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Government of India
Ministry of Fisheries, Animal Husbandry and Dairying
Department of Animal Husbandry and Dairying

Chanderlok Building, Janpath
New Delhi-110001
Dated: 21th December, 2022

OFFICE MEMORANDUM

Subject: Commercial Contract Guideline for Broiler production- regarding.

The undersigned is directed to refer to the Office Memorandum of even number dated 19th September, 2022 circulating the draft Commercial Contract Guidelines for Broiler production inviting comments and suggestions before finalizing the same.

Suggestions/ objections were received by the Department from the individual farmers and poultry integrator companies. The suggestions and objections so received were further considered.

Now with the approval of the Competent Authority, the Department of Animal Husbandry and Dairying, Ministry of Fisheries, Animal Husbandry and Dairying issues the *Contract Guidelines for Broiler Production Job work between Poultry Farmers and Contracting Companies (this may be called as model poultry integration agreement)*.

All the States/ Union Territories/ Poultry Integration companies/ Farmers should follow the Model of the guidelines while preparing the contract agreement for the broiler production job work.

(Dr. S.K. Dutta)
Joint Commissioner (AH)

1. All concerned involved in poultry integration
2. States/ Union Territories
3. NIC DADF is requested to upload the document.

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**Commercial Contract Guidelines for Broiler
Production Job Work between Farmers
and Contracting Company
(Poultry Integration Contract Agreement)**

Issued by
Department of Animal Husbandry and Dairying
Ministry of Fisheries, Animal Husbandry and Dairying
Government of India

21.12.2022

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Purpose of these Guidelines:

To ensure:

- To ensure faster growth of poultry sector in India based on good practices
- To ensure state government and banks design various products and policies for the development of poultry sector in the state
- Level playing field between small farmers and large companies
- To ensure fair trade practice as per the provisions of the provided act
- To ensure ignorant or illiterate farmers interest is protected
- To ensure all claims and disputes are resolved based on fair terms & conditions

Provisions of this Draft Agreement:

This should be based on the applicable laws.

1. **First Party**(Contracting Company).
2. **Second Party**(Contracting Farmer)
3. **Scope of the Contract**

The Scope of the Contract is to produce nos.(+/-10%) of broiler per batch as per the applicable standards, guidelines and norms to ensure production of broiler chicken for value addition and value added products as per FSSAI and other applicable norms and standards meant for human consumption, institutional use or exports.

The Applicable Norms, Standards and Guidelines will be provided in the annexure by the Company at the time of signing the Contract.

4. Registration No. of the Contract

This contract is registered under the Act of the state or Union Government.

The Registration Number of the Contract is

5. Objective of the Contract

The Objective of the contract is to produceNo. of Broilers (+/-10%), as per the Scope of the Agreement for the stated objective.

6. Location of the Farm

The proposed Farm is located at (pl. provide the complete postal address) including GPS coordinates). In case of Disease Outbreak or for inspection or for insurance claims, it will be easy to track the locations of the farms.

7. Documentation required for the Contract

In order to avoid the disputes at a later stage, it is mandatory to provide the ownership documents.

8. Inspection of the Farm(s)

Company will undertake Physical Verification of the site to ensure whether farms offered for contract farming are suitable to produce safe and hygienic chicken. The date and the name of the person who has inspected the site with the inspection report should be part of the proposed contract.

Both the party will maintain the record of inspections with suitable evidence so that if required can be used during the dispute resolution.

9. Role of First Party in the Contract means

All the provided inputs will be as per the applicable norms, standards and regulations to ensure the safe and healthy broilers for further processing and marketing.

Company will provide the following inputs.

a) Healthy and Disease free Chicks.

b) Feed – as per the nutritional requirements as mentioned under applicable laws and standards.

c) Medicines – As per the recommendations of the Company's Veterinarian. Provided medicines must be all the under applicable laws and standards. The company will provide the information about the withdrawal period as well.

d) All the inputs provided by the company must be marked in such a manner so that traceability can be established in case of pilferage and poor quality.

e) With all the provided inputs, the company will also provide a quality certificate so that there should not be any liability on the farmers, in case any of the inputs deviates from the applicable standards and laws.

f) All the provided inputs should be properly labelled and method of application or use should be clearly mentioned.

g) Company will deliver all the inputs at their cost including applicable taxes on an Ex-farm basis.

h) The First Party shall ensure placement of chicks at least 5-6 times in a year.

