

# CONTRACT/ CORPORATE SECTOR FARMING POLICY

## Introduction:

1. India is predominantly an Agriculture economy and food production accounts for 26% of India's GDP . Agriculture accounts for more than 60% of employment. Agriculture has been growing at 3.3% compared to Industry's 7.5% a year. India stands second in Fruit production after Brazil and also second in vegetables production after China. Thirty three million tonnes of fruits and 70 million tonnes of vegetables are produced in India with a global market share of 11% and 17.5% respectively. The fruits and vegetables are processed to an extent of 1 to 2% in India, compared to 70 to 80% by the developed countries. The Government of India is offering many incentives for the food processing industries treating it as a thrust area.

2. 79% of rural population contribute to the development of Agriculture. The urbanization process has resulted in migration of rural people to the urban areas for non-farming activities. Tamil Nadu is the second most urbanised State next to Maharashtra. The inequilibrium between the industrial and agricultural wages causes unrest and frustration which manifests in the form of societal violences. The expanded urban markets require agriculture products especially fruits and vegetables in a fresh or in a processed form.

3. Tamil Nadu with its different agro climatic regions is historically well suited to produce different varieties of fruits and vegetables in large quantities. Around 5.5 million tonnes of fruits and 5.7 million tonnes of vegetables are grown in 4 lakh hectares in Tamil Nadu. However, due to inadequate linkages with markets, fruits and vegetables produced in abundance during seasons do not realise the value for the farmers. There are a large number of intermediaries who deny value to both farmers and consumers. Inadequate linkages also lead to loss of large quantities of fruits and vegetables.

4. Out of the 11 million tonnes of fruits and vegetables grown in the State, around 25% to 30% are wasted due to lack of post harvest and proper storage facilities. In this connection Government of Tamil Nadu has commissioned a project through ATO-DLO, Netherlands for identifying critical gaps in linkages between the farm and market in respect of 6 prominent fruits and vegetables of the State for setting up commercially viable value added centres for taking care of post harvest, grading, packing, cold storage, logistics, etc. ATO-DLO team has observed that

➤ The production of fruits and vegetables takes place mainly in small and marginal holdings. This results in the production of many varieties, large

variation in quality etc.

- For some products the production costs are relatively high, for example potatoes

- Crop rotation is often not what it should be to keep the soil fertile and healthy. Crops grow too often on the same piece of land. This might lead to collapse in the future.

- Many pesticides and fungicides are used. One of the reasons for this is the above-mentioned

problem in crop rotation.

- More attention is paid to yield than to quality or to reduce pesticide applications.

5. Agriculture and Industry have been conventionally viewed as separate sectors in respect of their characteristics and their role in economic growth. This view is however getting changed. Agriculture as a form of industry is developing different resources integrated activities through modern technology/mechanisation/scientific farm management etc. resulting in high productivity, minimum wastage, better quality, competitive price etc. Fragmented land holdings, lack of capital, poor infrastructure, inadequate information dissemination are the main constraints which can be overcome by a cohesive system with strong linkages among research, infrastructure, private sector and the farming community through contract farming system for the production and marketing of fruits and vegetables in the State. Industries engaged in Food processing have been very keen to undertake large scale Horticulture crop production either through their own farms or leased land.

6. The State Government is keen to facilitate more investments from the corporate sector into this high potential area so that upgradation of technology, inflow of higher investment and introduction of modern management practices are possible. The Govt. held discussions with corporate groups who made the following suggestions:-

7. After considering the various aspects, the Government of Tamil Nadu has decided to adopt the following policies:

INFRASTRUCTURE DEVELOPMENT:

### ( I ) EXEMPTION FROM LAND CEILING ACT

a) OWNED LAND : The state Govt. would consider favorably the request for exempting any industrial or commercial undertaking , holding or acquiring any land in excess of the ceiling area under Sec.37-A of the Tamil Nadu Land Reform(Fixation of Ceiling on Land) Act 1961 **on a case to case basis** with a view to promoting cultivation of fruits and vegetables by industries which are engaged in the business of value addition viz. grading, packing, distribution, storage etc. Any land held on lease for development of (commercial crops) agro industry will also be eligible for exemption. However, no permission will be required for Government land held in lease. The permission will be for a minimum period of 10 years and subject to the maximum of thirty years.

b) DEGRADED FOREST LAND: Based on the the Government of India's guidelines issued recently the degraded forest lands, reserved forests, as well as other forests can be allotted for the development of plantations on public, private partnership / joint ventures basis. The State agencies / corporations or State forest departments can seek the permission from the State Government for the use of the land on a long term lease basis after selecting and earmarking such areas suitable for this purpose.

