CHAPTER II

REVIEW OF LITERATURE

It is necessary to show how the problem under investigation relates to previous research studies. Therefore, an attempt has been made in this chapter to review some of the important studies relating to marketing of paddy. These studies in general, bring out the different methods of marketing adopted in different states of the country and marketing strategies followed by the private dealers and Government agencies along with problems faced by the farmers in selling their surplus paddy. A few past research works in this area have been reviewed in the following pages.

Satheeshkumar. A conducted a study on ‘Pricing of Paddy in Tamil Nadu’ (1978) Most of the paddy is sold to private dealers. Besides these sellers, Tamil Nadu Civil Supplies Corporation(TNCSC), a Government Agency procure paddy on the basis of some proportional levy. The traders pay a price which is 10 to 15 per cent more than TNCSC and collect paddy at the peasants’ door. The peasant who goes to TNCSC has to cart his paddy to a place three miles away, wait for some time to accept the stipulated rates. Peasants also complain that the official make arbitrary deductions for poor the quality of sacking dust and other foreign bodies in paddy etc.

The study reveals that farmers did not feel the urge to sell paddy to the procurement centre because levy market price was always higher than the Government procurement price during the study period.
Murugesan. P conducted a research on the ‘Supply – Price Relationship of Paddy in Tamilnadu’ and submitted his report during the year 1980. The study was carried with the objective to identify the Supply-Price relationship of paddy in the State of Tamil Nadu as whole. The researcher used both regressive and co-variance models to derive the supply for paddy. Being seasonal, the supply of paddy in abundant influence the market price very much even though there are Government measures to ensure MSP. But abundant supply throughout the State during harvest season makes the farmers impossible to sell the products for MSP as the farmers are in urgency to sell their products and to settle their loans to avoid exorbitant rate of interest and also to provide money for further agricultural activities. It was concluded with the remark that the present procurement system was not effective and so, it is to be made effective to save the farmers and achieve higher productivity in agriculture.

Rajesh Mohan. T conducted a study on “Problems of the Farmers in Marketing Paddy in West Bengal” (1982). The study was conducted in three paddy cultivating regions and estimated the overall marketed surpluses and it is expressed in terms of proportion of value produced. The percentage of marketed surplus is 50 for small farmers (upto 4 ha) and 68 for large farmers (above 4ha) in the first region. It is 64 and 74 in the second region and 65 and 75 in the third region. In all the regions, the percentage of marketable surplus of non-food crops exceeds that of the food crops.
The small and medium farmers often resort to distress sale of paddy because of their poor retention capacity, lack of adequate, timely credit at reasonable cost, debt bondage and the consequent exploitation by middlemen such as money-lender cum traders. The absence of their own marketing society weakens their bargaining power and makes them unable to carry out their own storage processing and transport activities.

Natarajan.K, in his study, ‘Production Pattern and Biological Constraints limiting Production of Rice at Farm and Regional levels in Cauvery Delta Zones of Tamil Nadu’ (1984) traced out that the yield gap of paddy in Tanjore district was as much as 6,425 kg per hectare in the first crop and 1,490 kg per hectare in the second crop. The yield gap is calculated as the difference between Average Demonstration Plot Yield (DPY) and Average Farmers Yield (AFY). It is very high among High yielding varieties like CR 1009, CO 43 and ADT 39 etc. For paddy variety CR 1009 the DPY was 5,820 kg per hectare and the AFY was 3,808 kg per hectare. For CO 43 variety, they were 5,590 kg per hectare and 3773 kg per hectare respectively. For CR 1009 variety the yield gap was 2,000 kg per hectare and for Co 43 it was 1,817 kg per hectare.

The yield gap is the avoidable loss on the part of farmers, if necessary care is taken to do the agricultural operation in time and in the proper manner using proper inputs. So, it was necessary to locate the reasons for the yield gap. Among various reasons inadequate application of fertilizer and pesticides, lack of credit facilities were the prime reasons. Defective marketing system also
significantly accounted for yield gap. Therefore, it was suggested that steps should be taken to remove these constraints.

