CHAPTER – III

FAIR PRICE POLICY

I  Rationale for Fair Price.

II  Policy of the Punjab Government regarding Regularisation of Fair Price.

III  Analysis of the implementation aspects of Fair Price.

IV  Status of Hypotheses

V  Suggestions given by the respondents on Realisation of Fair Price.

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Agricultural Marketing Regulation Policy: Fair Price

Fair Price of a commodity is one which is remunerative for the producer-farmer and reasonable to the consumer. The concept of fair price is theoretical as it is difficult to work out a price which satisfies both producers and consumers. In actual practice, the price of a commodity which is fair for one farmer may not be so for other farmers as there is lot of variation in cost of production of a crop from area to area and within the same area from farmer to farmer due to the variations in the adoption of technology and marketing practices and also the time of purchase of farm inputs. To arrive at a fair price level, it is a common to assign relative weights to the interest of farmers and consumers, since these weights are subjective in nature and as such there always exists controversy about the level of fair prices of farm products. However, estimates about fair prices of farm products are made taking all the factors which affects the cost of production of the said product at the level of average farmers and consumer’s purchasing power in the year of analysis. Though late, government has taken certain measures to take care of the sale and purchase and to exercise control over the farm prices, at least, to compensate for the cost of production (operational costs and overhead costs) incurred by the farmers.

It is a well established fact that majority of the farmer-producers are not getting fair prices of the produce marketed by them. The concept of fair price had been an important variable affecting the income of farmer-producers. If the producer-sellers do not get the optimum returns for their produce, this adversely affects the production vis-à-vis the well being of the economy as a whole. The objective of this chapter is to examine critically the policy issues relating to the fair price of agricultural produce in general and wheat and paddy crops in particular.

This chapter has been divided into six parts. The first part deals with the rationale of fair price and the stake-holders involved in the marketing process. In the second part, the policy of the Punjab Government regarding fair price of agricultural commodities has been discussed. The third part

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analyses the implementation aspect of fair price policy and views of various stakeholders regarding the existence of fair price policy. The fourth part of the chapter contains status of hypotheses. The fifth part of the chapter contains overall conclusions regarding the fair price policy aspects of agricultural commodities. In the last part, suggestions given by the respondents suggesting fair prices of different agricultural crops have been presented.

I
Rationale for Fair Price

Marketing involves the sale and purchase of goods, at right place, at right time, in right quantities and at right price. Fairness in buying and selling is the most important activity in the marketing process. The buyers and sellers come together for settlement of fair prices of produce so that the goods are transferred from seller to buyer. Where there is no middleman in the process of marketing, this activity takes place directly between the farmer and the consumer. The number of times the selling and buying activity takes place in the marketing process depends on the length of the marketing channel. The policy of fair price was basically framed for the producer-sellers for sale of their produce at such a place where the traders could purchase the produce on competitive rates and provide fair price to the producers. The farmers (producer-sellers) particularly small and marginal farmers, who constitute a major segment of total farming community, are mainly unorganized and uneducated. In contrast to this, the buyers (traders) in the agricultural marketing are highly organized (in some cases in the form of cartel) and are well educated and informed too. Producer seller always aim at getting of maximum returns from his produce but on the other hand, the purchasers always wish to pay as less as possible to the sellers of produce due to their vested interests. In such a market situation and also in the absence of Government regulation, the buyers have the tendency to manipulate the working of the market in their favour and exploit the sellers/farmers by fixing very low prices resulting in deplorable economic conditions of farming community. The market having a clear cut bias in favour of one party cannot be left unregulated. It is only through government regulation that the exploitative behavior of the organised purchasers / commission agents can be checked.
II
Policy of the Punjab Government Regarding Fair Price

In this part of the chapter, the policy for fair price framed by the Government and instructions issued in this regard from time to time has been discussed. Keeping in view the principal objectives of agricultural policy as to ensure fair price to the farmers/sellers for their produce. The provisions of the Punjab Markets Act, Rules, bye-laws and instructions issued in consonance with the Act have been identified. The following instruments exist in the Act, Rules and Bye-laws and instructions for the sale of agricultural produce to ensure fair prices to the farmers:-

(i) “All agricultural produce brought in to the market for sale shall be sold by open auction in the principal or sub market yard provided that with the permission of the Chairman of the Board or any officer authorized by him in this behalf, the agricultural produce may also be bought or sold through bi-lateral transaction within the notified market area of a committee, at a place of business of a licensee outside the principal or sub market yard on the terms and conditions as may be specified by the Board”²

(ii) “The agricultural produce shall not be auctioned till it is cleaned and the katcha Arhtias shall ensure that the produce is properly cleaned. Where the produce is being sold without employment of katcha Arhtia, the proper cleanliness of the produce shall be responsibility of the seller himself”³

(iii) “The minimum support price is to be provided on the basis of the uniform specifications of all varieties of Kharif & Rabi (Paddy & Wheat) for marketing season”⁴

(iv) “The Marketing development fund shall be utilized for grading and standardization of agricultural produce”⁵

³ ibid., p.156.
(v) “The price of agricultural produce shall not be settled by secret signs or secret bid”.

(vi) “The highest bid offered by a buyer at an auction and at which the seller of the produce gives his consent to sell his produce, shall be the sale price of the produce.”

(vii) “The buyer shall be considered to have thoroughly inspected the produce for which he has made a bid and he shall have no right to retract it. No deduction shall be made from the agreed price of the consignment”.

(viii) “The least difference between two bids offered for a lot of agricultural produce, in case of cotton, chilies, oilseeds and wool shall not be less than rupee one while in other cases not less than fifty paise”.

(ix) “A Committee may, and when required by the Chairman of the Board or an officer authorized by him shall, for the benefit of the persons using the market exhibit in a suitable place outside its office and at such other place or places as may be determined by it, bulletins of information on such matters as the prices of agricultural produce ruling at the principal marketing centers in the State and the ports serving the state and the stocks held by mills and the like. The daily rates of all important agricultural commodities authenticated by a person authorized by the committee in this behalf shall be exhibited in the regional language in conspicuous places.

(x) “The place for sale and purchase of wheat and paddy should be neat and clean and if the land used for this purpose is uneven or dirty then that should be cleaned immediately and if there is any kachha space then that should also be cleaned in such a way so that dirt is not mixed in produce”.

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6 ibid. p.70.
7 ibid.
8 ibid.
9 ibid. p.133.
10 ibid. p. 87.
11 Punjab Mandi Board (2005), op.cit.
The following major aspects have been identified as provided by the Government under its policy for providing fair price of produce viz. wheat and paddy with a view to assess the actual enforcement of practice of fair price;

1. Modes of Transactions: open auction or bilateral sale and purchase.
2. Auction of cleaned produce.
3. Adoption of specifications issued for minimum support price.
4. Adoption of facilities for grading and standardization.
5. Not permitting the use of secret signs or bids during open auction.
6. Obtaining of producer’s consent to accept the sale price.
7. Not permitting the deductions of any kind on agreed price of consignment.
8. Satisfaction on difference in Bid Price of minimum of 50 Paise.
9. Display of price information of produces prevailing in other important markets.
10. Not permitting the sale of produce on dirty or kachha places.

III
Implementation of Different Aspects of Fair Price Policy in the Marketing of Wheat and Paddy

In the earlier part, the objectives of the Market Act regarding fair prices and instruments identified for getting of fair prices have been described. The purpose of this part of the chapter is to analyse and critically examine, as up to what extent the different provisions of the fair price policy are being in execution in actual practice. The analysis has been carried out on the basis of views and responses of the different stake-holders respondents viz. producer-sellers (farmers), commission agents, private purchasers, procurement agencies, Government as well as Mandi Board officials who are involved in policy making or execution. The instrument wise analysis is presented as per the versions of the different stakeholders. The news regarding fair prices
published in news papers of English, Hindi and Punjabi which basically publish news regarding sale and purchase of wheat and paddy have also been used as secondary information source and are analysed. Results regarding policy aspects of fair price are presented as under:

1. **Modes of Transactions: Open Auction and Bilateral Sale and Purchase.**

   As pointed out earlier, open auction is one of the central thrusts of the policy for ensuring fair price of the produce to the producers. Sale and purchase of wheat and paddy takes place through open auction for providing fair and competitive prices but non existence of open auction certainly leads to prevailing of prices of produce which may not be fair and competitive. The other mode for fixing of price is direct purchase through bilateral transactions with mutual understanding of seller and buyer which may also result in getting of fair price of produce to the producer sellers. Direct purchase of paddy is not being implemented but some of wheat processing industries have been allowed to have bilateral transactions. The responses of various stakeholders regarding this instrument are presented in Table 3.1.

