



**AgEcon** SEARCH  
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

*The World's Largest Open Access Agricultural & Applied Economics Digital Library*

**This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.**

**Help ensure our sustainability.**

Give to AgEcon Search

AgEcon Search  
<http://ageconsearch.umn.edu>  
[aesearch@umn.edu](mailto:aesearch@umn.edu)

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

Vol XXXIV  
No. 4

ISSN 0019-5014

OCTOBER-  
DECEMBER  
1979

# INDIAN JOURNAL OF AGRICULTURAL ECONOMICS



INDIAN SOCIETY OF  
AGRICULTURAL ECONOMICS,  
BOMBAY

mers. Due to the pressure of festival expenses the farmers marketed it for Rs. 30 which was immediately sold by the traders to the wholesale merchants for Rs. 45 to 55.

### *Conclusion and Suggestion*

In conclusion it is reiterated that the price spread affects the small farmers more than the other categories of farmers. This warrants the immediate attention of all, since the small farmers are already exposed to a number of other difficulties.

The achievement of maximum efficiency in food distribution would perhaps involve some radical changes in our present conception of free enterprise and competition. The wholesale trade in paddy must be immediately taken over by the Civil Supplies Corporation of every State. Paddy must be procured directly and distributed through fair price shops. Remaining surpluses may be marketed to the other deficit States and it will certainly help the farmers to get at least remunerative prices.

Finally, in the context of public procurement and distribution being enforced more effectively, it should be made possible to make a thorough study of demand for each variety of paddy both within and outside the States. Translation of the results into an easily intelligible form of market intelligence is also the responsibility of the government. Further, propagation of this intelligence through appropriate media to the growers before the commencement of the paddy growing season will be of much utility in securing the best price to the grower, for he will then be facilitated in anticipating demand and in adjusting better his supply to the market.

---

## THE SMALL FARMER IN THE PRODUCT MARKET: CASE STUDY OF A COTTON VILLAGE

R. M. Mohana Rao\*

### *The Problem*

It is often alleged that the atomistic structure of the small farm firm, its low investment in human capital like education, and inability to hold on to the product result in lower product prices, and keep the small farmers in a disadvantageous position compared to the medium and big farmers in the product market.<sup>1</sup> The market imperfections add to these disabilities. While this may be true in a subsistence context, the nature of disabilities faced by this class might differ in areas where the shift from subsistence to commercialisation is taking place. However, there is little empirical evidence on the small farm situation in the product markets in commercialised agriculture.

---

\* Reader, Department of Co-operation and Applied Economics, Andhra University, Waltair.

The author is thankful to Prof. B. Prasada Rao, Director, Waltair School of Economics for his comments on an earlier draft of this paper.

1. Kelly Harrison and Kenneth Shwedel: Marketing Problems Associated with Small Farm Agriculture: Report of an ADC/RTN Seminar, held at Michigan State University, June 7-8, 1974, p. 213.

### *The Objective*

The objective of this study is to examine the nature of disabilities, if any, faced by the small and marginal farmers in the product market in a commercialised setting.

### *The Area and Place of Study*

The cotton belt of Andhra Pradesh comprising Guntur and Ongole districts represents a high degree of commercialisation in agriculture. The place of study is Devarapalli village in Chirala taluk of Ongole district. Its advanced stage in cotton cultivation, where most of the popular varieties of cotton like MCU5, Suvin and Varalakshmi are grown, location in the midst of many cotton ginning and pressing units, and familiarity of the investigator weighed in selecting this village.

### *Data and Methodology*

A sample of 45 farmers representing 15 per cent of households of marginal (15), small (13), medium (13) and big farmers (4) was selected at random. The operational holding, rather than owner holding, was considered appropriate in classifying the farmers in studies concerned with their performance in the product markets. On this basis, farmers operating between 0.50-2.50 acres are treated as marginal, 2.51-5.00 acres as small, 5.01-15.00 as medium and those operating above 15 acres as big farmers.

