

Preliminary Draft

AD HOC STUDIES NO. I

REPORT ON STATE TRADING IN PADDY  
IN ASSAM

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Jorhat, Assam

1962

BACK No - 202  
Acc. No - 108

## P r e f a c e

The present report embodies the results of an ad hoc survey undertaken by the Agro-Economic Research Centre for North East India, Jorhat. The field survey was conducted for about a fortnight between the later part of December, 1960, and the early part of January, 1961. Information gathered from field investigation was supplemented by data from official sources.

This survey appened to be the first field investigation work under the auspices of this Centre and covered only a limited number of respondents. The survey was taken in hand as a part of training programme for the newly recruited staff and hence it was largely of a pilot nature. Because of these limitations, there might be many shortcomings in collection and presentation of data. Further detailed investigation with wider coverage may be carried on in future, if the Government continued State Trading in Paddy, to have a clearer picture of the various aspects of State Trading policy, viz., price of paddy, changes in the price spread, evasion of Government regulation, effects on rural credit, management of the Co-operative Societies etc.

The present report is the outcome of joint efforts by all the members of the staff of this Centre. The following members, however, deserve particular mention for their contribution in preparing the report:

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Jorhat, 3rd July, 1962.

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# STATE TRADING IN PADDY IN ASSAM

## CHAPTER I

### Introductory Background

#### 1. Output and Consumption of Rice.

1.1. Assam is a land of small holders. The Agricultural Labour Enquiry has shown that 62 per cent of the total number of holdings in Assam are below  $\frac{5}{6}$  acres.<sup>1</sup> Due to the absence of big land holders the number of farmers with huge surpluses of paddy is not large. Nevertheless, as paddy also serves as the main cash crop, the total volume of marketed paddy is considerable.

1.2. Paddy occupies the most important place amongst the crops grown in Assam occupying more than 70 per cent of the total cropped area in the state and accounting for more than 99 per cent of the total output and acreage of cereals (and about 95% of the cereals and pulses combined i.e., total food grains) in the state. Statement I and in the Appendix gives the population figures in the different districts of Assam according to 1951 and 1961 censuses. Statement II in the Appendix shows the distribution of acreage and output of rice in Assam from 1950-51 to 1958-59. While the population in Assam has increased by about 35% during the last ten years (1951-1961), the output of rice has lagged far behind the growth of population. The following Table shows the percentage increase or decrease of population and acreage and output of rice in different districts of Assam since 1951.

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<sup>1</sup> Agricultural Labour Enquiry:- Rural Man Power and Occupational Structure, 1954-P. 522-523.

TABLE 1.1. Percentage Increase or Decrease(-) over 1951 Figures.

	Population	Acreage	Output
1. Cachar	23.5 P.C.	9.2 P.C	14.5 P.C.
2. Goalpara	39.3	14.9	10.5
3. Kamrup	38.4	(-) 7.3	(-) 8.7
4. Darrang	39.6	9.6	12.3
5. Nowgong	36.5	11.5	14.3.
6. Sibsagar	24.4	7.9	10.2
7. Lakhimpur	38.8	(-) 3.3	(-) 1.8
8. United Mikir & North Cachar Hills.	69.1	8.9	--
9. Garo Hills	26.9	(-)47.8	(-)37.5
10. K. & J. Hills	27.1	56.7	120.0
11. Mizo Hills	35.6	(-)26.2	(-)44.0
Total Assam	34.4	4.0	4.8

Sources: Statement I and II in the Appendix.

1.3. The acreage and output figures in the above Table are taken as the average for 1951-52 and 1952-53 and for 1959-60 and 1960-61. An average of two years is taken to minimise the effect of sudden change in a single year on account of flood, draught etc. Although the census years and acreage and output years are not exactl

1.5. The per capita daily consumption of rice at 15 ounces cannot be considered as overestimation. The First Agricultural Labour Enquiry Report gave the per capita daily consumption of cereals at 18.4 ounces for Assam, 15.5 ounces for Bihar, 16.7 ounces for Orissa and 16.4 ounces for West Bengal. As practically no other cereals except rice is consumed in Assam, an average per capita consumption at 15 ounces would not be an over estimation. The Second Agricultural Labour Enquiry gave the per capita daily consumption of rice for Agricultural Labour at 20.5 ounces for Assam, 15.5 ounces for West Bengal, 16.5 ounces for Orissa and 8.6 ounces for Bihar.

