CHAPTER V
TRADE ALLOWANCE POLICY

I  Rationale for Trade Allowance.

II Policy of the Punjab Government regarding Regularisation of Trade Allowance.

III Analysis of the implementation aspects of Trade Allowance.

IV Status of Hypotheses

V Suggestions given by the respondents on Realisation of Trade Allowance.

VI Overall conclusions regarding Trade Allowance policy.
Agricultural Marketing Regulation Policy: Trade Allowance

Trade allowances are the allowances, which are paid for performing different activities or operations during the sale and purchase of the agricultural produce. A number of operations are carried out in the market for effective performance of sale of the produce brought by the farmer-sellers produce. Trade allowance, under the Punjab Market Regulation Act\(^1\) is explained as “An allowance having the sanction of custom in the notified market area concerned and market charges payable to various functionaries.” The trade allowance needs a close look from different angles because deductions from the producer-sellers out of the sale proceeds are not practiced in their true spirit as number of malpractices exist. These situations reveal that deductions on account of trade allowances from the farmers are not as per Act, Rules and Byelaws and thus this needs to be examined in the present.

Basically, two types of operations take place in the markets for effective sale and purchase of agricultural produce. First part covers operations carried out before the auction of the produce; this includes unloading of the produce in the market and cleaning it. The second one covers operations after auction of produce viz. bagging, weighment, stitching and lifting of that very produce from the market. As such two types of expenditures are involved viz., expenditure prior to auction which are termed as incidental charges and expenditure on operations after auction of the produce and are termed as market charges of produce. The incidental charges are borne by the producers and market charges are borne by the buyers of the produce. The charges to be incurred prior to marketing are payable by the seller in lieu of the services received by them for handling of agricultural produce prior to the finalisation of the bid at the auction platform. However, cleaning and sieving operations are to be done to the satisfaction of the parties or Secretary, Market committee or any official authorized by him before the auction of the produce. All these operations are carried in the mandi looked after by palledars except weighment. The palledar as per Act

means “A person who assists in loading, unloading, weighing, measuring, cleaning and dressing of agricultural produce.”

Palledars are the labourers who are actually the hub of the marketing system. Commission Agent or *Katcha Arthiya* is required to maintain a register in a prescribed form to record charges paid to the labour engaged for the services performed by them. *Kacha Arthiya* does not usually make the payments of the value of the produce to the seller immediately after sale. Before making payments to the farmers, he deducts labour charges paid by him to the labour. If the seller does the unloading or cleaning operations himself or through his own men, no such charges are levied from the producer-seller. No other charges except the prescribed trade allowances can be deducted as provided under Rules and Byelaws.

Issues relating to trade allowances have been discussed in this chapter. The chapter has been divided into six parts. The first part deals with the rationale for the trade allowances. In the second part, policy of the Punjab Government relating to the trade allowance has been discussed. The third part contains discussions regarding implementation of trade allowance and views of different groups of stakeholders. The fourth part of the chapter contains status of hypotheses. In fifth part, suggestions of the stake holders for improving the effectiveness of the trade allowance policy. In last part, overall conclusions have been documented.

I

Rationale for Trade Allowance

Trade allowances existed since times immemorial. Royal Commission on Agriculture in 1928 reported that “The market practices should be regulated”. However written records are not available for the number of allowances to be paid by the sellers and also the rates. Farmers used to pay for the operations, which were performed in the market by the concerned functionaries under terms of mutual understanding. In the process, the traders sometimes used to deduct certain unauthorized charges from the sellers due to non-regulation of the expenditures for various operations by any authority.

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2 Ibid, p.52.
They also used to levy charges even for those operations, which were not related with the sale of the produce. It is in this background that Randhawa in his keynote address argued that “the prevailing malpractices prior to the enactment of the Act, namely, excessive market charges have now been mostly eliminated. Despite these developments, remnants of some old malpractices continue and some new malpractices have entered in the market arena.”

The levy of such charges is unhealthy sign for the regulation of the trade, which needed a close look to improve upon the required marketing practices and fixing such charges at reasonable rate to provide natural justice. The prevalence of unfair trade practices in the market is creating problems to the sellers, labourers and moreover to the purchasers even today after the implementation of the Act for regulation of marketing of agricultural produce in the State. Acharya and Agarwal stated regarding existence of multiplicity of market charges in the process of sale of agricultural produce, they pointed that “The cost of marketing of produce on Rs. 100 worth produce continues to be very high for agricultural produce compared to that of the products of other sectors. Number of market charges viz. commission, brokerage, weighment, hamali, karda (impurity charge), dhalta (excessive moisture charge), muddat (charge for making cash payment), darmada (charity for goshala, pigeons, waterhut) etc. are realized by the market functionaries from paid by the farmers. Some of these charges had no relevance with the marketing of produce by the farmers. The rates of many charges are very high. Further, same state has imposed several types of cesses/taxes. As a result, the marketing cost of produce is high which adversely affect the take home realization of the farmers.”

Hence serious thought is needed to look on the existence of the trade allowances and their prevailing rate so that sellers are not exploited on the one hand and labour is rewarded as per the service rendered by him on the other. As per law, trade allowances should only be made and received within the market area in connection with ready/spot transactions.