_Narashimma Reddy, S_, in his study, ‘Marketing of Agricultural Produce- A Study of Godhavari District,’ (1987) states that proper marketing system of agricultural produce is essential to prevent malpractices and to ensure MSP for agricultural produce to farmers in the country. An attempt has been made to highlight the problems in the marketing of agricultural produce especially paddy, wheat, grams and cereals. It gives an account of the purchase pattern of these produce in the country and makes special reference to the district of Godhavari, which is the subject matter of the present study. The study is based on a sample survey of two hundred farmers and 50 dealers.

The total number of agencies, both Government and private, engaged in the procurement of paddy in the district was 1,084. However, the private traders were the most popular procurement agency. The journey of paddy from the paddy field to selling point faces a number of constraints, which are termed as infrastructure and managerial limitations. It is necessary that facilities should be made available to sell their produce at their doorsteps itself.

The Minimum Support Prices offered by the Government for agricultural produce are not acceptable to the farmers and even such unacceptable prices are still subject to manipulation of the dealers. To increase the prices of agricultural produces, the Government was advised to review its policy at various levels and make it available fully to all farmers through its own agencies. It is also
suggested that infrastructure facilities should be expanded in remote rural areas also to ensure the smooth flow of agricultural produce from producers to the procurement agencies.

**Durgaiyandi. M and Thiyagarajan. N**, A micro level study conducted on ‘Marketable Surplus of Paddy in Thanjavur District, Tamilnadu’(1988), observed seasonal variation in the proportion of paddy marketed. It shows that the 60 per cent production of paddy in Kuruvai was marketed while it was 50 percent in Samba and Thaladi. The larger percentage in Kuruvai was due to the problem of drying grain and also the need to meet immediate cash requirements, for the cultivation of following Thaladi crop.

It was found that total quantity of retained paddy for family consumption and weighted average sale price of paddy were the main determinants of marketed surplus.

The study also found that the procurement price of paddy was considerably lower than the market price for the entire period studied by the researcher. The procurement price did not cover the cost of production and this is the reason for the collapse of producer’s levy introduced in the district.

**Sankar.T. and Sarkar.S.C.** in their article ‘Inter-State Disparities in Paddy Procurement in India’(1988) reveal that the intensity of procurement agencies had significant influence over the paddy procurement system in the country. The existence of inter-state disparities in paddy procurement was mainly due to
domination of private dealers. Hence, they recommended for the monopoly of Government Agencies in the procurement of paddy in order to help the farmers in getting fair price and fair dealing thereby reduce the domination of the private dealers. It is also suggested that all facilities including transport are to be ensured to Government agencies to avoid private dealers at all levels of agricultural marketing.

Thanikodi.M, conducted a study on ‘Market Structure for Agricultural Products in Dindigul Division, Madurai District’ (1990). This study deals with market structure of agricultural products other than paddy and sugarcane. It was carried out with the objective of identifying the structure, assessing the strength and weaknesses of the agricultural market in the study area. It was found that the market structure for agricultural products in the study area consisted of very few number of private agencies and very small number of village cooperatives at procurement level but the number of sellers were very large. The market structure was identified as Oligopsony. The role of Cooperatives is insignificant in the procurement of agricultural products in the district. It was the private dealers who dominated the agricultural market in the study area. Therefore, unfair trade practices like malpractices in weight, unfair price, unreasonable rate of commission etc., were existing in the market. Hence, the researcher in his concluding remarks seeks the intervention of the Government to control the domination of the private dealers.
Ganesan A. in his study, ‘Agricultural Marketing Strategy Analysis – A Case Study’ (1991) made an attempt to evaluate the marketing strategies adopted by the private dealers in the procurement of agricultural produce including paddy. It was found that as there was no regular supply of credit from the Primary Co-operative Agricultural Bank, the private dealers take this opportunity and lend money at exorbitant rate of interest to the poor farmers at times of needs thereby compelling them to sell their produce to them to settle their loans at a price fixed by them which was very unfair. Almost all the farmers were under the clutches of private money lenders. The researcher concluded with the remarks that the strategy in operation was not a suitable one to the farmer as they were deceived by the private money lenders. The study suggests that the Government should come forward to control and eradicate the private money lenders by revamping the Co-operative credit system.