### Table 3.1

**Responses of Stakeholders on Modes of Transactions**  
(No. of responses)

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Open Auction Wheat</th>
<th>Paddy Wheat</th>
<th>Bilateral Transactions Wheat</th>
<th>Paddy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Producers</td>
<td>4 (1.11)</td>
<td>356 (98.89)</td>
<td>36 (10.00)</td>
<td>324 (90.00)</td>
</tr>
<tr>
<td>Commission agents</td>
<td>13 (7.22)</td>
<td>167 (92.78)</td>
<td>36 (20.00)</td>
<td>144 (80.00)</td>
</tr>
<tr>
<td>Procurement agencies</td>
<td>4 (1.11)</td>
<td>32 (98.89)</td>
<td>9 (25.00)</td>
<td>27 (75.00)</td>
</tr>
<tr>
<td>Private purchasers</td>
<td>32 (88.89)</td>
<td>4 (11.11)</td>
<td>34 (94.45)</td>
<td>2 (5.55)</td>
</tr>
<tr>
<td>Officials</td>
<td>23 (25.55)</td>
<td>67 (74.45)</td>
<td>36 (10.00)</td>
<td>54 (60.00)</td>
</tr>
<tr>
<td>Weighted average</td>
<td>10.31</td>
<td>89.69</td>
<td>21.51</td>
<td>78.49</td>
</tr>
</tbody>
</table>

Source: *Field survey.* Note: Figures in parentheses represents percentages.
Table 3.1 reveals that around 99 percent in case of wheat and 90 percent in case of paddy producers reported that the open auction system of transactions was not practised in the markets due to the vested interests of the officials, commission agents, private purchasers and procurement agencies. Majority of them also revealed that they preferred to sell their produce to Government agencies for getting a better price and also the timely payment. They were also of the view that minimum support price is also not a fair price due to higher cost of production incurred by them in producing of the produce. Srivastava and Shukla while appraising the open auction system mentioned that “As regards adoption of open auction sale method, it was observed that the market committee overlooked its proper implementation. The prevalent mutual negotiation system of sale is going against the interest of producer sellers; as such negotiations are invariably done by the brokers operating between the cultivators and traders. In most of the cases the producer-sellers are kept in dark about the terms and conditions of transactions and they sustain a loss of 5 to 20 percent in prices. It was further found that there is general lack of proper machinery to supervise the trading practices, to ensure prompt payments of the producers of sale proceeds and to prevent collusory practices by market functionaries.”

Majority of the producer-farmers in case of bilateral transactions reported that they were not aware of the bilateral transaction system. Only 2 percent producer-sellers sold through bilateral transactions. They also viewed that the bilateral transactions may be more beneficial but purchasers are not following the terms and conditions of purchase and hence the system is not prevalent. They disclosed that they were fully dependent on the commission agents to sell their produce. Sharma in his study revealed that “farmers choose the medium of the commission agency to sell their produce instead of direct sale to the purchaser because the arhtia arranges (i) unloading, cleaning, dressing, pricing, weighment, delivery and payment of sale-price (100%), (ii) arranged credit (77%) and provided hospitality (44%) during the visit or stay in the

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marketing yard."13 Ajj di Awaj dated 11/04/05 and 11/11/05 reported that "farmers were helpless due to non-purchase of wheat, arrival started but auction is not taking place of wheat for the last four days." Desh Sevak dated 20/10/05 reported that "purchase could not be ensured even after two weeks and only 10 percent quantity has been purchased". The Hindustan Times on 28/09/05 reported regarding bilateral purchase as "Markfed has to pay 1.5% extra over and above MSP to the farmers, bringing their produce in their complexes and farmers will also get Rs.9/- per quintal more for grade 'A' paddy".

About 92.78 percent commission agents for wheat and 80 percent for paddy revealed that open auction was not held during the season because majority of the heaps of these foodgrains were sold to the procurement agencies on minimum support price. The heap registers used to record the sale of produce as well as price of the individual farmer's heaps were the proof that major quantity of the wheat and paddy produce were sold on minimum support price. They were also of the opinion that they were dependent on the purchasers for immediate disposal of the huge quantity received in a short span, which is possible only through procurement agencies. The commission agents were not interested in bilateral transactions due to the non-existence of commission under this system. However, commission agents acting on behalf of processing mills participated in purchase of wheat by this method. The news appeared in Akali Patrika dated 11/09/05 reported "commission agents criticised the policy of the Government for direct purchase from the farmers by the private purchasers".

Around 99 percent procurement agencies for wheat and 75 percent for paddy stated that they purchased the produce as per specifications at the minimum support price, therefore, they generally do not participate in open auction. They also revealed that they did not have sufficient staff required for all the markets/ yards under their control. Individual official is responsible for operating individual market/ yard to look into the market operations such as checking of cleaning of produce, weighment, proper filling of bags, stitching of

bags and loading of bags in the yard and performance of other operations like arranging transport, unloading at the storage point and for making the payments to the commission agents. Therefore, they did not find time to procure along with private purchasers. The news appeared in Nawan Jamana dated 18/11/05 reported that “Inspectors of purchase agencies have looted the farmers in connivance with rice millers at principal yard and its 24 purchase centers without looking into the quality of paddy as 25 rice millers made purchase of paddy without open auction who had their own commission agent shops”.

About 89 and 94 percent of the private purchasers of wheat and paddy opined that they purchased most of the produce in the open auction. The private purchasers also viewed that a major chunk of the arrivals were purchased by the Government agencies and only a handful quantity of produce was left for purchase by them. They also revealed that they preferred to purchase from the commission agents having previous contacts. Often and then, they selected the produce in advance and purchased at a price higher than the minimum support price by margin of one to two rupees per quintal. The private purchasers preferred bilateral transactions for purchase but was not adopted due to the non-awareness of the farmer sellers.

The officials, 74.45 percent in case of wheat and 60 percent in case of paddy) reported that open auction was not held due to heavy arrivals and purchase of a major chunk of produce by the Government agencies. It was also reported that heap wise auction takes lots of time and hence is not possible in the short span of the day and disposal of the huge arrival of produce in time. The working group on Agriculture Marketing for Eighth Five Year plan also reported that “The practical enforcement for ensuring that sales take place by open auction method varies vastly from market to market and commodity to commodity and leaves much to be wanted on the part of implementing authority” 14 The private purchasers also revealed that bilateral transactions is not in practice in the area in sale of wheat due to the ignorance of farmers and non attractive price offered by the processing units.

Government and Mandi Board officials revealed that this instrument of

the policy viz open auction of sale is in the interest of farmers. Implementation of this provision of the Act in letter and spirit is essential to help the farmers to get fair prices for their produce. It was also revealed by them that implementation of the provision is the sole responsibility of the implementing agency, although farmers are the main beneficiaries by the practice of minimum support price. The huge arrivals and insufficient staff with the mandis adversely affect the getting of fair price. The adverse effect of arrivals of wheat and paddy has been reported by many studies. According to Roul “In Punjab the marketable surplus is around 90% in case of paddy and 72% in case of wheat. It is sold in the regulated mandis within a time span of one and half months each in kharif and Rabi marketing seasons. The peak arrivals take place within a time span of 15-20 days of each marketing season”15. Prasad has studied this phenomenon rigorously and has stated “The behaviour of market arrivals is no less important than prices as the farmer represents supply side while the latter demand side. It was presumed that after the establishment of market yards the participation of the farmers will substantially increase which, in turn, will increase the quantum of arrivals in the market yard. The evidences so far indicate that there has been still pronounced seasonal fluctuations indicating thereby high arrivals during the harvest period. This reveals that major proportions of agricultural commodities are sold by the farmers’ particularly small and marginal farmers immediately after the harvest period during which the price usually remains low.”16

Perusal of overall opinion of stakeholders around 90 percent in case of wheat and 78 percent in case of paddy revealed that open auction method of sale was not adopted for wheat and paddy. Even bilateral method of transactions was also not common as 97 percent stakeholders were not aware of this method of sale. Moreover commission agents also criticize the policy of the Government. Procurement agencies were not interested even in open auction method of sale as they have to purchase the targeted quantity of these foodgrains at Government announced MSP. Delay in open auction of produce was a common complaint made mostly by producer farmers. The

news appeared in various news papers also suggest, no action on account of auction of the produce. Various studies have also revealed that proper implementation of auction as an instrument is lacking in the state. From the foregoing analysis it can be inferred that open auction method is not widely adopted in the marketing of both the major crops viz. wheat and paddy in the Punjab mandis.