Government identified some operations, which are necessary under the policy and had also fixed the charges for them so that no one can realise,

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over and above the fixed charges and also the charge for operations which 
are not connected with the sale and purchase of the agricultural produce. So 
far fixing of charges are concerned, Government has constituted a standing 
committee under the chairmanship of Secretary of Mandi board with 
representatives of labour’s and farmer’s unions and representatives of labour 
and food and supplies department of Punjab. This Committee fixes the rates 
of different operations as per standard units and also make amendments as 
per the increase in the consumer price index before start of Rabi (Wheat) and 
Kharif (Paddy) seasons every year. The stakeholders related with the trade 
allowance policy are the farmers, commission agents, palledars, procurement 
agencies, private purchasers, officials of Market committees, Mandi board and 
Government.

II
Policy of the Punjab Government Regarding Realisation of Trade 
Allowances

One of the important objectives of agricultural price policy is to ensure 
that only legalised trade allowances are realised from the farmers on the sale 
of produce. Hence, in this part of the Chapter, the provisions of the policy 
framed by the Government on realisation of trade allowances from the sellers 
have been discussed.

The provisions of the Act, its rules, bye-laws and instructions in 
consonance with the Act on trade allowances aspect related to farmer-sellers 
are presented below.

(i) “No trade allowance, other than an allowance by rules or bye-laws 
made under this Act, shall be made or received in a notified market 
area by any person in any transaction in respect of the agricultural 
produce concerned and no Civil Court shall, in any suit or proceeding 
arising out of any such transaction, recognize any trade allowance not 
so permitted.”

(ii) “The charge of unloading is meant for payment to the labour engaged 
for the purpose of un-loading from the vehicles. This charge is to be

borne by the seller. If the seller does it himself or through his own men, no such charge shall be levied."7

(iii) "Cleaning and sieving shall be done to the satisfaction of parties or Secretary, Market Committee or any official authorized by him even if more than two sieving operations have to be resorted to."6

(iv) "No allowance or deduction subject to the Act or the Rules or charges of any kind and in any form not permitted by these bye-laws shall be charged, claimed or allowed in connection with any transaction of sale or purchase or storage or processing of agricultural produce or any act incidental to these. Any custom prevails in the notified market area can be prescribed."6

(v) "Delivery of agricultural produce after sale shall not be made or taken unless or and until the kacha arhtiya or, if the seller does not employ a kacha arhtiya, the buyer has given to the seller a Sale Voucher in Form J, the counter foil of which shall be retained by the kacha arhtiya or the buyer, as the case may be."10

(vi) "Display boards should be provided in the market to provide labour charges to be applicable."11

The following major aspects have been identified as provided by the Government under its policy with a view to assess the actual enforcement of practice of trade allowances:

1. Knowledge of the trade allowances to be deducted.
2. Deductions of Unloading charges irrespective whether done or not.
3. Deductions of Sieving charges irrespective whether done or not.
4. Prevalence of Customs and unauthorized deductions in the markets.
5. Issue of “J” form to farmers.
6. Existence of facility of display boards in the markets

7 ibid, p.154.
8 ibid, p. 155.
9 ibid.
10 ibid, p. 71.
III

Implementation of Different Aspects of Trade Allowances Policy in the Marketing of Wheat and Paddy

In the previous sections, the objectives of the law regarding trade allowance and instruments for ensuring trade allowance have been described. The purpose of this part of the chapter is to analyse and to critically examine, up to what extent the provisions regarding trade allowances are being executed in actual practice. The analysis has been carried out on the basis of views and responses of the respondents viz. of producer sellers, commission agents, palledars, procurement agencies, private purchasers, officials, supervisory and policy making authorities. The published news and various research studies as secondary data have also been analysed.

1. Knowledge of Trade Allowances to be deducted

The producer sellers and other concerned market functionaries are supposed to know the different trade allowances as per the Act. The incidental charges are borne by the producer-sellers and are described as "Charges payable by the seller in lieu of the services rendered in connection with the handling of agricultural produce prior to the finalization of the bid at the auction, such as unloading and cleaning charges."\(^{12}\) The ignorance of these, negatively affects the return from sale of the produce of the farmers. However, due to vested interests of various stake-holders (except farmers) an unauthorised trade allowance also exists in the markets. The responses of various stake holders about the knowledge of trade allowance are depicted in Table 5.1.

Table 5.1

Responses on Knowledge of Trade Allowances to be deducted
(No. of responses)

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Producers</td>
<td>72 (20.00)</td>
<td>288 (80.00)</td>
</tr>
<tr>
<td>Commission Agents</td>
<td>171 (95.00)</td>
<td>9 (5.00)</td>
</tr>
<tr>
<td>Palledars</td>
<td>63 (35.00)</td>
<td>117 (65.00)</td>
</tr>
<tr>
<td>Officials</td>
<td>86 (95.56)</td>
<td>4 (4.44)</td>
</tr>
<tr>
<td>Weighted average</td>
<td>48.39</td>
<td>51.61</td>
</tr>
</tbody>
</table>

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

Table 5.1 shows that 80 percent of producers do not know the number of trade allowances to be paid on sale of wheat and paddy. Farmers are solely dependent for sale of wheat and paddy on the commission agents and majority of them are illiterate too. Lack of awareness at the level of farmers about trade allowances have also been reported in many studies. Farmers to the extent of 80 percent also disclosed that official checks are also not there about the amount of deduction made on account of different trade allowances. The commission agents make deductions as per their practice and farmers accept them and do not argue with the commission agents on this. Sukh Sanjan et al stated that “More than 70 percent farmer’s knowledge about rates of incidental charges is inadequate.”