Panneer Selvam V. conducted a study on ‘The Role of Tamil Nadu Civil Supply Corporation Ltd. on Paddy Procurement in Thanjavur District’ (1992). The study was proposed to explore the activities of the Government and the role of TNCSC Ltd. in paddy marketing and to assess the problems of the paddy producers in that connection. The TNCSC Ltd is the Government agency for paddy procurement in Tamil Nadu. The historical development of food grains procurement system in India were analysed in detail in the study.
It is observed that the majority of the respondents (82 per cent) have preferred the TNCSC Ltd. as the suitable procurement agency and some (11 per cent) have preferred private traders and a few (7 per cent) have preferred both TNCSC Ltd. and private traders as their procurement agencies. But in reality 75 per cent of the paddy producers have marketed their produce only through the TNCSC Ltd. 5 per cent have sold through private traders and 20 per cent have sought both agencies.

The study reveals that 279 respondents (69 per cent) were satisfied with the weighing and measures followed in Direct Purchase Centres and 31 per cent were not satisfied. 326 respondents (82 per cent) were of the opinion that malpractices in DPCs are prevalent.

According to the opinion survey, the price paid by the Government for paddy is less. Since the prices of agricultural inputs have considerably increased, the cost of cultivation is higher. But the price of paddy is not correspondingly increased by the Government. So, it is recommended that the paddy price may be increased by the Government to cover the increased cost of cultivation and a margin of profit to the farmers.

Finally, the TNCSC Ltd. as the agency of the Government has played a key role in the paddy procurement operations and thereby for the welfare of paddy producers in Thanjavur District. At the same time the performance of the TNCSC Ltd. has its own short-coming in certain aspects. These shortcomings
are to be overcome through suitable actions. The officials involved in the procurement operation should be sincere, cordial and honest to the paddy producers to win their confidence. Then only, the objective of our Government to evolve a sound food policy through a sound marketing system can be achieved by eliminating the inherent defects in paddy marketing.

Vishnu Vardhan. S. conducted a research on ‘Motivation of Farmers’ (1992). The study was conducted in the selected areas of Tanjore, Trichy and Coimbatore districts in Tamil Nadu and of Krishna district in Andhra Pradesh. The researcher identified fifteen factors motivating the farmers in the study area. Among them, fair price for their products, immediate payment of price, immediate disposable of their products, disposal at their doorsteps itself were the dominant factors, which influenced the farmers very much. It is clear from the concluding remarks of the study that the marketing facilities available in the study area were not adequate and the practices followed in that markets were not acceptable. The study suggested that Government intervention in agricultural marketing is inevitable to motivate the farmers positively.

Venugopal.R and Peter. M in their study ‘An Overview of Paddy Marketing in India’ (1993) identified (a) poor storage facilities (b) short period of credit (c) harassment by the private money lenders (d) malpractices in the private market (e) distance of the Government purchase centres (f) bribe prevalence in Government agencies (g) undue delay in the Government purchase centres (h) refusing to purchase the super fine variety in Government purchase centres as
some of the defects in the paddy marketing in the country. The researcher recommended for the removable of defects in the procurement system of paddy in order to improve the agricultural production in the country. The study also recommended to the Government to take necessary actions like extending subsidies to agricultural inputs and incentives and bonus to agricultural produce, liberation in the procurement policy, conducting training programmes to officers involved in the procurement system etc..