The proposed structure for this joint venture shall enable the Government / Corporation or agency to retain the ownership / title of the land and put to use as per the plantations project of the corporate body / private sector in which the Government agency/ Corporation shall manage the plantations and the other party shall fully bear the cost of inputs, i.e. necessary for plantation maintenance, commission to Government, if any, etc. Under this structure, the

corporation / agency of the Government shall maintain an optimum stock of plantation and guarantee a minimum quantity of usufructs for supply to the corporate / private sector. The private sector provides the entire financial and technical inputs in lieu of this. The Memorandum of Understanding or a joint agreement can contain the provision for arbitration, crop insurance and other general issues. Thus a highly efficient public / private sector partnership for the use of the degraded forest lands for the beneficial economic use can be achieved. The entire project shall require the prior approval of the Government of India on a case to case basis.

The Government of Tamil Nadu will encourage and support all initiatives based on the above model.

## **(II )DEVELOPMENT OF WASTE LANDS (NON-FOREST).**

Out of 1.5 million Hectare of non forest waste land in the state, 1.37 million Hectares are identified as cultivable lands. The cultivable waste land or poramboke land including lands in hill areas which are owned by the Government will also be made available for the purpose of developing agro based industry (**development of commercial crops**). The lease period for the cultivable waste lands/poramboke lands etc. shall be provided for the above activities for a minimum period of 10 years upto a maximum period of 30 years on a case to case basis.

## **(III) STATE GOVERNMENT SUPPORTS**

**a) POWER TARIFF:** The industries involved in the processing of fruits and vegetables shall be levied industrial tariff as per the prevailing norms and classifications. Industrial feeder lines may be provided on priority basis, wherever possible.

**b) CAPITAL SUBSIDY:** Capital subsidy will be granted to fruits and vegetables industries upto 20% of the fixed assets subject to a ceiling of Rs.20

lakhs. The following items will also be considered as fixed assets in addition to the fixed assets already defined:-

1. Green house structure
2. Irrigation and Fertigation equipment
3. Cold room, grading /packing room and mobile refrigerated truck /equipment.
4. Mother planting material in Tissue Culture units & nurseries

**c) Sales Tax**

Sales tax as applicable to fresh fruits and vegetables will apply to packed fresh fruits and vegetables whether branded or otherwise.

**d) Pollution clearance charges:**

Exemption will be granted from payment of the charges of Rs.10,000/- (Rupees ten thousand only) per annum levied by the Tamil Nadu Pollution Control Board for clearance of setting up of the units.

**e) Industry Status:**

The following industries involved in the production of fruits and vegetables shall be given industry status for the purpose of availing of concessions/incentives/subsidies at par with the industrial units

- Fruit & Vegetable processing including dehydration, irradiation, distillation and fermentation, etc. value added centres including grading, sorting and cleaning, individual quick freezing (IQF) and preservation, etc. of fruit and vegetable in fresh form for export / domestic market.

Cold chain, cold storage systems used for transport and storage of agro based products

- Processing of aromatic, herbal, medicinal plants and their oils and sericulture

Tissue culture units and nurseries involved in the propagation of mother

planting materials for the production of fruits and vegetables

- Hybrid seeds production for Fruit & Vegetable

## **8. OTHER SUPPORTS:**

Government Institutions will be requested to extend priority to give financial assistance for the projects:

A) Depending on viability, priority will be given in granting financial assistance to purchase refrigerated trucks for carrying the fruits and vegetables from the farm to processing units, marketing centres / sea & air-ports for export, etc. by TIIC and from State and Central sponsored schemes.

b) Govt. through its agencies will liaise with Financial Institutions and facilitate grant of Financial assistance for establishing value added centers for grading, packing, distribution, cold storage etc.

## **9. LEGISLATION SUPPORT:**

Government will come forward with a legislation with a view to promote production of fruits and vegetables and aromatic, herbal, medicinal plants and sericulture through contract or corporate farming which will provide for early settlement of disputes between farmers and promoter / promoters by providing for an arbitration machinery and other relevant matters connected with contract farming.

## **10. TECHNOLOGY DEVELOPMENT CENTRES**

Government will encourage private sector to establish technology development centers in order to disseminate modern technology/processing methods etc to the field level.

## **11. PROSPECTS**

It is expected that above measures will increase the Fruits & Vegetable production and result in the rapid development of Agro Processing / Food Industry in the State which will enable the achievement of multiple goals viz. Rural industrialisation, provision of high quality food products to the consumers, drastic reduction in the post-harvest losses of Agricultural-Horticultural products, increased exports and employment generation.