"..... one must evaluate the performance of the traditional trading sector with regard to (1) the degree of efficiency of the structure and (2) causes of inefficiencies, if any, in order to develop an appropriate price policy."

— Foodgrain marketing in India

(Uma J. Lele)

In the study of the problems of agricultural marketing it is essential to have a glimpse of the historical perspectives of the traditional agricultural marketing in the state. Therefore, in this chapter the historical background of agricultural marketing in Assam is discussed, particularly from the point of view of organisational structure and gradual changes in the process of marketing of agricultural commodities, covering the period from 1936 to 1966.

Free market:

In the traditional system of agricultural marketing in Assam, the village traders or agents of wholesalers and millers operate in the village and village market\(^1\) called "hat" which may be termed as the primary market. The wholesalers and millers operate in the terminal markets\(^2\). In case of paddy, the wholesale traders and millers carry out milling and distribute rice through retail traders in consuming centres.
The farmers sell their surplus food grains to itinerant traders or agents of wholesalers in the village or village markets. Part of the produce is purchased by small retailers who, in turn, sell it to the non-farming rural population or later in the season, back to the cultivators themselves. A portion of the surplus is disposed of in payment of service charges and repayment of loans taken against standing crops to the moneylenders, 'bhajans etc. These agents of wholesalers, retail traders and moneylenders sell their procurements to the wholesaler and millers. Sometimes the same person acts as retailer, agent of wholesaler and moneylender. Similarly on the other hand, sometimes the same person might also act as the wholesaler and miller. The wholesalers and millers after milling use to feed the markets in urban areas and in some cases exported outside the state of Assam.

In case of jute, the wholesalers and millers after procuring raw jute from the grower, undertake baling operations and then, export outside the state particularly to Calcutta either loose or baled.

In this system of agricultural marketing, the state Government seemed to have followed the 'Laissez faire' policy. Since this traditional marketing system embraced the policy of non-intervention by the Government in the usual marketing activities, it may be termed as the Free or Open Market.
In September 1942, the Government of Assam appointed a commercial firm with great experience in the rice trade, as the sole Government agents for buying rice and paddy in the Assam valley. The retreat of the Army and the escape of the civilians from Burma into Assam, the subsequent invasion of India by the Japanese forces, which occupied two districts of the province, and the military movements to meet the emergency, had disorganised transport and the local machinery for food distribution in many areas. The purchases were made on Government account by that commercial firm as sole Government agents. The normal trade was allowed to continue in the surplus areas and the Government-appointed agents had to compete with other wholesalers in case of procurement of paddy. Till the end of the year 1942, the commercial firm bought paddy and rice only for the civil needs in deficit areas of the state and for the requirements of tea estates. But from January, 1943 purchases were made for the Defence personnel, for labour on military works, and to build up a stock of paddy for price stabilisation. The Government-appointed agents had no monopoly in procurement, nor was there any control of prices. The local traders also continued to function within the surplus areas of the state. But all rail and steamer transport of foodgrains from surplus to deficit areas and to outside the province was confined to the Government and its agents. Road communications were so limited that road transport was not controlled.
In the Surma Valley two commercial firms were similarly employed to buy for the Government, but the results were not so satisfactory. From the beginning of 1945 these firms were replaced by an official agency buying under a tender system. In 1946 the single firm which operated in the Assam valley was also replaced by the official procurement machinery.

The free marketing system was not successful in its working even during the British regime, which had compelled the Government to take regulatory measures in respect of marketing of rice. Therefore, during the British period, the provincial Government of Assam assumed the responsibility of ensuring supply to the urban population and workers in the tea gardens.

**Procurement through Licensed Wholesale Dealers and Rice Millers:**

After the abolition of Agency system in 1946, a system of procurement through licensed wholesale dealers and rice-millers was introduced. This system of procurement brought about almost a monopoly of the Government of Assam in the rice market. This system of procurement continued even after independence till the control over rice trade was relaxed in 1954.

**Relaxation of Control over Rice Trade (1954-59):**

During this period of relaxation of control over rice trade,
there was a dual system of marketing. The free market was in operation in Assam, and besides this free market control over rice trade also existed although it was relaxed. There was widespread hoarding and prices were in rising trend which caused uncertainty in rice market although the free market was restored for a short period. In order to remove the uncertainty in rice market, the Government resorted to fixation of prices of paddy and rice. At the first stage, the Government fixed maximum prices of paddy and rice for different zones in Assam since January, 1956. But later on it was observed that the fixation of maximum prices of rice unduly depressed the paddy market. Therefore, minimum prices of paddy along with maximum prices of paddy and rice was also fixed since January 1960.