Dhillon and others also reported that “vast majority of wheat sellers are illiterate, as a result they are usually unaware about the prescribed charges such as unloading and sieving and also pointed out that “It was quite discouraging to note that 44 per cent of paddy sellers were illiterate.” Even Chahal and Rangi observed that “More than 46 percent of the selected paddy growers do not have proper knowledge about the existence of prescribed incidental charges under the Market Act.”. Thus, from these studies, it is quite clear that lack of awareness regarding

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mandi charges is there and this has affected adversely the interests of the farmers.

Commission agents to the extent of 5 percent disclosed that since their representative (munim) does the needful especially in the purchase centres. Therefore, munim sometimes do not know the various trade allowances to be deducted from the sellers. They also disclosed that sometimes due to heavy arrivals, they cannot attend every purchase centre at the time of purchase hence their local representative such as labourers do not know the prescribed allowances although deduct prescribed allowances only.

Palledars (65 percent of them) revealed that they did not know the exact nature of trade allowances and rates of the same. They are concerned with the labour charges of the heap and not for the different operations and their rates. It was also revealed by the palledars that they are mostly from the adjoining states and some of them also said that the Commission agents had engaged them on contract, for at least one season or so. In addition to contract amount, they are also provided facilities like free food, accommodation etc. by the commission agents and hence are not interested in knowing the rates of different trade allowances. Gill and others in their study revealed that “The majority of the labourers were not aware about the prescribed charges so they accepted whatsoever was paid by the commission agents. Only 26 percent of the labours get the market charges as prescribed by the Mandi Board. A vast majority of them (about 74 percent) received less than the prescribed rates. This results in the exploitation of the mandi labour by the commission agents. They collect the charges from the sellers and buyers as prescribed by the Mandi Board and pay less to the labour.” They also pointed out that “This is due to the fact that most of the labourers were illiterate and the concerned market committees did not make effective efforts to educate the labourers about their remuneration for various market functions.”

As against this, 95.56 percent officials of the market committee stated

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that they knew the prescribed trade allowances applicable on producer sellers. They also disclosed that heavy arrivals are also one of the reasons for non implementation of these charges therefore even clerks of market committee are deputed in the purchase centres who may not know the prescribed trade allowances.

Officials of Mandi Board and Government revealed that the knowledge of the different trade allowances is lacking at the level of different stakeholders and as these affect adversely the producer-sellers.

Overall perusal of the responses of the different stakeholders revealed that 51.61 percent of them lack the knowledge regarding the trade allowances. Majority of the respondents who lack knowledge about the trade allowances are the farmers and palledars/labour who bear the burden of trade allowance. Most of the respondents belonging to these categories are illiterate and are dependent on commission agents. The implementation of policy instrument as prescribed is in the interest of farmers and hence needs awareness and strict enforcement for better returns from sale of wheat and paddy.

2. Deductions of Unloading Charges irrespective whether done or not

Unloading charge is one of the charges, which is to be borne by the farmer as provided under the policy. But, if they do this operation themselves then, no charges are to be deducted. Figure 5.1 depicts the cleaning of produce without unloading. Sometimes due to the vested interests of the market middlemen, deductions are being made on this count regardless of the use of this service or not. Prescribed labour rates for wheat and paddy have been shown in Annexure VIII and IX.
Keeping this in view, the responses of the different stakeholders on this aspect were obtained and results are presented in Table 5.2.

Table: 5.2
Responses on Deductions of Unloading Charges Irrespective Whether done or not
(No. of responses)

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Producers</td>
<td>350(97.23)</td>
<td>10(2.77)</td>
</tr>
<tr>
<td>Commission Agents</td>
<td>162(90.00)</td>
<td>18(10.00)</td>
</tr>
<tr>
<td>Palledars</td>
<td>160(88.89)</td>
<td>20(11.11)</td>
</tr>
<tr>
<td>Officials</td>
<td>86(95.56)</td>
<td>4(4.44)</td>
</tr>
<tr>
<td>Weighted average</td>
<td>93.59</td>
<td>6.41</td>
</tr>
</tbody>
</table>

Source: Field survey, Note: Figures in parentheses represents percentages.
Table 5.2 shows that 97.23 percent producers disclosed that they do not know the amount of charges deducted for this operation from the sale proceeds of their produce. Some farmers also revealed that many times they unload the produce themselves or through their representatives or with the help of the hydraulic system. Sometimes, they even do not unload due to the direct attachment of power cleaner for cleaning of produce with the trolley even then the unloading charges is deducted. It was also revealed that the rate for this charge is not negotiable but deductions are made as per their convenience. On this aspect, Dhillon and others revealed that “only 46 per cent of the total farmers knew about the unloading charges payable by the farmers in the mandis.”

Around 90 percent commission agents revealed that they get the produce unloaded through the labour only and the deductions of unloading charge is made at the prescribed rate. They also revealed that they write the deductions in the heap register which is prescribed under the rules and disburse the payment to the head labourer and obtain his signatures also on the register but also revealed that deductions are made for every heap.

It was revealed by 88.89 percent palledars that they are attached with the particular commission agent. They conduct all operations of particular heap including unloading of the produce and get the payment. It was also revealed that they get the total payment in one go and hence do not know the rate of the unloading separately. Some times they are unable to unload 100% of the produce due to multifarious operations like cleaning, weighment, stitching of bags and loading of the produce in the vehicles from the markets. Unloading of produce is also done directly from trolley and due to the attachment of hydraulic system.

