

**KARNATAKA ACT NO. 23 OF 2007**

**(First Published in the Karnataka Gazette Extra-ordinary on the sixteenth day of August, 2007)**

**THE KARNATAKA AGRICULTURAL PRODUCE MARKETING (REGULATION)  
(AMENDMENT) ACT, 2007**

**Arrangement of Sections**

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### **STATEMENT OF OBJECTS AND REASONS**

**Amending Act 23 of 2007.-** To implement the recommendations of Government of India in its Model Act, 2003, which aims at uniformity in development, reformation in regulation of marketing of agricultural produce, it is considered necessary to amend the Karnataka Agricultural Produce Marketing (Regulation) Act, 1966 to provide for,-

- (1) the better regulation of marketing of agricultural produce and the establishment and administration of markets for agricultural produce in the State. It is felt necessary to incorporate the provisions to development of efficient marketing system, promotion of agricultural processing, agricultural exports and the establishment and proper administration of agricultural markets, to provide effective infrastructural facilities for marketing in addition to the regulation of marketing of agricultural produce;
- (2) the wider meaning to the definitions of 'agriculturist', 'buyer', 'marketing' and 'processing' in terms of Model Act;
- (3) setting up a "Revolving Fund" to implement the Floor Price Scheme to protect the interest of the farmers against distress sale;
- (4) exemption of market fee from new Agricultural Produce Process Industries in line with new Industrial Policy;
- (5) the establishment of private market yards, farmers consumer markets and to empower the Director/Commissioner of Agricultural Marketing to issue licenses and regulate the activities in such markets, so as to promote development of a competitive marketing infrastructure to enable the farmers to get a remunerative price;
- (6) contract Farming System for encouraging marketing of agricultural produce with a predetermined agreed price, to ensure constant supply of agricultural produce to agri-processing sector which helps the growers to get remunerative price by way of value addition and also empower the Market Committees to regulate the activities of Contract Farming and Contract Farming Agreements;
- (7) Agricultural Produce Marketing Standards Bureau to take up quality certification and branding of commodities to encourage export oriented activities in the field of agricultural marketing;
- (8) settlement of disputes, to ensure prompt payment of sale proceeds to the seller etc;

- (9) disqualification of members of the Committee who do not attend three consecutive meetings;
- (10) enhance the penalty for non payment and delayed payments to the seller by the buyer or Commission Agent;
- (11) establishment of spot exchange to facilitate e-trading of notified agricultural produce;
- (12) payment to the sellers through the Market Committee in respect of such goods as may be notified;
- (13) Certain consequential amendments also.

Hence the Bill.

[L.A.Bill No.11 of 2007]

[Entry 14 and 28 of List II of the Seventh Schedule to the Constitution of India.]

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**KARNATAKA ACT NO. 23 OF 2007**

**(First Published in the Karnataka Gazette Extra-ordinary on the sixteenth day of August, 2007)**

**THE KARNATAKA AGRICULTURAL PRODUCE MARKETING (REGULATION) (AMENDMENT) ACT, 2007**

**(Received the assent of the Governor on the fourteenth day of August, 2007)**

An Act further to amend the Karnataka Agricultural Produce Marketing (Regulation) Act, 1966.

Whereas it is expedient further to amend the Karnataka Agricultural Produce Marketing (Regulation) Act, 1966 (Karnataka Act 27 of 1966), for the purposes hereinafter appearing;

Be it enacted by the Karnataka State Legislature in the fifty-eighth year of the Republic of India as follows:-

**1. Short title and commencement.-** (1) This Act may be called the Karnataka Agricultural Produce Marketing (Regulation) (Amendment) Act, 2007.

(2) It shall come into force at once.

