CHAPTER I
INTRODUCTION

Since the time, some ten thousand years ago, when man settled in a civilized life with family and tilling of soils and tending of domestic animals began, agriculture has been providing much of the contents of welfare, economic and non-economic. As Adam Smith argued in his book “Wealth of Nations,” almost two centuries ago that agricultural output in its widest sense is the basic working capital of a nation in its initial stages of growth. A country in its early stages of economic growth, therefore, cannot simply ignore the progress in agricultural sector.

Indian economy is primarily an agricultural economy. The very existence of economic activities of the entire people is bound up with the state and health of this sector. In India, about 70 per cent of the people are engaged in agricultural pursuits and about 50 per cent of the national income originates from agriculture.\(^1\) Hence the level of efficiency and productivity in agriculture more or less determines the efficiency of Indian economy.

In India, people and their entire totality are so much bound up with the fortunes of agriculture that the pace of life and the pattern of activities do no more than mirror all that happens in this sector. Since agriculture contributes the largest part of the goods and services produced every year, these require and therefore support the existence of a large part of the industrial and service sectors.\(^2\)
The development of agriculture therefore can help in the development of our economy from the stagnant to the progressive stage in three ways:

1. by supplying the physical resources needed by other sectors of economy in the shape of food and raw materials;
2. by increasing the gross national product; and
3. by providing economic surplus which constitutes the material basis for economic development.

Thus, the first and foremost contribution of agriculture to the economic development of a country is the supply of food. In India, since agriculture is the contributor of the largest amount of goods and services to the development of the country, it becomes essential and responsible on the part of the Government to regulate and control the marketing system of Agricultural produce. In spite of the Government’s concern over the sound marketing system of all agricultural produce, the concern is to be excessive on the marketing system of food grains as it is the basic need of human being.

**Procurement of Paddy- Indian Scenario**

The Government policy of procurement of food grains has the broad objectives of ensuring **Minimum Support Price (MSP)** to the farmers and also ensuring availability of food grains to the weaker sections at affordable prices. It also ensures effective market intervention thereby keeping the prices under check and also adding to the overall food security of the country.
The **Food Corporation of India (FCI)**, the nodal central agency of the Government of India, along with other State Agencies undertakes procurement of wheat, paddy and coarse grains under price support scheme and rice under statutory levy scheme. The procurement under Price Support is taken up mainly to ensure remunerative prices to the farmers for their produce which works as an incentive for achieving better production.

Before the harvest during each Rabi/ Kharif Crop season, the Government of India announces the MSP for procurement on the basis of the recommendation of the **Commission of Agricultural Costs and Prices (CACP)** which along with other factors takes into consideration the cost of various agricultural inputs and the reasonable margin for the farmers for their produce. To facilitate procurement of food grains, FCI and various State Agencies in consultation with the State Government establish a large number of purchase centres at various villages and key points. The number of centres and their locations are decided by the State Governments, based on various parameters, so as to maximize the MSP operations. For instance for procuring Wheat and Rice, more than 14000 procurement centres were operated for each crop during 2009-10. Such extensive and effective price support operations have resulted in sustaining the income of farmers over a period and in providing the required impetus for higher investment in agriculture sector for improved productivity.
Whatever stocks, which are brought to the purchase centres falling within the specifications of the Government of India are purchased at the fixed support price. If the farmers get prices better than the support price from other buyers such as traders, millers etc., the farmers are free to sell their produce to them. FCI and the State Government or its agencies ensure that the farmers are not compelled to sell their produce below support price.

**Procurement of Paddy – State Scenario**

The **Tamil Nadu Civil Supplies Corporation Ltd.** (TNCSC Ltd.,) made a beginning in the field of local procurement of paddy and rice from Samba 1973 through levy and direct purchases. There are two main seasons for procuring paddy in Tamil Nadu namely Kuruvai (from 1st October to 15th December) and Samba (from 16th December to 31st July).

The procurement operation which commenced from Samba 1973 continued thereafter under various systems like **Monopoly procurement, Parallel procurement, Levy system and Compulsory procurement** upto 30-09-2002 either individually or in combination depending upon the circumstances at various point of time. From 01-10-2002 Government of Tamil Nadu has adopted Decentralized System of procurement as per the MSP and uniform specification fixed by the Government of India. The TNCSC Ltd., has become the sole agency of procurement on behalf of Food Corporation of India. The system of procurement in Tamil Nadu was made strictly by the Corporation from the farmers without involving any intermediaries by opening
larger number of **Direct Purchase Centres (DPCs)** in various villages with the substantial quantity of procurement still used to come from the Cauvery delta area. The procurement in other potential districts is also being encouraged by the Corporation and the State Government. The Corporation is having 23 Modern Rice Mills mostly concentrated in the Cauvery delta areas and the paddy procured is hulled through these mills and also through the private Hulling Agents enrolled by the Corporation. The custom milled rice is adjusted against the central pool allotment made to the State by Government of India.