Around 95.56 percent officials revealed that farmers generally do not always unload the produce themselves and hence the labour charges are taken from them for this operation. They also revealed that during the season, farmers or their representatives also carry out the unloading. Verification of the charges and their rate from every farmer is not possible due to heavy per day arrivals of produce and carrying of other activities connected with the sale.

and purchase. They also revealed that they sometimes do not know these exactly because the applicable rates of trade allowance changes every season i.e. Rabi and Kharif and sometimes clerks and lower staff look after the particular purchase centre.

Officials of Board and Government revealed that sellers have a choice to either unload themselves or can get their produce unloaded through the labour of commission agent on payment of fixed charges. Sometimes complaints of labour are there that, they are not getting payments of work done by them at the prescribed rate.

A perusal of the versions of the different stakeholders revealed that authorised deductions for unloading exists up to 93.59 percent. Palledars and sellers to the extent of 88.89 percent and 97.23 percent respectively disclosed that unauthorised charges exists and requires special look. This is not taking place in the true spirit of the policy and causing loss to the farmers.

3. **Deduction of Sieving Charges Irrespective whether done or not.**

Cleaning is a very important function for obtaining of the fair price of the produce. Every lot of produce does not require equal cleaning operations. The need for manual and mechanized cleaning is different in different lots of produce and hence deductions are to be made accordingly. Keeping this in view, the responses of the stakeholders have been obtained and results are presented in table No. 5.3.

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Producers</td>
<td>343(95.28)</td>
<td>17(4.72)</td>
</tr>
<tr>
<td>Commission Agents</td>
<td>153(85.00)</td>
<td>27(15.00)</td>
</tr>
<tr>
<td>Palledars</td>
<td>120(66.67)</td>
<td>60(33.33)</td>
</tr>
<tr>
<td>Officials</td>
<td>73(81.12)</td>
<td>17(18.88)</td>
</tr>
</tbody>
</table>

Weighted average 86.18 13.82

Source: Field survey, Note: Figures in parentheses represents percentages.
Table 5.3 shows that majority of the producers (95.28 percent) revealed that they do not know that deductions on account of sieving are made at the prescribed rate. Most of the farmers disclosed that charges for sieving operation are deducted irrespective of the fact whether it is done or not. Even in some cases for sieving operation, the grains up to 2 to 5kg per heap of 50 quintals is also taken away by the labour without payment with or without the consent of the farmer sellers. Dhillon and others in their study stated that “32 per cent of the farmers of Punjab brought cleaned produce to its market before selling” and they also reported that “48 per cent of the farmers were aware of prescribed charges pertaining to cleaning payable by them. Thus, it is quite clear that unawareness regarding mandi charges affected the marketing efficiency.” Poor cleaning facilities were also reported in many market yards. In some of the purchase centres, produce is not cleaned at all and filled as such in the bags but the incidental charges for performing of two sieves operation are deducted. Farmers also do not object to it as they know that the dirt and dust mixed in the produce has also been sold at the paddy rates.

Around 85 percent of the commission agents revealed that cleaning is done and charges are deducted at the prescribed rate. Cleaning and sieving is more necessary for the lots where rather manual harvesting and the threshing of the produce are done. Cleaning charges are deducted as a routine and even operation of cleaning is not done. Dhillon and others in their study pointed out that “financial exploitation of Punjab farmers through malpractices in marketing of paddy crop during 1997-98 has been regarding excess in cleaning as Rs 3337 lakh”.

Around 66.67 percent palledars revealed that they used to do the cleaning operation as per requirement of the produce or as per the directions of the Commission agents. Usually they get the payments of total operations as per their services. They also revealed that they did not know the actual amount of charges and moreover they are not bound with commission agent permanently.

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18 B.S Dhillon, P S Rangi and Jagdeep Gill (2002), op. cit. pp. 29, 40.
Majority of the produce heaps requires cleaning, was revealed by 81.12 percent of officials however some heaps do not require cleaning. Wheat harvested by using combine (mechanical) harvesting did not always require cleaning operations. Sometimes even double cleaning operations are done in manual harvested and locally threshed wheat. It is also revealed that the charges for sieving are not negotiable. Sometimes deductions at fixed rates are made without sieving due to heavy arrivals of produce in the peak marketing season. Tejinderpal in his study stated that “as much as 34.37% of wheat market officials and 32.35% of paddy market officials reported that power blowers were inadequate in markets which resulted in diminishing operational marketing efficiency. He also highlighted that 37.50% for wheat and 44.39% for paddy, market officials were not aware of the quality standards of wheat and paddy which created further problems in the market operations of these crops.”

Officials of Mandi Board and Government revealed that the fixation of the rate for cleaning operation is useful for the farmers but due to the ignorance of farmers and labour, the commission agents take the advantage of it. Cleaning of the produce at farm level is more advantageous as waste material obtained on cleaning can be utilized for feeding to animals. If cleaning is done in the mandi, the waste is to be thrown in the mandi which causes pollution problems too. They also revealed that labour sometimes complain regarding nonpayment by commission agents to them as per fixed rate after the season.

Majority of stakeholders i.e. more than 86 percent revealed that sieving/cleaning charges are realised whether done or not and amount is also realised even without providing the facility of sieving. Among the different categories of stakeholders, farmers are the most sufferers due to this malpractice. Thus, there is need to take stringent action this policy instrument on those not adhering but farm level is more advantageous.