This period of relaxation of control (1954-59) was characterized by low and sometimes declining trends of prices of both paddy and rice. At the initial stage, price of rice began to fall but at the later stage it again rose. It is evident from the fact that price of rice fell to Rs. 16.00 per maund in 1954 against Rs. 23.00 per maund in 1952, whereas the said price rose to Rs. 20.00 per maund in 1960.**

It must be agreed that with the fixation of minimum prices of paddy by the Government, the farmers were assured of a minimum support price and this had given them incentive to produce more. Because it is a known fact that the price of
agricultural produce falls to a very low level after the harvesting period and the majority of the farmers are deprived of incentive price as they sell a major portion of their marketable surplus during this period.

Introduction of the State Trading Scheme in Nowgong District on an experimental basis:

It may be noted that the National Development Council in a meeting in November, 1956 recommended "the collection of farm surpluses through service Cooperatives at the village level and channelling of the surpluses through the marketing Cooperatives and the apex marketing societies for distribution through retailers' and consumers' cooperatives." Therefore, according to the recommendation of the National Development Council, the Assam Government introduced in January, 1959 a scheme of procurement through cooperative societies in Nowgong and part of the Makir Hills District (Farbi Anglong) on an experimental basis. Under this scheme, monopoly purchase of paddy on Government account by Co-operative agencies was introduced. As this scheme was effected immediately after a depressing price trend in paddy market, it received popular support which is evident from the fact that there was a record procurement of paddy in the district. Subsequently the State Government brought all the plain districts under the purview of this scheme in January 1960.

The state trading in paddy in Assam during that period had some difference with the state trading scheme of foodgrains...
suggested by the Planning Commission and the Foodgrains
Enquiry Committee, 1957.

Introduction of State Trading Scheme in all the plain districts:
The state trading scheme had given emphasis mainly on the
procurement of paddy by the co-operatives and distribution of
procured paddy to Rice Mills, the Supply Department of the
Government and other non-official agencies on fixed quotas.
The above-mentioned scheme in Assam was a sort of monopoly pro­
curement through the cooperative agency instead of a trade in
paddy or rice either by the Government or by the Assam Co­
operative Apex Marketing Society which was entrusted with the
task of procurement of paddy from growers. Strictly speaking,
there was no sale of paddy or rice by co-operative societies.

In order to ensure smooth functioning of the scheme, main
responsibility was entrusted to the co-operative organisation
in the State. The Co-operative Apex Marketing Society, a
limited liability co-operative organisation was the pivot of
the whole machinery which carried out the state trading scheme.
The Apex Marketing Society was given the monopoly power to
procure paddy in the State. There were Primary Marketing
Societies under the Apex Society in different rice growing
centres. Thus the primary society established links between
the Apex Marketing Society and the Service Co-operatives at
the village level.
After procuring paddy the Apex Marketing society handed over the procured paddy to the Department of Supply of the Government of Assam for milling. After milling, the Supply Department arranged for distribution of rice among consumers through Fair Price Shops or licensed dealers. But there were certain drawbacks in the whole scheme which stood in the way of achieving the twin objectives of such state trading, such as (a) assurance of incentive price to growers by eliminating middlemen, and (b) providing reasonable price for consumers keeping price-spread within reasonable limit.

With a view to assess the success or otherwise of the state trading scheme in the drive for procurement on Government account it is essential to make an analysis of the available data. The Table 1-3.1. shows the procurement of rice on Government account before the introduction of the state trading scheme in Assam from 1949 to 1959.

Table 1-3.1.
Procurement of Rice on Government Account before introduction of State Trading Scheme.

<table>
<thead>
<tr>
<th>Years</th>
<th>Procurement</th>
<th>Years</th>
<th>Procurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1949</td>
<td>173</td>
<td>1953</td>
<td>-</td>
</tr>
<tr>
<td>1950</td>
<td>150</td>
<td>1956</td>
<td>-</td>
</tr>
<tr>
<td>1951</td>
<td>69</td>
<td>1957</td>
<td>-</td>
</tr>
<tr>
<td>1952</td>
<td>72</td>
<td>1958</td>
<td>22</td>
</tr>
<tr>
<td>1954</td>
<td>93</td>
<td>1959</td>
<td>47</td>
</tr>
</tbody>
</table>

Source : Rice Economy of India, January 1961. (Table 2.3.)

Note : 1 Ton = 1.016 Tonnes.
In the Table 1-3.1, it is observed that the quantum of procurement of rice on Government account was quite higher during the initial stage before the introduction of state trading scheme during the period of control from 1949 to 1954. During the period of relaxation of control (1954-59), procurement on Government account was gradually declining. This might be due to fall in the price of rice per maund.

The Table 1-3.2. shows the total procurement of rice per year on the state Government account after the introduction of the state trading scheme in the whole state of Assam.

