

Corporate Farming and Contract Farming in India: A Critical Legal Analysis of Farmers' Rights, Bargaining Power, and Food Security

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Abstract

The rise in corporate participation in Indian agriculture has seen the rise in the relevance of corporate farming and contract farming as alternative form of agricultural production and integration into the market. Although these models are commonly marketed as a way to increase productivity, stability of the price, and access to technology and markets to the farmers, they also pose serious legal and socio-economic issues. This paper critically looks into the legal framework of corporate and contract farming in India with specific focus on the rights of farmers, their bargaining power, and the implication of this to food security. The research examines the constitutional provisions, statutory laws, and policy initiatives to assess the sufficiency of legal requirements that could be provided to farmers. It underscores the endemic power disparity between small and marginal farmers and big agribusiness companies that frequently lead to unequal contractual relationships and even exploitation. The paper also examines the effects of these models of farming on agricultural activities, especially the transition to cash crops and export-oriented farming, and the resultant threats to food security in the country.

Through doctrinal analysis and case-based illustrations, the paper argues that despite the existence of regulatory mechanisms, enforcement gaps and lack of legal awareness undermine the protection of farmers' interests. It concludes that while corporate and contract farming can contribute to agricultural modernization, a balanced and robust legal framework is essential to ensure equity, sustainability, and the long-term welfare of farmers in India.

Keywords: Corporate Farming, Contract Farming, Farmers' Rights, Bargaining Power, Food Security, Agricultural Law in India

1. Introduction

Indian agricultural practices have always played the main role in the economy of the country, and the country has almost half of its population that lives through farming, and their national food security. Historically manifested by tiny and peripheral landholdings, subsistence cultivation and reliance on monsoons, the sector has been facing slow change with the establishment of commercialization, technological changes and policy changes¹. The rising role of the privately owned corporations in the

¹ Singh AK, Nagaraju K, Singh N, Thriveni V, Kumar N, Sharma A, Ahmed R. Contract Farming and Its Economics Implications for Small and Marginal Farmers: A Critical Review of Policy and Practices. J Exp Agric Int. 2025 Aug 13;47:311-27.

agricultural sector in recent decades has seen the emergence of new forms, including corporate farming and contract farming, which seek to bring farmers into the new supply chains and enhance productivity and market accessibility.

Corporate farming is large scale farming where an agricultural enterprise is run by a company whereas contract farming is where farmers sign contracts with agribusiness enterprises to produce and supply agricultural products under specific conditions. These models have become prominent in India as a general economic liberalization and agricultural reform. They became especially relevant with the debates around the Farm Laws of 2020, aimed to encourage contract farming and lessen regulatory restrictions on agricultural markets but were subsequently repealed as a result of massive demonstrations by farmers. These changes have put the questions of the rights of farmers, the role of corporations, and the food security into a sharp focus.

The main research question that will be considered in this paper is whether or not current legal frameworks in India are sufficient to safeguard farmers who find themselves in a corporate/contract farming agreement². Although these models are beneficial in that they guarantee markets, “technology accessibility, and better-income, they also pose issues regarding unequal bargaining power, potential exploitation, and the impact of their effects on food security in the long term.

This paper will critically examine the legal aspects of corporate and contract farming in India in terms of farmers rights, their bargaining power and the effects of this on food security. It attempts to examine how far the contract farming actually enhances the bargaining power of farmers or simply reinforces the structural inequalities. The paper also discusses whether or not there are adequate legal protections afforded to farmers and outlines the possible risks posed by such agricultural systems to sustainable and fair food systems.

The key questions of the research are as follows:

- Does practical contract farming enhance the bargaining power of farmers?
- What is the legal protection of the interests of the farmers and how well is it effective?
- what are the possible risks of contract and corporate farming to the food security in India?

2. Conceptual Framework

2.1 Corporate Farming

Corporate farming is production of agricultural goods that is conducted by large business organizations and is owned or rented by them, and is run with modern technology and capital-intensive production, employing professional management practices. In comparison with conventional farming where the activity is more family-oriented³, corporate farming is a commercial practice where maximization of profits and efficiency is the main focus. Some of the key features of corporate farming are high-scale landholding, mechanization, use of most recent inputs such as high yield seeds, fertilizers and integration with local and international markets. Corporate farming in India is small with a lot of states having laws that prohibit ownership and leasing of land, however, the agribusiness companies have entered into the industry indirectly through partnerships and subsidiaries. They can comprise big agribusiness ventures that specialize in plantation crops, food processing and export agriculture.

² Sankar V. “The commodification of food, farming and farmers: A critical review of farm laws, 2020.