4. Prevalence of Customs and Unauthorized Deductions in the Markets

The prevalence of customs and unauthorized deductions whether made from the sale proceeds from farmers/sellers was also examined. The fair price cannot be got by the farmers to the extent of existence of these unauthorized deductions. As per the Act, the traders and commission agents are not permitted to recover any charge from the sale proceeds if it is not as per the Act, Rules and Byelaws. The malpractices in the markets lead to market imperfections and inefficiencies in the system are one of the important factors which affect the market efficiency. The market will be more efficient if the malpractices are not there. However evidences are there that unauthorised deductions from producer-sellers are there in the market. The wastage after cleaning the produce includes grains which is also loss to the farmer. Normally, farmers does not take back it(shown in figure 5.2). The responses of the stakeholders are summarized in the table No. 4.5.

Figure: 5.2

Wastage of Produce with Grains
Table 5.4

Responses on Prevalence of Customs and Unauthorized deductions in the Markets
(No. of responses)

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Producers</td>
<td>252(70.00)</td>
<td>108(30.00)</td>
</tr>
<tr>
<td>Commission Agents</td>
<td>18(10.00)</td>
<td>162(90.00)</td>
</tr>
<tr>
<td>Procurement Agencies</td>
<td>5(13.88)</td>
<td>31(86.12)</td>
</tr>
<tr>
<td>Private Purchasers</td>
<td>4(11.11)</td>
<td>32(88.89)</td>
</tr>
<tr>
<td>Officials</td>
<td>11(12.22)</td>
<td>79(87.78)</td>
</tr>
<tr>
<td>Weighted average</td>
<td>41.39</td>
<td>58.61</td>
</tr>
</tbody>
</table>

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

Table 5.5 shows that only producer respondents to the extent of 70 percent revealed that customs are not being deducted but unauthorized deductions are deducted from the sale value of produce. Prasad in his study observed that “The marginal, small and medium farmers are however, still unaware of the aims of the regulated market complex.”

Dhillon and others have also reported regarding malpractices of officials that “procurement staff of various public agencies and the marketing staff took illegal payments from the farmers ranging from Re 1 to Rs. 1.25 per bag of wheat. Apart from these, large numbers of malpractices were also observed.” They also pointed out regarding malpractices in markets that “Though the State has achieved a breakthrough in technology yet malpractices involved in marketing system of wheat affect the market efficiency. While selling the produce, some losses occur if certain market functions are not performed efficiently. The malpractices in the markets are one of the important factors which affect the marketing efficiency. The various malpractices in the market system though reduced, yet farmers need to be safeguarded. The markets will be more efficient, if the malpractices are eliminated/removed altogether.”

So far as the financial exploitation were concerned they stated that “Financial exploitation of Punjab farmers through malpractices in marketing of paddy crop for the year 1997-98 of 100 lakh tones worked out to be Rs 1200 lakh as Illegal

The farmers also revealed that some illegal deductions are prevalent as they want to have good returns from their produce. Randhawa pointed out regarding elimination of malpractices that "causes of malpractices in the traditional marketing sequence which still mostly continue i.e. unloading, cleaning, auctioning, filling in bags, weighing and stitching, should be vigorously investigated." Farmers also revealed that sometimes commission on sale and purchase is charged from them.

Majority of officials, commission agents, procurement agencies as well as private purchasers disclosed that deductions of no such allowances are prevalent. Roul stated that "The nexus built between the farmers, commission agents, the staff of market committees and procurement agencies is too strong. It is alleged that a rough (at Rs. 2 per bag of wheat and paddy and Rs. 4 per bag of rice) estimate of Rs. 75 crore of black money is generated per annum in the system for passing non-Fair Average Quality (FAQ) as FAQ variety and also for short weighed and unclean produce. Dhillon and others have also pointed that "glut situation in mandis creates all types of congestion, deduction of higher incidental charges and illegal payment to the procurement agencies and the marketing staff. So far as the financial loss is concerned it was revealed in the study that “financial exploitation of Punjab farmers through malpractices in marketing of paddy crop during 1997-98 regarding excess in cleaning as Rs 1200 lakh".

The news items on this aspect reported in Ajj di Awaj dated 11/04/05 that "Deputy Commissioner instructed the commission agents for not to deduct any extra money from the sale value of wheat on the plea of wet or unclean produce". The Tribune dated 01/06/05 reported that "Arhtiyas had also been harassing the farmers during the time of auction of their produce by taking commission from the farmers and from the purchasers. Jag Bani on 13/10/05 reported that "some agencies are also purchasing direct from the farm houses, who gave bribe and then no one looks into moisture and grain quality otherwise agencies make excuses regarding excess moisture."

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21 B.S Dhillon, PS Rangi and Jagdeep Gill (2002) op. cit., pp. 24, 42, 44.
24 B.S Dhillon, P S Rangi and Jagdeep Gill(2002), op. cit. p.43
shortage of *bardana* (Bags) for non purchase."

The officials of Mandi Board and Government also revealed that a customs deduction is not prevailing but unauthorized deductions are there. Hence, there is need for strict enforcement of this provision to check the temptation of commission agents to benefit the farmers selling produce under the force of traders.

All the respondents revealed that customs are not there in the market for which charges are deducted from the sale value but unauthorised deductions prevailed as was reported by more than 40 percent respondents. There is need to correct this by forceful implementation of the provisions of the Act, Rules and Byelaws.