1.6. Table 1.2 above clearly shows that while there were seven surplus districts during 1951-53, the number decreased to four<sup>1</sup> by 1958-60<sup>1</sup>. The exact figure of deficit may be even more as some portion of the output is necessary for seed purposes and some portion may be damaged in storage and handling. Total output might thus be reduced by 10 to 12.5 per cent to arrive at the net available quantity for consumption. Net import or export would naturally affect these figures. During the last few years there has been a net import of rice to Assam for about 12 to 20 thousand tons per annum.<sup>2</sup>

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<sup>1</sup>If the official estimate of output is an underestimation the position will be different. It is, however, difficult to assess the position from official estimation which cannot be considered to be accurate.

<sup>2</sup> Ref. Ministry of Food and Agriculture--Bulletin on Food Statistics, Annual

1.7. Although district figures shown in Table 1.2 indicate the surplus or deficit broadly, there are areas showing deficits or surpluses within each district. For instance, the Lakhimpur district though a deficit one, has huge surplus in North-Lakhimpur sub-division. Similarly, deficit district of Kamrup has surplus regions in Tamulpur, Rangiya and Tihu circles. The surplus regions of Darrang district lie mainly in Mangaldai sub-division; of Newgong district in Kampur and Hojai areas, of Sibsagar district in Titabar circle. The important paddy and rice centres of Assam are--North Lakhimpur in Lakhimpur district; Mangaldai, Tangla, Chatia in Darrang district; Rangiya, Tamulpur, Tihu, Bajali in Kamrup district; Bijni, Dudhnai, Krishnai, Mankachar, Gelekganj in Goalpara district; Kampur, Hojai, Marigaon in Newgong district; Titabar, Furkating, Jhanji in Sibsagar district, Hailakandi, Badarpur and Karimganj in Cachar district.

1.8. The overall position of a district or state as surplus or deficit does not indicate the importance of paddy trade. In each area there are number of surplus producers who sell in the market irrespective of the fact whether the area is a surplus or deficit one. It is, therefore, evident that the volume of trade in paddy is considerable. The magnitude is, of course, greater in surplus areas. Because of the availability of sufficient stock readily in hand, rice mills are generally located in the surplus areas if other advantages like easy transport system is also available in the region.

2. Normal Channels of Trade in Paddy

2.1. Before the introduction of State Trading the cultivators used to sell their surplus paddy to dealers who generally collected paddy from cultivators' residences. Rice mill owners got bulk of their paddy requirements from these dealers. Sometimes rice mill owners appointed their own agents who visited the interior villages and purchased paddy for the rice mills. A prosperous cultivator who had his own means of transport usually brought his surplus paddy to the rice mills in order to eliminate middleman's profit from such transactions.

2.2. As dealers and rice mill agents used to visit the villages for purchasing paddy with ready cash, people generally preferred to sell their paddy to these parties as they were not only saved from the trouble of bringing paddy to wholesalers or rice mill owners by arranging transport, they also get ready cash in their own residences. The system of selling paddy to dealers was, however, not beneficial to producers on all occasions. The middlemen usually purchased paddy from the interior places at a much lower rate than the prevailing market rate in the wholesale centres. Instances of giving wrong weights were also not rare. In many cases dealers and rice mill agents advanced money to growers before the harvesting season (say, May and June, or September, or October) on their pledge to sell paddy after the harvest to the lenders at the previously agreed low prices. Just after the harvest, growers had to supply the agreed quantity to these parties.

2.3. Even when a farmer could arrange his own transport and come to the rice mills to sell his surplus paddy, the mill owner might refuse to purchase or offer to purchase at a lower rate than the prevailing market rate. As the bargaining power of the cultivator was much weaker than the rice mill owners or dealers, the cultivators were compelled to make much distress sale.