³ Das G, Bhattacharyya R, Marjit S. Contract farming and food insecurity in an open competitive economy: Growth, distribution, and government policy. *Journal of Risk and Financial Management*. 2023 Apr 19;16(4):249.

2.2 Contract Farming

Contract farming is a system whereby farmers enter into contracts with processing or marketing firms to grow and provide agricultural products under some conditions. These agreements tend to outline the quantity, quality, price and delivery schedule of the produce hence, reducing the market uncertainties among the farmers. Contract farming can be broadly divided into two types, i.e., pre-production contracts and production contracts. Pre-production contracts worry about the terms of sale that consist of the price and quantity and production contracts involve the company providing inputs, technical assistance and monitoring in the cultivation process.

The major difference between contract and corporate farming is on ownership and control. In corporate farming, ownership of the farm is by the company and the company has direct control of the farm operations but in contract farming, the farming enterprise remains the property of the farmer but he/she does the farming under the conditions of the contracting company. Although a contract farming is said to be a win-win situation, issues of unequal bargaining power, reliance on the corporations, and the possible loss of autonomy of farmers are raised.

3. Legal Framework in India

3.1 Constitutional Perspective

The law of corporate and contract farming in India has its constitutional basis, which follows the protection of the rights and welfare of farmers. The right to livelihood as a part of the Constitution, which has been acknowledged as part of Article 21, highlights the need to protect the economic security and dignity of farmers. Also, the state is obligated by the Directive Principles of State Policy, specifically the Articles 38, 39 and 43, to foster social and economic justice, equitable allocation of resources, and decent standard of living of every citizen, including those who have been involved in agriculture⁴. These provisions of the constitution offer the normative basis of laws and policies governing agricultural practices and corporate involvement in the industry.

3.2 Important Laws and Policies.

The contract farming laws in India are influenced by a mix of national regulations and state-based laws. The central government has introduced the Model Contract Farming Act, 2018, which gives the states an outline of how to structure their contract farming agreements, including dispute resolution mechanisms, assurance of price, and safeguarding the land rights of the farmers. This model has been adapted by several states that have made their own laws on contract farming e.g. Punjab and Tamil Nadu.

Acts on Agricultural Produce Market Committee (APMC) that regulate the sale of agricultural produce in regulated markets have also been very influential in determining the nature of contract farming by determining the way farmers can access the markets. The Essential Commodities Act controls the production, supply, and distribution of essential commodities to curb hoarding and secure food supply⁵. Moreover, the Farm Laws of 2020, specifically the Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act aimed at formalizing the contract farming arrangements nationally. Nevertheless, in 2021, these laws were scrapped due to the strong backlash of farmers, which underscores the controversial aspect of the agricultural reforms in India.

⁴ Shrimali R. Contract farming, capital and state. Springer Singapore; 2021.

⁵ Vicol M. Is contract farming an inclusive alternative to land grabbing? The case of potato contract farming in Maharashtra, India. *Geoforum*. 2017 Oct 1;85:157-66.

3.3 Regulatory Gaps

Although there are several legal provisions, there still exists a lot of regulatory loopholes in the regulation of corporate and contract farming. Weak enforcement is one of the biggest problems because most farmers are not aware of their legal rights and have obstacles on their way to the formal dispute resolution mechanisms. Also, there is no standard legal framework between the states, which creates discrepancies in implementation and protection levels. These are further aggravated by power disparities between farmers and corporations that tend to create agreements that benefit corporations. These loopholes highlight the significance of more robust legal protection, increased transparency and more efficient institutional structure in order to ensure the benefits of corporate and contract farming are fairly distributed.

4. Farmers' Rights and Legal Protection

Farmers have been an issue of serious concern in the area of agricultural legal frameworks in India, which entails safeguarding the rights of farmers in the contexts of corporate and contract farming. One of the foremost issues relates to land ownership. Despite the fact that in the majority of legal systems the transfer of the right of ownership to the land under the contract farming system is expressly prohibited, farmers are constantly afraid of the fact that their effective land control can be undermined by the indirect control systems, i.e. the long-term lease or the prohibitive clauses to the contract. This is a very important issue considering that land is more than a means of generating economic value, but it is also a means of providing social identity and security to rural households.

The other critical concern is the possibility of exploitation due to unequal contractual relationships. Farmers particularly the small and marginal ones are not in a position to bargain with large corporations to agree on favorable terms⁶. This imbalance can result in unfair pricing, strict quality standards, and penalties that will disproportionately impact farmers. Even though the laws require that there should be fair agreements, their enforcement is usually weak and farmers can end up being exploited by such practices.