**Importance of the Study**

Paddy is one of the major food crops in India. Paddy holds pride of place among food grains in India and is generally grown in preference to other food grains wherever, possible. Out of the total cropped area in Tamil Nadu, food crops account for about 75 per cent. Rice is the staple diet of more than 50 percent of the population in this country and particularly major food item in South India.\(^5\)

Paddy, being the major food grain has to pass through too many middlemen such as commission agents, wholesalers, millers cum wholesalers, retailers in the chain of distribution. Such too many middlemen take lion share of profit and consequently the price goes up abnormally.\(^6\) Hence, as a measure to avoid profiteering by the middlemen, our Government is bound to evolve a sound food policy of keeping the price always under control and maintaining adequate stock position to meet the rice requirements of people under public distribution
system. Also the Government is bound to effect a sound marketing system to enable the producers to get fair price for their produce by eliminating the inherent defects prevalent in agricultural marketing such as lack of organizations, forced sales, presence of superfluous middlemen, multiplicity of market charges, multiplicity of weights and measures and malpractices of markets. Thus, it becomes important to study about monopoly procurement system and its success in achieving its objectives.

**Statement of the problem**

The position of agricultural marketing in India is deplorable. The Indian farmer is very poor, illiterate and ignorant. First of all he does not have facilities for storing his produce. The storage facilities which are available in the village at present are so poor that 10 to 20 per cent of the produce is eaten away by rats.

Secondly, the average farmer is so poor and indebted that he was no capacity to wait for better prices. He is forced to sell his output to the moneylender or to the trader so as to clear his debts. Such distress sales weaken the position of the average Indian farmer further, which already miserable.

Thirdly, the transport conditions in rural areas continue to be bad that even richer farmers, who have large amounts of surplus, may not be interested in going to the markets. Most roads are unmetalled and in rainy season they are unusable.
Fourthly, the conditions in the markets are such that the farmer may have to wait for some time before he may be able to dispose of his produce. He may not have proper warehousing facilities to keep his stock while he waits. The method of transaction is generally against the interest of the farmer. In the markets the farmer makes use of the services of the broker to sell his output to the buyer. The broker and the buyer do not bargain openly but through a code language. The broker is often in collusion with buyer and, therefore, the price which is settled is generally to the advantage of the buyer and not to the farmer.

Fifthly, the number of intermediaries and middlemen between the farmer and the final consumer of his produce is too many and the margin going to them is too large.

Finally, the farmers do not ordinarily get information about the ruling prices in the big markets. As a result the farmers have to accept whatever price is quoted to them and have to believe whatever the traders tell them.

Thus, the twin objectives of the Government that ensuring MSP to the farmers and also ensuring availability of food grains to the weaker sections at affordable prices were defeated due to the existence of middlemen, malpractices etc., even now in the procurement system of the Government. Hence, a study has been proposed to explore the activities of the Government in paddy procurement and to assess the problems of paddy producers in that connection.
Objectives of the Study

The objectives of the study are

1. To analyse the historical developments of food grains procurement system in India.

2. To understand the administrative pattern and physical performance of the TNCSC Ltd., the Paddy Procurement Agency of the State.

3. To observe the opinion of paddy producers in marketing their paddy under Monopoly Procurement System in Tiruvarur District.

4. To identify the problems of the Paddy Procurement Agency, TNCSC Ltd. in Tiruvarur District.

5. To evaluate the operational results of TNCSC Ltd. on paddy procurement system in Tiruvarur District.
Area of the Study

At present Thiruvarur is located approximately between 10°20’N and 11°07’S of the north latitude and between 79°15’E and 79°45’W of east longitude. The total geographical area of the district is 2097.09 Sq. Km. It has 2,37,715 hectares of cultivated area which constituted 69 percent of the total geographical area of the district. Thiruvarur district has four Municipalities, ten Panchayat Unions, seven Town Panchayats, 430 Village Panchayats and 573 Revenue Villages. Thiruthuraipoondi block has vast stretches of forest area.

Thiruvarur district is more suitable for cultivation of paddy. Other important crops grown in the district are blackgram, greengram, cotton, sugarcane, gingelly, groundnut etc., and the major cash crops are paddy, blackgram, green gram, cotton. The land use pattern of the district indicates that land under trees occupies maximum percentage, nearly 17.9 percent, while the net cropped area followed with 14.4 percent. The other types of land uses occupied a minimum percentage of less than 10 percent for each category. The land under non agricultural uses (17.9 percent) is causing concern as the growth of these activities will reduce the agricultural growth in the district. The current fallow and other fallow lands occupying 5.5 and 3.5 percent respectively can be reduced considerably by encouraging horticultural plantations. Meanwhile, the productivity of the crops has to be increased so as to compensate the reduction in land under agriculture by adopting modern practices and high yielding hybrid
varieties. The irrigation sources of the district indicate that tube wells are the major source of irrigation supplemented by canals.