Proper records will be maintained by both the parties for the material received.

10. Role of Second Party in the Contract

Farmer will provide the following items for the Contracted party as per mutually agreed terms and conditions:

a) Shed for the Broiler production

b) Bedding material

c) Feeding utensils

d) Watering utensils

e) Skilled / unskilled labour

f) Arrangements for maintaining temperature suitable for broiler production

g) Quality water and h) Electricity

Inspection of the production Shed / area before and during production :

Company will inspect the farm before entering into contract to evaluate the suitability of the farms for the production of broilers as per its performance criteria.

11. Access to the production shed / area before and during production

Farmers will provide 24x7 access of the farms to the company executive or to the person authorised by the company to inspect the broilers, supplied inputs and related activities. Company will inform the farmer about the visit of the person who is not accompanied by the company executive who is nominated by the company for the regular inspections. Biosecurity of the farms is the responsibility of the second party and sanitation of the visiting executives and guests will be the responsibility of the company only.

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12. Custodian of the Supplied Material

The Contracting Farmer will be the custodian of all the supplies provided by the company. Contracting farmers will perform the task as per the provided guidelines of the company. Company reserves the right to take possession of the supplied material without notice but will settle the applicable dues within 7 working days to the farmer at the time of removing material under his custody from his farm, as per the agreement, under the principle of fairness.

13. Ownership of the Broilers

Legal ownership of the broiler and provided material will remain with the contracting company. Under no circumstances farmers can use the material supplied by the company for its own purpose and further undertakes not to go for any sort of hypothecation / pledge/ charge / mortgage on them. A sign board stating that these broilers / birds belong to M/s (name of the contracting company) is placed in a prominent place near the main gate of the farm of the contract farmer.

14. General Responsibility of the Farmer

Farmers will follow all the instructions of the company while growing broilers at the farm. In case of any deviation required, the farmer will consult the company representative and record of the same will be maintained at the farm as well as by the company, signed by both the parties.

15. General Responsibility of the Company

Company will provide a manual which will contain all the instructions to the farmer about the way they want broilers to be produced. Company will inspect the farm before entering into the contract to identify the suitability of the farm for contract farming. Companies will also suggest changes required on the farm to ensure bio-security, rodent control, fly control and others required as per their standard operating procedure and applicable laws. In order to convey the instructions and how to follow them, the company will undertake on-site or off-site training programs for the identified farmers and his team. The records for the same will be maintained.

16. Delivery of the Grown up Broilers / Chicks

Farmer will hand over all the grown chicks/birds to the company representative as per the delivery schedule finalised by the company. Company will arrange the weighment and transportation of the grown chicks / birds. Company will provide the weighing scale as per the requirements of the Weights and Measures Act. Weighing scale will be calibrated every time before the weighing operation in front of the farmer or his representative.

17. Mortality

Mortality is a serious factor which affects the viability of poultry business. Mortality of the birds depend upon many biotic and abiotic factors including the health of the supplied chicks, weather temperature, type of

feed, type of medication, microbial infection, general hygiene, etc.

Since the mortality being a variable based on the several parameters, both the contracting parties shall determine the mortality as per the given circumstances in accordance with the schedule annexed with the guidelines.

18. Mortality Allowance & Deduction

Mortality deduction should be based on the mortality determination between the contracting parties as agreed in accordance with the clause 17 above.

Method of Calculation should be placed in Schedule in the contract agreement.

19. Disposal during Mortality:

Any mortality at the farm during the growing process will be recorded by the farmer and the Company will be informed about the same either by phone, SMS, Email or in person. It is better to maintain the record of communication between farmer and company.

Farmer will keep the dead bird for inspection by the Company representative and will dispose of the Bird only after the approval from the Company in writing. If a farmer fails to produce the bird, the prevailing market price or the cost of production (whichever is higher, according to the predetermined weight of the birds) of the bird shall be recovered from the farmer.

The mortality inspection should be completed within 24 hours from the time it is informed to the company to avoid bio-security risk in the farm for existing live birds.

20. Growing Charges to be paid to Farmer:

The growing charges should be calculated based on the parameters and should be considered as per the accounting standards of India, in consultation with the contracting farmer and based on agreed to the norms.