**Rajeet Singh.R, Siddhu, D.S. and Rangi, P.S.** in their study, ‘Efficiency and Impact of Agricultural Marketing System in Punjab’ (1993) points out that among many difficulties experienced by farmers, unfair practices in weighing the products, price less than MSP, unofficial deductions, undue waiting time, transport problems are important ones. It was proved that efficiency in marketing system of paddy had positive impact on the production of rice. Similar is the case for other agricultural products also. Easy availability of agricultural credit from Co-operatives alone had increased the agricultural production significantly. Therefore, it was suggested that efficient procurement system is to be designed to enable the farmers to sell their produce without difficulties and to increase their income. The researcher concluded with a cautious note that unless the difficulties of the farmers are removed, it is difficult to save the Indian farmers from low productivity.
Deaton, Parikh and Subramanian. They have analyzed ‘Food Demand Pattern and Pricing Policy in Maharashtra’(1994) using household level survey data (NSSO 38th round) to see the variation of prices across villages, districts and households. Deaton et al (1988) studied the quality, quantity and spatial variation of prices. Subramanian et al (1991) studied the gender effects in Indian consumption patterns.

The study concluded that the price policy with regard to rice in Maharashtra is widening the farm income inequalities among the farmers. This is the result of differences in the cost of production and procurement prices. As against the minimum support price of Rs.510 a quintal for common variety of paddy and Rs.540 a quintal for the Grade. A variety, farmers could not secure more than Rs.450 a quintal in Andhra Pradesh in 2001. In fact the minimum procurement price itself was not commensurate with production cost.

Rajkumar.K. in his study on ‘Agricultural Marketing in Pondicherry Region’ (1995) identifies unfair price, malpractices in weight, forced selling to settle bonded borrowings, delay in payment, long distance to the market etc as the problems of the farmers. The researcher also recognized seasonal availability, lack of storage facility, deterioration of quality, improper packaging as the problems of the procurement agencies. The study recommended for the intervention of the Government in ensuring facilities for its procurement agencies and fair price for the farmers.
Gayathri Rajeev conducted a case study on ‘Institutional and Non-institutional Credit and its Impact on Production and Marketing of Paddy in Thiruchirapalli District, Tamil Nadu (1996).’ The study reveals that since land reform induces a redistribution of land holdings in favour of small and marginal farmers, an efficient credit system benefiting the small and marginal farmers is an important prerequisite for growth in agricultural production. Even though all the Rural Survey Committees have repeatedly argued for a strong institutional credit base, especially for the weaker sections, it is fact that the private moneylenders have mostly met the bulk of the rural credit. In this context mention should be made that around the time of independence, agriculture related finance was advanced by the Government through various credit agencies. However, this finance accounted for only 7.3 per cent of the total estimated credit requirements of the agricultural sector, the rest of which was met by the village moneylenders. A decade later, a survey conducted by the Reserve Bank of India showed that credit from Cooperative societies had increased from 3.1 per cent to 15.5 per cent but the private moneylenders still remain a principal source of credit.

Most interestingly, non-institutional credit appears to have dichotomous sources too: one is the traditional money lender and landlord class and the other is the upcoming trader class which normally deals only in working capital such as seeds, fertilizers and pesticides. This latter class, as the survey shows, has been playing a dominant role in the informal rural credit market. However, the fact that this class has come up as a dominant subsection in the rural credit
market indicates that the banking sector, even after 50 years of independence and almost 30 years of nationalization, has been unable to play a substantive and need based role in the field of agriculture. Within the broader category labeled ‘institutional credit,’ structure and coverage appear to vary significantly between commercial and Cooperative banks. The latter has a comparatively widespread network with better accessibility to the poorer sections in contrast to the commercial banks.

However, the survey also reveals an equally significant presence of traders as a non institutional credit source, which is portrayed through the following statistics: 27 per cent of the households took loans from the commercial banks; 85 per cent of the households from the Cooperative banks; 85 per cent of the households depended on non-institutional sources; 82 per cent availed both institutional as well as non-institutional credit. It should be mentioned here that these categories are not mutually exclusive. Village moneylenders and landlords (who are non-traders) also remained a source of credit. However, the study shows that 90 per cent of these credits issued for non-agricultural purposes like consumption loans for conduct of marriage, etc.