2. Auction of Cleaned Produce.

As per the Act, the produce brought by the farmers for sale in the market must be clean and be free from impurities such as dirt, dust, sand and pebbles, the produce of one quality should not be mixed with produce of another quality to get the fair price. Impurities, when present, lower the price offered by the trader-buyers in the market. Most buyers are interested in buying of only clean produce and are ready to pay higher price for that. Cleaned produce attracts more buyers as shown in figure 3.1 and in turn offers higher price of the produce to the seller.

Figure No. 3.1

Cleaning Operation of Produce in a Market

The responses of various stakeholders on auction of cleaned produce are presented in Table 3.2.
Table 3.2
Responses Regarding Auction of Cleaned Produce
(No. of responses)

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Wheat</th>
<th>Paddy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Producers</td>
<td>324(90.00)</td>
<td>36(10.00)</td>
</tr>
<tr>
<td>Commission agents</td>
<td>167(95.00)</td>
<td>13(5.00)</td>
</tr>
<tr>
<td>Procurement agencies</td>
<td>25(96.40)</td>
<td>11(3.60)</td>
</tr>
<tr>
<td>Private purchasers</td>
<td>33(91.66)</td>
<td>3(8.34)</td>
</tr>
<tr>
<td>Officials</td>
<td>86(98.89)</td>
<td>4(1.11)</td>
</tr>
<tr>
<td>Weighted average</td>
<td>92.85</td>
<td>7.15</td>
</tr>
</tbody>
</table>

Source: - Field survey, Note: Figures in parentheses represents percentages.

Table 3.2 shows that about 90 percent producers in case of Wheat and 85 percent in case of Paddy opined that cleaned produce is sold. The producer sellers also disclosed that sometimes cleaning is done after the sale of produce. It was also reported that cleaning operation at market level deteriorates the adjoining heaps due to the blowing of wastes and settlement of dirt on the cleaned heaps. This fact has also been reported in a study by Sharma (1994) reveals that “Majority of the farmers preferred that the cleaning and drying of the food grains should be carried out manually and majority of them opposed the shifting of such operations from the market yards/purchase centers to village level/farm level facilities”\(^{17}\).

About 95 percent commission agents in case of Wheat and 90 percent of paddy, revealed that cleaned produce is sold in mandis. They have sufficient cleaners to clean the produce but heavy arrivals on a particular day delays the cleaning operations. They also stated that sometimes deteriorated quantity of produce arrives in the market (due to natural calamities) and it becomes difficult to clean the produce in time.

Around 96 percent procurement agencies of Wheat and 94 percent of paddy stated that they purchase cleaned produce. If they felt that a particular

\(^{17}\) A.C. Sharma (1994), op. cit., p.100.
heap was not properly cleaned, then they ask that the heap be first cleaned.

Around 92 percent private purchasers of Wheat and 94 percent of paddy, opined that cleaning held after the purchase adversely affect the price, as price is fixed as per quality. They also stated that they fix the price as per quality prior to cleaning.

The officials in case of Wheat as 99 percent and 94 percent in case of paddy reported that majority of the produce sold were held only for cleaned heaps. Since commission agents are responsible for cleaning the heaps but some times uncleaned heaps are also sold, specially of paddy. They also opined that majority preferred to purchase the cleaned heaps only but as this operation is time consuming at market place and moreover cleaning of one heap deteriorates the adjoining heaps to some extent. They suggested farm level cleaning. Cleaning is not much problem of wheat but paddy requires it extensively.

Government and Mandi Board officials responded that it is in the interest of farmers to sell the cleaned produce only and moreover this increases the efficiency of sale and purchase. They also revealed that news regarding uncleaned and moist wheat and paddy during sale also appeared in the news papers.

The overall version of stakeholders on sale of cleaned wheat and paddy revealed that still uncleaned produce is sold in mandis. Farmers selling cleaned wheat and paddy not only get higher price but their produce was also sold out earlier than uncleaned lots. Purchasers also prefer the purchase of cleaned heaps. It was also opined that cleaning operations be conducted on fields. Cleaning of produce at market should be discouraged because firstly it spoils the neighbour’s lot and adds garbage in the mandis, which otherwise could have been used by cattle at field level.

3. Adoption of Specifications Issued for Minimum Support Price

The Central Government has laid down criteria for purchase of fair average quality (F.A.Q) wheat and paddy at MSP i.e. Rs 640/- and Rs. 600/- for wheat and paddy respectively by the procurement agencies during 2005-06. MSP in the words of Acharya and Agarwal is “The price fixed by the
do not have the necessary instruments to measure the specifications. Sometimes produce is rejected due to the poor physical appearance and not on technical grounds. The matter has been reported by various news papers. For example, The Tribune dated 10/10/05 reported that “Commission agents protested against the attitude of rice millers who had denied unloading fifteen trollies of paddy and rice millers said that paddy is not as per specifications and they cannot bear loss” and also reported on 03/12/05 as “A nexus of officials and commission agents has duped the farmers of lakhs of the rupees in the recent procurement of paddy and procured paddy from the farmers at the rate less than MSP”.

In contrast to this, 94.44 percent of procurement agencies in case of Wheat and 91.66 percent in case of paddy stated that though they know the specifications but they use to fix the minimum support price on the basis of visual quality characteristics. Some procurement agencies also reported that they also did not have the technical knowledge regarding specifications. The non availability of scientific instruments and technical staff was also the bottleneck affecting the adherence to the specifications.

The officials, 75.55 percent in case of wheat and 90 percent in case of paddy revealed that they had knowledge but are not technically sound. However, those who have agricultural background reported that they knew the specifications technically also but unfortunately instrument to verify the specifications are not available with them. They also stated that the officials who were responsible for sale and purchase were technically not sound to understand the specifications especially of different varieties of produce. The detailed specifications are also not available with the staff, who are responsible for conducting the auction. It was also informed that no such training programmes are organised before the marketing season as how to check the quality of the produce in absence of instruments. The non availability of instruments at the market level with the market functionaries or agencies is also lacking to verify the specifications.

Officials of Government: and Mandi Board revealed that knowledge of specifications at the level of farmers is must but lack of knowledge of
specifications at the level of implementing agency adversely affect the getting of fair price of various heaps of good quality produce.

The opinion of the stakeholders viz. producers, commission agents, procurement agencies and Officials revealed that the absence of the knowledge of the prescribed specifications for purchasing F.A.Q wheat and paddy at MSP adversely affected the farmers to get fair price. The stakeholders need to be educated about the specifications prescribed by the Government for purchase of wheat and paddy at MSP. There is also need to provide the instruments to measure the specifications of quality standards instead of depending solely on visual parameters.

4. Adoption of Facilities for Grading and Standardization.

Many farmers use to mix different varieties of produce due to their small quantity and as such the purchaser offers low price for the mixed lot of produce. The different varieties of products marketed separately as per the buyer's preference always fetches more price. Selling of the produce after grading is always beneficial to the sellers. Graded produce is also sold off quickly and the sellers get higher total income. The additional income generated by the adoption of grading and standardization is more than the cost incurred on this operation. As Acharya and Agarwal\(^2\) reported that “Grading facilities exists only in 13% of the country's regulated markets and that, too, only for a few selected commodities.” The quality standards must be maintained by the producer sellers so as to get fair price as per the grade. Therefore, proper technical instruments and human resources are needed for grading of produce at the level of different market functionaries. As per instructions every commission agent should have Moisture Meter and one slate/phatti/takhti to be used to put on every heap where name of the farmer, his village and the moisture content of the produce should be written. Sometimes, produce is immature and most of the farmers harvest produces through Combine harvesters and sell direct to the market which deteriorate the quality of produce as shown in Figure 3.2.

The responses of various stakeholders about the knowledge of grades prescribed for wheat and paddy and equipments used in grading of these products are summarized in Table 3.4.

**Table: 3.4**

**Responses on Adoption of Facilities for Grading and Standardization of Wheat and Paddy.**

(No. of responses)

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Availability of Equipment</th>
<th>Availability of Technical Man power</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Producers</td>
<td>-</td>
<td>360(100.00)</td>
</tr>
<tr>
<td>Commission agents</td>
<td>2(1.11)</td>
<td>178(98.89)</td>
</tr>
<tr>
<td>Procurement agencies</td>
<td>2(5.55)</td>
<td>34(94.45)</td>
</tr>
<tr>
<td>Private purchasers</td>
<td>1(2.77)</td>
<td>35(97.23)</td>
</tr>
<tr>
<td>Officials</td>
<td>9(10.00)</td>
<td>81(90.00)</td>
</tr>
<tr>
<td>Weighted average</td>
<td>2.00</td>
<td>98.00</td>
</tr>
</tbody>
</table>

Source: *Field survey*, Note: Figures in parentheses indicate percentages.
Table 3.4 reveals that none of the producers of wheat and paddy had any technical knowledge of grading and standardization and they also do not own any equipment used to grade. Some farmers said that heaps were rejected on account of poor quality of produce. This was more in the case of paddy. They also revealed that if the purchaser is not paying fair price of the produce then there is not any authentic base with them to check the quality of produce and to claim fair price accordingly.