**2. Amendment of long title and the preamble.-** For long title and preamble of the Karnataka Agricultural Produce Marketing (Regulation) Act, 1966 (Karnataka Act 27 of 1966) (hereinafter referred to as the principal Act), the following shall be substituted, namely:-

“An Act to provide for improved regulation in the marketing of agricultural produce, development of efficient marketing system, promotion of agri-processing, agricultural export and the establishment and proper administration of markets for agricultural produce and for this purpose to put in place an effective infrastructure for marketing of agricultural produce and to lay down procedures and systems thereto in the state of Karnataka;

Whereas it is expedient to provide for improved regulation in the marketing of agricultural produce, development of efficient marketing system, promotion of agri-processing, agricultural export and the establishment and proper administration of markets for agricultural produce and for this purpose to put in place an effective infrastructure for marketing of agricultural produce and to lay down procedures and systems thereto in the state of Karnataka.”

**3. Amendment of section 1.-** In section 1 of the principal Act, in sub-section (1), for the brackets and word "(Regulation)", the brackets and words "(Regulation and development)" shall be substituted.

**4. Amendment of section-2.-** In section 2 of the principal Act,-

(1) for sub-section (5), the following shall be substituted, namely:-

"(5) "Buyer" or "Purchaser" means a person, who himself or on behalf of any other person or agent buys or agrees to buy notified agricultural produce in the market area."

(2) after sub-section (9), the following shall be inserted, namely:-

“(9-A) “Contract farming” means farming by an individual agriculturist or association of agriculturists by whatever name called as ‘Contract farming Producer’ in a written contract farming agreement with another person called ‘Contract farming Sponsor’ to the effect that his farm produce shall be purchased by such contract farming sponsor as may be specified in the agreement.

(9-B) “Contract farming Agreement” means the agreement made for Contract farming between a Contract farming producer and contract farming sponsor as may be specified in the agreement.”

(3) in sub-section (12-A), after the words “and includes”, the words “the Commissioner of Agricultural Marketing or” shall be inserted;

(4) sub-section (14A) shall be renumbered as (14B) thereof and before (14B) as so renumbered, the following shall be inserted, namely:-

“(14A) “Government” means the State Government.”

(5) for sub-section (18A), the following shall be substituted, namely:-

“(18-A) “Marketing” means buying selling importing, exporting, grading, processing, storage, transport, branding, packaging, market information and channels of distribution and includes all activities involved in the production of notified agricultural produce commencing from the stage of harvest till such notified agricultural produce reach the consumers ultimately.”

(6) after sub-section (31), the following shall be inserted, namely:-

“(31-A) “Private Market Yard” means such place other than the market yard, market sub yard and sub market yard in the market area where infrastructure has been developed, managed and controlled by a person for marketing of notified agricultural produce holding a license for this purpose under this Act ”

(7) after sub-section (33), the following shall be inserted, namely:-

“(33-A) “Processing” means any one or more of a series of treatments relating to powdering, crushing, paste making, decorticating, cleaning, ripening dehusking, parboiling, polishing, ginning, pressing, curing or any other manual, mechanical, chemical or physical treatment to which raw notified agricultural produce or its product is subject to make it fit for use or consumption.”

(8) after sub-section (36), the following shall be inserted, namely:-

“(36-A) “Registration” means registration made under this Act.

“(36-B) “Revolving Fund” means the Revolving Fund established under section 64B for the purpose of implementation of Floor Price Scheme.”

(9) after clause (46), the following shall be inserted, namely:-

“(46A) “Spot Exchange” means an exchange for trading of notified agricultural produce through electronic media licenced under section 131D.”

**5. Amendment of section 6.-** In section 6 of the principal Act,-

(1) after sub-section (1), the following shall be inserted, namely:-

“(1A) in any market area, there may be one or more private market yard or farmer - consumer market yard managed by a person who is a private market licensee or farmer - consumer market licensee other than the market committee.”

(2) in sub-section (2), after clause (c), the following shall be inserted, namely:-

“(d) The Director of agricultural marketing may, by notification, declare a place, licenced under section 72C, in the market area to be a private market yard or farmer - consumer market yard as the case may be, as may be specified in the notification, for marketing of notified agricultural produce.”

**6. Amendment of section 8.-** In section 8 of the principal Act,-

(1) in sub-section (2), for the words “or sub-market yard”, the words, “sub-market yard, private market yard or farmer - consumer market yard” shall be substituted;

(2) in sub-section (3), after clause (b), the following shall be inserted, namely :-

“(c) a sale by a Contract farming producer to a contract forming sponsor under Contract farming agreement;

(d) a direct purchase of notified agricultural produce by a licensee under section 72A from the agriculturist.”