21. FCR Performance Bonus:

In order to improve the FCR and to improve financial performance of the contract, It is proposed that companies should provide FCR Performance Bonus to Farmers which should be mutually gainful. This will improve work culture and economic benefits for both the parties provided that the Company is able to provide quality chicks and feeds certified by the company on the FCR gain in given environment and mangemental condition.

Since every company is using different breed of birds, the company shall be at liberty to adopt the various methodology. The methodology so adopted needs to be included with the contract agreement.

22. Insurance:

Insurance of poultry operations under Contract farming is a must. The

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First party will be responsible for insurance of birds provided to the second party. The Second party will be responsible for insurance of their assets required for poultry farming other than the asset provided by the First Party.

Both the parties shall ensure all the insurances as mentioned above before signing the contracts because in case of any excessive mortality or any unforeseen circumstances including natural disaster or act of god. Both the parties can recover the cost of business loss from the insurance companies only without causing the parties to suffer in the process.

23. Recovery of damages:

Unintentional damages due to normal business should be recovered from the Insurance Claim by the company.

Companies cannot demand from the farmer to submit blank cheques to the companies.

In case of any other damages (*not covered herein above*), the aggrieved party can recover these damages through arbitration or mediation by the District Administration or Competent Authority in the said district or by any other proper legal method which is mutually agreed to by both the parties.

24. Maintenance of Record by the farmer

Farmers will maintain and keep all the Records related to chick, feed, medicines, etc. supplied by the company. On demand, Farmer will show records to the company representatives to reconcile the records and accounts. On demand, Farmer has to produce the records related to the material supplied by the Company. These records can be used and demanded as evidence in case of Dispute resolution process.

25. Maintenance of Record by the Company

Company will maintain the records of all the materials supplied to the farmers' including Quality Reports till the accounts for the particular batch of birds is not fully settled between both the parties. On demand, the company has to produce the records related to the material supplied to the farmer. These records can be used and demanded as evidence in case of Dispute resolution process.

26. Training to Farmers and his Employees

Company will provide regular training to the farmers at the suitable location at their expense to produce the broilers and related activities. Minimum two workers per 5000 no. of birds at broiler farm will be trained by the company for every lot.

However, if the second party engages other untrained worker, the second party will be responsible to extend such training to the workforce.

If the workers were earlier trained, responsible company executives will undertake a quick assessment about their knowledge before signing the contract. These will ensure that instructions given by the company will be followed in broiler production.

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Training records and assessment records will be maintained by the company and copies of the same will be provided by the company to the farmer with proper date and place of training or assessment with counter signs of the worker. These records will become part of the annexure of the contract.

27. Extension & Discontinuation of the Contract

Both parties reserve the right to renew or discontinue this agreement after giving notice of Minimum 45 days.

28. Terms of Contract

The term of Contract between Company and Farmer should be mutually negotiated. It can be for a minimum One year and long duration can be based on mutually agreed terms and conditions.

29. Termination of Contract

Termination of Contract is possible based on mutually agreed terms and conditions. While settling the dues terms and conditions to the agreed contract will play.

30. Force Majeure Clause

A Force Majeure clause (French for "superior force") is a contract provision that allows a party to suspend or terminate the performance of its obligations when certain circumstances beyond their control arise, making performance inadvisable, commercially impracticable, illegal, or impossible. The provision may state that the contract is temporarily suspended, or that it is terminated if the event of force majeure continues for a prescribed period of time. The common example of the poultry industry is like the Outbreak of Bird flu, Government instruction to cull the poultry birds or to remove poultry production, or any other circumstances under which poultry production is not viable or advisable.

The list of events to be included is a matter of negotiation between the parties. A typical list of force majeure events might include war, riots, fire, flood, hurricane, typhoon, earthquake, lightning, explosion, strikes, lockouts, slowdowns, prolonged shortage of energy supplies, and acts of state or governmental action prohibiting or impeding any party from performing its respective obligations under the contract. So if, for example, a hurricane occurred that shut down a port, the seller planning to ship its goods through that port would not be liable for late delivery of the goods.

In the absence of a force majeure clause, parties to a contract are left at the mercy of the narrow common law contract doctrines of "impracticability" and "frustration of purpose," which rarely result in excuse of performance

31. Mode of Payment

All payment should be made by the company through banking channels and all payment should be made through negotiable instruments like Cheque, DD or through RTGS within 7 working days from the date of book closure.