Around 99 percent of the commission agents revealed that they did not have any equipment and technical staff for grading the produce. Even moisture meters were also not available with them. They also disclosed that there was no specific policy of the Mandi Board to sell the produce as per grades. Sometimes the officials check the moisture with moisture meters and even some of them do not know its operation. The study conducted by Jain suggested that there is need for imparting training in grading and standardization of staff of the regulated markets for the efficiently integrating the market functions and functionaries. The news reported on 20/10/05 in Desh Sewak reveals that “commission agents filled the bags of paddy with more moisture content (22-23%) instead of 17% moisture which were checked up by the purchasers at the time of purchase and farmers faces the consequences”.

The procurement agencies to the tune of 94.45 percent stated that they did not have equipments and technical staff for adoption of scientific grading. Purchases by them are made based on visual characters. It was reported that moisture meters and grading equipments are available only with the Food Corporation of India in some mandis. The technical manpower was available with 33 percent procurement agencies.

Around 97.23 percent private purchasers reported that they purchased wheat and paddy lots in the market on the basis of visual qualities. They also said that some heaps were purchased at lesser price due to the non availability of the scientific grading instruments. Desh Sewak on 30/09/05 reported that “The private purchasers are looting the farmers as they are purchasing best quality paddy at less rate with the excuses of higher moisture and non cleaning with the connivance of officials of purchase agencies and other related officials”
The officials reported that no definite policy is there for grading and standardisation for purchase or sell of the produce. Only 10 percent reported that moisture meters are available with them but their number is inadequate as per need of the purchase centers. Technical staff with every mandi is also not available. The Officials also revealed that properly trained staff is not available in every market. L. P Singh in his study reported that the pathetic state of affairs can be judged from the fact that out of 6052 regulated markets in the country only 1,028 markets has set up grading units. Even in these units a very small percentage of market arrivals of different agricultural commodities is graded. In an empirical study undertaken by the present author in 1982 it was found that regulated markets in Bihar could not undertake commercial grading of even one percent of total market arrivals in these market yards."21 Banker B and H.G Shankaramurthy, (1994) studied the performance of regulated markets in Karnataka and they found that "amount spent on scientific grading showed a negative factors loading. This indicated that the grading activity was very much neglected in the regulated markets, which required to be strengthened in the market yard by licensing the graders to grade the commodities on the lines of “AGMARK”. The financial assistance for agricultural commodities has to be extended in order to facilitate uniform price for uniform grades"22.

Officials of Government and Mandi Board opined that the policy of grading and standardisation could not be implemented in true sense. Non-existence of equipments as well as technical manpower with implementing agency adversely affected of getting fair price. Randhawa in his keynote address emphasised that "Punjab State Agricultural Marketing Board would need extensive re-orientation, upgrading and strengthening of resources for providing training to its staff for conducting market operations efficiently and monitoring the progress and increasing awareness among farmers of the

advantages of the improved market system including grading, standardisation etc." 23

A perusal of the different versions of the stakeholders revealed that there exists no clear-cut policy regarding technical staff and equipments for grading and standardization of agricultural produce. This acted as a barrier in getting of fair price by the producers while marketing their produce. As such the absence of this instrument is adversely affecting fair price to be received by the farmers.

5. Not permitting the Use of Secret Signs or Bids during Open Auction.

The Government makes purchases of wheat and paddy on announced M.S.P as per the specifications fixed, however, private purchasers purchases these produce of any quality which is available for sale in the market. Connivance of the private purchasers in settling of the price in the market leads to unfair dealings to the producer sellers, which is termed as pooling of the private purchasers. This pooling of private purchasers may be visible or invisible but exists in most of the markets and prevails in the market, time and again. The secret signs or symbols are also adopted in some markets by the traders at the time of open auction. The responses of various stake holders on existence of secret signs or bidding in sale of wheat and paddy is presented in Table 3.5.

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Wheat</th>
<th>Paddy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Producers</td>
<td>288(80.00)</td>
<td>72(20.00)</td>
</tr>
<tr>
<td>Commission agents</td>
<td>36(20.00)</td>
<td>144(80.00)</td>
</tr>
<tr>
<td>Private purchasers</td>
<td>5(13.88)</td>
<td>31(86.12)</td>
</tr>
<tr>
<td>Officials</td>
<td>9(10.00)</td>
<td>81(90.00)</td>
</tr>
<tr>
<td>Weighted average</td>
<td>49.84</td>
<td>50.16</td>
</tr>
</tbody>
</table>

Source: Field survey, Note: Figures in parentheses indicate percentages.

Table 3.5 shows that 80 percent producers of wheat and 75 percent of paddy disclosed that there exist secret signs or bids in open auction and pooling of private purchasers at the time of purchase. Farmer sellers revealed that they could not keep the produce in the peak harvest season at home due to non availability of storage facility and need for cash. They also gave the version that since they were paid only Rs.1/- above the minimum support price for most of the heaps which indicate existence of secret bids. The non cleaning, existence of high moisture or poor quality produce due to natural calamities are some of the reasons which force them to sell at any price settled by the commission agent with the purchasers at their own level. This fact was also highlighted in The Tribune; which states dated 04/10/05 that “farmers protested against the payment of less price i.e. Rs.550/- per quintal and wanted paddy procurement be expedited and proper price be given. Some farmers revealed that Arhtiyas had been harassing them at the time of auction of their produce also by taking commission on sale. Jag bani on 23/09/04 reported that “farmers were looted due to non purchase by Government and farmers are getting rupees fifty less per quintal due to non entrance of Government in the market”. Punjab Kesri on 21/09/05 reported that “Farmers are selling at a price which is less to the extent of Rs.70/- to 80/- per quintal to private rice millers in absence of purchase by Government. Desh Sewak on 04/10/05 reported that “Farmers said that with connivance of arhtyas and Government agencies, private purchasers are paying Re.20/- to 25/- less than MSP”. Punjabi Tribune reported on 16/10/05 that “Farmers are harassed by commission agents by purchasing good quality paddy at Rs.500/- to 560/- and Government has procured 1, 59,539 quintals of paddy as compared to 3,33,461 quintals last year”. Akali Patrika reported on 28/10/05 that “representatives of kissan organization toured the mandis and disclosed that farmers are waiting for the purchase of paddy by Government agency for the last so many days and are also getting very low price due to the connivance of private traders.

The Commission agents (80 percent in case of wheat and 75 percent in case of paddy) revealed that they are interested in disposing off the produce at the earliest, due to heavy arrivals and in general prefer Government purchase. Commission agents who also acted as purchasers revealed that
rupee one or two above MSP was given to majority of the producers. The commission agents also revealed that their dependency on the purchasers led to the settlement of whatever price in case of low quality produce. As reported in *Nawan Jamana* on 26/09/05 and 27/09/05 “Rice millers and commission agents are trading paddy in black marketing with the connivance of the officials of the market committee” and “more than 3000 quintals of paddy have arrived and private purchasers are paying Re.560/- to Rs.575 per quintal of paddy”. “Private purchasers of paddy are looting farmers and are paying Rs.430/- to 580/- per quintal and as per record farmers suffered a loss of Rs.1, 75,000/-.

The private purchasers, (86.12 percent in case of wheat and 94.45 percent in case of paddy) reported that they paid rupee one above the minimum support price, which was accepted by the farmers and this could not be termed as secret signs or bids in purchases and did not have any connivance with the procurement agencies. They also disclosed that they usually did not purchase along with procurement agencies and also opined that they acted as per demand and supply situation. They also revealed that the Market Committee had not ensured open auction due to vested interests. The purchase to be made on minimum number of the bids and minimum number of purchasers has not been prescribed. *Desh Sewak* reported on 28/10/05 and 23/11/05 that farmers were looted during purchase of paddy by purchasing at Rs 590/- due to vested interests of traders and purchase agencies and Government rate is being mentioned in the record and signatures of farmers as taken of consent are taken for the less price of paddy and farmers were looted during purchase of paddy.

As many as 90 percent officials dealing with wheat and 52.23 percent in case of paddy reported that they often noticed private purchasers forming a control at the time of purchase at a particular price. They also stated that there was no provision to sell the produce on a particular price with minimum number of purchasers and moreover did not have any control over purchase with minimum number of bids. If the private purchaser purchases over rupee one above the minimum support price i.e. Rs.641/- in case of wheat and Rs.601/- in the case of paddy this itself is an indication for secret bids of the...
private purchasers.