**7. Amendment of section 17.-** In section 17 of the principal Act, in sub-section (1), in clause (b), for the words and figures “representing the constituencies specified in section 14”, the words “other than an ex-officio member” shall be substituted.

**8. Amendment of section 27.-** In section 27 of the principal Act, after the word “shall”, the words “within two working days” shall be inserted.

**9. Amendment of section 41.-** In section 41 of the principal Act, in sub-section (2), for the words “As soon as may be after”, the words “Within fifteen days from the date of” shall be substituted.

**10. Amendment of section 44.-** In section 44 of the principal Act, in sub-section (1), for the words “within thirty days from the date of the notice, the secretary of the market committee shall convene the meeting”, the words “within fifteen days from the date of the notice, the secretary of the market committee shall convene such meeting under the chairmanship of the Tahsildar of the concerned taluk where the office of the market committee is situated” shall be substituted.

**11. Amendment of section 63.-** In section 63 of the principal Act, in sub-section (2), in clause (a), after sub-clause (xiii), the following shall be inserted, namely:-

“(xiv) set up and promote public private partnership in management of market yards or market sub yards;

(xv) promote public private partnership for carrying out extension activities in its area viz., collection, maintenance and dissemination of information in respect of production, sale, storage, processing, value addition, prices and movement of notified agricultural produce.”

**12. Insertion of new sections 64A, 64B and 64C.-** After section 64 of the principal Act, the following shall be inserted, namely:-

**“64A. Duties and responsibilities of a private market yard licensee.-** Subject to the provisions of this Act and rules, it shall be the duty of a private market yard licensee,-

- (a) to provide in the private market yard the necessary infrastructure facilities for making purchases from the growers of notified agricultural produce and for storage, for sale under the conditions of licence granted to him and as per the procedure prescribed;
- (b) to levy and collect registration fees, other charges for the services rendered and utilities provided to the sellers, buyers and all other functionaries registered with or using the private market yard not exceeding such amount as may be prescribed.

**64B. Constitution of revolving fund.-** (1) The State Government shall constitute a fund called revolving fund. The following shall be credited into the said fund, namely:-

- (i) such percentage of service charges as may be notified by the Director of Agricultural Marketing collected by the person who has established the farmer consumer market;
- (ii) contributions collected through market committees towards floor price scheme under section 63(2)(a)(xiii);
- (iii) contributions from the State Government;
- (iv) contributions by the Central Government; and
- (v) from any other sources.

(2) The Managing Director of Agricultural Marketing Board shall operate the Revolving Fund which shall be kept or invested in a Scheduled bank and shall apply the fund for the purpose specified in section 64C.

(3) The Accounts relating to the revolving fund shall be prepared annually and audited by the State Accounts Department. Such audited accounts shall be submitted to the State Government for approval.

**64C. Application of the revolving fund.-** (1) Subject to the provision of this Act and rules made thereunder, the fund shall be utilized for the purpose of,-

- (i) implementation of floor price scheme; and
- (ii) for purchase of notified agricultural produce at minimum support price.

**Explanation.-** (1) For the purpose of this section, "Floor price scheme" means the scheme formulated by the State Government, by order, to protect the interest of farmers against the distress sale of notified agricultural produce by assuring a minimum support price.

(2) "Minimum support price" means the minimum support price fixed by the State Government for purchase of notified agricultural produce (other than the commodities with reference to which minimum support price is fixed by the Government of India) due to fall in market price. While fixing the minimum support price, the State Government may take the following factors into consideration, namely:-

- (a) price of the notified agricultural produce;
- (b) cost of production of such notified agricultural produce;
- (c) recommendation of a technical expert committee, if any, appointed by the State Government for this purpose;
- (d) fair average quality of the commodity;
- (e) reasonable profit margin to the producer.
- (f) such other factors as may be ordered by the Government in the scheme."