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32. Deduction of Taxes

All taxes will be borne by such party as defined under specific act. Farmers are not liable to pay any tax related to broiler production and related activities. This can be calculated at the time of signing the contract.

33. Secrecy

Farmers should be free to seek clarification only from the Company when in doubt about the quality of inputs supplied as long as it has implication on Mortality and FCR.

Farmers will not share any record or data or specimen with any party other than the Contracting Company.

34. Third Party Claim

Farmers shall be responsible for any claims, damages or injuries to the third parties caused by farmers' working practice or mismanagement and hereby indemnifies against the interest of the Company.

Company shall be responsible for any claims, damages or injuries to the third parties caused by Company's misinformation or mismanagement or her representative and hereby indemnifies against the interest of farmer.

35. Relationship of the Parties

The relationship created by this agreement between the parties is that of independent contract only and nothing contained herein is intended or shall be construed as creating any partnership, landlord-tenant, agency, employer-employee or other relationship.

Farmers shall provide Workers' compensation insurance, unemployment compensation, insurance, disability and health insurance as may be required or advisable for the farmers' personnel. Farmers shall comply, to the extent applicable, with all the labour laws. Farmer further agrees to indemnify the company, if any amount is paid by company to any labour department or concerned authorities regarding Company's management /personally.

In case of any instructions or material supplied by the company to the contracted farmer violates any applicable law, order or directives issued by the government, Company will indemnify the farmer from any claim, damages or penal action.

Expenses Except as otherwise provided herein, all legal, accounting and other costs and expenses incurred in connection with the Agreement and any related agreements and the transactions contemplated hereby and thereby shall be paid by the party initiating the process, unless otherwise both the parties agree to share the cost equally incurring such expenses.

This should be based on written understanding.

36. Notice

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All notices, requests, demands and other communication hereunder shall be in writing and shall be deemed to be duly given if dispatched by registered post to the provided address and acknowledged or that may be communicated by a party to the other party by email or if delivered by hand.

It is also advisable to send the copy of the same by email to the mentioned official email address.

37. Governing Laws & Jurisdiction:

This agreement shall be governed by the laws of India and subject to the respective sub-clause below (Dispute Resolution), the Parties expressly submit to the exclusive jurisdiction of the Competent Courts of the Law. Herein the case of theft, Company Reserves the right to lodge a criminal complaint/case against farmer as applicable for Cheating/breach of trust/breach of agreement/theft/pilferage, etc. Farmers also reserves the right to take similar action against the company if the provided inputs are not as per agreed terms of contract or not in accordance with the agreement and applicable laws and impacts the performance, in terms of mortality and FCR of the birds, which in turn will impact the income of the farmer.

38. Dispute Resolution

In case a company is deviating from any of the clauses of the agreement, in that case, farmers under no-circumstances will be liable for any damages or losses to the company. Company is bound to pay the full charges to the farmer as per the Contract.

In case a farmer is deviating from the provided guidelines, company executives may take up the matter with the farmer and will make note of the same and collect suitable evidence and the same will be provided at the time of dispute resolution process, if required.

In case of any dispute, the local jurisdiction will apply. The District Head Quarter of the farm production area will be the place of arbitration.

The Arbitrators will be appointed by the mutual consent of both the parties. In case of any stalemate, the concerned authorities will intervene and appoint the arbitrator for the case.

In case of any dispute or no middle ground, the district administration will facilitate the dispute resolution as per the Arbitration & Reconciliation Act 1996.

Cost of Arbitration Parties can also mutually decide the cost of Arbitration before initiating the proceedings of Arbitration. In absence of any such understanding, the cost of the Arbitration will be borne by the party in default as determined by the arbitrator as the case may be.

39. Alteration in Contract

Any change or alteration or modification of any terms / clause of this agreement shall be executed by both the parties in writing with the Mutual Consent.

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Changes in Laws Notwithstanding any other provision herein, in the event that any law has been enacted or any rule / law has been changed which would have the effect of prohibiting either parties from carrying the terms of this agreement in the manner contemplated at the time of its execution, this agreement shall be voidable by the parties.

40. Severability

If any provision of this agreement is determined to be void or unenforceable under any law applicable for the time being, such provisions shall be deemed amended or modified or deleted to the extent necessary to conform to applicable law and the remaining provisions of this agreement will also be reviewed to understand the impact of the changed provisions and if found acceptable to both the parties, it shall remain valid and enforceable in accordance with the terms herein.