The area of the study has been limited to the district of Tiruvarur only, which is the Granary of South India and the Rice bowl of Tamil Nadu. It is an important district in Cauvery delta of eastern Tamil Nadu.

On the economic front, the main stay of the people in the district is agriculture. Paddy and sugarcane are the staple crops. The Cauvery is the major source of irrigation apart from a few bore wells and tube wells. As the proverb goes “Indian agriculture is a gamble on the monsoon,” the agriculture in the district is monsoon oriented and when monsoon fails agriculture is adversely affected. There is not much industrial activity as it is predominantly an agricultural district. In Tiruvarur district, even farming is still a subsistence attempt and not a commercial venture. Majority of the people in the district are either seasonally unemployed or under employed. Poor peasants eke out a hand-to-mouth existence, as farming is only seasonal. They do not have full time activity and are forced to remain in poverty on that account. Cash crops are not grown, as the soil is clay, fit only for raising food crops. In spite of Government schemes, nothing substantial has been achieved in agriculture in the district. 1.57 lakhs Families live on farming in the district. The procurement of paddy in the district takes place through about 397 Direct Purchase Centers. The marketing operations of paddy are strictly governed and controlled in this district by the Government through its direct intervention in paddy procurement and
imposing ban on unauthorized movement to other regions. For favour of district intervention, the entire Tiruvarur District is declared by the Government from time to time as ‘Monopoly Procurement Area’, whereas only a portion of adjacent districts like Tirchy and South Arcot is declared so. The Tiruvarur District as the whole is a monopoly procurement area and therefore, it is worth studying in this district.

**Methodology**

The study is descriptive in nature. Survey method was adopted to carry out the objectives of the study. Both primary and secondary data were used in the study.

**Data Collection:** Secondary data were collected from a wide spectrum of sources such as related books, relevant magazines, published and unpublished sources and Government reports. Websites of various organisations were also of great use in the collection of secondary data. The primary data were collected from the thrust areas like farmers of the district and representatives of the procurement agency, the Bill clerks of the DPCs. The primary data were gathered from these thrust areas by conducting sample surveys using structured, pre-tested interview schedules, adopting stratified random sampling models.

**Data Collection Tools:** Two different structured interview schedules were administered in this study- one to elicit information from the sample farmers and the other to solicit information from the Bill clerks of the DPCs. The interview
schedules were pre-tested with twenty-five respondents and based on the results obtained, they were slightly modified. The modified interview schedules are provided in the appendix.

Population of the Study: The population of the study constitutes the total number of farmers in the district and the total number of representatives of the procurement agency namely the Bill clerks working in DPCs engaged in the procurement of paddy in the study area.

Sources of Data: Tiruvarur District comprises of seven taluks. Of these, only five taluks have been taken up for the study. All these taluks come under the operational jurisdiction of the Kumbakonam Co-operative Central Bank (KCCB). The remaining two taluks, which come under the area of operation of Thanjavur Central Co-operative Bank (TCCB) were left out to avoid demographical differences. There are 98 Primary Agricultural Co-operative Banks (PACB) in these five taluks. A list of 98 PACBs and their addresses were obtained from KCCB Central Office, which served as the source of information required for the present study. Similarly a list of DPCs functioning in the study area was obtained from the TNCSC Ltd. Regional Office, Tiruvarur and the same was used as the source to select sample Bill clerks.

Samples from Farmers: From the list of PACBs, 20 were selected at random. Registers of Members of the PACBs were used as the source for selecting members. With the help of the list of members, non-members were identified
and selected. Of these 20 PACBs, 4 from each taluk were selected on a random basis. There are four categories of farmers namely Big, Medium, Small and Marginal farmers in the study area. Therefore, a total of 320 farmers, 4 farmers of each category from each PACB were selected on random basis. Among the farmers, nearly 20 per cent are non-members of the PACBs. Therefore, to include them also, 80 farmers, 16 farmers from each Taluk (4 each of the 4 categories) were also selected at random. Thus the total number of Sample farmers of the study was 400 - 320 from PACB members and 80 from PACB non-members.

**Samples from Marketing Agencies:** In Tiruvarur District, there are 397 DPCs to procure paddy from the farmers. In each DPC, there is one Bill Clerk who is responsible for the entire functioning of the procurement centre. A survey was conducted among them to ascertain their present position and to identify their problems. For the purposes of the survey 80 DPCs functioning in the study area were selected on random basis. Among the 80, due attention was paid to include at least 16 from each Taluk.

