

Trade in Agricultural Produce



In the last chapter, we read about some aspects of retail trade - how small traders bring various products to the consumers in the villages and towns. In this chapter, we will read about some aspects of wholesale trade in paddy. It is purchased from the farmers by the rice mill owners and big traders who trade in large quantities. Let us see how this is done.

Agriculture Market Yard

Like the Rythu bazaar, the Agriculture Market Yard (AMY) is a market run by the government in which farmers can sell their produce and get paid immediately.

Chandrashekhar is a farmer from Nalgonda. This year, he had a good harvest of about 60 quintals of paddy. He has loaded his paddy bags on a tractor and brought them to Nalgonda AMY. He unloaded his bags and joined the queue for auction selling.

At about 10 a.m., the AMY committee members came and put a slip on the bags indicating the name of the farmer and the quantity of paddy in quintals. At about 11 a.m., wholesale traders and rice mill owners came to the paddy heaps and assessed the quality. Then, the committee members began the auction from the first paddy heap of a farmer. Since the Minimum Support Price (MSP) announced by the government was Rs.1080 per quintal, the committee officials began their auction from that price.

Minimum Support Price

Every year, the government announces the minimum support price for various crops like paddy and wheat, taking into consideration the cost of inputs. If no trader is willing to buy at a higher price, the government agencies like the Food Corporation of India (FCI) buy the produce from the farmer at the Minimum Support Price. In this way, the government ensure that farmers get atleast the minimum price for their produce. Of course, the farmers are free to sell their produce at higher prices.

In the auction, bids are called for the paddy being auctioned. Bids are prices at which the buyer (here, the trader) wishes to buy the produce. After a trader makes a bid, the AMY committee official counts slowly up to three. If another trader makes a higher bid before the count of three, the auction progresses until no one has a higher bid. Once the count up to three is

completed, no higher bid will be allowed.

Several traders and mill agents have crowded near Chandrashekhar's paddy. They found that his paddy was dry and had very little *thaaalu* (ill-filled grains). When the auction began the traders and rice mill agents raised the price, considering the quality of the paddy. Chandrashekhar got the highest price on that day - Rs. 1150 per quintal, offered by a big rice mill agent. Many other farmers got only Rs. 1100 per quintal for their paddy.

AMY committee officials noted down the prices bid by different traders for the paddy heaps. They went back to the office and noted down the names of the trader and slip number and informed Chandrashekhar of the maximum rate bid by the trader for his paddy. He agreed to sell and the committee members noted down the rate, quantity of paddy and the total amount to be paid by the trader on a slip and gave it to him. If a farmer is not interested in selling at the maximum price bid by the trader, he or she can wait for the next day or upto one week.

In order to buy paddy from AMY, each trader is required to pay a license fee. When paddy is purchased by them, they are



Fig. 8.5: Agriculture Market Yard (A.M.Y)

required to pay Rs. 1 for every hundred rupees of purchase as commission to the committee. Although farmers are not required to pay anything, in practice, they pay Rs.3.50 per every hundred rupees of trading towards unloading, cleaning and maintenance charges. This is deducted by the trader and paid to the AMY office.

- ♦ Do you think this practice is appropriate? How do farmers benefit from this process?

Sometimes, farmers selling in AMY have to spend Rs.10 per quintal of agricultural produce towards transport and other charges. This is higher than what they pay when they sell in their villages.

The mill agent came to Chandrashekhar, looked at the slip and paid the money deducting the AMY charges.

- ♦ Can you work out how much he would have given to Chandra shekhar?

Total quantity of Paddy

.....
quintals

Rate per quintal

Rs..... per quintal

Total amount x

=

Loading and cleaning charges

Rs. 3.50 x

Total amount paid to Chandrashekhar

: - =

- ♦ What do you think are the advantages and disadvantages of selling in AMY's?

Farmers like Chandrashekhar, who have sufficient quantity, prefer to sell their produce at the Agriculture Market Yards. Normally, there is neither a delay in payment nor deduction of charges for on-the-spot payment as in the village. Since the sale is done by open auction, farmers have a chance of getting the best price possible. In some AMYs, corrupt officials and traders join hands to give lower prices to the farmers but this may not necessarily happen everywhere.

There are nearly 100 AMYs in Telangana. Nearly one-fourth of farm products are traded in them. Where do you think the rest is sold? Why don't those farmers come to the AMYs? Come, let us find out.

Selling to a Rice Miller

It was paddy harvesting season and Mallaiah from Venkatapuram village was waiting for the gumastha (clerk) of Chandulal, the owner of a rice mill. Mallaiah was able to harvest only 14 quintals of paddy from his one acre of irrigated land. His yield was low as he was not able to use the required amount of fertilizers and pesticides.

The gumastha sent by Chandulal came with a tractor and checked if the paddy was dry and if there was too much *thaalu*. The gumastha got the paddy bags loaded on his tractor and went to get paddy bags from other such farmers.