5. **Issue of “J” Form to Farmers**

This is a document which shows the details of sale of the agriculture produce. This document for the producer sellers is of much importance because it shows total quantity of the sold produce, its price deductions made and the net amount paid to the farmers for the sale of their produce. *Kacha Arhtiya* is to make the payments to the seller as per “J” form immediately after the weighment of produce. The format of the “J” form is given as under:

**FORM J**

**Sale Voucher for the seller (Counterfoil)**

Book No. ----------- Serial No---------- Name of Market-----------

Date of Auction---------Name of *Kacha Arhtiya*---------

Address of seller----------Name of Seller-------------------

<table>
<thead>
<tr>
<th>Name of Commodity</th>
<th>Name of the buyer</th>
<th>Weight</th>
<th>Rate</th>
<th>Total</th>
<th>Incidental Charges</th>
<th>Net Amount payable</th>
<th>Net Amount paid</th>
<th>Balance if any</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>.</td>
<td>Rs.</td>
<td>Rs.</td>
<td>Rs.</td>
<td>Rs.</td>
<td>Rs.</td>
<td></td>
</tr>
</tbody>
</table>

His agent or representative                Signature of *Kacha Arhtiya*

The responses of the stakeholders on issue of form “J” by the kacha Arhtiyal Commission agent to the farmers is presented in Table 5.5.

Table 5.5
Responses on Issue of “J” Forms to Farmers
(No. of responses)

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Producers</td>
<td>44(12.22)</td>
<td>316(87.78)</td>
</tr>
<tr>
<td>Commission agent</td>
<td>117(65.00)</td>
<td>63(35.00)</td>
</tr>
<tr>
<td>Officials</td>
<td>45(50.00)</td>
<td>45(50.00)</td>
</tr>
<tr>
<td>Weighted average</td>
<td>32.69</td>
<td>67.31</td>
</tr>
</tbody>
</table>

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

Table 5.4 shows that majority of the producers (87.78 percent) revealed that they are not given “J” form as per the provisions of the Act. Instead of this, a Kacchi Parchi is given in lieu thereof. They also revealed that they did not check the entries in “J” form when received regarding deductions of unloading and cleaning operations charges due to their illiteracy and faith in kacha arhtiya. They also told that the provision of payment of full value of produce immediately after weighment is not adhered to and instead they are paid part payment of value of the produce. Dhillon and others reported in their study regarding issue of “J” forms to the farmers that 90 percent of the sample farmers reported that “J” form was not issued at the time of the sale in all the selected markets of study.”25 Reports of media on non issue of “J” form published in Ajj Di Awaj on 24/05/05 reported that arhtiya cheated the farmers and got lakhs of rupees without looking into the proper record.

As against this, 65 percent commission agents revealed that they issue “J” form but in certain unavoidable circumstances such as, when the weighment operation are carried out late in the night (even up to 2° clock) or

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when farmers are not available, there occurs delay in issue of “J” form. As some advance payments made by them to the farmers is also to be adjusted, in that case “J” form is not issued immediately but a Kacchi Parchi is issued. They also revealed that sometimes the farmers themselves are not interested in getting of “J” form. On this issue, Dhillon, Rangi and Gill in their study reported that ninety percent of the selected farmers are not given the “J” form, at the time of sale of their produce by the commission agents. Tejinderpal in his study pointed out that “30% of wheat farmers and 36.36% of paddy farmers were not issued the form “J” by the Katcha Arhtias. In this way both the farmers and the Government are cheated.” It was also observed by Chahal and Rangi that “nearly 40 percent selected sellers in Amritsar market and 44 percent selected sellers in Jalandhar market were not issued Form “J”. This calls for the proper enforcement of the Market Act and education of the farmers regarding the importance of getting sale slip or “J” form on the prescribed form. This will ensure fair deal to the paddy seller because the Katcha Arhtias will not be able to deduct illegal charges from them on the sale of their produce.

Half of the officials revealed that the “J” form is not issued as per the provision. They also revealed that farmers do not remain present in the mandi at the time of weighment operation during odd hours and hence do not get the “J” form.

Officials of Board and Government revealed that the documentary proof for sale of produce by the farmer is only “J” form. For payment of bonus on sale of produce, this “J” form is the only document treated as a proof. The selfish motive of the commission agents for not issuing “J” forms, the ignorance of farmers and non-enforcement by concerned officials are the major factors responsible for non issuing of “J” form. News in Navan Jamana on dated 26/09/05 revealed that rice millers and commission agents are trading paddy in black marketing with the connivance of the officials of the market committee and are using fake numbered bill books.

A perusal of the responses of the stakeholders revealed that the “J”

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27 B.S Dhillon, PS Rangi and Jagdeep Gill (2002), op. cit., p.42.
form is not issued to the farmers as per policy. The real beneficiaries due to non issuing of this instrument are the commission agents. More than 87 percent farmers said that this is not being issued. As such, this instrument has not helped the farmers as regards to the payment of fair trade allowances.

6. Existence of Facility of Display boards

There exists a provision under the law that all the market committees should install sign boards in the markets on which details of the different charges and their rates should be displayed so that every functionary in the trade is aware of these and only the authorised realisation are made. This facility is suppose to be in existence in 1493 markets operated during wheat and paddy season in 2005-2006. Responses of different stake-holders on this are presented in table 5.6.

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Producers</td>
<td>40(10.00)</td>
<td>320(90.00)</td>
</tr>
<tr>
<td>Commission Agents</td>
<td>27(15.00)</td>
<td>153(85.00)</td>
</tr>
<tr>
<td>Palledars</td>
<td>9(5.00)</td>
<td>171(95.00)</td>
</tr>
<tr>
<td>Officials</td>
<td>40(44.44)</td>
<td>50(55.56)</td>
</tr>
<tr>
<td>Weighted average</td>
<td>13.82</td>
<td>86.18</td>
</tr>
</tbody>
</table>

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

Table 5.6 shows that 90 percent producer, 85 percent commission agents and 95 percent *palledars* revealed that the display boards are not there in the *mandi* for displaying market charges.