**13. Amendment of section 65.-** In section 65 of the principal Act,-

(1) in sub-section (2), after the second proviso, the following shall be inserted, namely:-

"Provided also that in case of a buyer in a spot exchange established by a licensee or a licensee for direct purchase of notified agricultural produce or a contract farming sponsor buying from a contract forming producer, market fee shall be levied and collected at the rate of seventy percent of the market fee payable under this Act."

(2) in sub-section (3), the words "during such period as may be specified in such notification" shall be omitted;

(3) after sub-section (3), the following shall be inserted, namely:-

"(4) Notwithstanding anything contained in this Act, no market fee is payable for a period of five years by a New Agricultural produce Processing Industries in respect of purchases of agricultural produce by such Processing Industries, in accordance with the Industrial policy of the Government vide Government Order CI 319 SPI 2005, dated 26<sup>th</sup> August 2006."

**14. Insertion of new sections 72A, 72B, 72C, 72D and 72E.-** After section 72 of the principal Act, the following shall be inserted, namely:-

**"72A. Establishment of private market yards and direct purchase from agriculturist or from producer.-** (1) No person shall,-

- (a) establish, a private market yard; or
- (b) purchase notified agricultural produce directly from an agriculturist; or
- (c) establish a farmer consumer market;

unless he possess a valid licence issued under the provisions of this Act or rules made thereunder.

(2) Subject to such conditions and such fees as may be prescribed, the Director of Agricultural Marketing or any other officer authorised by him may grant a licence for purchase or sale of notified agricultural produce by establishing private market yards or to purchase notified agricultural produce directly from the agriculturist in one or more market area for the purpose of, -

- (a) processing of the notified agricultural produce;
- (b) trade of notified agricultural produce of such specification as mentioned in the license;
- (c) export of notified agricultural produce;
- (d) grading, packing and transaction in other way by value addition of notified agricultural produce.

**72B. Establishment of farmer - consumer market for direct sale by the producer.-**

(1) Subject to such conditions and such fees as may be prescribed, the Director of Agricultural Marketing or any other officer authorised by him, may grant licence to establish farmer - consumer market in the market area.

(2) Farmer - consumer market may be established by any person in any place in the market area by developing infrastructure as may be prescribed. At such place producers of notified agricultural produce may sell their produce directly to the consumer:

Provided that the consumer shall not purchase more than such quantity of a notified agricultural produce at a time in the farmer - consumer market as may be specified by the Director of Agricultural Marketing in the notification from time to time.

(3) The person who has established the Farmer - Consumer Market may collect service charges as may be specified in the notification issued by the Director of Agricultural Marketing from time to time.

**72C. Grant /Renewal of licence of private market yard and farmer-consumer market.-** (1) Any person who,-

- (a) under section 72A desires to purchase notified agricultural produce directly from the agriculturist or wishes to establish a private market yard; or
- (b) under section 72B desires to establish farmer-consumer market in one or more in the market area;

shall apply to the Director of Agricultural Marketing or authorised officer for grant or renewal of licence, as the case may be, in the manner and for the period, as may be prescribed.

(2) Along with every such application for licence, fee prescribed shall be deposited.

(3) Application received under sub-section (1) for grant or renewal of licence may be accepted or rejected for reasons recorded in writing by the concerned authority, as the case may be. No licence shall be granted to an applicant, where,-

- (i) the market committee dues are outstanding against the applicant;
- (ii) the applicant is a minor or not bonafide;
- (iii) the applicant has been declared defaulter under the Act and rules and bye-law made thereunder;
- (iv) the applicant having been declared guilty in any criminal case and convicted by imprisonment;
- (v) the concerned authority is satisfied that the applicant don't possess the infrastructure credentials, experience or adequate capital for investment or any other requirements as may be prescribed for establishment of a private market yard or farmer -consumer market; or



(vi) for any other reasons as the licencing authority deems appropriate.

(4) All the licences granted or renewed under this section shall be subject to provisions of this Act or rules made thereunder.