In the rice mill, Mallaiah's paddy bags were weighed. It was 14 quintals. Gumastha took a handful of sample paddy and showed it to Chandulal. Chandulal fixed the price of paddy at Rs.950 per quintal on the basis

వ్యవసాయ మార్కెట్ కమిటీ, చాటుప్పల్
జిల్లా: యాదాద్రి
మార్కెట్ అనుమతి పత్రము

నెం. 3295 తేది:

1. రైతు పేరుతో.....
2. గ్రామము..... మండలం.....
3. పట్టాధారు పాస్‌పుస్తకం నెం..... చిన్నదం.....
4. మార్కెట్ కు తీసుకురావలసిన "ధాన్యము" యొక్క పరిమాణము (ఎస్కాలు).....
5. మార్కెట్ కు తీసుకురావలసిన తేది.....

కార్యదర్శి

సూచనలు :

1. అనుమతి పత్రము పొందుటకు పట్టాధారు పాస్ పుస్తకము లేక సంబంధిత మండల రెవెన్యూ అధికారిచే దృవీకరణ పత్రం కాల్పనార్హి చట్ట చాటుబు చేయవలెను.
2. రైతులు మార్కెట్ కు ధాన్యము తీసుకొని వచ్చినప్పుడు వారి వెంట తప్పనిసరిగా ఈ పత్రము తీసుకొని రావలెను.
3. మధ్య దళారీలు రైతుల పేరుతో మార్కెట్ కు ధాన్యమును తెచ్చిన యెడల వారి యొక్క ధాన్యమును ప్రభుత్వము స్వాధీన పర్చుకొని వారిపై చట్టరీత్యా తగు చర్యలు చేపట్టబడును.
4. రైతులు వారు తెచ్చిన ధాన్యమును అమ్మిన తరువాత తక్కువ వట్లీ మరియు అనుమతి పత్రము చూపి వారి పట్టాధారు పాస్ పుస్తకమును వామన పొందగలరు.
5. అనుమతిపొందిన తేదికి ముందుగాని తరువాత గాని వచ్చిన యెడల అట్టి ధాన్యము మార్కెట్ లోనికి అనుమతించబడదు.
6. రైతులు వారి ధాన్యమును కళ్ళముల వద్దనే తుద్రవరించి మార్కెట్ కు తీసుకొని వచ్చినచో మంచి దర లభించును.

Fig. 8.6: Model Receipt-Market Committee

of its dryness and *thaalu*. This was much below Rs.1100, the price at the Agriculture Market Yard. Since Mallaiah needed money urgently, he asked for immediate payment. For that, Chandulal reduced Rs.1.50 for every hundred rupees (i.e. Rs.14.25 per quintal). This is the procedure followed by every rice miller and paddy trader in Nalgonda.

Let us calculate Mallaiah's income from the sale of paddy.

Weight of paddy = 14 quintals

Price of paddy fixed by the rice miller
= Rs.950 per quintal

Price of 14 quintals
= Rs.950 x 14 = Rs.13,300

Deduction for immediate payment
= Rs. 14.25 x 14 = Rs.200

Total payment due
= 13,300 – 200 = Rs.13,100/-

(If Mallaiah could wait for 15 days, on-the-spot commission would not be deducted.)

- ♦ Can you guess why Mallaiah was selling the paddy at a lower price to Chandulal? Discuss the possible reasons in the class before reading further.

Four months back, Mallaiah borrowed Rs. 5000 from Chandulal on the condition that the paddy must be sold to him at the price fixed by him. Many small farmers borrowed money from Chandulal on similar terms. Hence, they are forced to sell their produce to him at the price fixed by him. So, instead of paying Mallaiah the amount due to him,

Chandulal deducted the amount borrowed along with the interest. Let us see how much Mallaiah finally got.

Amount of money borrowed by

Mallaiah = Rs. 5000

Interest for 4 months

= Rs. 400

Total deductions

= Rs. 5400

Amount due for paddy

= Rs. 13,100

Total amount paid (Rs13,100 - 5400)

= Rs. 7700

(Note: All calculations are rounded to rupee)



Fig. 8.7: Paddy being loaded to be taken to rice mill

Farmers like Mallaiah in Telangana borrow from rice mill owners and other moneylenders or rich landlords and are forced to sell their produce to them at a lower price. They may also be cheated in weighing and rating of the paddy. Rice mill owners by lending money to the farmers are not only assured of raw materials for their mills but also get it at a price fixed by them.

- ♦ How much would Mallaiah have got if he had been able to sell his paddy in the Agriculture Market Yard?
- ♦ How much money did he lose by selling his produce to the miller?
- ♦ What difference would it have made if he had been able to borrow the money from a bank instead of the miller?
- ♦ How much more would Mallaiah have earned if he had borrowed from a government bank?