More than 50 percent of officials revealed that display boards were installed but latest rates of charges for different operations have been not written, due to the carelessness of the *mandi* staff. There is no selfish motive for not doing this.

The authorities and officials of Board and Government also revealed
that it is in the interest of all stakeholders to put the signboards so that no one is cheated. They also expressed that Market committees should put these signboards at a place where sale and purchase of agricultural produce takes place.

A perusal of the opinion of the stake holders revealed that the facility of displayboards was poorly available and where ever available, information on them is not latest. As such this instrument has not helped the farmers in payment of fair trade allowances on the sale of their produce.

IV

Status of Hypothesis for Trade Allowance Policy

The prevalence of unauthorized trade allowances constraint the effectiveness of the market regulation policy governing the sale of wheat and paddy in the Punjab state. For studying the practice of existing trade allowances, the hypothesis has been formulated namely “Unauthorised trade allowances are prevalent in the regulated markets from the producers as are not prescribed under ‘The Punjab Agricultural Produce Markets Act, 1961’”. This hypothesis has been splitted into the following sub hypotheses:

(i) Lack of knowledge about the trade allowances to be deducted among stakeholders is widely prevalent.
(ii) Unloading charges are not deducted as prescribed.
(iii) Sieving charges are not deducted as prescribed.
(iv) Customs and unauthorized deductions prevailed in the markets.
(v) Issue of “J” forms to the farmers is poorly implemented.
(vi) Facility of display boards is poorly in existence in the markets.

The hypothesis has been tested on the basis of the following six sub-hypotheses.
Table No. 5.7

Status of Sub- Hypotheses for Trade Allowances

<table>
<thead>
<tr>
<th>Sub-hypothesis</th>
<th>Data and analysis</th>
<th>Status of Sub-hypothesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Lack of knowledge about the trade allowances to be deducted among stakeholders is widely prevalent.</td>
<td>Only two trade allowances, namely unloading and cleaning are allowed to be deducted as per Act. A perusal of the responses suggests that about 51.61 percent of the stakeholders are ignorant about the trade allowances. Eighty percent farmers and 65 percent of the palledars do not have sufficient knowledge of the trade allowances to be deducted for sale of wheat and paddy although more than 95 percent of officials have knowledge. Various studies have also revealed that farmers are not aware about the trade allowances fully.</td>
<td>Deduction of Trade allowances affects farmers and palledars, the most. Unfortunately the farmers and palledars are not fully equipped with complete information about trade allowances. Their lack of knowledge about trade allowances is partly due to their illiteracy. These empirical observations suggest the validation of the hypothesis.</td>
</tr>
<tr>
<td>(ii) Unloading charges are not deducted as prescribed.</td>
<td>Majority of the stakeholders (93.59 percent) agreed that unloading charges are deducted whether done or not. Even farmers (97.23 percent) pointed out that deductions are made even if they themselves unload the produce and 88.89 percent palledars were of the opinion that they do not get unloading charges at the prescribed rate. Officials to the extent of 95.56 percent and commission agents to the extent of 90 percent revealed that unloading charges are deducted as prescribed whether done or not.</td>
<td>The analysis of the responses of the stakeholders specially farmers and palledars reveals unloading charges are at variance with the prescribed norms and thus validated the hypothesis.</td>
</tr>
<tr>
<td>(iii) Sieving charges are</td>
<td>Sieving charges can only be deducted if produce is cleaned but deductions BASically ignorance of farmers and non</td>
<td></td>
</tr>
<tr>
<td>(iv) Customs and unauthorized deductions prevailed in the markets.</td>
<td>Majority revealed that customs are not there but unauthorized deductions prevailed in the markets. Around 70 percent farmers reported the existence of unauthorized trade allowances but more than 85 percent other stakeholders stated against this. Various news papers and studies reported the existence of unauthorized deductions.</td>
<td>A perusal of data, analysis regarding unauthorized deductions indicates the rejection of the hypothesis.</td>
</tr>
<tr>
<td>(v) Issue of “J” forms to the farmers is poorly implemented.</td>
<td>Majority stakeholders (67.31 percent) revealed that the “J” forms are not issued as prescribed. More than eighty five percent farmers stated that these are not issued. Commission agents revealed that farmers are not available at the time of auction or weighment hence remains as un-issued. Half of the officials revealed negative. Various studies and news items revealed that “J” forms are hardly issued as prescribed.</td>
<td>Farmers are required to know the rate, weight, deductions of labour charges and ultimate balance of payment made to them but the non issue of “J” Forms comes in the way of required information to the farmers and hence the hypothesis is accepted.</td>
</tr>
<tr>
<td>(vi) Facility of displayboards is poorly in existence in the markets</td>
<td>More than 86 percent of all stakeholders and even more than half of the officials revealed that display boards do not exists.</td>
<td>Empirical findings clearly show that faulty of display boards is inadequate and thus the hypothesis is accepted.</td>
</tr>
</tbody>
</table>
In brief, it can be concluded that unauthorised trade allowances are prevalent in the markets and these deviate from the prescribed limit as mentioned under ‘The Punjab Agricultural Produce Markets Act, 1961’ and thus, the hypothesis namely, "Unauthorised trade allowances are prevalent in the regulated markets from the producers as are not prescribed under ‘The Punjab Agricultural Produce Markets Act, 1961’" gets accepted.