2.4. Apart from the sale by growers to the wholesalers or rice mill owners, a considerable portion of the surplus paddy was also sold in the village market centres known as 'hats'. Growers came to these 'hats' with their surplus paddy and local consumers and petty dealers purchased this paddy from the 'hats'.

2.5. Not much care was taken in assembling paddy for sale by either the growers or the dealers. Winnowing was practically absent in Assam. The practice of parboiling paddy before making it ready for sale was and is not common in the state. Parboiling of paddy for hand pounding for home consumption is, however, quite common in the villages, especially in lower Assam.

2.6. The report on the Marketing of Rice in India (Second Edition, 1955 P. 173) showed that in the prewar years in Assam about 62 per cent (all India 61%) of the marketable surplus of rice was assembled as paddy (percentage in terms of rice) and 33 per cent (all India 39%) as rice; 2 per cent of paddy (all-India 4 per cent)

and 10 per cent of rice (all India 7 per cent) were directly distributed in the villages and village 'hats' which were held at periodical intervals (eg. weekly or monthly). The relative importance of various agencies in assembling of paddy and rice for India as a whole was estimated as follows:-

TABLE 1.3. Percentage of Marketed Surplus Assembled by Various Agencies-----All India.

Agencies	Paddy (in term of rice)	Rice	Total
1. Growers	6.8	6.8	13.6
2. Landlords	5.8	1.0	6.8
3. Village Merchants	7.9	7.3	15.2
4. Cultivators collecting the produce of others.	1.3	0.8	2.1
5. Itenerary Merchant	8.1	7.3	15.4
6. Professional Dehuskers	--	3.3	3.3
7. Wholesale Merchant	14.1	5.1	19.2
8. Rice mills	13.1	--	13.1
9. Cooperative Societies	0.1	--	0.1
	<u>57.2</u>	<u>31.6</u>	<u>88.8</u>
Direct Distribution in Villages and Hats.	3.8	7.4	11.2
Grand total (Marketable Surplus)	<u>61.0</u>	<u>39.0</u>	<u>100.00</u>

Source:- Report on Marketing of Rice (1955) P. 180.

2.7. The above data refer to pre-war years only. No such detailed figures for Assam are available either for pre-war or post-war years. It is our impression that the bulk of the paddy assembling in Assam had been carried by Merchants, both itinerary and wholesale. Next in importance was the Rice Mill owners, followed by growers themselves. Landlords, Village Merchants or Professional Dehuskars did not play very significant role in collecting paddy for sale in Assam.

2.8. During the war and post-war years various control measures were introduced and some changes in the relative importance of the various agencies followed thereafter<sup>1</sup>. With the introduction of feed control in 1942, two different markets, one controlled and the other uncontrolled private market, began to emerge. The Government procurement agents (in Assam Steele Brothers were appointed as Government procuring agents), who were private wholesaler, supplied the whole requirement of the controlled market and the Government Supply Department arranged the distribution of the procured quantity. Along with this controlled market, the private dealers continued their business, though in a small scale, in the uncontrolled market by evading various provisions. In 1946 the procurement through private agents was stopped and official machinery was set up for the purpose. ~~The Government monopoly was enforced through private agents was stopped and official machinery was set up for the purpose.~~ The Government monopoly was enforced through private licensing of wholesale dealers (who dealt in rice and paddy in quantities exceeding 10 mds. in a single transaction) and all rice millers. With the decontrol of feed grains in 1952, only

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<sup>1</sup> Ref. Ray, Debidas--Food Administration in East India, 1939-54.

Since 1952 there was little difference between controlled price and open market price of rice and wheat. Apprehending severe fall in food grain prices the Government of India adopted the policy of selective price support in December, 1954. The Price Support Scheme was extended to rice in August, 1955, and it was decided to purchase coarse varieties of rice at Rs. 11/- per md. and paddy at Rs. 6.87 Np. per md. The declining trend in prices of rice came to an end by the middle of 1955 and a rising trend appeared in 1956 and continued till the end of 1959.

