

## **CHAPTER 5**

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### PROBLEMS OF GROUNDNUT PRODUCERS

The ultimate objective of agricultural production can not be achieved unless the goods are sold effectively to the advantage of the producers. Indian agriculture still has certain defects. In the present study of the groundnut producers it is observed that they face various problems particularly in marketing their goods. The following are the marketing problems faced by the growers of Athani taluka.

#### 5.1 LACK OF ORGANISATION

Unlike the manufactured goods, marketing of especially the agricultural produce is also not organised. That is organisation of producer-seller is not systematic in our country. When the groundnut is harvested, it is a problem for the growers to market the same. The first and the foremost problem is that whether he should sell to village merchants or to sell in the regulated market directly. If the farmer sells his produce to the local buyers or village merchants, he will get low price. On the contrary, if he sells in the organised market either to the

wholesaler or the miller, he has no complete knowledge of the marketing methods and furthermore, he does not get immediate cash payment. Every marketer including middleman or the commission agent misguides and deceive the farmer. More than 60 percent of the small and the medium farmers interviewed in the present study have this opinion. Whereas, 20 percent of the large farmers expressed that they are more benefited if they sell through the regulated market. However, they too were unhappy of the late payments given by these marketers. Hence it was observed that each and every grower of the village wanted to assemble and sell the produce collectively to impress the purchaser. However, at present this proposition appears to be practically imposible due to lack of any organisation amongst the farmers. Therefore, this study revealed that there is an urgent need for organising the growers in a systematic way to market their commodities so as to get maximum financial benefits. It is needless to note that the systematic organisation, which is the key essential element of marketing, is the basic problem of the farmers in Athani taluka.

## 5.2 FORCED SALES IN THE VILLAGES

Approximately 75 to 80 percent of the farmers responded during the interview that they sell their produce in their village only, at unfavourable place, time and terms of sale. These kinds of sales are due to the following reasons.

(a) Farmers need urgent cash just after the harvest which forces them to sell their produce in the village only. Even before the harvest farmers borrow from the money lenders, which naturally happen to the traders, to meet their obligations. The author has observed this fact during his sample survey and direct interviews with the farmers.

(b) The situation in the secondary markets is more complicated. The different practices prevailing in these markets totally discourage the farmers to bring their goods there. Illiteracy however, seems to be the major reason for this.

(c) Thirdly, farmers invariably are heavily indebted to the money lenders, who are the money lenders-cum traders and are always under their obligation.

(d) It is observed that more than 70 percent of the total farmers sell their produce in village due to the defective means of the communications and inadequate infrastructure for transportation. This constrains farmers to send their produce to favourable markets where they can get reasonable price.

(e) Another important problem is that farmers have no time to look at the technical aspects of marketing. They are always pre-occupied by the farm work. They concentrate only at the production side, since they have to look after one by one crop restlessly.

(f) More than 10 percent of the farmers under the study have no bullocks. Even those who have their own carts prefer to opt to improved means of transportation like trucks or tractors. Therefore, the non-availability of timely means of transportation is another major reason for forceably selling the goods in the local market or to the village traders.

### 5.3 LARGE NUMBER OF MIDDLEMEN

When a farmer brings his produce to the market, he observes that large number of intermediaries operate between

the producer and final consumer. Farmers reported that though number of supervisors and graders from the marketing committee come to the market for their help, they always favour the traders only. Further they expressed that these supervisors are unknown to them and well acquainted to the traders. In addition to the graders wholesalers, retailers, mill owners and their representatives, commission agents, etc., are also present in the market. Their multifaceted roles always reduce the farmers interests and reduce the price of the groundnut, on the pretext that the produce is sub-standard in one way or the other. Thus, a long chain of such middle-men reduce the share of farmers profit and inturn they enjoy the cream. There appears to be a remote possibility of avoiding such chain and the producers have to necessarily depend upon the mediatories.