### *Market Structure*

The market structure refers to the degree of concentration in the village market and its links with the market centres in the vertical chain. At the village level there are 15 brokers grouped into seven teams. The presence of a large number of brokers in a single village and their links with the ginning and pressing units in the neighbouring markets and with the big brokers operating on behalf of the ginning and spinning units outside the district and State suggest a structure consistent with competitive behaviour. The scope for collusion among the brokers to rig the prices is limited, since they render the service purely on commission basis. Further, their economic position (all the brokers own land between 5—10 acres) and the erratic fluctuations in prices deter them to play the role of a trader even on a limited scale and for a short period. The telephones installed in the village and the daily visits to the primary market by a large number of farmers of all classes facilitate dissemination of up-to-date price information. This over-view of the market structure provides the proper perspective against which the results of this study have to be considered.

### *Prices Received by Different Classes of Farmers*

To examine whether the small and marginal farmers are at a disadvantage in terms of lower product prices vis-a-vis large and medium farmers,

the data on monthly and annual average prices received by various classes of farmers in 1978-79<sup>2</sup> in respect of MCU5 cotton<sup>3</sup> are presented in Table I.

TABLE I—MONTHWISE PRICES RECEIVED AND PERCENTAGE OF COTTON SOLD BY SIZE OF OPERATIONAL HOLDING

(price Rs. per quintal of cotton *kapas*)

Size-group (acres)	January	February	March	April	May	June	Annual average price
0.50-2.50 ..	410.94 ( 4.57)	445.52 (20.57)	453.00 (10.74)	459.49 (34.84)	430.18 (15.49)	450.00 (13.84)	446.92 (100.00)
2.51-5.00 ..	396.00 ( 6.33)	422.73 (10.76)	412.50 (13.29)	461.48 (39.56)	462.15 (30.06)	—	444.92 (100.00)
5.01-15.00 ..	422.87 ( 7.86)	418.00 (19.46)	468.40 (25.31)	445.68 (19.41)	470.44 (30.96)	—	448.00 (100.00)
15.00 and above	423.00 ( 3.52)	423.20 (16.13)	417.96 (14.86)	—	472.76 (42.32)	439.13 (23.17)	447.25 (100.00)

*N.B.:* Figures in parentheses indicate the quantity sold in each month to total cotton sales during 1978-79 by the sample farmers.

The nominal differences in the average prices received per quintal of *kapas* by different categories of farmers show that the small and marginal farmers are not subjected to lower product prices. The absence of any pattern in the monthly average prices received by different classes of farmers is largely because of the snap decisions taken by the farmers on account of day-to-day fluctuations in the price of *kapas*.<sup>4</sup> This shows the limitation of using monthly average price data in studies concerned with measuring the relative product prices received by various classes of farmers, particularly in respect of commodities like cotton whose price is subject to influence by the prices prevailing in international markets.

Given the fairly competitive market conditions prevailing at the village level and the absence of distress post-harvest sales, the average price differences among various categories of farmers cannot be attributed to the size of their farm. Perhaps this is due to their personal attributes like skills in selling which improve with knowledge and experience and also the psychological factors influencing the decision-making process.

#### *Other Relevant Issues*

Even though the price received by a farm does not vary with its size in a competitive setting, the quality of the product marketed will have a

2. In the year 1977-78 the cotton crop was totally affected by the cyclone and the price data for 1976-77 was not collected since its accuracy will be limited by the time lag.

3. MCU5 is a medium staple cotton widely adopted by all classes of farmers on account of its lower input costs, early maturity and easy marketability. Since the marginal and small farmers have not adopted other varieties the study is limited to MCU5 only.

4. The price of MCU5 per quintal of *kapas* in the village collected from the records of two leading brokers in the village clearly indicates the wide fluctuations in the prices.

bearing on the price and it acts against the farms with limited output compared to farms with larger output. The absence of standardisation in the product marketed adds to this process.