**Analysis and Interpretation of Data:** The data thus collected were classified, tabulated, analysed and interpreted with the help of relevant statistical tools making use of Statistical Package for Social sciences (SPSS). Simple percentage, ratios, averages and ranks were put to use in analysing the data. Charts, diagrams and graphs were also used in this study to simplify the data and to facilitate easy understanding.
Hypotheses Used in the Study: Several hypotheses were framed in the study for evaluating the efficiency of the paddy procurement system in the study area. The hypotheses were tested with the help of suitable Statistical techniques like Chi-square test and F-test-ANOVA and the inferences derived from the interpretations were accepted or rejected accordingly. The hypotheses used in the study are:

1. There is significant difference between the opinions of small and big farmers about knowledge of monopoly procurement system.
2. There is significant difference between the opinions of marginal, small, medium and big farmers about transport charges.
3. There is significant difference between the opinions of marginal, small, medium and big farmers about waiting time at DPCs.
4. There is significant difference between the opinions of marginal, small, medium and big farmers about reasons for waiting at DPCs.
5. There is significant difference between the opinions of small and big farmers about storage facilities.
6. There is significant difference between the opinions of small and big farmers about behavior of the bill clerks.
7. There is significant difference between the opinions of small and big farmers about mobile procurement system.
8. There is significant difference between the opinions of small and big farmers about issue of gunny bags.
9. There is significant difference between the opinions of small and big farmers about payment of price through bank.

10. There is significant difference between the opinions of small and big farmers about integration of co-operative credit with marketing.

11. There is significant difference in the opinion about job satisfaction between bill clerks with different educational qualification.

12. There is significant difference in the opinion about job satisfaction between bill clerks with different years of experience.

13. There is significant difference in the opinion about job satisfaction between married and unmarried bill clerks.

**Operational Definitions :**

1. **Marginal farmers** are those farmers who cultivate one or less than one acre of wetland. He may be the real owner or registered tenant of the land.

2. **Small farmers** are those farmers who cultivates more than one acre but less than three acres of wetland and he may be the real owner or registered tenant of that land.

3. **Medium farmers** are those farmers who cultivate but less than 5 acres of wetland and he may be the real owner or registered tenant of that land.

4. **Big farmers** are those farmers who cultivate more than 5 acre of wetland and he may be the real owner or registered tenant of that land.
Utility of the Study: The results of the study would be very useful to the farming community as it aims at finding ways for the marketing of their paddy without difficulties. It also useful to the farmers as it will help them to sell their produce for a fair and reasonable price through fair trading. The findings of the study would also be useful to the Government as the efficiency in the paddy procurement system would ensures food security to the nation and MSP to the farmers. The General Public would also be benefited as the study paves the way for food security and reduction in the cost of food grains. It would also help the State and Central Government in framing appropriate agricultural policy and in fixing the prices of agricultural produce.

Limitations of the Study

Keeping in view the limitations of an individual researcher, the study has been confined to the procurement of paddy only. The other important agricultural produce namely wheat, sugarcane, oil seeds etc. were kept out of the purview of the study because of their peculiar nature.

Moreover, in order to make the study intensive and purposeful, it has been limited to the district of Tiruvarur only which is the rice bowl of Tamil Nadu and an important district in the Cauvery delta of Eastern Tamil Nadu, where farming is still a subsistence attempt and not a commercial venture. The results of the study cannot be generalized and applied to other areas of the state or the country due to demographical factors. No elaborate comparison is attempted between the procurement of paddy in the study area and that of other areas of the state for want of time.
Report Structure

The report of the research is presented in six chapters. The First Chapter titled, ‘Introduction’ brings out the background, significance, need and the design for the study. Apart from these, it describes the objectives, methodology, tools of analysis, scope, limitations and the report structure of the study.

The second chapter, ‘Review of Literature’ deals with the concepts and reviews the available literature. The past studies relating to the current problem were identified and reviewed and a brief description on how the present study differs in its approach is explained in this chapter.

The historical developments and the present scenario of the functioning of the paddy procurement system in India in general and in Tamil Nadu in particular are covered in the third chapter ‘Dynamics of Paddy Procurement System’. The role of TNCSC Ltd. as the nodal agency of the Government for purchasing paddy in the State is also analysed in this chapter.

The fourth chapter, ‘Problems of the Paddy Producers’ enlists the problems faced by the farmers in marketing their paddy under Monopoly Procurement System of the Government.
In the fifth chapter, ‘Problems in the Purchasing Centres,’ is indented to identify the problems that exist in the DPCs of the TNCSC Ltd. The survey conducted among the Bill Clerks of the DPCs is analysed and the problems are identified and enlisted.

The final chapter, ‘Conclusions’ summarises the findings and offers suitable suggestions to remove the hurdles in the monopoly procurement system of paddy in the study area so as to tone up the efficiency of the system.