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Farm Price Structure

PRICE STRUCTURE OF RICE AND PRODUCERS' SHARE IN CONSUMERS' PRICE IN HARYANA

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Rice is the most important foodgrain crop in India. It occupies about 32 per cent of the area under foodgrains and contributes 42 per cent of total foodgrains production in the country. Haryana State is the second most important contributor to the central pool of rice. The share of rice in the total area under foodgrains increased from 4.16 per cent in 1960-61 to 9.23 per cent in 1982-83. Similarly, its production went up from 1,75,000 tonnes in 1960-61 to 12,75,000 tonnes in 1982-83, registering an annual growth rate of about 9 per cent. As rice is not a major food item in the diet of the local population, the bulk of rice produced in the State becomes marketed surplus. The trade in paddy (unhusked rice) and rice flows through various channels of marketing involving numerous agencies. The government procures 90 per cent of coarse/*Begmi* rice and 75 per cent of medium/*Parmal* rice at statutory fixed price from the rice millers. However, there is no such levy on fine *Basmati* rice and rice millers are free to sell it in the open market. Although from the mid-sixties the government policies have been aimed at ensuring a higher share to producers in the consumer's rupee, it is felt that the producer's share in the consumer's rupee has not improved despite the government intervention through various regulations and price policies. In this paper an attempt is made to examine this issue with respect to rice. The specific objectives of this study are (1) to examine the changes in seasonal pattern of the prices of unhusked rice, (2) to examine the changes in the share of producer in the consumer's price, and (3) to examine the relationship between farm harvest and procurement prices.

METHODOLOGY

Both primary and secondary data have been used to derive the inferences from this study. Primary data concerning the producer's share in the consumer's price, marketing costs and margins were collected from Karnal and Kurukshetra districts which were selected purposively as the leading rice producing districts of the State. Data were collected at two points of time, *i.e.*, 1966-67 and 1982-83. The data for 1966-67 were taken from the study "Marketing of Rice in Punjab (erstwhile)"[1] and for 1982-83 from the study "Production and Marketing of Rice in Haryana.[2] The secondary data were collected from various issues of the Statistical Abstract of Haryana and other government and university publications.

RESULTS AND DISCUSSION

Changes in Seasonal Pattern of Arrivals and Prices

The seasonality in production of rice also renders a seasonal phenomenon in its market arrivals. The seasonal indices of market arrivals of unhusked rice presented in Table I reveal that the bulk of the unhusked rice arrives in markets during the months of October,

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1. R. Singh and M.V. George, "Marketing of Rice in the Punjab (Erstwhile)". Department of Economics and Sociology, Punjab Agricultural University, Ludhiana, February 1971.

2. A.C. Gangwar, K.N. Rai and Shri Niwas, "Production and Marketing of Rice in Haryana", Department of Agricultural Economics, Haryana Agricultural University, Hisar, March 1985.

TABLE I. SEASONAL INDICES OF ARRIVALS AND PRICES OF UNHUSKED RICE

Month	Arrivals		Prices	
	1960-61 to 1965-66	1976-77 to 1982-83	1960-61 to 1965-66	1976-77 to 1982-83
January	94.70	13.31	99.00	94.97
February	24.00	7.20	98.97	99.02
March	43.90	4.61	100.67	98.59
April	3.10	3.68	100.64	98.44
May	1.10	0.38	100.69	99.17
June	1.00	0.28	102.05	100.62
July	0.50	0.22	104.57	102.21
August	0.10	0.22	105.88	104.67
September	1.10	2.42	99.32	98.44
October	259.10	355.25	99.04	100.33
November	519.60	687.80	94.37	101.19
December	251.80	124.63	98.80	102.35

Note:-Period 1960-61 to 1965-66 represents the time when there were no procurement price policies for rice whereas 1976-77 to 1982-83 represents the period with effective government procurement price policy for rice.

November and December. During the period 1976-77 to 1982-83 when an effective procurement price policy was in operation, this concentration of market arrivals of unhusked rice during the months of October, November and December was further increased. After the establishment of the Agricultural Price Commission and the Food Corporation of India, the government intervention in rice market has increased. This has resulted in higher and stabilised price of rice (unhusked) during the post-harvest period as the wholesalers/rice millers face stiff competition with the government agencies. Also, during the other months of the year in the later period (1976-77 to 1982-83), the prices were more stable as compared to the earlier period (1960-61 to 1965-66) when there was no effective government intervention in the rice market.

