

# Trade in Agricultural Produce

In the last chapter we saw some aspects of retail trade - how small traders bring various products to the consumers in the villages and towns. In this chapter we will study 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 government in which farmers can sell their produce and get paid immediately.

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

At about 10 AM the AMY committee members came and put a slip on the bags indicating the name of the farmer and the amount of paddy in quintals. At about 11 AM, wholesale traders and rice mill owners came to the paddy heaps and looked at 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

The government every year announces the minimum support price for various crops like rice, wheat, taking into consideration the cost of inputs. If no trader is willing to buy at a higher price, then the government agencies like the Food Corporation of India buy the produce from the farmer at the Minimum Support Price. In this way the government seeks to ensure that farmers get a minimum price for their produce. Of course the farmers are free to sell at a price higher than the MSP if any trader is willing to buy.

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 calls a higher bid before the count of three, the auction progresses. The AMY committee official counts upto three on the next bid. If the count up to three is completed, no

higher bid can be allowed, even if one wishes to do so.

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

AMY committee officials noted down the rates bid by different traders for the paddy heaps. They went back to the office and noted down the name 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 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 license fee. When paddy is purchased by them, they are required to pay Rs. 1 for every hundred



Fig: 8.5 Agriculture Market Yard (AMY)

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 while making payment to the farmer and is paid to the AMY office.

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

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

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

- ♦ Can you work out how much he would have given Chandrashekhar?

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 for farmers in selling their produce in *AMY's*?

sufficient quantity prefer to sell at the Agriculture Market Yards. Normally there is no delay in payment or charges for on-the-spot payment as in the village. Since the sale is by open auction, farmers have a chance of getting the best price possible. In some *AMY's* corrupt officials and traders join hands to give farmers lower prices but this may not happen everywhere.

There are nearly 300 *AMY's* in Andhra Pradesh. Nearly one-fourth of farm products are traded in them. Now what do you think would happen to the other three fourth of the produce? Where does it get sold? Why don't those farmers come to the *AMY's*? Come, let us find out.

### Selling to a Rice Miller

*It was paddy harvesting season and Mallaiah from Narsapur 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 put the required amount of fertilizer 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 the 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 to Chandulal. Chandulal fixed the price of paddy at Rs.950 per quintal on the basis of its dryness and *thaalu*. This was much less than the rate at which traders were buying

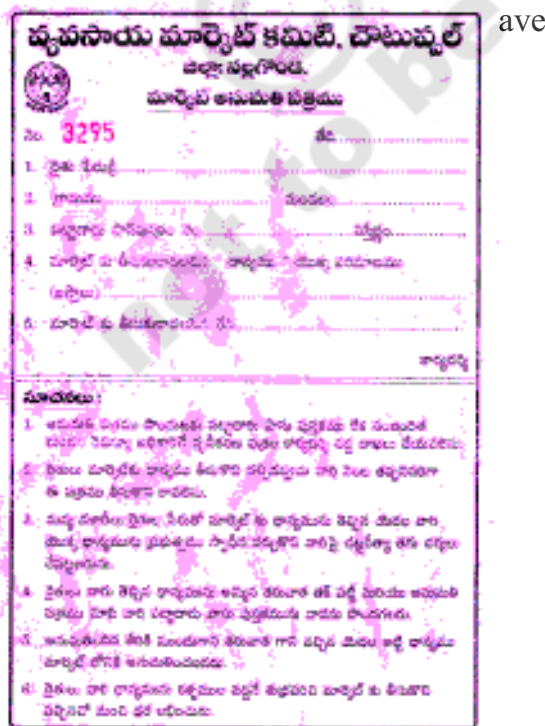


Fig: 8.6 Model Receipt-Market committee

in the Agriculture Market Yard – there it was around Rs.1100 per quintal. Mallaiah needed money urgently and he asked for immediate payment. For making on-the-spot payment, Chandulal reduced Rs.1.50 for every hundred rupees (i.e. Rs.14.25 per quintal). This is the procedure every rice miller and paddy trader follows in Nellore.