Since the villagers themselves are the members of the Cooperative banks, it has the nature of local institution. The per capita Cooperative credit is positively related with land holdings. On the other hand, non-institutional sources consisting of fertilizers and seed dealers appear to be biased in lending towards small and marginal farmers. The highest share (25 per cent) has gone to
the cultivators with smallest landholdings and this percentage monotonically decreases as land size increases. The highest landholding group gets the lowest share, ie, 5 per cent of the total loan. This is indeed an interesting phenomenon, which reestablishes the fact that the relatively poorer section of the cultivators is more dependent on the informal credit market with high rate of interest. Relatively well-to-do farmers on the other hand take a bigger share of the credit from the formal sector thereby benefiting from lower interest rates.

The study found that 83 per cent of the households have not repaid their loans to the commercial banks. This high rate of non-repayment makes recycling of bank resources almost impossible. Moreover, the phenomenon of non-repayment was found to be almost universal; it cuts across all categories of farmers regardless of the size of their landholdings, which raises some doubts regarding the policy of preferring the large farmers. More interestingly, 50 per cent of the borrowers who have taken loans from the commercial banks are also taking loans from the informal market.

The study also shows an interesting scenario of the loans from the Cooperative banks which reveals an impressive repayment performance vis-a-vis the commercial banks. Due to the involvement of the local people in the Cooperative societies both service and repayment appears to be a shade better than that of the commercial banks.
The study concludes that the viability of the rural branches of the commercial banks can be ensured if loan appraisals and recovery rates are improved to the tune of keeping loan losses within 2 per cent of the amount outstanding. In addition, the positive aspects of the Cooperative banks revealed in the survey indicate a need to take a fresh look at the Cooperative movement in order to bring about essential changes and strengthen these type financial institutions.

The study states that non-availability of institutional credit in the study area is the main reason for many problems in the production and marketing of paddy in the study area. It delays the process of production which reduces the productivity to a greater extent. The bonded indebtedness hampers the marketing process which prevents the poor farmers from selling their products for fair price. Therefore, it is suggested that the institutional credit system must be fine tuned in such a way to make it easily available to the farmers.

Manoharan T.C. in his study ‘Price Determinants in Agricultural Marketing in Tamil Nadu - An Analysis’ (1997), states that the farmers in the State were not assured with MSP even though monopoly procurement system is in practice. The existence of middlemen still continues, who play a vital role in the marketing of paddy in the State. Lack of facilities available in the procurement centres is the reason for existence of middlemen. Mobile procurement system is not in operation which also necessitates the interference of intermediaries. Middlemen took away a sizable amount of the price by way of commission.
Lack of transport facilities, undue waiting time at the procurement centres, poor storage facilities are the major problems of the farmers. The study concludes with the remark that the price of paddy in the State is mainly determined by the middlemen and not by the Government. Therefore, it is recommended that the Government should take steps to eradicate middlemen and ensure MSP to farmers.

Rajagopalan, S. in his study in North Arcot, Tamil Nadu on ‘Changes in Rice Farming in Selected Areas of Tamil Nadu’ (1997) identified problems and resource bottlenecks in adoption of high yielding varieties programme of Rice in Tamil Nadu. They were: (a) Lack of timely and readily accessible and easy availability of inputs to the farmers, (b) Problem of irrigation, (c) Institutional constraints involved in the purchase and storage (d) Distribution of seed, fertilizer and chemicals and (e) Imbalances in input–output prices. To overcome these problems the researcher suggested measures like building infrastructure network facilities to store and supply agricultural inputs and effective marketing system for agricultural produce.

Ravichandran, R.A. in his comparative study ‘Paddy Seeds Marketing Firms’ (1998) states that two thirds of paddy farmers use their own seeds. Only hybrid varieties can give maximum productivity. Since there were hardly a few private seed firms, there was heavy demand for hybrid variety seeds. Low return, large investment, Intensive research work, suitable for agro climate, logical regions were some of the reasons for non-development of seed firms on
private sector. Majority of the farmers had travelled at least 10 kms to get their hybrid seeds. Hence, it was suggested that it was the duty of the Government to concentrate more on the production and supply of hybrid variety seeds.