Share of the Producer in the Consumer's Rupee

The marketing costs and margins per quintal of paddy/rice for the coarse, medium and fine rice are presented in Table II. The share of marketing costs in the consumer's price for the coarse and medium rice which was 10.44 and 10.41 per cent in 1966-67 increased to 15.41 and 14.13 per cent in 1982-83 respectively. However in the case of the fine rice, it declined from 9.68 per cent in 1966-67 to 7.82 per cent in 1982-83. Similarly, the total profit margins in the marketing of the coarse, medium and fine rice in the consumer's price was 11.33, 11.47 and 10.48 per cent in 1966-67 and it increased to 12.86, 17.36 and 24.87 per cent in 1982-83 respectively.

In 1982-83, the marketing costs per quintal had increased by about five times over the year 1966-67 whereas the consumers' prices registered an increase of only about three times during the same period. This has adversely affected the producer's share in the consumer's price. The producer's share in the consumer's price for coarse, medium and fine rice was 78.23, 78.12 and 79.84 per cent in 1966-67 and it declined to 71.73, 68.51 and 67.31 per cent in 1982-83 respectively. Thus, it becomes evident that the efforts of the government to ensure a higher share for the producer in the consumer's price have not yielded the desired results. However, the magnitude of decline of the producer's share in the consumer's price has been less where the degree of government intervention was more. For instance, besides the procurement price, the imposition of 90 and 75 per cent levy on the rice millers by the government has resulted in a lower decline of the producer's share in the consumer's price in the case of coarse and medium rice as compared to fine (*Basmati*) rice for which the government has not imposed any levy.

TABLE II. MARKETING COSTS AND MARGINS PER QUINTAL OF UNHUSKED RICE

Particulars	1966-67		1982-83	
	Rs./qtl.	Per cent of consumer's price	Rs./qtl.	Per cent of consumer's price
Coarse/*Begmi* rice				
1. Net share of producer	42.42	78.23	120.34	71.73
2. Marketing costs	5.66	10.44	25.90	15.41
(*i*) Producer	2.11	3.89	3.37	2.01
(*ii*) Rice miller	1.31	2.42	21.56	12.85
(*iii*) Retailer	2.27	4.13	0.97	0.55
3. Margins (total)	6.14	11.33	21.57	12.86
(*i*) Rice miller	5.68	10.48	8.57	5.11
(*ii*) Retailer	0.46	0.85	13.00	7.75
4. Consumer's price*	54.22	100.00	168.00	100.00
Medium/*Parmal* rice				
1. Net share of producer	46.98	78.12	126.63	68.51
2. Marketing costs	6.26	10.41	26.11	14.13
(*i*) Producer	2.11	3.51	3.37	1.82
(*ii*) Rice miller	1.83	3.04	21.82	11.80
(*iii*) Retailer	2.32	3.86	0.92	0.51
3. Margins (total)	6.90	11.47	32.06	17.36
(*i*) Rice miller	6.12	10.18	9.88	5.36
(*ii*) Retailer	0.78	1.29	22.18	12.00
4. Consumer's price*	60.14	100.00	184.80	100.00
Fine/*Basmati* rice				
1. Net share of producer	53.70	79.84	275.63	67.31
2. Marketing costs	6.51	9.68	32.07	7.82
(*i*) Producer	2.11	3.14	3.37	0.82
(*ii*) Rice miller	1.97	2.93	27.78	6.78
(*iii*) Retailer	2.43	3.61	0.92	0.22
3. Margins (total)	7.05	10.48	101.80	24.87
(*i*) Rice miller	6.23	9.26	76.01	18.57
(*ii*) Retailer	0.82	0.22	25.79	6.30
4. Consumer's price*	67.26	100.00	409.50	100.00

* Value realised from the consumer after converting one quintal of paddy into rice.

Table II also reveals that the wholesaler's/rice miller's margin in the consumer's price during the period under consideration declined from 10.48 to 5.11 per cent in the case of coarse rice and from 10.18 to 5.36 per cent in the case of medium/*Parmal* rice whereas it increased from 9.26 to 18.57 per cent in the case of fine/*Basmati* rice. Similarly, the margins of the retailers in the consumer's price for the coarse, medium and fine rice increased from 0.85, 1.29 and 1.22 per cent in 1976-77 to 7.75, 12.00 and 6.30 per cent in 1982-83 respectively. It becomes, therefore, quite evident that the increase in finished price has not been shared proportionately by the rice millers, retailers and producers. In the case of the fine/ *Basmati* varieties where the government intervention is restricted to support price, the wholesalers/rice millers have squeezed both the consumers and the producers. Hence, the control of the producers over the processing units through their own efficient and well managed organizations is bound to provide them a much better share in the consumer's price and this act would also help in reducing inequality in the distribution of income.