Officials of Government and Mandi Board revealed that there is need to check the secret signs as well as bids. This can be checked if the policy of open auction or bilateral sale is implemented to provide fair price. Randhawain his keynote address emphasised that “Board has to strengthen its ability for a greater vigilance to check any inclination on the part of merchants / traders for collusion among them against farmers to depress prices artificially, force distress sales, delay market operations, downgrade quality etc. Such vigilance is necessary to ensure appropriate competition in the market. The Board should also discourage the informal restrictions imposed by the government agencies to mop-up surpluses for the PDS system. The code of conduct for competitive marketing should be strictly followed to ensure transparency and to maintain the confidence of farmers in the marketing system. Such a Government / Board vigilance is essential in the markets to create competitive climate” 24.

An appraisal of the opinion of the stakeholders revealed that pooling of purchasers during purchases should not be there to achieve the objectives of the true spirit of the policy. This instrument of using secret signs and offering of confidential bids has prevented the farmers to get fair prices for their produce. There is need to remove this malpractice which is widely prevalent in most markets of the state. Though, legally this practice has been banned but in actual marketing, use of concealed bids or secret symbols or signs in purchase and sale has resulted in not getting of fair price by the producers.

6. Obtaining of Producers’ Consent to Accept the Sale Price.

As mentioned earlier, Government purchases wheat and paddy on minimum support price and the private purchasers generally purchase at the price settled through open auction. In this provision, the seller consent is supposed to be obtained before the acceptance of final bid. Generally seller asked whether the final price given by the purchaser is acceptable to him. If he denies, the acceptance of final price, the sale and purchase is supposed not to be completed. The responses of various stake holders on this aspect

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24 ibid.
viz. whether final consent of the seller farmers is obtained or not before the actual sale of produce are shown in Table 3.6.

Table: 3.6
Responses on obtaining of Producer’s Consent to Accept the Sale Price
(No. of responses)

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Wheat</th>
<th>Paddy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Producers</td>
<td>72(20.00)</td>
<td>288(80.00)</td>
</tr>
<tr>
<td>Commission agents</td>
<td>117(53.89)</td>
<td>63(46.11)</td>
</tr>
<tr>
<td>Procurement agencies</td>
<td>25(69.44)</td>
<td>11(30.56)</td>
</tr>
<tr>
<td>Private purchasers</td>
<td>32(98.89)</td>
<td>4(1.11)</td>
</tr>
<tr>
<td>Officials</td>
<td>76(83.34)</td>
<td>14(16.66)</td>
</tr>
<tr>
<td>Weighted average</td>
<td>46.23</td>
<td>53.77</td>
</tr>
</tbody>
</table>

Source: Field survey, Note: Figures in parentheses indicate percentages.

Table 3.6 shows that majority of producers reported in negative as many as 80 percent in case of wheat and 77.78 percent in case of paddy sellers regarding consent have been obtained. Producer sellers also revealed that they were fully dependent on the commission agents to finalise the price and hence do not bother for their obtaining of consent. The Tribune mentioned that “farmers whose paddy suffered damage got Rs. 580 and 500/- per quintal and some farmers are forced to sell their produce to private agencies at price between Rs 580 and 500 per quintal”.

The Commission agents (46.11 percent in case of wheat and 30 percent in case of paddy) reported that consents were not obtained due to non-availability of farmers or their representatives at the time of auction. They also revealed that since they had good business relations with the farmers and had faith in them, hence obtaining of consent had no significance. They are equally interested in safe guarding farmer’s interests.

The procurement agencies, (30.56 percent in case of wheat and 27.78 percent in case of paddy) stated that they did not ask for this due to purchase of produce at minimum support price and moreover they generally interact with the commission agents only and inform him of the selected heaps by them for the purchase at announced minimum support price.
Private purchasers (98.89 percent in case of wheat and 91.67 percent in case of paddy) revealed that due to the responsibility of commission agents to sell the produce on behalf of the farmers, they interact with commission agents only. They also reported that they are not aware that obtaining of farmer’s consent before purchase is necessary.

Majority of the Officials, (83.34 percent in case of wheat and 86.67 percent in case of paddy) reported that consent is taken from available farmers. They also stated that major part of the produce is sold on minimum support price and very less quantity of produce is sold through private purchase. They also stated that even the sellers ignore the price given by the purchasers in case the offered price is higher than the minimum support price of the produce.

Government and Mandi Board officials reported that proforma has not been prescribed for obtaining the consent of the farmers however, obtaining verbal consent does not have any authenticity of actual consent. The implementation of this instrument requires amendment so that the system of obtaining consent can be implemented in its true spirit.

It can be concluded on the basis of versions of the stakeholders that the consent of most of the producers is not taken in its true spirit before finalisation of the price because these responses pertains to sale of produce in the peak season only where major part of the produce is sold on MSP. There is need to forcefully implement this provision of obtaining the consent of the producer-sellers atleast for the produce sold through open auction. For this, either the presence of producer-seller at the time of auction be made compulsory or a written consent be taken from the seller on the proforma needs to be devised.


This provision provides for fair dealings in sale and purchase, no matter whatever excuses purchaser makes for rejection of the price once settled at the time of auction. The responses of various stakeholders on this count are presented in Table 3.7.
Table 3.7
Responses on not Permitting of Deductions of Any Kind on Agreed Price of Consignment

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Wheat</th>
<th>Paddy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Producers</td>
<td>18(5.00)</td>
<td>342(95.00)</td>
</tr>
<tr>
<td>Commission agents</td>
<td>4(2.22 )</td>
<td>176(98.88)</td>
</tr>
<tr>
<td>Procurement agencies</td>
<td>1(2.77)</td>
<td>35(97.23)</td>
</tr>
<tr>
<td>Private purchasers</td>
<td>1(2.77)</td>
<td>35(97.23)</td>
</tr>
<tr>
<td>Officials</td>
<td>1(1.12 )</td>
<td>89(98.88)</td>
</tr>
<tr>
<td>Weighted average</td>
<td>3.56</td>
<td>97.44</td>
</tr>
</tbody>
</table>

Source:-Field survey. Note: Figures in parentheses indicate percentages.

Table 3.7 reveals that 95 and 90.84 percent of sellers in case of wheat and paddy respectively pointed out that deductions in agreed prices were not there. Akali Patrika on 13/10/05 reported as “One farmer disclosed that his heap was originally sold at Rs.600/- to the Government agency but the Government agency not turned till 4 pm and hence his lot was sold at Rs.552/- and he suffered a loss. IR-8 variety of paddy was sold at Rs.50/- less than announced MSP.

Commission agents, (98.88 percent in case of wheat and 95 percent in case of Paddy) revealed that private purchasers generally do not check thoroughly the whole lot of the produce at the time of purchase but checks at their storage place and points out about inferior quality of that very produce. They also revealed that purchasers purchase at price less than the minimum support price the produce which is of inferior quality.

Procurement agencies stated that deductions of any kind were not there. They reported that generally they reject the lot, if the produce is not properly cleaned or is not as per specifications.

Private purchasers, (97.23 percent of wheat and 94.45 percent of paddy) revealed that deductions were not made but if the produce is not properly cleaned or is not of good quality, low price is fixed accordingly. They also revealed that sometimes the commission agent replaces the good quality heaps with that of poor quality. Nawan Jamana paper mentioned on 25/09/05
that rice millers are purchasing paddy on less price than MSP from the farmers and are also evading market fees with the connivance of officials of Market Committee. *Desh Sewak* reported on 28/10/05 that due to vested interest of traders and purchase agencies, paddy is being purchased at Rs. 590/-. However, Government price is being mentioned in the record and written/ consent of the farmers is taken for the acceptance of less price of paddy.

Officials (98.88 percent in case of wheat and 93.34 percent in case of paddy) reported that when one heap of the produce which is not of good quality is mixed with another heap of good quality only then deductions are made. Normally deductions on the agreed price are not made in the normal course.

Government and Mandi Board officials revealed that the policy on this count is already there but it lacks proper implementation.

The overall opinion of the stakeholders revealed that deductions on the agreed price of the consignment are not made visibly but on the contrary, many lots of produce on the pretext of poor quality are totally rejected. However, existence of invisible deductions could not be totally ruled out in the market.

8. **Satisfaction on Difference in Bid Price of Minimum of 50 Paise**

Sale and purchase through open auction is carried out through bids. Increase in 50 paisa bid rate cannot carry on healthy competition. The responses of stake holders on this count are summarized in Table 3.8.