**Purushothaman, A.** conducted a study on “Marketing of Paddy in Tamil Nadu with Special Reference to Thanjavur District” (1999). The study aimed at knowing the procurement system in paddy marketing and analyzing the problems faced by the farmers in marketing. In the study it was found that in the paddy marketing process, there is lack of coordination between Government agencies and private agencies during co-existence of monopoly procurement and traders levy system. The study concluded with the remarks that the levy traders faced several marketing problems and also the farmers. The farmers encounter all sorts of problems like non-availability of storage facilities, unfair prices, poor transport, delay in cash payment, etc. It suggested the State Government to continue the incentives for paddy in cash so as to enable the farmers to escape from the losses.

**Vijay Krishnan. S.** conducted a study on ‘The Market Structure and preference of the Farmers with reference to Paddy’ (1999) and published the results in the year 1987. The market structure for paddy was composed of both State and private agencies under monopoly procurement system and traders levy system. The researcher states that price was the significant factor, which contributed much to the farmers’ loyalty. The farmers were ready to sell their paddy where the price was comparatively better. Other factors like quality,
ready cash payment, transport, labour etc., did not contribute effectively to the preference of the farmers while selling their paddy.

Ray R.K. and Sager G.L. conducted the study, ‘Factors influencing Agricultural Productivity’ (2000), with the objectives of identifying the factors influencing the productivity in agriculture. They concluded with the remarks that agricultural productivity of an area or a region may be an outcome of factors like input availability, quality of inputs, price of inputs etc., Apart from these factors, price of the produce also greatly influences the productivity. They also state that the interstate price difference for agricultural produce is very wide in many cases and the value productivity largely depends upon the availability of fair price to the agricultural produces. It explains how the marketing of agricultural produce could effectively be carried out to narrow down the inter-state price differences.

Mithilesh N.P and Singh K.M. in their study, ‘Impact of Minimum Support Price in Agriculture in Agra Division of UP’ (2000), came to a conclusion that MSP has a positive impact in terms of cropping intensity and degree of commercialization. The objective of the study was measuring the extent of impact of MSP in agriculture. It was found that the impact of MSP was significant among the farmers despite their dissatisfaction over the amount and method of fixing MSP and also over the problems in getting it in the study area. It is proved in the study that no one farmer in the State is getting MSP in full. Even in the Government procurement centres there is no guarantee for it as the
price is subject to arbitrary deductions. The very purpose of fixing MSP, to ensure fair price to the farmers, is got defeated. The farmers were of the opinion that the rate of increase in the MSP of paddy is comparatively less when compared to wheat. The researcher suggests that there must be equal consideration in fixing the MSP for paddy and wheat and that must be commensurate with the ever increasing production costs.

Palanichami .V. and Saminathan.B. in their research work on ‘Rural Credit Delivery: Performance and Challenges before Banks’(2001), state that Credit acts as a facilitator and performs the important function of providing the farmers with the requisite control over resources affecting production and marketing. The impact of credit on inputs usage and on output indicates that there was significant and positive impact on the gross value of output in agriculture.

Recovery Performance: The build–up of overdue has serious implications, since a large number of farmers who are still outside the purview of institutional credit suffer on account of non-availability of credit. The overdue position of different entities of rural credit delivery structure shows that it has been an all-pervasive phenomenon across different agencies of rural credit. Cooperatives are a shade better than RRBs and commercial banks in the recent years in terms of overdue rates.

Political intervention, deficiencies in loaning procedure of the credit institutions, especially those pertaining to appraisal, supervision and control have also contributed to the malady of high overdue. Poor credit discipline and
consequent buildup of overdue over the years have severally restricted the recycling of funds by rural credit institutions and thereby reduced their ability to sustain their credit operations.

Poor response to the crop insurance scheme and loss making operation of the same have also contributed to non-willful defaults. There is, therefore, a strong need for an effective relief mechanism to encourage institutional credit for micro-enterprise in agricultural and other economic activities in rural areas.