**Let us calculate the income Mallaiah got 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 possible reasons in the class room before reading further.

Four months back Mallaiah borrowed Rs. 5000 from Chandulal for purchasing fertilizers and pesticides. Many small farmers borrowed money from Chandulal on similar terms. Hence they are forced to sell their produce to him at the rate fixed by him. So instead of paying Mallaiah the amount due to him Chandulal also deducted the amount

borrowed and 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 Andhra Pradesh borrow from rice mill owners and other moneylenders or rich landlords and are forced to sell their produce to them at a lower rate. 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 had he been able to sell his paddy in the Agriculture Market Yard?
- ◆ How much money did he lose because of selling to the miller?
- ◆ What difference would it have made had he been able to borrow money from a bank instead of the miller?
- ◆ How much more Mallaiah would have earned had he borrowed from a government bank?

Big farmers or landlords of Narsapur do 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 price they pay. Those who give loans to farmers also look at the harvest as the security for their loan and purchase the produce from the farmers by way of recovering the loans. However, in this way the farmers are not able to sell their produce at the highest

price possible and have to agree to lower prices for their goods.

- ◆ Compare and contrast the differences between landlord and rice mill owner in the way they procure paddy from Narsapur farmers.

### **Selling through Brokers**

*Shanti is also another farmer residing in Narsapur. 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 purposes. Her harvest from her 1.5 acre fields during this season was 14 quintals. She weighed seven quintals and kept them aside for selling. The rest she kept for household consumption.*

The next day a broker of a big rice mill in Nellore 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. When she weighed the bags it was 7 quintals but when the broker weighed the next day, he said it was only 6.5 quintal. 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 Shanti the money in 15 days. He came back two weeks later and paid her Rs. 6825. He had deducted Rs.25 per quintal as his brokerage or commission.

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

“To go to Nellore I have to pay for tractor rent and for loading and unloading charges. The additional rate I get will not cover the transport cost. Also I or my son will have to spare one or two days of work on our farms. We have very little to sell. Only farmers with a lot of paddy go to Nellore,” 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 are spared of the trouble of running around and manage to sell from home.”

Brokers mediate between farmers and town-based big millers or wholesale paddy merchants. They procure paddy in small quantities from farmers like Shanti. They neither have any permanent shop nor godown for doing their business. They visit each farmer during harvest season, 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 to the farmers. In that case, they deduct the borrowed amount with interest charges as we saw in the case of Chandulal.

- ◆ Mallaiah was able to get only about Rs.935 per quintal while Shanti was able to get about Rs.975 per quintal. Do you think is there any difference here? If so, how?

## Trading paddy in Andhra Pradesh

Paddy cultivated in Andhra Pradesh 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.

Andhra Pradesh farmers sell nearly three-fourth of their harvests within the village and one-fourths in AMY. Big farmers sell in AMYs. These farmers own vehicles like tractors which reduce their transportation expenses.

In villages, many kinds of traders procure paddy - landlords, brokers and small rice mill owners. In most occasions, farmers like Mallaiah and Chandrashekar with a few acres of land 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 are increasingly having to borrow money in order to carry on agriculture, especially to purchase seeds, fertilizers, pesticides, irrigation facilities etc. Since it is difficult for them to obtain loan from regular 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 only to them at the price they quote. Paddy traders not only pay lower price but also under weigh in different ways. They also charge commissions of different 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 different ways that could ensure that all farmers get just prices for their produce. Discuss the advantages and disadvantages of these measures in the class.

### Key words

Agriculture Market Yard  
Minimum Support Price  
Food Corporation of India  
Merchants  
Wholesale traders  
Commission agent

## Improve your learning

1. List different paddy traders operating in Narsapur and the prices they offer for paddy per quintal.
2. If you live in a village, collect the details such as who purchases paddy, how prices are fixed and what rates are paid by different traders and landlords.
3. Go to a grocery shop to find out the cost of one kilo of rice. How does this compare with the cost of one kilo of paddy which a farmer gets? (Remember 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 that farmers stand to benefit from Self Help Groups?

### Project

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