**72D. Power to cancel or suspend licence.-** (1) Subject to the provisions of sub-section (3), the Director of Agricultural Marketing or authorised officer who has issued licence under section 72C as the case may be, for the reasons to be communicated to the licence holder in writing, suspend or cancel, licence,-

- (a) if the licence has been obtained through willful misrepresentation or fraud; or
- (b) if the holder of the licence or any servant or anyone acting on his behalf with his (licence holder's) expressed or implied permission, commits a breach of any of the terms or conditions of licence;
- (c) if the holder of the licence himself or in combination with other licence holder commits any act or abstains from carrying on his normal business in the market area with the intention of willfully obstructing, suspending or stopping the marketing of notified agricultural produce in the private market yard/sub market yard and in consequence whereof the marketing of any notified agricultural produce has been obstructed, suspended or stopped;
- (d) if the holder of the licence has become an insolvent;
- (e) if the holder of the licence incurs any disqualification, as may be prescribed; or
- (f) if the holder of the licence is convicted of any offence under this Act then within one year of the conviction if the conviction is for the first time and within three years for subsequent conviction.

(2) Notwithstanding anything contained in sub-section (1), but subject to the provisions of sub-section (3), the Director of Agricultural Marketing may, for the reasons to be communicated in writing to the licence holder, by order suspend or cancel his/its licence granted or renewed by the authorised officer:

Provided that no order under this sub-section shall be made without intimation to the authorised officer.

(3) No licence shall be suspended or cancelled under this section without giving a reasonable opportunity of being heard to its holder to show cause against such suspension or cancellation.

**72E. Appeal.-** (1) Any person aggrieved by an order of the Director of Agricultural Marketing or authorised officer, be passed under sections 72C and 72D, as the case may be, prefer an appeal,-

- (a) to the Director of Agricultural Marketing, where such order is passed by the authorised officer within thirty days of receipt of the order; and
- (b) to the Karnataka Appellate Tribunal, where such order is passed by the Director of Agricultural Marketing within thirty days of receipt of the order, in such manner, as may be prescribed.

(2) The Appellate Authority, if it considers it necessary so to do, grant a stay of the order appealed against for such period as it may deem fit.

(3) The order passed by the Director of Agricultural Marketing or the authorised officer shall, subject to the order in the appeal under this section, be final."

**15. Amendment of section 73.-** In section 73 of the principal Act, in sub-section (3), in the proviso, after the words "market committee" the words "or any other person likely to be affected, as the case may be" shall be inserted.

**16. Substitution of section 75.-** For section 75 of the principal Act, the following shall be substituted, namely:-

**“75. Payment of price.-** (1) Subject to such deductions, if any as are authorized to be deducted according to this Act or the rules or the bye-laws or under any other law for the time being in force, by way of,-

- (i) fees;
- (ii) market charges;
- (iii) taxes; and
- (iv) the advances, if any, on the goods made as evidenced by authentic vouchers with interest which shall not be more than the rates charged by the Scheduled Banks if any, due thereon;

the price of the goods sold in the market yard and outside the market or the sub-market in the market area shall be paid to the seller by the buyer in cash or cheque, immediately after the sale except in a case where a commission agent, if any, agrees in writing, in the form prescribed by the bye-laws, to give delivery to the buyer on credit of a term which shall in no case exceed the maximum period of credit prescribed by the bye-laws, if any.

(2) In case buyer does not make payment under sub-section (1), he shall be liable to make additional payment at the rate of one percent per day of the total price of the notified agricultural produce payable to the seller within five days.

(3) In case buyer does not make payment with additional payment to the seller under sub-section (1) and (2) above, within five days from the day of such purchase his licence or registration as the case may be shall be deemed to have been cancelled on the sixth day and he shall not be registered or granted any licence or permitted to operate in any market area within the State under this Act for a period of one year from the date of such cancellation.”

**17. Amendment of section 76.-** After section 76 of the principal Act, the following shall be inserted, namely:-

“Provided that in respect of any private market yard, or in case of direct purchase of notified agricultural produce by a licensee under section 72C, the price determination shall be in such manner as may be directed by the Director of Agriculture Marketing from time to time.”