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Producers</td>
<td>18(5.00)</td>
<td>342(95.00)</td>
</tr>
<tr>
<td>Commission agents</td>
<td>4(2.22)</td>
<td>176(97.78)</td>
</tr>
<tr>
<td>Private purchasers</td>
<td>1(2.77)</td>
<td>35(97.23)</td>
</tr>
<tr>
<td>Officials</td>
<td>1(1.11)</td>
<td>89(98.89)</td>
</tr>
<tr>
<td>Weighted average</td>
<td>3.60</td>
<td>96.40</td>
</tr>
</tbody>
</table>

Source:- *Field survey*, Note: Figures in parentheses represents percentages.
The stakeholders reported that in the sale of wheat and paddy, bid price difference was more than 50 paise existed. In more than ninety-six percent cases, majority of stakeholders revealed that they are interested to sell to Government only, although they agreed that bid price difference of 50 paise is very less. It was also revealed by all stakeholders that it is not working well due to less increase in bid price rather it should be fixed higher.

Government and Mandi Board officials revealed that this instrument is not paying well to the farmers and will be looked into. The increase of price in the bid must be sufficient.

The overall opinion of different stakeholders revealed that presently there existed no bid where difference was less than 50 paise. However, it was also observed that there is need to increase the bid price difference from 50 paise to at least Re one for the amount of the minimum of per one hundred rupees in the price bid.

9. Display of Price Information of Produce Prevailing in Other Markets

Availability of accurate, adequate and timely price information of produce in nearby market to the farmers facilitates in decision making as when and where to market the products. Biswas clearly articulated that “Information is the power, power for the persons who own it” 25. Therefore information creates competitive market process and checks the domination or profiteering by trading class. It is the lifeline of a market because agricultural prices fluctuate more widely than those of the products of other sectors. Although producer is free to sell agricultural produce anywhere within and outside the state without control of any agency. Hence based on the knowledge of prices of wheat and paddy of other markets within and outside the state, they take decision to sell their produce to get higher price. Keeping this in view, the responses of different stakeholders on availability of price information of other markets are presented in Table 3.9.

Table: 3.9
Responses on Display of Price Information of Produce Prevailing of Other Markets
(No. of responses)

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Producers</td>
<td>4(1.11)</td>
<td>356(98.89)</td>
</tr>
<tr>
<td>Commission agents</td>
<td>9(5.00)</td>
<td>171(95.00)</td>
</tr>
<tr>
<td>Private purchasers</td>
<td>2(5.55)</td>
<td>34(94.45)</td>
</tr>
<tr>
<td>Officials</td>
<td>20(22.22)</td>
<td>70(77.78)</td>
</tr>
<tr>
<td>Weighted average</td>
<td>5.25</td>
<td>94.75</td>
</tr>
</tbody>
</table>

Source: *Field survey*, Note: Figures in parentheses indicate percentages.

It is clear from Table 3.9 that majority of the producers are not getting the information on prices prevailing in and outside markets. Around 99 percent of producers stated that they knew the minimum support price only and are interested in sale of produce to Government agencies. Some literate farmers reported that they knew the prices of these crops of *mandis* of other states. Farmers preferred to sell the surplus produce of these crops in the local market due to more transportation costs and lack of surety for getting higher price at the time of actual sale in the other markets. The study of Das revealed that "farmers ordinarily do not get information about the ruling prices of the big markets. As a result, farmers have to accept whatever price is quoted and have to believe whatever traders tell them". 26 Raghubir Singh also argues that "the farmers from South India have shown considerable interest in exploring the possibility of selling the goods in the market through Internet. The number of Internet sites is now being developed to cater to requirements of Indian farmers. Some of these websites have been already launched and others are under construction." 27

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The commission agents revealed that they are interested in Government purchases due to assured price. Ninety five percent of them opined that if they had such information then they would sell their self purchased produce and not that of the farmers on account of loss of commission on that very produce.

The majority private purchasers stated that information was not available and also suggested to use information technology for price information.

The officials also reported that they had not observed prices exhibited in the office and market but price information bulletins are available on AIR and Jallandhar TV which used to be transmitted every day. As 77.78 percent of them revealed that all those farmers who knew the prices of the nearby markets had not preferred to sell outside due to higher transportation costs and lack of surety for higher price. It was also stated by them that required staff is not available to put such information in the market or in the office. Biswas has rightly pointed out in his study that “Most of the market committees are concerned only to the collecting the data and compiling in the form of reviews and reports and are not concerned much with their dissemination. Regulated markets must make it a point to streamline the market intelligence activities in such a way that semi-literate/ illiterate producer-sellers are able to feel the pulse of the market at an appropriate time”.28

Government and Mandi Board officials revealed that although this instrument is beneficial for the farmers for deciding the best time of sell their produce to get fair price but lack of this, at the level of implementing agency reduces its effectiveness.

An evaluation of the opinion of the different stake holders reveals that prevailing prices of other markets are thus not available at the place of marketing to the farmer-sellers. This instrument has not helped the farmers in

getting of fair prices for their produce although wheat and paddy price are available on All India Radio and Jallandhar T.V. There is need to devise the method of the display of prices of other markets to benefit the farmer-sellers of the area.

10. Not permitting the Sale of Produce on Dirty and Kachha Places

Marketing infrastructures such as pucca yards, bulk handling and weighing equipment are significant constituents of agricultural marketing. They serve as wheels for smooth performance of marketing functions. They enhance the realization of farmers and also minimize the costs to the consumers. Acharya and Agarwal clearly stated the need of yards as “the auction platforms are needed in each market for settlement of price of the produce in a congenial atmosphere between buyers and sellers. However, this facility (both covered and open auction platforms) exists only in two-thirds of the regulated markets.”29 The glut situation is shown in figure 3.3. It is well known fact that cleaned produce fetches higher price and on the other hand if the produce is unloaded on the road side or on kaccha space or on dirty places, it will certainly attract less number of purchasers as compared to the place when produce is unloaded on the neat and clean place. In the figure 3.4, uncleaned yard is shown. During 2005-06, total 1493 purchase centres were declared for sale and purchase of wheat and paddy in season. The District wise Principal Yards, Sub Market Yards and Purchase Centres pucca and kachha centres is being given in annexure VII.

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Figure: 3.3
No Space for New Arrivals during Season

Figure: 3.4
Produce Sold on Uncleaned Yard
Responses of various stakeholders on this count are portrayed in Table 3.10.

Table 3.10
Responses on Not Permitting the Sale of Produce on Dirty and Kachha Places

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Yes (No. of responses)</th>
<th>No (No. of responses)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Producers</td>
<td>270 (75.00)</td>
<td>90 (25.00)</td>
</tr>
<tr>
<td>Commission agents</td>
<td>146 (81.12)</td>
<td>34 (18.88)</td>
</tr>
<tr>
<td>Procurement agencies</td>
<td>31 (86.12)</td>
<td>5 (13.88)</td>
</tr>
<tr>
<td>Private purchasers</td>
<td>34 (94.45)</td>
<td>2 (5.55)</td>
</tr>
<tr>
<td>Officials</td>
<td>85 (94.45)</td>
<td>5 (5.55)</td>
</tr>
<tr>
<td>Weighted average</td>
<td>80.63</td>
<td>19.37</td>
</tr>
</tbody>
</table>

Source: Field survey, Note: Figures in parentheses indicate percentages.

Table 3.10 shows that 25 percent of the wheat and paddy was unloaded on the Kachha places due to heavy arrivals and shortage of pacca unloading sites. The produce on Kachha places gets deteriorated due to dust and dirt resulting in not getting of fair price. News appeared in Ajit and Ajj di Awaz on 06/05/05 reported that “farmers are selling due to katcha yard at Kurali as there is no proper market and hence farmers are putting their wheat in the kaccha yard i.e. in the dust”. Majority of the farmers also disclosed that they could not keep the produce for more time at farm due to non availability of storage facility and to mobilize the funds immediately for carrying out the operations connected with the sowing of the next season crops and also uncertainty of getting better price on sale at a later date.

Around 19 of commission agents revealed that there was a shortage of space during the peak season. They estimated that twenty percent produce is sold on Kachha yards. They also revealed that shortage of space is also there, due to the performance of the cleaning operations of produce at the mandi level and non-lifting of the sold produce immediately. The delay in weighment and stitching operations also adversely affect the availability of space in the mandi.

The procurement agencies reported that 13.88 percent was purchased from kachha or dirty places. The procurement agencies also stated that some
times gunny bags are not available with them. Sometimes sold produce remains unlifted due to transportation problem.

Private purchasers revealed that 5.55 percent of the produce sold from the kachha yards during season. They also disclosed that they always prefer to purchase from pacca yards only. Sometimes they faced transportation as well as labour problem in the mandi which created a glut. They suggested that bulk handling could streamline the sale and purchase.