3.3. The following Table shows the price movement of paddy and rice in Assam during 1947 and 1960:-

TABLE 1.4. Wholesale and Retail Prices of Paddy and Rice per Maund.

Year and Dist.	Winter Paddy		Winter Rice	
	Wholesale	Retail	Wholesale	Retail
<b>1. Kamrup Dist.</b>				
1947	7.75	8.12	13.50	15.00
1959	10.50	11.12	21.00	20.50
1960	9.50	13.95	21.50	24.00
1961	9.51	11.50	20.00	23.12
<b>2. Newgong Dist.</b>				
1947	8.25	10.00	14.12	15.62
1959	9.50	9.81	18.00	19.00
1960	10.50	12.25	19.00	18.75
1961	9.69	10.12	18.00	19.75

NOTE: Prices for 1947 relate to the month of August and for other years month of May. The prices quoted are prices prevailing in market at Gauhati and Newgong.

SOURCES: 1) 1947 prices are collected from the Report of the Marketing of Rice, Second Edition, P.314.  
2) Prices for other years collected from the Dept. of Economics and Statistics, Government of Assam.

It is clear that although prices of both paddy and rice has increased substantially since 1947, the relative price movement of paddy and rice is not uniform nor has it moved in equal proportion in different regions. Statement III and IV in the Appendix show the movement of retail and wholesale prices of Paddy and Rice respectively from month to month. It will be seen that there is no uniformity in the movement of prices of these two commodities, one of which is the finished product of the other, Local conditions like marketable surplus market arrival and market demand influence prices considerably, apart from the general economic factors that affect their prices in the country (or State) as a whole.

3.4. Prices received by farmers are, however, slightly lower than the prevailing market prices in the regions; farmers in the interior places generally receive a substantially lower price and the middlemen can increase their margin of profit from such transactions.

#### 4. Scope of the Present Investigation

4.1. An Ad hoc study in State Trading in Paddy was undertaken by the Agro-Economic Research Centre for North East India, Jorhat, during 1960-61 with a view to assess the working of the machinery set up for the purpose and its effects on rural economy. Attempt was also made to see how far the middlemen had been eliminated from the wholesale trade in paddy and how far farmers had been benefitted by the new arrangement and how they had taken the new system. Investigation was also made to see whether the available marketable surplus had been marketed and how much of this had been transacted through the new machinery.

4.2. The Government of Assam had adopted the policy of State Trading in Paddy since January, 1960. A three tier Cooperative machinery---the Apex Marketing Society, Primary Marketing Societies and Service Cooperatives was set up to undertake the wholesale trade in paddy<sup>1</sup>. Information about the working of the machinery was gathered from official sources, especially from the Apex Marketing Society and other Societies. This was supplemented by case study of a few cooperative societies, paddy growers, dealers and rice millers.

4.3. The present survey on State Trading in paddy was undertaken only in the north-eastern part of the Kamrup district. The area selected for the survey represents, to a large extent, most of the important basic characteristics of the different paddy growing regions of the State. It includes both surplus and deficit areas, densely and sparsely populated regions, high and low yielding areas, localities with easy and difficult means to transport, areas with ready market and without any marketing facilities.

4.4. The survey was conducted in Tihu, Nalbari, Rangiya and Tamulpur areas of the Kamrup districts. Nalbari is the centre of a very densely populated region. It is naturally a deficit area, although areas situated at a distance of a few miles to the north of the town, generally show surpluses. As a result, there is large inflow of paddy to Nalbari. Areas around Tihu, Rangiya and Tamulpur usually show surpluses. Tamulpur is one of the most important paddy centre in the Kamrup district with possibly highest yield of paddy in the district. A number of households

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<sup>1</sup> A detailed account of the machinery, procedure etc. are given in Chapter II.

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and a few cooperative societies were investigated in each of the four regions. Statement XV in the Appendix show the extent and coverage of the survey.