#### **5.4 MULTIPLE MARKET CHARGES**

Farmers are required to pay different charges like, commission to arhatiya or dalal, tulai, labour charges for loading and unloading the goods from cart or truck, holding and opening of bags, deduction for impurities and possible loss of weight, sweeper charges, waterman, charity, health, education, etc.

More than 25 percent of the farmers interviewed expressed that number of middlemen come and take the groundnut, as a sample for sale, besides many of them take for eating, as a result considerable portion of his produce is lost in this process. Such loss of groundnut is estimated to be 2 percent of the total produce for sale. If a farmer sells his produce for Rs. 100/-, as much as 21.5 percent of this income goes to various deductions or charges.

#### 5.5 MALPRACTICES IN THE MARKET

Various kinds of malpractices are obvious in any sort of unregulated market. The rates quoted in the groundnut market are not uniform for the buyers and sellers. To save the sales-tax, it is reported that more than 60 percent of the middlemen use to take the goods to be purchased outside the regulated market at a reduced price. The mediataries are supposed to advocate the farmers that they in fact will be benefited from saving payment of adats and cess and thus, misguide them.

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\* Memoria and Joshi., Principles and Practice of Marketing in India, p. 587, 1985.

Malpractices like scales and weights are always manipulated against the seller. All kinds of arbitrary deductions for religious and charitable purposes. Bargains between the agents who aim for the sell and one who negotiates on behalf of the buyer are made in confidence under a cloth so that the seller remains ignorant of what has actually transpired between them.

The hard-earned money that the farmers get is distributed for various unwanted purposes. When disputes arise the cultivators have no means of safeguarding their interests. The enquiries made by the Indian Central Cotton Committee as quoted, reveal that the greater use of the market is not made by the cultivators because of the disputes which arise after arbitrary deductions from the weight. Some of the practices observed in the market amount to nothing less than a common theft.

In an unregulated market, the malpractices tend to be a common affair. But today the regulated markets inspite of having their own rules and regulations they prove to be of very little use to the ordinary farmers for whom they are enacted.

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✱ Memoria and Joshi., Principles & Practice of Marketing, p. 587, 1985.

## 5.6 MULTIPLICITY OF WEIGHTS & MEASURES

It has been brought out through several reports that in India, the state of weights and measures is highly chaotic. Even today it is observed at several places that the weights are made up of sticks, stones, and bits of old iron, especially in the villages. These weights and measures have their effects in several ways as enumerated below.

Firstly, it affords greater opportunity in cheating the poor cultivators. Secondly, it gives rise to needless complications in practice between one market and the other. Thirdly, for collection of data on price movements the level of prices in different regions, the volume of agricultural production, etc., lack of standard weights and measures is bound to be a great handicap and seriously affecting the accuracy of statistical calculations. This problem makes supervision difficult and gives more opportunities for cheating the producers.

Memoria and Joshi observed from the report of the Marketing Sub-committee that deliberate malpractices, ignorance, and carelessness have all combined to make a consumer in India pay an unnecessary high price for many goods of different quality.

It is observed that the sale and the purchase activities in the villages take place on the road in bazar which normally is once in a week. Here the system of weighing comprises of scale pans and stones has full of defects in it. It is estimated that approximately a loss of 2.5 percent occurs in weighing a 100 Kg. bag. However, the farmers are simply not bothered of this fact and rush to sell their goods on the bazar days.

#### **5.7 PROBLEM OF GRADING & STANDARDISATION**

Absence of proper grading and standardisation fetches low price for the produce. As pointed by the Central Banking Enquiry Committee, the price paid by the consumers in Europe for these products is based largely on reputation and this reacts unfavourably upon the price received by those cultivators who have improved their quality of produce.