**18. Insertion of new section 78A.-** After section 78 of the principal Act, the following shall be inserted, namely:-

**“78A. Additional Payment etc., by Commission Agent in case of default.-** In case the commission agent does not make payment under clause (c) of sub-section (2) of section 78, he shall be liable to make additional payment at the rate of one percent per day of the total price of the notified agricultural produce payable to the seller within five days, failing which his licence or registration as the case may be shall, liable to be cancelled on the sixth day and he shall not be registered or granted any licence or permitted to operate in any market area within the State under this Act for a period of one year from the date of such cancellation.”

**19. Amendment of section 81.-** In section 81 of the principal Act,-

(1) after the words, "operating in the market area" the words "except the licensee of a private market and farmer - consumer markets" shall be inserted;

(2) after section 81, the following proviso shall be inserted, namely:-

“Provided that if the market functionary fails to file the returns within the stipulated time, the market committee shall impose a penalty which shall not be less than rupees one thousand but shall not exceed rupees five thousand.”

**20. Insertion of new section 81A.-** After section 81 of the principal Act, the following shall be inserted, namely:-

**“81A. Reports by private market licensee, farmer - consumer market licensee.-** Every private market licensee, licensee for direct purchase and farmer – consumer market licensee shall maintain accounts in such manner and submit to the Director of Agricultural

Marketing or to the officer authorised by him in this behalf, such periodical reports and returns in such forms as specified by the Director of Agricultural Marketing from time to time:

Provided that if the licensee specified above fails to file the returns within the stipulated time, the Director of Marketing shall impose a penalty which shall not be less than rupees one thousand but shall not exceed rupees five thousand”.

**21. Amendment of section 84.-** In section 84 of the principal Act, in sub-section (1), for the words "market area", the words "market yard, market sub yard or sub market-yard, as the case may be" shall be substituted.

**22. Insertion of new section 84A.-** After section 84 of the principal Act, the following shall be inserted, namely:-

**"84A. Provision for settlement of disputes between producer, buyer, seller, private market licensee, licensee for direct purchase or farmer-consumer market licensee.-** (1) Any dispute between the producer, buyer, seller and the private market licensee, licensee for direct purchase, farmer-consumer market licensee shall be referred to the Director of agricultural marketing or any subordinate officer authorised by him in this regard. The Director of Agricultural Marketing or the authorised officer shall resolve the dispute after giving both parties a reasonable opportunity of being heard, in the manner as may be prescribed.

(2) Any person aggrieved by the order of such officers under sub-section (1) may appeal to the Karnataka Appellate Tribunal within thirty days from the date of communication of the order.”

**23. Amendment of section 94.-**(1) In the heading to section 94 of the principal Act, after the word “Chairman”, the words “and the Vice-Chairman” shall be inserted.

(2) In section 94 of the principal Act, in sub-section (1), after the word “Chairman”, the words “and the Vice-Chairman” shall be inserted.

**24. Amendment of section 112 .-** In section 112 of the principal Act, clause (j) shall be renumbered as clause (k) there of and before clause (k) as so renumbered, the following clause shall be inserted, namely:-

“(j) to set up an Agricultural Produce Marketing Standards Bureau for the purpose of promotion of grading, standardization and quality certification of notified agricultural produce in the State.”

**25. Insertion of new section 117B.-** After section 117A of the principal Act, the following shall be inserted, namely:-

**“117B. Penalty for contravention of section 75.-** (1) If any person carrying on business in agricultural produce in the market yard, private market, spot exchange or farmers-consumer market fails to pay the price to the seller the price without any reasonable cause shall on conviction be punished with imprisonment for a term which may extend to six months and with fine which may extend to twice the value of the price and in the case of continuing contravention with a further fine which may extend to rupees one thousand per day during which the contravention is continued after the first conviction.

(2) Any person prosecuted under sub-section (1) shall not be absolved from his obligation of payment of price to the seller or any other amount due from him under this Act, rule, bye-laws or regulations.”

**26. Amendment of section 118.-** (1) In the heading of section 118 of the principal Act, for the figures “78” and a comma, the figures and letters “72A, 72B” shall be substituted.