V

Suggestions given by the Respondent/ Stakeholders Regarding Trade Allowance Policy

The objective of this part of the chapter is to put forward suggestions for amending the policy of allowing payment of only authorised trade allowances. Five areas have been identified for providing fair trade allowances. Another aspect which emerged during informal discussion with the stakeholders was the introduction of a system to motivate the officials in positive direction. In other words, officials who execute the provisions of the law in real sense should be given financial incentives. Regular inspections by higher authorities ensure check on prevalence of unauthorised trade allowances and thus should be discouraged, the important suggestions are.

I. Provisions to be implementation in their true spirit

(i) Information regarding the trade allowances must be made available to all the stakeholders so that every market functionary knows them well and abides the provisions.

(ii) “J” form should be issued to all farmers by the commission agents. The commission agents’ compliance on this be reported to the higher officials.

(iii) Facility of displayboards and recording of information must be inspected by the higher authorities before the commencement of every crop season. There must be a complaint box in every market to report the irregularity on this.

(iv) Only licensed labour should be allowed to work in the mandi; so that
the market committee can take action on defaulter labour.

II. Provisions requiring amendments

(i) The rates of labour charges for loading, sieving and cleaning must be fixed at its maximum level with a provision that producer sellers can negotiate if they desire so with the labourers.

(ii) Unloading and sieving charges must be paid by the farmer directly to labourers to avoid non-payment and payment at lesser rate by the commission agents.

(iii) Facility of electronic display boards be provided instead of ordinary sign boards for proper awareness of stakeholders.

(iv) Producers should have accounts in the banks and the payment of the value of produce be given to them by the commission agents through bearer cheques to avoid malpractice of payment of lesser amount.

III. Provisions requiring deletion

There is need to remove under the policy the provision of existence of specific customs which prevails in the markets as agriculture is now a business and is not a way of livelihood.

IV. Training and Awareness

In order to impart knowledge regarding the trade allowances to be deducted and the issue of “J” form to the farmers. Following training programmes need to be organised.

(i) Awareness and training programmes for officials. All officials, who are directly involved with issuing of “J” form, and checking of the trade allowances must be given knowledge about their rates for different crops. These should be conducted at market level or district level.

(ii) Awareness programmes for producer sellers.

Keeping in view the fact that the farmers are not well educated and are totally under the mercy of the Commission agents, following measures are suggested to improve upon the situation:-

(a) Village level camps be organized for imparting knowledge of the various trade allowance.
Radio and Television specific programmes should be organized for this purpose.

The media (newspapers and magazines) should use Punjabi language for this purpose.

Telefilms highlighting all aspects of marketing must be shown in the grain markets before and during the marketing season.

(iii). **Awareness programmes for commission agents**

Commission agents also require some awareness programmes to be conducted by the Market Committees at the Market level. Such programmes should be organised before the start of every crop season.

(iv). **Awareness programmes for palledars**

(a) Market committees must organise such programmes at least twice a year.

(b) Some good spokesmen of *palledars* should also be involved in these training programmes to discuss their practical problems.

V. **New provisions to be inducted in law**

(i) The timings of performance of every operation must be fixed and followed strictly. The complaint box facility must be provided and this must be opened by the higher authorities periodically.

(ii) Market committees must review the provisions of instruments at least before and after the season based on the suggestions of stakeholders.

(iii) The performa for receiving labour charges should be designed in such a manner that it can be filled up by the *palledars*/labour and is submitted to the market committee for cross checking.

VI. **Introduction of system providing incentive and punishments**

The officials and stakeholders who follow the provisions in real sense should be given financial incentives and in contrast, those who violate the provisions needs to be punished.
VI

Conclusions

The framed policy for market regulation regarding sale of wheat and paddy in the Punjab state has not been proper due to prevalence of unauthorized trade practices. Various parameters as per policy provisions were examined and identified. These are knowledge of the trade allowances to be deducted, deductions of Unloading charges irrespective whether done or not, deductions of Sieving charges irrespective whether done or not, prevalence of Customs and unauthorized deductions in the markets, issue of “J” form to farmers and existence of facility of displayboards in the markets.

The primary data have been collected from farmers, commission agents, palledars, procurement agencies, private purchasers, officials of market committees and authorities and officials of Mandi Board and Government. Research studies and news appeared in various news papers have also been used as secondary data.

The analysis of the responses with regard to trade allowances shows that majority of the producer-sellers and palledars do not know the operations for which they are liable to pay and receive the charges and their rates. This was due to unawareness at level of majority of stakeholders and specifically at the level of farmers and palledars, who really perform the duties. This parameter needs training and awareness programmes. The commission agents deduct unloading and sieving charges either done or not done. Farmer are the most sufferers due to their ignorance. It was also found that about 2 to 5 kg, out of 50 quintals heap is taken away by labour without making any payment in some cases. These deductions are prevalent due to vested interests which needs forceful implementation in true spirit. Non issue of form “J” is another malpractice, adversely affecting the interests of the farmers. It has been found that customs were not prevalent in the markets but unauthorized deductions are normal practices. It was also found that the market committees did not inform the prevailing trade allowances through signboards and if provided, those are not updated with latest information therefore it indicates that they are not protecting the interests of the farmer’s
even mandi board officials are also not ensuring it. The signboards are useful for the sellers which are lacking in the markets.

To overcome these shortcomings, some suggestions have been put forwarded for ensuring authorised trade allowances. Implementation of provisions in true spirit, making amendments in existing provisions, deleting provisions and creating awareness of the existing provisions to different stakeholders. Lastly, incentives and punishment system for stakeholders must be adopted to assure implementation of all provisions.