing law neither prohibited nor permitted contract farming. "The latest law is a progressive reform in agricultural marketing."

Already, the State government had amended the 1987 law to permit e-trading. "We are in the process of preparing an FPO policy," he pointed out.

### **Monitoring situation**

On the possibility of the law leading to increase in monoculture farming and loss of crop diversity, Mr Bedi said "monoculture farming is fine up to certain extent for bringing out best varieties."

However, the government will always be monitoring the situation and we shall intervene, as and when required."

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