(2) In section 118 of the principal Act, for the figures “78” and a comma, the figures and letters “72A, 72B” shall be substituted.

**27. Insertion of new section 118A.-** After section 118 of the principal Act, the following shall be inserted, namely:-

**“118A. Penalty for contravention of section 78.-** (1) If any person carrying on business in notified agricultural produce as a commission agent in the market yard or private market fails to comply his duty as specified under clause (a) and (b) of sub-section (2) of section 78 without any reasonable cause he shall on conviction be punished with fine not exceeding rupees five thousand.

(2) If any person carrying on business in notified agricultural produce as a commission agent in the market yard or private market fails to comply the responsibility of payment of price to the seller under clause (c) of sub-section (2) of section 78 without any reasonable cause shall on conviction be punished with imprisonment for a term which may extend to six months and with fine which may extend to twice the value of the price and in the case of continuing contravention with a further fine which may extend to rupees one thousand per day during which the contravention is continued after the first conviction.”

**28. Substitution of section 126A.-** For section 126A of the principal Act, the following shall be substituted, namely:-

**“126A. Power of the Government to give direction to the market committee, private market licensee and farmer - consumer licensee.-**The State Government may give such directions to the market committee, private market licensee and farmer - consumer market licensee as in its opinion are necessary or expedient for carrying out the purposes of this Act and it shall be the duty of such market committee, private market licensee and farmer-consumer market licensee, as the case may be, to comply with such directions.”

**29. Insertion of new Chapter-XIII-B and XIII-C. -** After chapter XIII-A of the principal Act, the following shall be inserted, namely:-

**“Chapter-XIII-B  
Contract Farming**

**131C. Procedure and Form of contract farming agreement.-** Contract Farming agreements shall be governed in the manner laid down hereinafter,-

(1) Contract farming Sponsor shall register himself with the Market Committee or with such officer and in such manner as may be prescribed.

(2) The Contract Farming Sponsor shall get the contract farming agreement registered with such officer as may be prescribed in this behalf. The contract farming agreement shall be in such form containing such particulars and terms and conditions such as may be prescribed.

(3) Notwithstanding anything contained in contract farming agreement, no title, rights, ownership or possession shall be transferred or attenuated or vest in the contract farming sponsor or his successor or his agent as a consequence arising out of the contract farming.

(4) Any Disputes arising out of contract farming agreement shall be referred to Disputes Committee constituted under section 84 of the Act. The Disputes Committee shall resolve the dispute in a summary manner within thirty days from the date of reference of dispute by giving the parties a reasonable opportunity of being heard, in such manner as may be prescribed.

(5) The party aggrieved by the decision of the Disputes Committee under sub-section (4), may prefer an appeal to the Director of Agricultural Marketing within thirty days from the date of the decision. The Director of Agricultural Marketing shall dispose off the appeal within thirty days after giving the parties a reasonable opportunity of being heard and the decision of the Director of Agricultural Marketing shall be final.

(6) The decision of the authority under sub-section (4) and decision in appeal under sub-section (5) shall have the force of a decree of the civil court and shall be enforceable as such and decretal amount shall be recovered as arrears of land revenue.

**Chapter XIII-C  
E-Trading**

**131D. Establishment of Spot Exchange.-** (1) No person shall establish and run a spot exchange for trading in notified agricultural produce without obtaining a licence under this section.

(2) Subject to such conditions and such fees and security as may be prescribed, the Director of Agricultural Marketing may grant licence to setup spot exchange for providing trading facilities in the notified agricultural produce.

(3) Any person desires to setup a spot exchange may apply to the Director of Agricultural Marketing in such manner along with such fee and security as may be prescribed.

(4) The spot exchange shall,-

- (i) have online trading and clearing system with national reach;
- (ii) ensure efficient clearing, settlement and guarantee system;
- (iii) ensure transparency in operations and decision making related to entire operations;
- (iv) provide for delivery of underlying commodity backed by a warehouse receipt system;
- (v) provide the following services:-
  - (a) electronic spot trading facility in notified agricultural produce;
  - (b) grading, quality certification and standardization of commodities;
  - (c) facilitating collateral financing and borrowing against warehouse receipts;
  - (d) customized service relating to storage, transportation, logistics, handling and shipment;
  - (e) procurement and disposal of commodities through online trading system;
  - (f) market intelligence reports.