41. Language:

The language of the Contract should be the official language of the State as well as English or Hindi, where the contract is signed. Example: In case of Haryana, it should be Hindi.

42. Declaration

The Content of the aforesaid agreement was readout, explained and interpreted to the Farmer in the language understood and known by him/them. The Contracted Parties hereby acknowledge receipt of a copy of this agreement duly signed for their perusal and reference.

43. Witnesses:

Witnesses for the agreement should be known to both the parties. In case the witness is unknown to either of the parties, the complete contact details of the witness will be provided to both the parties for future reference.

44. Signatories

Both the parties via their authorised representatives will sign the contract, in the presence of witnesses at the mentioned time and place.

45. Place of Signing

The Place of signing will be recorded at the time of signing the contract itself in the presence of witnesses.

46. Date of Signing

The date of signing will be recorded at the time of signing the contract itself in presence of witnesses.

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Schedule to be enclosed with Contract

Schedule 1: Property Details in the above agreement

Schedule 2: Charges payable to the Contract Farmer for rearing the day old chick to a grown broiler for the given batch

Schedule 3: Mortality Deduction **Schedule 4 :** Validity

period of the Contract**Schedule 5 :** FCR Calculation Chart

Schedule 6 : Miscellaneous, if any

Schedule 7: Calculation determining the mortality.

Annexure:**Cost Breakup of job work for the poultry integrators via Contract farming should include the following Costs:**

1. Interest & Depreciation Cost of the Shed with all arrangements for broiler production. This should be verified by inspection by the company.
2. Labour wages as per prevailing market rates or Minimum Wage Act, whichever is higher.
3. Medical and Accidental Insurance for the workers
4. Cost of litter
5. Cost of Cleaning and Maintenance
6. Cost of water
7. Cost of electricity
8. Cost of brooding equipment
9. Variable Cost:
10. Cost of medicines
11. Cost of Feed
12. Cost of Chicks
13. Cost to maintain Weather fluctuations:
14. Cost of heating material in Winter
15. Fixed cost of Bukhari or any heating arrangement
16. Variable cost of fuel
17. Cost of additional cooling arrangements in Summer:
18. Depreciation cost of additional curtains & fans (other than what is recommended in normal shed conditions)
19. Variable cost of Electricity & Water (other than what is recommended in normal shed conditions)
48. The growing charges to be paid is Rs..... per kg of broiler

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Mandatory Cost Sheet to ensure Fair Trade Practice

Estimation for the Farm of 5,000 Broiler Birds

Cost of Contracted Job work by the Farmer for the Poultry Integrators

Production Cost Calculations	Responsibility	Est. Cost/Bird (in INR)	Criteria Used
Sponsor Expenses			
Chicks / DOC	Sponsor	xx	
Feed	Sponsor	xx	
Vaccines & Medication	Sponsor	xx	
Water Treatment and Shed Disinfection	Sponsor		
Mortality	Sponsor		
Farmers Expenses			
Labour	Farmer	xx	
Litter & Saw Dust	Farmer	xx	
Heating / Cooling Energy	Farmer	xx	
Lighting / Electricity	Farmer	xx	
Water	Farmer	xx	
Cleaning & disinfection of Poultry House	Farmer	xx	
Biosecurity Arrangements	Farmer	xx	
Depreciation of the Housing Building	Farmer	xx	
Maintenance of Housing Building	Farmer	xx	
Depreciation of water lines & feeding systems	Farmer	xx	
Maintenance of Water Lines and feeding systems	Farmer	xx	
Depreciation of Tools, machines & equipments	Farmer	xx	
Maintenance of Tools, machines & Equipments	Farmer	xx	
Waste Management & Waste Disposal	Farmer	xx	
Interest Cost on working Capital	Farmer	xx	
Consumables	Farmer	xx	
Personal Supervision Cost of Farmer	Farmer	xx	
Other Overheads	Farmer	xx	
Service tax			
Total Cost / Bird		xx	
Growing Charges (not less than 25% of the fixed cost)		xx	
Loss / Gain per kg. Bird to the Farmer		xx	

Note: Contracting Parties must add or delete the parameters or costs based on mutual agreement but must provide the justification in the agreement to ensure transparency.

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Miscellaneous income of the farmers:

1. Sale of Litter Materials
2. Sale of feed bags.