As many as 5.55 percent Officials reported that due to heavy arrivals, producer sellers had to unload wherever they found space. They also disclosed that the capacities of the principal yards, sub-yards and purchase centers are less as compared to the heavy arrivals during the peak season and further the entire produce is not sold on the same day resulting in shortage of space. The shortage of space was reported by Rangi and Sidhu (2004), they observed that "Existing infrastructure of mandis in the state can handle only 5 to 6 lakh tons of paddy and 2.50 to 3.00 lakh tons of wheat per day."

Government and Mandi Board officials disclosed that heavy arrivals during short duration of season have adverse effect on sale and purchase. Moreover due to vested interests and political compulsions, delay in acquisitions of land for construction of pacca yard is also reported.

It can be analysed from annexures III and IV that there had been heavy arrivals of wheat and paddy during peak season which results in sale and purchase of wheat and paddy on kachha and dirty places. The opinion of different stake holders revealed that the produce kept on the dirty or kachha spaces, fetched lesser price. There is need to make cemented floors.

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IV

Status of Hypothesis for Fair Price Policy

The fair price policy has great impact on the returns of producers. The prevailing practices in case of marketing of wheat and paddy are at variance with the prescribed norms under ‘The Punjab Agricultural Produce Markets Act, 1961’ and hence constrain the fair prices to the farmers. Hence, the hypothesis “Price fixation mechanism is not fair due to the faulty system and deviates from the price fixation mechanism prescribed under ‘The Punjab Agricultural Produce Markets Act, 1961’” has been tested. This hypothesis has been splitted into the following sub-hypotheses;

(i) Modes of Transactions such as Open auction or through bilateral sale mode of transactions are not working in their true spirits.

(ii) Produce is not cleaned as per the prescription.

(iii) Specifications issued for Minimum Support Price are not practically implemented.

(iv) Facilities for grading and standardization are lacking.

(v) Secret signs or bids prevail during open auction.

(vii) Producer’s consent is not obtained for acceptance of sale price.

(vii) Deductions on agreed price of the produce do prevail.

(viii) Bid Price of minimum of 50 Paise in price fixation mechanism is not working well.

(ix) Information on prices of produce prevailing in other markets is not displayed.

(x) Majority of sale of produce is conducted on dirty or kachha places.
The hypotheses have been tested by testing ten sub hypotheses and overall results of fair price policy are presented in table-3.11.

Table-3.11
Status of Sub-Hypotheses for Fair Price

<table>
<thead>
<tr>
<th>Sub-Hypothesis</th>
<th>Data and analysis</th>
<th>Status of Sub-hypothesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Modes of Transactions such as Open auction or through bilateral sale mode of transactions are not working in their true spirits.</td>
<td>Majority of the stakeholders (89.69 percent) revealed in case of wheat and 78.49 percent in case of paddy revealed that open auction is not held. Farmers (98.89 and 90.00 percent), Commission agents (92.78 and 80.00 percent), procurement agencies (98.89 and 75.00 percent) and officials (74.45 and 60 percent) respectively in case of wheat and paddy opined that open auction does not take place. Around 3 percent of wheat is sold through bilateral transaction.</td>
<td>Open auctions are hardly in existence mainly due to (i) Maximum of the produce is sold at MSP (ii) Farmers are not aware about this mode. (iii) Heavy arrivals per day Hence the hypothesis namely, modes of transactions such as open auction or through bilateral sale mode of transactions are not working in their true spirits is validated.</td>
</tr>
<tr>
<td>(ii) Produce is not cleaned as per the prescription.</td>
<td>Majority of the stakeholders i.e. 92.83 percent in case of wheat and 87.97 percent in case of paddy revealed that cleaned produce is sold.</td>
<td>Majority of the produce is cleaned as per the prescriptions and hence the hypothesis is rejected.</td>
</tr>
</tbody>
</table>
| (iii) Specifications issued for Minimum Support Price are not practically implemented. | Majority stakeholders to the extent of 59.01 percent in case of wheat and 60.20 percent in case of paddy revealed that specifications issued for | Non operation of this aspect prevails as - Majority stakeholders are not fully aware of this. The hypothesis “specifications issued for minimum support
<table>
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<tr>
<th>(iv) Facilities for grading and standardisation are lacking.</th>
<th>Majority i.e. (90.00 percent) stakeholders revealed that equipments are not available and 94.70 percent revealed that technical manpower is also not available. Even individual stakeholder responded that facilities for grading and standardisation are inadequate in markets.</th>
<th>In most of the cases necessary equipment are not available. Further wherever equipments are available, the non-availability of technical manpower restricts their use. In this empirical background, the hypothesis namely facilities for grading and standardisation were lacking is accepted.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(v) Secret signs or bids in open auction are prevalent.</td>
<td>Majority of the stakeholders (50.16 percent in case of wheat and 65.01 percent in case of paddy) revealed that secret signs or bids prevail in open auction.</td>
<td>In case of open auction secret signs or bids are widely prevalent and hence the hypothesis, viz. secret signs or bids in open auction are prevalent is validated.</td>
</tr>
<tr>
<td>(vi) Producer’s consent is not obtained for the acceptance of sale price.</td>
<td>Majority of stakeholders up to 56.61 and 51.14 percent respectively in case of wheat and paddy opined that the produces consent is not obtained for the acceptance of sale price.</td>
<td>The empirical evidence clearly suggests that producers consent is not obtained for the acceptance of sale price and thus the hypothesis is accepted.</td>
</tr>
<tr>
<td>(vii) Deductions on agreed price of the produce do prevail.</td>
<td>All stakeholders i.e. overall 97.44 and 92.59 percent in case of wheat and paddy respectively revealed that no deductions are prevalent.</td>
<td>Deductions are generally not made hence the hypothesis is rejected.</td>
</tr>
</tbody>
</table>
(viii) Bid Price of minimum of 50 Paise in price fixation mechanism is not working well.

Around 97 percent stakeholders revealed that 50 paisa difference in the bid is very meagre amount and fair price is adversely affected due to lesser increase of bid price and is not operative. Based on the analysis of primary and secondary data the hypothesis is **validated**.

(ix) Information on prices of produce prevailing in other markets is not displayed.

All stakeholders (94.75 percent) revealed that information of prices of produce of other markets is not displayed. MSP played major role for major quantity of produce. Officials are not displaying the information. The hypothesis “Information on prices of produce prevailing in other markets is not displayed” thus gets **validated**.

(x) Majority of sale of produce is conducted on dirty or *kachha* places.

All stakeholders (80.63 percent) revealed that produce is sold on *pacca* places. Majority of wheat and paddy sold on *pacca* yards only. Hence the hypothesis is **rejected**.

From the foregoing analysis, it can be concluded that in practice majority of the provisions of the Act relating to the fair price are not implemented in their true spirit and hence, the farmers do not get fair price which suggests that the hypothesis namely, “Price fixation mechanism is not fair due to the faulty system and deviates from the price fixation mechanism prescribed under ‘The Punjab Agricultural Produce Markets Act, 1961’” is **validated**.

V

Suggestions given by the Respondents/ Stakeholders Regarding Fair Price Policy

The non receipt of fair price by the producer-farmers defeats the purpose of the enacted Act, rules, byelaws and instructions. Not only this,
prices lower than fair prices have many social and economic implications affecting the entire farming communities. The objective of this part is to solicit suitable suggestions based on survey of information from different stakeholders. The findings have been explained keeping in view the policy provisions and related practical problems which have been found during interactions with different stakeholders. Suggestions have been put forth for ensuring fair price to the producer-sellers. The earlier analysis suggests that most of the provisions of the Act, rules, by-laws and instructions related to fair price are not implemented in their true spirit. Five areas have been identified to improve the situation for getting of fair prices. These are:

I. **Effective Implementations of the existing provisions.**

II. Making of amendments in the present policy.

III. Provision for creating awareness among stakeholders.

IV. Provision regarding extension of infrastructural facilities; and

V. Proposal for addition of new provisions.

I. **Effective implementation of the existing provisions.**

The following existing provisions in the law need to be implemented in true spirit to ensure fair prices to the producer-farmers.

(a) Sale of produce be permitted only by open auction in the presence of all sellers and prospective buyers. Prospective buyers be well informed of auction time in advance. In open auction, the roster bid system be followed to avoid the malpractices and poor competition. Government must purchase through bilateral transactions to save time, overhead charges as well as to save the middlemen charges. This system will provide better returns to the farmers. Otherwise present system of sale and purchase of wheat and paddy through open auction be strictly followed.

