



# The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020



- **Objective:** Lok Sabha passed The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020 ("FPTC") on 17 September 2020 and Rajya Sabha passed the bill on 20 September 2020. The President gave assent to the Bill on 24 September 2020 and the Ministry of Law and Justice notified the Act on 27 September 2020.
- **Farming agreement:** A written agreement between a farmer and a "Sponsor" for delivery of a predetermined quantity of farmers' produce.
- **Farmers' produce:** Farmers' produce means foodstuffs, cattle fodder, raw cotton, cotton seeds and raw jute.
- **Freedom to Contract:** The Act allows farmers and farmer organisations to enter into contracts with buyers to sell their future crops. The minimum period of an agreement is one crop season while the maximum is capped at five years.
- **Price Requirements:** The Act requires the contract to set a price for the produce. The bill also allows for the creation of a variable price contract, as long as a minimum guaranteed price and a price reference for any additional amounts are included. A methodology for how the price is determined should be affixed to the contract.
- **Limits on State:** The Act exempts contracts made under this Act from "any State Act" which regulates the "sale and purchase of such farming produce". It also further exempts it from stock limit rules imposed by various laws like the Essential Commodities Act.
- **Dispute Resolution:** The Act requires that the parties create a representative dispute resolution board, known as a conciliation board. This is a private board and both farmers and the sponsor must nominate members to constitute this board. The board is the first authority that both parties can approach to resolve their dispute.
- **Appeals:** The Act also describes an appeals process in case the board is not able to resolve this disagreement. A party can appeal to the Sub-Divisional Magistrate who has to reach a decision in 30 days. If the Sub-Divisional Magistrate concludes that the buyer failed to fulfill their obligations, the penalty is limited to one and a half times the amount owed. If, on the other hand, the farmer failed to fulfill their agreement, the recovery cost is limited to actual cost incurred by the buyer. The Act also protects the farmers land from recovery proceedings.