

Annexure 2

Useful Information For Farmers To Know

- **Type of Contract:** Farming Agreement is a written agreement between the farmer/Farmer Producer Organisation (FPO) and Buyer. Verbal agreements are not recognized. The agreement must be written in the local language and should be understandable by both the parties. There could broadly be three types of agreements –
 1. Trade and commerce agreement – In this type of agreement ownership of commodity remains with the farmer during production and he gets a price on the produce on its delivery as per the agreed terms with the sponsor. The output risk lies on the farmer in this case.
 2. Production agreement – In this type of agreement, the sponsor agrees to provide for services either fully or partially and to bear the risk of output but agrees to make payment to the farmer for his services. The output risk lies on the sponsor in this case.
 3. A combination of other agreements specified above can also be made.
- **Period of Agreement:** One crop Season (or) One production cycle (or) Maximum of Five Years. If the production cycle is longer and can go beyond 5 years, the contract period can be mutually agreed one between the farmer and the sponsor. (Ex: plantation crops like coffee, teak projects, Red sanders projects, etc.)
- **Inspection:** If the Buyer accepts delivery of the Produce, it shall be considered as per law that he has inspected the Produce and shall have no right to retract acceptance on the ground that it does not meet specifications that could have been ascertained through inspection. The inspection cost should be borne by the buyer.
- **Delivery:** The Buyer should weigh the packaged produce before accepting delivery. The Buyer should provide for the weighing equipment and while weighing the produce, the weight of the containers may be deducted from the total weight.
- **Quality Standards:** The buyer must promote awareness among the farmers/FPO on the quality parameters of the final product.
- **Pricing:** The produce must be bought at the price provided in the agreement. The price may be linked to the market price. In such a case minimum guaranteed price must be specified. Similarly, the method of determining payment above the minimum guaranteed price based on a clear price reference must be provided in the agreement including the bonus or premium based on prevailing prices through electronic platforms.
- **Sale of the produce:** The buyer should collect the produce at the farm gate. If the Farmer is asked to deliver at a location, the buyer should reimburse the transportation cost incurred by the Farmer. If the buyer fails to buy the produce within stipulated days as in agreement, the farmer may sell the produce to a third party and may claim from the buyer the difference between the price in their Agreement and the actual price that the Farmer received for the Produce. Penalty to the extent of 150% of such claim may also be imposed by the sub-divisional government authority.
- **Payment:** The buyer should make the payment to the farmer on the day of delivery of the Farm Produce and must issue a sales receipt specifying the time, date, quantity, grade, rate/unit, and amount of sales proceeds paid to the farmer.
 - Payment terms for seed organizers – A payment of not less than two-third of the agreed amount at the delivery and the remaining amount after the due certification not greater than 30 days from the date of delivery.
- **Insurance/Production Risk Coverage:** The farming agreement can be linked with insurance or credit instrument under any scheme of the Central Government, State Government or any financial service provider to ensure risk mitigation and flow of credit to farmer or Sponsor or both.

- **Minimum Interruptions of other Regulations:** Farming agreements are exempt from applicability of any State law enacted for the regulation of sale or purchase of farming produce; therefore such produce shall be exempt from applicability of any kind of mandi fees/levy/cess

Other Service Bundles if Agreed upon within Agreement

- The buyer is responsible for the delivery of the nature and **quality of Inputs** required for the Farmer/ FPO. The buyer will also be responsible for providing **technical advice** to the farmer either on a cost-basis/free of charge/cost-sharing basis. The farmers are required to also follow the instructions given by the buyer on the usage of farm inputs/services after their acceptance.
- Farmers/ FPOs/Buyer must **invest in increasing the awareness among farmers/FPO** quality production (Good Agricultural practices), following production methods, Inspection parameters as mention in the agreement by the buyer.
- The **packaging material** shall be supplied by the buyer. The farmer must not use the packaging material supplied for any other purpose and leftovers must be returned to the buyer.