Access to justice and good systems of dispute resolution is also limited. Most state laws and the Model Contract Farming Act provide a conciliation board or local authorities to resolve conflicts, although these are not usually available, are understaffed, or are biased toward corporate interests. The farmers may lack the financial ability, legal knowledge or institutional support in taking their rights, which results in under-implementation of their rights.

Written agreements play a great role in laying down of rights and duties of the two parties. Ideally they ought to offer clarity, transparency and legal protection. However, in the real picture contracts will be penned by corporations in convoluted language of the law that will not be comprehensively grasped by the farmers. This is very disadvantageous, since farmers will do so without even knowing that they are entering into an unfavorable deal.

These challenges are also augmented by the fact that farmers are not very knowledgeable on the legal terms hence limiting their rights to assertion⁷. The situation is also contributed by the nature of power imbalance between individual farmers and large agribusiness firms. There is also the lack of working and independent grievance redressal mechanisms thereby undermining the effectiveness of the existing legal

⁶ Ray N, Clarke G, Waley P. The impact of contract farming on the welfare and livelihoods of farmers: A village case study from West Bengal. *Journal of Rural Studies*. 2021 Aug 1;86:127-35.

⁷ Barik P. A critical analysis of India's Contract Farming Act 2020. *Agricultural Economics Research Review*. 2021;34.

protective mechanisms. Through this, despite the formal protection, there has been poor application of the rights of farmers.

5. Bargaining Power of Farmers

The forces of bargaining power are the key to the dynamics of the contract farming in India. The Indian farmers are mostly small and marginal with small land holdings and finances. Corporations that engage in contract farming in contrast are well-capitalized and have a better access to market information, technology, and legal expertise. Such structural inequalities put farmers at a very disadvantageous position when negotiating contracts, which more than not have agreements that lean towards corporate interests. Intermediaries too have an intricate role to play here. They may establish links between farmers and businesses on the one hand and reduce the share of the profits that farmers get on the other hand and undermine their direct bargaining power. In other instances, the intermediaries are corporate agents which further imbalance the balance of power.

The other area of concern is prices determination. In most of the contract farming agreements prices are either pre-determined or pegged to market conditions. Although pre-agreed prices would offer certain stability in income, the farmers would not also have the opportunity to enjoy the good market conditions⁸. On the other hand, fluctuation in prices may put the farmers at risk of market risk especially when contracts do not provide sufficient price guarantee.

Farmers lack independence due to their reliance on businesses to provide inputs, credit, and access to the market. This reliance might lead to a vicious circle, where the farmers are bound to a specific company and cannot find out other markets or negotiate with them to get a better deal.

The main question that comes to mind is whether this is a voluntary contract or not. Although the law is structured in the form of consensual agreements, socio-economic conditions in rural India frequently lead to some kind of economic coercion, in which farmers agree to poor conditions because they have no choice. This casts significant doubts on the difference between the formal legal consent and substantive fairness in contractual relation.

6. Impact on Food Security

The implications of corporate and contract farming to food security in India are huge especially in regards to production trends and availability of basic food commodities. Among the major issues are the change of subsistence and food crops into high value cash crops fuelled by corporate demand⁹. Though this diversification can help in boosting the income of farmers, it might also lead to shortage of food supply of staple foods at local level and hence food security among rural populations.

These issues are further worsened by the focus on export-oriented agriculture. Once agricultural production is geared towards the requirements of the global markets, the domestic food requirements can be pushed to the background and this results in a dependency on the global market forces. This means that domestic food needs will be sacrificed in case of disruptions in the supply or fluctuations in prices. This questions the sustainability of such models in the long term in a country whereby a large number of the population relies on cheap food.

⁸ Raste A. Farm Laws in India: Reasoning, Consequences, and Way Ahead for Agricultural Reforms. Digital Repository of Theses. 2025 Nov 27.

⁹ Rehber E. Contract farming in practice: An overview.

Another issue is corporate control of supply chains. The procurement, processing and distribution channels are frequently controlled by large agribusiness companies that may cause power and competition to be concentrated¹⁰. Such a concentration can have implications on pricing, accessibility and the general resilience of the food system.

These developments are usually the subject of debate between efficiency and equity, productivity and sustainability. The advocates claim that contract and corporate farming boosts efficiency, minimize wastage and increases productivity through improved technology and management methods. Critics, though, point to the dangers of marginalizing small farmers, rising inequality and compromising sustainable agricultural production. Striking a balance between these conflicting considerations has been one of the important policy issues.