(b) Before auction, the market officials should ensure that the produce is cleaned. If not, the produce be first got cleaned. Farm level cleaning be encouraged and priority under open auction and bilateral sale be permitted.
(c) Enforcement of grading of produce as per Fair Average Quality (FAQ) specifications or as per grade standards be strictly adhered. This practice will prove better price to the sellers compared to the costs incurred on grading and this will also facilitate early clearance of mandi lots.

(d) Commission agents/ purchasers adopting secret bids or signs at the time of auction of produce be penalized to the extent of cancellation of their licence from mandi of acting as middleman or purchaser.

(e) Procurement agencies must purchase along with the private purchasers for ensuring competitive price for that produce which is as per specifications. The procurement agencies and private purchasers must submit in writing the name of the producer sellers and the price of the individual heaps at which the produce was purchased to the market committee.

(f) The procurement agencies and private purchasers must thoroughly inspect the quality of the whole lot of the produce and then quote the price. If the quality deterioration is due to natural calamities, it must be decided by the officials of the market committee accordingly.

(g) Information of the prices of produce prevailing in other markets is not being displayed. Therefore, market intelligence centres with latest technology should be established for providing existing as well as future prices of the commodities which prevails in other important markets.

II. **Provisions which need amendments**

Some provisions require amendments as suggested below.

(a) At present, fifty paisa price difference in the bid is not of much significance due to the manifold increase in the consumer price Index. At least a difference of rupee one for the minimum of one hundred rupees in the price bid should be fixed.

(b) Signatures of producer sellers should be obtained as consent. Officials must get the signatures of the producer sellers on a proforma to ensure that their written consent is there for the agreed sale price. For this, there is need to design a consent proforma and this be made obligatory.
(c) Government must fix the variety wise standards and specifications of wheat and paddy.

III. Provisions requiring specific awareness programmes

(a) It was observed during the survey that the provisions like specifications issued for F.A.Q. for minimum Support Price fixed for wheat and paddy crops and their varieties are in English and hence, could not be read and understood by majority of the farmers and commission agents. It is suggested that all these provisions be translated in punjabi and be circulated widely among all stakeholders and specifically farmers, commission agents and officials for better understanding.

(b) Those officials who are responsible for sale and purchase must be given training regarding the latest amendments pertaining to fair prices of the crops. The producer sellers and the commission agents should be given training by organizing seasonal training camps. They must be given training to check the specifications at their own level and should also be encouraged to own necessary equipments for checking the specifications.

(c) Regular inspections by the officials must be conducted to see that the farmers and commission agents properly understand the specifications.

(d) Procurement agencies responsible for purchase should be technically sound. To ensure this, regular training programmes before the start of the Rabi and Kharif season of marketing be undertaken.

(e) Only those officials should be deputed to the mandis for purchase, who have theoretical and practical knowledge of specifications for farm products.

(f) The private purchasers must purchase as per quality of the produce and should fix the prices accordingly. Training programmes must also be organised to make them aware of the quality of the produce. They must have the necessary equipments for testing the quality of produce at the time of purchase.
IV. Provisions regarding infrastructural facilities.

Following provisions are necessary for creation of necessary infrastructural facilities for smooth marketing:

(a) Proper infrastructure to sell the cleaned produce at authorized or pacca places in all the markets should be provided. This is lacking in most markets of Punjab at present.

(b) Commission agents must be encouraged to arrange and adopt the mechanized bulk handling system for unloading, cleaning and weighment.

(c) The procurement agencies should adopt mechanized bulk handling system for unloading, cleaning and weighment at storage point and direct purchase be encouraged.

(d) Marketing intelligence facility must be provided to stakeholders so that they can easily and correctly know the price of the produce prevailing in different markets within or outside the State or even of other countries.

(d) Establishment of grading laboratory in the area for checking of graded produce and availability of moisture meters with licencees dealing with wheat and paddy be ensured.

V. New provisions required for ensuring fair prices.

Following new provisions are suggested for ensuring fair prices to the farmers of wheat and paddy.

(a) There is need to put a rider on upper limit of arrival of produce in the peak marketing season so as to clear the arrival on the same day before Sun set. This level should be fixed based on size of the market and the facilities available in the market.

(b) Preparation of sale slip of the produce is a necessary instrument and introduction of this be made compulsory. The law if need may be amended.

(c) There must be provision for having control over per day arrivals as per keeping capacity of different mandis for proper implementation of the
provisions which are linked with per day arrivals and moreover arrivals with different commission agents may also be fixed accordingly.

(d) Another suggestion which emerged during discussion with stakeholders was the introduction of system of providing incentive and punishments. In other words, the officials and licencees who follow the provisions in real sense should be given financial incentives and in contrast, those who violate the provisions need to be punished.

VI

Conclusions

Basic objective of this part of the chapter is to sum up the findings relating to fair price. For studying whether producer-farmers are really getting fair prices of produce, following 10 aspects are indentified such as modes of Transactions: Open auction or through bilateral sale, auction of cleaned produce, adoption of specifications issued for Minimum Support Price, adoption of facilities for grading and standardization, use of secret signs or secret bids in open auction, obtaining of producer seller’s consent to fix sale price, not permitting deductions of any kind on agreed price of the produce, satisfaction on difference of 50 paisa bid price in open auction, display of information on prices of produce prevailing in other markets and not permitting the sale of produce at dirty or kachha places.

Information in the form of opinion was obtained from five groups of stake holders viz. Producers i.e. farmers, commission agents, procurement agency, private purchasers and officials of the market committees. The Government and Mandi Board officials/ authorities were also interviewed. Research studies and news items appeared in different news papers were also used to supplement the analysis based on primary data.

It is true that identified provisions if applied in letter and spirit, may act as boon for the sellers but unfortunately their implementation is lacking in true sense. It is evident from the record that the major share of wheat and paddy was procured by the Government during the year under reference. Therefore, it can be inferred that major quantity of wheat and paddy was purchased on
minimum support price and open auction was not conducted. A clear cut indication is there that the producer sellers did not get a fair price and even there was a feeling that minimum support price is not a fair price for them mainly due to steep hike in agricultural inputs. Although, the provisions of the policy make it mandatory that the sales and purchases should be through open auction only, but it is not so in practice. There is also evidence that only a small quantity of the produce was purchased directly by the flour millers. So far as the private purchase is concerned it was not conducted along with the Government purchase, the private purchasers purchased some heaps as per their convenience i.e. mostly after the Government purchase. It was also experienced that there were invisible bids in collusion between private purchasers. The evidence of auction of un-cleaned heaps was also found but not for majority of produce. Specifications issued for minimum support price were also not adopted in true sense due to the lack of awareness among farmers and also due to the non availability of the scientific instruments with the purchasers and with the enforcing agency. The majority of the commission agents did not put slates/phattis on the heaps for facilitating the purchasers to purchase the graded produce. Only two percent facilities were being provided by the market committees for grading the products and thus mainly grade of the produce was done on the basis of physical properties and visual basis only. The data regarding deductions is only in the case of private purchasers. No case was found indicating the requirement of consent of the producers due to Government purchase and no case found which indicated that even a single bid was at fifty paise. Moreover bid rate of fifty paise is also insufficient and rejected by majority of stakeholders. Majority purchases made by the private purchasers were Rs.1/- higher than the Minimum Support Price. The prices of the commodities were also not being exhibited as prescribed. Even one fifth of total arrivals were seen to be purchased from the dirty or Kachha spaces.

The opinion survey revealed that most of the provisions necessary for getting of fair prices are not adopted in true spirit and hence farmers do not get fair prices for the produce marketed by them. All stakeholders further opined that if these parameters are enforced properly and strictly, farmers can
get the expected returns from produce in terms of fair prices.

For ensuring fair price, suggestions have been made and put under the five heads such as effective implementations of the existing provisions, making of amendments in the present policy, provision for creating awareness among stakeholders, provision regarding extension of infrastructural facilities and proposal for addition of new provisions. The effective implementations of the existing provisions such as open auction of produce along with consent of farmers must be ensured. Secret bids and signs at the time of auction be strictly regulated and mitigated. The present policy be amended by incorporating the grading standards wheat and paddy and also increase of Rupee one for every Rupees one hundred be incorporated instead of fifty paisa bid price. The written consent of farmers fixing final price should be made mandatory. Keeping in view the widespread ignorance about various aspects among stakeholders, it is recommended that a sustained awareness campaign programme be launched to enhance the knowledge of the stakeholders. Provision regarding extension of infrastructural facilities such as pacca yards, bulk handling and information for prices of produces be provided which would help in getting fair price to the farmers. New provision in regard to arrivals in mandis as per availability of space and as per handling capacity of stakeholders be made. It is also proposed to provide incentives for those who abide the law.