The farmers from Athani taluka have the experience that the graders of Athani Market Committee come to the market and force farmers to grade according to their whims, which normally used to favour the traders. The farmers are required to dry groundnut after the harvest so that the nut

separate from the shell. This gets the produce " A " grade depending on the size of the seed and the oil content. But in practice the farmers do not give adequate importance to grading of groundnut. That is the major reason that they always get low price in the market. During the season of September 1988, the maximum price recorded in Athani Market Committee was Rs. 780/- whereas, the model price was Rs. 700. This was only due to adopting proper grading and standardisation. Perfect grading in the entire market is also rather difficult. There are no standard grades commonly accepted by all the groundnut producers. Hence in the absence of any standard grade the individual farmer merely secures the ordinary market rate.

It is observed that in present practice of marketing heaps of both good and bad produce are sold together in Athani market as one lot. The practice of selling ungraded produce of mixed quality has naturally reduced the reputation of this market .

#### 5.8 PROBLEM OF MARKET INFORMATION

Absence of market information and knowledge of market demand and supply is another problem of groundnut

producers in Athani. Farmers mostly depend on hearsay reports from the village merchants and banias. Even in those cases where price information is available, prices are not comparable on account of

- i) the lack of standard grades acceptable to whole country.
- ii) variation in terms of contract, and
- iii) inaccurate information supplied by different agencies.

In Athani Market Committee, the Secretary makes the arrangements of informing different prices and arrival of stock, etc., through All India Radio, Dharwad and displaying on the notice board of the market yard. But the farmers do not use these things and depend on hearsay reports and rumours. When farmer comes with his produce to the market with great difficulty it becomes practically not possible to take it back if low price is offered to him. It is this drawback that the middlemen take advantage of ask at substantial low price. Even the lack of knowledge of commission rates, cess and market intelligence are the major weaknesses of the farmers. The villagers neither have or keep direct contact with the outside world nor they are in touch with the latest trend in the market prices.

Even in cases where information about prices is available, prices are not comparable on account of lack of standard grades, inaccurate information supplied by various concerned agencies, and remarkable variation in weights and measures used by different traders.

#### 5.9 PROBLEM OF STORAGE FACILITIES

Storage facilities are far below the requirements. Especially in villages we find different indigenous methods of storage are adopted which do not adequately protect goods from dampness and other vermins.

The losses due to inadequate and improper storage has been estimated to range between 1 to 2 percent every year\*. Farmers do not care for this loss. They have their own arrangements of storage. The author has found that number of large growers dump the heap of goods in their house corners. The houses get damped during the rainy season. When enquired as to why farmers do not store in the State warehouse, they expressed that they do not have faith in Government and the warehouse keeper. Further they added that they experience several problems if stored in the

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P. M. Thomas, "Scientific Warehousing in Public Sector", Conference on Research and Industry, 20 & 21 Dec., 1965, New Delhi.

warehouse namely, time limitation for storage and withdrawal from the godown, holidays, office timings, procedural problems, and fear of no guarantee offered for the protection of produce. In their opinion even in the warehouse the fear from the attack of vermins or rats can not be overruled. Further some of them observed that the weight of bags while storing and after withdrawal is found to be varying. Due to the above quoted problems farmers opined it is better to store in their own houses rather than in the Government warehouses.

Storage has therefore, been the serious problem for the groundnut growers in this area. However, 90 percent of the growers do not store over a long period. They keep 15 percent of their produce for seeds and about 5 percent for consumption purpose. Nearly 10 percent of the producers use part of seeds only for their own consumption and at last suffer shortage of seeds during sowing period, and finally purchase at higher price.

Storage in general is very important part of marketing of any goods and groundnut in particular. Storage brings stability in the prices of groundnut. Storing goods before they are sold is an important part of marketing. This point was fully realised by the Royal Commission on

Agriculture and subsequently supported by the Central Banking Enquiry committee.

The Karnataka State warehouse of Athani, is having the capacity of 1,000 tons. However, it is considered to be inadequate and more capacity need to be provided by establishing additional warehouses so that the farmers will be benefited and present loss due to wastage can be minimised.