The market deductions in unit price on account of moisture and poor quality of the *kapas* were uniformly applied to all classes of farmers. However, 26 per cent of the marginal farmers alleged that they were subjected to lower prices in periods of slump in the market activity solely on account of the small quantity marketed by them. Even the big farmers cannot escape from such deductions if they choose to dispose of small quantity during such periods. Since only a small proportion of the product was subjected to marginal reductions in prices due to the aforesaid reasons, the average prices received by different classes of farmers are not likely to be altered much even if adjustments are carried out for these reductions.

Since reduction in price was affected (for poor quality) among all classes of farmers and the percentage of farmers subjected to this are more or less the same in all groups, one cannot say that the marginal and small farmers are subjected to a high degree of arbitrary deductions compared to the medium and big farmers. However, by virtue of their size of output, the medium and big farmers might get over these problems and are not likely to be affected by the problem of lower unit prices suffered by the marginal farmers on account of the small quantity marketed by them.

Deducting a certain quantity of the product to compensate for the poor quality of the product sold was noticed only in the case of three marginal farmers and two small farmers. Such deductions result in greater disadvantage than the marginal reduction in the unit prices. The medium and big farmers can escape from such deductions by virtue of the size of their output, either by spreading the low quality among the entire product or by virtue of their sheer bargaining strength. But such advantages are not open to the marginal and small farmers.

An attempt was also made to examine whether the small and marginal farmers were subjected to undue delay in the payment of sale proceeds. For this purpose the details on the month in which the product was marketed and the time lag in cash payment were ascertained from all the groups of sample farmers. The details relating to the number of cases in which the payment is delayed by more than a month alone are presented in Table II.

The delay in payment is largely due to the use of the sale proceeds in the business by the local ginning units and their waiting for better price for the lint produced by them. Since the buyer firms involved in these transactions are located at a distance of 3 km. from the village, the costs involved in going round them are not significant. While the number of farmers subjected to this delay is more or less the same in all size-groups, the medium farmers could get the interest on the amount due to them while the small and marginal farmers are put to a loss in this respect. However, this cannot be attributed solely to the differences in the size of the farm; perhaps individual qualities like tenacity and persistence do count more in such matters than mere economic position.

TABLE II—TIME LAG IN THE PAYMENT OF SALE PROCEEDS BY SIZE-GROUP OF FARMERS

Size-group and serial number of the respondent	Time lag (months)	Amount involved (Rs.)	Number of visits to buyer	Costs incurred	Whether interest allowed for time lag Yes/No	If allowed rate of interest
1·1 ..	1	6,300	3	18 (wages lost)	No	No
1·2 ..	3	1,920	3	Nil	No	No
2·3 ..	4	9,000	Nil	Nil	No	No
2·10 ..	3	6,000	Nil	Nil	No	No
3·4 ..	3	10,410	2	Nil	Yes	18%
3·7 ..	5	6,000	4	Nil	Yes	18%
3·11 ..	3	9,400	Nil	Nil	No	No

*N.B.:* The time lag noted excludes one month margin normally allowed in these transactions.

Another area where the small and marginal farmers might face the problem vis-a-vis the big farmers is in regard to the access to Cotton Corporation of India (CCI) sales depots in the nearby market. Since these depots were started rather late, only a few farmers could sell their product to the CCI. Hence, this aspect was not considered in detail.

### Conclusions

The study reveals that, contrary to the traditional belief, there are no differences in the nominal unit price *per se* received by various categories of farmers. However, in terms of deductions for poor quality, deferred payments without interest, a small proportion of small and marginal farmers is at a slight disadvantage compared to the big farmers on account of the small quantity marketed by them. The absence of any pattern in the monthly prices received by the various classes of farmers in spite of competitive market conditions and holding capacity emphasizes the influence of factors like education, managerial skills, and personal attributes of farmers on their market performance. These aspects should find a place in studies of this nature to draw meaningful inferences.