Big farmers or landlords of Venkatapuram lend money to small farmers and purchase paddy from them. They sell their own harvest and all that is procured from other farmers in AMYs, town-based wholesale paddy merchants or in rice mills. Farmers are indebted to landlords in many ways – they borrow money, seed, tractors, even water. As such, they are bound to sell paddy to the landlords and accept whatever they pay. Those who give loans to farmers look at the harvest as a security for the loan as they can purchase the produce from the farmers and recover the loan amount.

Tragically, in this way, the farmers are not able to sell their produce at the highest price possible.

- ♦ Compare and contrast the differences between a landlord and a rice mill owner in procuring paddy from Venkatapuram farmers.

Selling through Brokers

Shanti is another farmer residing in Venkatapuram. She began to manage her farm after her husband passed away. She is a member of the local self help group (SHG) from which she borrowed Rs.20,000 for cultivation purpose. Her harvest from her 1.5 acres was 14 quintals. She wanted to sell 7 quintals and keep the rest for household consumption.

The next day, a broker of a big rice mill in Nalgonda came to the village to buy paddy and approached the farmers. He saw Shanti's paddy and after much bargaining offered her Rs.1000 per quintal. He weighed the bags and said that it was 6.5 quintals. Shanti was shocked because when she weighed them, it was 7 quintals. So, she insisted on weighing it properly in the presence of other SHG members. This time, it turned out to be 7 quintals! The broker took the paddy and promised to pay the money in 15 days. Two weeks later, he paid her Rs. 6825. He had deducted Rs.25 per quintal as his brokerage or commission.

We met Shanti and asked her some questions. "You have not borrowed from any trader. Why don't you sell in the AMY?"

“To go to Nalgonda, I have to pay the tractor rent and loading and unloading charges. The higher price I get in AMY will not cover the transport cost. Moreover, my son or I will have to spare one or two days for this. We have very little to sell. Only farmers with a lot of paddy go to Nalgonda,” Shanti replied.

“Why don’t you ask for a higher price as most farmers sell at Rs.1100-1150 in AMY and in rice mills?”

“These brokers don’t pay such high prices. We sell their produce from home to avoid the trouble of running around to sell.

Brokers mediate between farmers and town-based big millers or wholesale paddy merchants. They procure paddy in small quantities from farmers like Shanti. They don’t have permanent shops or godowns for doing their business. They visit each farmer during harvest season and negotiate with them to buy paddy. They collect sufficient amount of paddy and inform the wholesale traders/ rice mill owners who then send money and vehicles for transportation. They charge commission from both the farmers and the millers. Some of them function as moneylenders too, so they deduct the borrowed amount with interest while paying the farmers as we have seen in the case of Chandulal.

- ♦ Mallaiah was able to get only about Rs.935 per quintal whereas Shanti was able to get about Rs.975 per quintal. Why is it so?

Trading paddy in Telangana

Paddy cultivated in Telangana is mostly sold in the market and farmers keep only a small share for their own use. A considerable amount of paddy produced by small farmers like Shanti is used for their own consumption. Large farmers sell most of their produce in the markets.

Telangana farmers sell nearly three-fourths of their harvest within the village and one-fourths in AMY. Big farmers sell their harvest in AMYs. They own vehicles like tractors which reduce their transportation expenses.

In villages, many kinds of traders – such as landlords, brokers and small rice mill owners procure paddy. On most occasions, small farmers like Mallaiah and Chandrashekhar are bound to sell only to these traders as they borrow money from them.

Indebtedness and selling paddy

We saw that small and medium farmers have to borrow money for agriculture, especially to purchase seeds, fertilizers, pesticides and irrigation facilities. Since it is difficult for them to get loans from banks, they are forced to borrow from moneylenders, traders, millers etc. Once a farmer borrows from them, he or she has no option but to sell the produce only to them at the prices they offer. Paddy traders not only pay lower prices but also cheat in weighing. Moreover, they take commissions of various kinds. Many of these farmers get delayed payments. Since

these traders and landlords lend money in desperate times, farmers have to sell their paddy to them.

- ♦ Think of the different ways that could ensure best prices to farmers for their produce. Discuss the advantages and disadvantages of them in the class.

Keywords

Agriculture Market Yard

Minimum Support Price

Food Corporation of India

Merchants

Commission agent

Improve your learning

1. Make a list of the different paddy traders operating in Venkatapuram and the prices they offer for paddy per quintal.
2. Who purchases paddy in your place? Collect details about how prices are fixed and what prices are paid by different traders and landlords.
3. Compare the cost of one quintal of rice and one quintal of paddy. Find out the reasons for the difference (1 quintal = 100 kilograms).
4. Do you think it is necessary for the government to fix a single price for paddy?
5. In what ways do you think the farmers benefit from Self Help Groups?
6. Read the para under the title 'Indebtedness and selling paddy' on pages 78 and 79 and comment on it.
7. Imagine a situation where there is no AMY near by your village. What challenges will the farmers face in this situation?



Project:

1. A few students can be taken to a nearby AMY. After observing what happens there, a role play can be enacted to illustrate how traders bid prices for paddy and other produce.
2. Write the script for a small play to explain the plight of small farmers of Telangana.