#### **5.10 PROBLEM OF UNDEVELOPED TRANSPORT INFRASTRUCTURE**

The scattered area of villages in our country suffers miserably with the existing inadequate means of transport. The villages under the present study cover the distance of 25 to 30 Kms., and the producers have to bring their produce to the market in lorry or tractor. More than 90 percent of the farmers have left their habit of taking the produce by own carts. If the farmers intend to go to the regulated market in pursuit of better price to Sangli or Bijapur, they have to carry their produce a distance of 70 to 80 Kms. For this they have not only to pay higher transportation charges but depend exclusively on uncertain and untimely transport facility. Farmers have to wait for their arrival, even if they get them, there is no guarantee

of reaching the market due to one or the other reason. According to the Directorate of Storage and Inspection, the loss of marketable surplus of oil seeds and foodgrains is estimated to be 0.5 percent of the quantities transported .

Moreover, Athani area does not enjoy the railway facility for transporting the goods. Road transport is also not satisfactory and the transport owners charge different rates to different farmers.

#### 5.11 LACK OF CREDIT FACILITIES

Inspite of more than 72 years of co-operative credit society movement in the country, most of the farmers are met by village money lenders and the indigenous bankers who charge high rates of interest.

Even after nationalization of banks in the year 1969, which has celebrated its 20 years of service, these banks do not give loans to farmers on their goods stored in the warehouses. No nationalised bank comes forward to advance loan on the security of their stored goods. This fact was also supported by the State Warehouse Manager of Athani.

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S.K.Bose., Aspects of Indian Economic Development, 1962, (original copy not seen).

Hence, the agriculturists are forced to borrow from various agents, traders, money lenders, banks, at a higher rate of interest during harvesting and sowing periods. Commercial banks however, advance loan only on the cash crops. There is no single incidence where any commercial bank or scheduled bank has given advance on groundnut crop. Ten percent of the price that the farmers receive by selling the crop is paid in the form of interest only. Invariably financial problem is the burning problem for all most all farmers contacted in the present study. They need money for labour charges, fertilizers, ploughing, weeding, harvesting, drying of groundnut and finally for marketing. Thus, for every step in production and marketing of groundnut farmer is required to spend money, for which he has no proper credit facility at a cheaper rate.

#### 5.12 SUGGESTIONS FROM THE FARMERS

During the sample survey of the present study of marketing of groundnut in Athani taluka of Belgaum district, the farmers of four selected villages have given their suggestions for the improvement of groundnut marketing, so as to minimise their problems and difficulties, and eliminate the defects in the prevailing system in Athani market/area.

The various suggestions offered by the farmers in their interviews can broadly be summarized as follows.

- 1) The Government should effectively implement the Regulated Market Act at the village level.
- 2) Since all farmers can not store the groundnut for seeds due to one reason or the other, they should therefore, be supplied with seeds and the fertilizer at a reasonable price during sowing period through the co-operative society.
- 3) Timely technical supervision and guidance must be provided by the agricultural assistants by visiting personally to the fields, conducting meetings, and discussions with farmers once in a fortnight or a month.
- 4) Government graders and supervisors must follow strictly the grading procedure for groundnut.
- 5) Adequate communication network needs to be created by Athani Agricultural Produce Marketing Committee with the help of local authorities like mandal or panchayat so that the villagers are communicated at proper time.

- 6) The Athani Agricultural Produce Market Committee should make provision for transport facility to the producers by purchasing its own vehicle, though presently an ad-hoc arrangement exists.
- 7) It is necessary that Government follows strictly the standards for weights and measures adopted by the traders.
- 8) Farmers expect that Government takes interest in fixing reasonable price for their produce and further added that the price should be in the range of Rs. 700 to Rs. 800 per quintal depending on the prevailing conditions.
- 9) The Government should provide more irrigation facilities by constructing nala bundes, percolation tanks, etc., to cover large cultivable land in the villages.
- 10) The co-operation from the traders is expected in assembling and marketing groundnut and in particularly in making cash payments.
- 11) Finally the Government should make arrangements by directing commercial banks to provide credit facilities especially, on the security of their goods in the stores.