7. Case Studies / Examples

Empirical examples can give us good insights on how contract farming works in India. An outstanding example is the contract farming agreement between PepsiCo and Punjab to grow potatoes. The farmers were supplied with good quality seeds, technical support and guaranteed prices under this model¹¹. Though, most farmers enjoyed the increased harvest and the incomes were stable, there were cases of disagreements when the company filed the lawsuits against farmers accusing them of violation of intellectual property rights in connection with seed varieties. The case raised the issue of corporate overreach and the susceptibility of farmers to suit.

The other one is sugarcane farming model in which farmers sign contracts with sugar mills to provide cane. Although this system guarantees availability of a ready market, slow payment and price controversies have been incessant problems. Equally, the poultry farming models, especially in states such as Tamil Nadu and Andhra Pradesh, entail the integration of inputs and technical assistance by integrator companies and farmers as growers. Though such models help farmers to mitigate market risk, they tend to lower profit margins and, consequently, dependence on companies.

These case studies depict the possible advantages and the default challenges of contract farming, especially with regard to legal safeguards and fair results.

8. Critical Analysis and Discussion

The models of corporate and contract farming have a number of benefits which are access to modern technology, better agricultural practices and enhanced market integration. These advantages can contribute to increased productivity, minimization of post-harvest losses, and give farmers more stable income opportunities. Corporate involvement in the markets can also enable the market linkages that allow farmers to enter into the national and international markets, which would have been closed to them¹².

These benefits however come with some serious drawbacks. The threat of exploitation is one of the most important issues, especially without powerful legal regulations and enforcement procedures. Laws, ambiguity in contractual terms, and laxity in regulatory supervision can make it possible to have corporations disproportionately controlling farming activities. This will tend to give unequal results whereby the benefits will mostly lie with the bigger players leaving the small farmers vulnerable.

¹⁰ Ncube D. The importance of contract farming to small-scale farmers in Africa and the implications for policy”: A review scenario. *The Open Agriculture Journal*. 2020 Jun 2;14(1).

¹¹ Choudhary SK, Kumar R, Kumar A. Scope, Opportunity and Importance of Contract Farming in India. *Journal of Community Mobilization and Sustainable Development*. 2021;16(1):14-28.

¹² Narula S. Confronting state violence: Lessons from India's farmer protests. *Colum. Hum. Rts. L. Rev.*. 2022;54:89.

One of the problems is the gap between ground reality and the legal theory. Although legislations and policies stress on equity, openness, and protection of farmers, they are not properly executed. The failure to benefit farmers with these frameworks is due to structural inequalities, ignorance, and institutional weaknesses. This has left the inclusive agricultural development based on corporate and contract farming as just partially fulfilled.

9. Suggestions and Recommendations

To overcome these obstacles, there are a number of steps that need to be taken to enforce the legal and institutional structure of corporate and contract farming. Bargaining power of farmers should be enhanced and it is possible by promoting farmer producer organizations (FPOs) and cooperatives that can collectively bargain. Simple and local written contracts must be made mandatory so that transparency and informed consent can be guaranteed.

Farmers can be cushioned against the unfavorable market conditions through minimum support safeguards such as price assurance programs which are associated with minimum support prices (MSP). Legal assistance and awareness can be offered to enable farmers to be aware and exercise their rights. To guarantee a timely and fair resolution of conflicts, it is important to have strong and independent dispute resolution bodies at the local level.

Moreover, corporate involvement in agriculture should be properly regulated to avoid monopolistic behavior and the fair allocation of benefits. The key to sustainable agricultural development is a balanced form of regulation that promotes innovation and at the same time protects the interests of farmers.

10. Conclusion

To sum up, corporate farming and contract farming are important changes in the agricultural environment in India with both opportunities and challenges. On the one hand, these models can lead to greater productivity, a better market access, and higher incomes of farmers; however, on the other hand, they also cause serious concerns about the rights of farmers, their bargaining power, and food security.

Analysis shows that the current legal frameworks, though comprehensive in principle, perform poorly in practice because of poor enforcement, lack of awareness, and structural inequalities". Farmers tend to be exploited and cannot exercise their rights to the fullest in contractual relations.

Answering the research questions, it is possible to state that contract farming does not contribute to the bargaining power of farmers evenly and in most situations, it strengthens the existing inequities. Legal protections are there, they need to be increased and satisfactorily enforced. Furthermore, one should not disregard the threats to food security, especially concerning the diversification of crops and corporate domination.

There is, then, a need to adopt a middle ground, which would both facilitate efficiency and innovation as well as provide a strong protection of the rights of farmers. It is only then that corporate and contract farming can be used to promote equitable and sustainable agricultural development in India.