### Table 1-3.2.

Procurement of Rice on Government Account after the introduction of State Trading Scheme in the whole State of Assam

<table>
<thead>
<tr>
<th>Year</th>
<th>Procurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-61</td>
<td>57.33</td>
</tr>
<tr>
<td>1961-62</td>
<td>38.66</td>
</tr>
<tr>
<td>1962-63</td>
<td>57.33</td>
</tr>
<tr>
<td>1963-64</td>
<td>75.33</td>
</tr>
</tbody>
</table>

(Upto 12.7.64)

Source: Statistical Statements relating to the Food Situation, September 1964. Ministry of Food and Agriculture, Government of India.

Note: Paddy converted to Rice at 66.66% conversion rate.

The Table 1-3.2. indicates that the procurement of rice on Government account after introduction of the state trading scheme in the whole state was quite higher in the initial year than the procurement during the period of relaxation of control (1954-59).
Growth of large scale milling and concentration of Rice Trade: 
In recent years one fundamental change in the marketing channels of rice is the gradual substitution of the custom of hand-pounding of rice at the village-level by the growth of rice-milling industries in different parts of the state. There was a monopolistic combination of rice-millers represented by the Rice-millers' Association. Thus due to the growth of rice-millers (Rice-millers' Association), the free market gradually lost the competitive conditions. It is estimated that there were about 660 wholesale traders in Assam. Since the wholesale traders and rice millers never worked as competitive units, the consumers were at the mercy of the Rice millers Association. Hence, it may be argued that without complete takeover of rice mills the state trading schemes may not be effective.

Failure of Co-operative Agencies in paddy procurement and subsequent suspension of state Trading in paddy by the Government (1963-64 to 1967): 
During the period of state trading, there was an open market of rice. This open market acted as the competitor of the Government agencies. Despite fixation of the maximum price of rice, no effective attempt was made by the Government to enforce it. Therefore, in years when production of paddy was good, the price of rice remained under check. But in years when paddy production was below expectation, the open market price of rice was much higher than the price fixed by the Government. Further, due to inadequate supply of rice from
the Fair Price Shops, the open market of rice was beyond the control of the Government. Therefore, rice millers could offer much higher prices for paddy than the cooperatives and used to feed the open market. Thus prices offered by non-Government agencies were much higher than the Government procurement price. As a consequence, the cooperative organisation failed miserably in procurement of paddy in 1963-64 and 1965-66, and some licensed rice millers were allowed to procure paddy at higher prices during the lean months to feed the open market. Licensed rice millers purchased paddy side by side with the cooperatives and supplied to the open market at a price fixed by the Rice Millers' Association.

In 1966, there was large-scale damage to autumn paddy due to unprecedented flood which gave rise to hoarding by rice millers, traders and surplus producers and consequently the price of paddy and rice began to rise. Procurement by the co-operatives was much low as the Government procurement price was much lower than the open market price. Therefore, on 20th June, 1966, the Government of Assam abruptly suspended state Trading in paddy. Immediately after suspension of the state Trading, traders and rice-millers again came into the market and the price of paddy and rice gradually began to increase.

Conclusion:
The traditional marketing pattern in Assam does not differ in essence, from the present one excepting some institutional
developments at present such as the increased participation of the state Government, the Food Corporation of India, the Assam State Co-operative Marketing and Consumers' Federation Ltd. etc. in the channels of procurement and distribution. The existing system also embraces the development of Co-operative marketing in Assam.

Though the traditional marketing embraced the failure of the procurement and distribution of paddy and rice under State Trading, yet the past experience may help in removing loopholes to make the State Trading scheme a success in future. The failure in the past was mainly due to inadequate procurement, inability of the Government agencies to compete with the open market traders, wrong pricing policy, weaknesses in enforcing control over the rice mills and unsatisfactory working of the service Co-operatives and Primary Marketing Societies. Yet the decision of the State Trading in paddy and rice may be regarded as a bold step.

The past experience suggests some remedial measures, such as building up of sufficient buffer stock, pricing policy aimed at minimising the price-spread and providing incentive price to farmers to produce more, strengthening the Primary Marketing Societies, Co-operative etc., tighter control over the rice mills to enable the Government to have a firm grip over the rice trade.
References:

1. **Village Market (hat)**: Each village or a cluster of small villages has a market, and a large number of these small village markets assemble once or twice a week. The days on which these markets meet are fixed, so that itinerant traders can visit the area. Most of the transactions in these markets involve small quantities; producers sell their surplus foodgrains and purchase their daily requirements.

2. **Terminal Market**: Terminal markets are usually situated in large urban centres where part of the produce is sold to local consumers and the rest is forwarded to other consuming centres. The main feature of terminal markets is that, transactions take place chiefly among traders, instead of between producers and traders.

3. **a) & b) Source**: Rice Economy of India, January 1961

4. **Price-Spread**: Price spread means the difference between the price received by the grower and the price paid by the ultimate consumer.

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