**Small Farmer Coverage:** access of small and marginal farmers to credit is limited due to several institutional and non-institutional factors. Not only there is need to provide access of credit to marginal and small farmers but also build their capabilities adopting innovative technologies. This would entail that banks not only provide access to credit but also render technical advice. In other words, a ‘credit +’ needs to be adopted by the banks to improve the credit absorption capacity of this clientele and in effecting recovery of loans. This would require the revival of the concept of ‘farm clinics’ or ‘Krishi Gyan Kendras’. Ensuring credit discipline through a ban on loan waivers would help in effective recycling of funds and creating a favorable environment for lending. Financial institutions and various Government departments have to work in a coordinated manner to the above issues for ensuring greater flow of credit to this sector.

The difficulties in getting the bank credit and over dues were the major problems of the farmers that prompt them to borrow money from the local money lenders. The farmers so borrowed were under the clutches of the local
money lenders and so they were compelled to sell their produce to them at unfair prices to settle their borrowings. Therefore, the poor performance of the bank in the delivery of rural credit affected the marketing of agricultural produce very much. The study recommended for easy and free flow of agricultural credit to the farmers to improve their production and to ensure fair price for their products.

**Rahul Sharma. R.** in his study “Marketing of Paddy in Karnataka” (2001), reveals that the paddy marketing is not so exploitative. All the marketing channels bring a fair share to the paddy producers. The organized marketing channels, though efficient in reducing the cost of marketing and in bringing more share to the paddy producers were not efficient in reducing the intermediary margins. Different markets were found to be efficient in marketing different varieties of paddy mainly on account of the differences in the supply and demand conditions faced by them. Concerted efforts to improve marketing information would help in enhancing the marketing efficiency of newly introduced varieties of paddy which are not familiar for the producers as well as consumers. In general, the sale of paddy through the channels of millers would help the farmers to get a fair share in the final price of paddy.

A recent study by **Ramesh. K and Srinivasan. L** on ‘Price Support to Wheat and Rice Farmers in India’ (2006), analyzed some of the recent reforms proposed in the operation of Government buffer stocks and provision of price support to wheat and rice farmers in India. Based on the Indian grain market
scenario and the recent policy initiatives, this study estimates the potential impacts of reforms in India’s farm support policies on producers, consumers’ and traders in various regions of the country. The results are based on a multi-commodity partial equilibrium simulation model of regional supplies and demands of grains by different economic classes. In particular, the study focuses on the extension of procurement of grains by the individual states. The results show that a switch over to decentralized PDS and procurement and removal of rice levy leads to a fall in both procurement and buffer stocks of grains.

A study by the Administrative Staff College of India (ASCI), ‘The Costs of Acquisition and Distribution of Food grains by the Food Corporation’ (May 2001), has covered the gamut of issues involved. This study focused on key aspects of structure, organization, procurement, storage, distribution and quality, which are crucial for cost control.

Currently Food Corporation of India (FCI) and state Government are the two nodal agencies to undertake the procurement of food grains. It is interesting to note that the share of FCI in procurement has declined over the years. The average procurement in FCI’s centers is not only markedly low compared to the state agencies but also the unit cost in former is relatively high. State Governments are much better acquainted with the location and needs of farmers than the FCI. This indicates the benefit of divesting FCI of the task of opening uneconomic procurement centers and for entrusting procurement to State Government agencies. Several other inefficiencies like
storage, quality control, transit losses, market intelligence and bank credit etc on the part of FCI were highlighted in ASCI study which advocates the extended procurement system.

The review of the related past studies reveals that all these studies were carried out not in the study area but around it. Due to demographical differences, the results of past studies cannot be generalized to the area under study. Further, there were no recent studies about the procurement system of paddy in Tamil Nadu. Therefore, it can be claimed that the present study is a pioneering work in the field of Agricultural produce marketing. The stress of the present study is also to assess whether there could have been any improvement in the yield had fair price for paddy been given at the doorsteps of the farmers. The present study aims at identifying and overcoming the problems of the farmers and the procurement agencies so as to improve the efficiency of the present marketing system in the study area. In its improved nature, new of its kind in the study area the present study is totally a different one.

After a brief review of the past related studies and ascertaining the individuality of the present study in this chapter, the study steps further to visualize the present scenario of the functioning of the paddy procurement system in the study area in the chapter III, ‘Dynamics of Paddy Procurement System’.