Relationship between Farm Harvest and Procurement Prices

The production of rice and farm harvest and procurement prices in Haryana from 1965-66 to 1982-83 are presented in Table III. The production of rice in the State increased from 2,05,000 tonnes in 1965-66 to 12,75,000 tonnes in 1982-83. The procurement prices of unhusked rice were higher than its farm harvest prices till 1971-72 except 1968-69 which was a drought year in the State, indicating that the farmers were forced to sell their produce at a price lower than its minimum support/procurement price which was mainly due to less effective functioning of government procurement agencies. However. from 1972-73 the farm harvest prices ruled higher than the minimum procurement prices which reflects on the existence of healthy competition among the private traders and the government procurement agencies. The wholesalers/rice millers were forced to offer higher prices due to the existence of stiff competition. Further, the government agencies have now opened up temporary procurement centres in the rural areas which help the farmers in selling their produce in the village itself at the procurement price. Earlier, in the absence of the procurement centres in the rural areas, many farmers who wished to sell their produce in the village itself were forced to accept a lower price than the procurement price from the village traders. Thus, the dispersal of procurement centres in the rural areas within a radius of 5-7 kilometres has proved to be quite advantageous to the rice producers of the State.

TABLE III. PRODUCTION OF RICE AND FARM HARVEST AND PROCUREMNT PRICES IN HARYANA

Year	Production of rice ('000 tonnes)	Procurement price* of unhusked rice (Rs./qtl..)	Farm harvest price of unhusked rice (Rs./qtl.)	Difference in farm harvest and procurement price (Rs./qtl.)
1965-66	205	39.82	36.35	− 3.47
1966-67	223	42.53	38.50	− 4.03
1967-68	287	50.10	47.57	− 2.53
1968-69	272	51.27	54.35	+ 3.08
1969-70	372	52.44	51.73	− 0.71
1970-71	460	53.30	53.00	− 0.30
1971-72	536	53.14	52.24	− 0.90
1972-73	462	54.18	57.72	+ 3.54
1973-74	540	70.00	73.92	+ 3.92
1974.75	393	74.00	91.00	+17.00
1975-76	625	74.00	74.76	+ 0.76
1976-77	815	74.00	78.85	+ 4.85
1977-78	965	77.00	82.82	+ 5.82
1978-79	1,228	85.06	96.45	+11.45
1979-80	941	95.06	107.63	+12.63
1980-81	1,259	105.00	122.51	+17.51
1981-82	1,250	115.00	122.77	+ 7.77
1982-83	1,275	122.00	140.89	+18.83

* Farm harvest price period prescribed for unhusked rice is October-November.

CONCLUSIONS

From the foregoing discussion and data presented in the tables, following inferences emerge: (1) The strengthening and effective functioning of the government procurement agencies have resulted in higher and more stabilised post-harvest prices of unhusked rice. (2) The efforts of the government for ensuring a higher share for the producer in the price paid by the consumer through market intervention and price policies have not yielded the desired results. However, in the absence of government intervention and price policies, the producers' interest would have been still more adversely affected. (3) The effective functioning of the government procurement agencies and price policies have helped a lot in providing the producers relatively more remunerative prices. (4) The control of producers over the processing units of rice through their own efficient and well managed co-operative organizations will help them in getting a better share in the consumer's price. This act would also lead to a more equitable distribution of agricultural income.

EFFICIENCY AND EQUITY OF FARM PRICES IN ASSAM STATE–A CASE OF SMALL FARMERS

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Pricing efficiency is concerned with improving the operation of buying, selling, and pricing aspects of the marketing process so that it will remain responsive to consumer direction. In traditional agriculture as in Assam, the marketing system which is outmoded, inadequate, and devoid of infrastructural facilities has been serving as a serious constraint on the development of the agricultural sector and has resulted in unremunerative prices to the producers. To achieve maximum economic efficiency in terms of reduction in costs, margins, wastes, and price spreads of farm products, an efficient pricing system is needed. On the other hand, the differences in prices received by different groups of farmers can be viewed through differences due to time, place and form of sale. The economic environment affects the bargaining power of the groups differently resulting in wider price spread among different groups of farmers. The price spread of a particular product is also affected by the total consumers, their bargaining power, price of substitute crop and total production. Moreover, market news for improvement, labelling for information, grading and standardisation also affect the pricing efficiency. In a particular market environment, pricing efficiency affects the equality of prices received by the farmers for their produce. Prices are inequitable in the same market at the same point of time among different groups of farmers. It is, therefore, necessary to analyse the agencies and the channels through which the surplus moves and the reasons of price spread and the factors responsible for inequality in prices among the groups of farmers.

SAMPLING, DATA AND METHOD OF ANALYSIS

The study was conducted in Kamrup district of Assam during 1982-83 crop year. Samples were based on small farmers and four villages were selected at random having maximum number of small farmers under Pantan tehsil of Gauhati sub-division. Multi-stage stratified random sampling was followed and a set of 120 small farmers, 30 semi-medium, 20 medium and 8 large farmers were selected based on the criteria followed by the Small Farmers Development Agency. Tabular as well as functional analyses were carried out to

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