(5) The spot exchange may collect fees relating to, membership, VSAT, annual subscription etc., from the members.

(6) Trading, delivery, clearing and settlement shall take place on such terms and conditions as may be prescribed.

(7) The spot exchange shall provide guarantee performance of all contracts executed on the spot exchange platform. For this purpose, it shall maintain a settlement guarantee fund. Notwithstanding any default of any member, spot exchange licensee shall be responsible for collection and payment price to sellers, the payment has to be made as per the schedule prescribed.

**131E. Reports to be submitted by the spot exchange licensee.-** The licensee shall maintain account of all the transactions taken place on the electronic platform and submit such periodical reports and returns at such times and in such forms as specified by the Director of Agricultural Marketing from time to time to the Director of Agricultural Marketing or to any officer authorized by the Director of Agricultural Marketing in this behalf.

**131F. Power to cancel or suspend spot exchange licenses.-** The Director of Agricultural Marketing for reasons to be recorded in writing suspend or cancel spot exchange licence granted by it:

Provided that no order shall be made without giving notice to the licensee.

**131G. Redressal of disputes.-** (1) Dispute redressal shall be done at the spot exchange level through administrative process or through the process of conciliation and arbitration within fifteen days.

(2) If any dispute is not redressed at spot exchange level, the concerned may appeal within thirty days to the Director of Agricultural Marketing and the decision of the Director of Agricultural Marketing in this regard shall be final.

**131H. Bar of Jurisdiction on Civil Courts.-** No Civil Court shall have jurisdiction to settle, decide or deal with any question or to determine any matter which is by or under this Act required to be settled, decided or dealt with or to be determined under the provisions of section 131C.

**131I. Penalty for contravention of section 131D.-** Whoever contravenes the provisions of section 131D shall, on conviction, be punished with imprisonment for a term which may extend to six months or with a fine which may extend to five thousand rupees or with both.

**131J. Cognisance of Offence.-** No court shall take cognisance of an offence under this Chapter, except upon a complaint by the Director of Agricultural marketing or any other officer authorized by him.”

**30. Amendment of section 132.-** In section 132 of the principal Act,-

- (1) in the heading, for the words “market Committee or Board”, the words “market Committee, Board or the Seller” shall be substituted;
- (2) in sub-section (1), after the words “fees, rent or any other account”, the words and figures “or payment of price to the seller under section 75 or 78” shall be inserted;
- (3) in sub-section (2), after the words “market Committee or the Board”, the words “or the seller” shall be inserted.

**31. Amendment of section 143.-** In section 143 of the principal Act, in sub section (2), for the words, “vest in the State Government”, the words “vest in such neighbouring market committee as the State Government may, by order, specify” shall be substituted.

**32. Amendment of section 146.-** In section 146 of the principal Act, in sub-section (2), after clause (n), the following shall be inserted, namely:-

- “(n1) the procedure and fee for registration under section 64A;
- (n2) the infrastructure of farmer consumer market and appeal under section 72A, 72B, 72C and 72E;
- (n3) the manner of settlement of disputes under section 84A;
- (n4) the powers and functions of Agricultural Marketing Bureau under section 112(k);
- (n5) the manner of registering the contract farming sponsor under section 131C;
- (n6) the terms and conditions of the contract to be entered into under sub-section (2) of section 131C;
- (n7) the manner of resolving disputes under sub-section (4) of section 131C.”

**33. Amendment of Karnataka Act 16 of 1998.-** In the Karnataka Act 16 of 1998, in clause 6, in section 77A sought to be inserted, the following proviso shall be inserted at the end, namely:-

“Provided that the provisions of this section shall be applicable to such of the specified agricultural produce in such market yard as may be notified by the State Government.”

By Order and in the name of the Governor of Karnataka

**G.K. BOREGOWDA**

Secretary to Government,

Department of Parliamentary Affairs and Legislation