4.5. The method employed in the survey was the case study method. Schedules were filled up from the individual households comprising of surplus growers, consumers, occasional purchasers and sellers, dealers, rice mill owners and from the cooperative societies which include the Apex Marketing Society, Primary Marketing Societies and Service Cooperatives. Apart from the filling up of the schedules, relevant information was also gathered from the respondents and other official and non-official sources. Investigator's observations in the respective areas has also assisted in evaluating the working of the system.

4.6. The nature of the survey and the limitations of the resources of the Centre prevented selection of the respondents on any method of random sampling. Case studies were based, by and large, on purposive selection. As the main purpose of the survey was to gather people's reaction to State Trading and the effect of the system on agrarian economy of the State, the investigators at first tried to ascertain the position by visiting the Primary Marketing and Service Cooperatives which are the main agencies to carry out the system in a particular area. List of such cooperative societies was procured from the office of the Deputy Cooperative officer at Nalbari under whose jurisdiction the areas surveyed fell. Service Cooperative Societies which were located within 4 or 5 miles from the office of the Primary Marketing

Society were selected for the survey. All the four Primary Marketing Societies in the four areas were visited and information gathered. Sometimes, the Primary Marketing Societies also recommended visit to some of the Service Cooperatives under their jurisdiction, but investigators took proper care in selecting these societies for fear of making the investigation favourably biased towards the Primary Marketing Society concerned.

4.7. Whenever our investigators went, they firstly visited the Apex or Primary Marketing Societies of the locality, and then selected a few of the Service Cooperatives in the area. When a visit was made to a Service Cooperative, a few households near the Service Cooperative were selected for detailed survey. These households generally belonged to cultivators' class. As the present survey was primarily interested in paddy trade, greater emphasis was placed on collecting information from surplus growers than those of subsistence growers or consumers. It was, therefore, felt necessary to gather preliminary information about the individual household before visiting the household. It may be noted that in Rangiya and Tamulpur areas, no paddy consumers (Purchasers of rice were excluded from the scope of the survey) could be found as the villages visited were inhabited by surplus producers and paddy consumers were rarely found in these villages.

4.8. Although a general picture of the working of the State Trading in Assam might be had from the findings of the present survey, it will be too much to expect a similar pattern all over the state. There might be centres with better or worse results.

Our survey extended for about a fortnight only and hence it was not possible to cover a wider area or a larger number of households, rice mills, or societies. From such a survey it is difficult to draw very detailed picture covering all aspects of State Trading. Nevertheless, the present report is expected to give a general idea and indicate the problems and difficulties confronting the scheme of State Trading in Assam. It may also be possible to indicate areas around which future investigations should be carried to assess the effects of State Trading on the rural economy of the State.

## CHAPTER II

### Organisation of State Trading

#### 1. Introduction

1.1. The policy of State Trading in foodgrains was advocated by the Planning Commission and Food Grains Enquiry Committee (1957). In November, 1958, the National Development Council adopted a resolution to introduce State Trading in foodgrains in a phased programme. The scheme envisaged (a) an ultimate pattern and (b) an interim Scheme. Under the ultimate pattern it was proposed to collect surpluses from growers through Service Cooperatives at the village level and to channelise these surpluses through marketing Cooperatives and Apex Marketing Societies for distribution through retailers and consumers' Cooperatives. Under the interim Scheme, the wholesale traders including millers were required to take out licenses. These licenseholders are to submit periodical returns of stocks and purchases and sales. The State Governments were asked to organise and develop Cooperative Societies so that ultimate pattern could be taken in hand as quickly as possible.

1.2. In pursuance of the resolution of the National Development Council, the Government of Assam decided to adopt State Trading in the most important agricultural crop (i.e. paddy) of the State. It was contemplated that the purchase and sale of paddy in wholesale would be carried through cooperative societies which would be given the monopoly of the wholesale trade in paddy. It was arranged that the State Cooperative Department would supervise the working of these societies.

1.3. The purpose of the scheme, as enunciated, was to (1) benefit the growers by providing facilities to sell their surplus produce (2) eliminate middlemen like dealers and rice mill agents so as to ensure a fair price to farmers; (3) stabilise paddy prices (and also rice) throughout the year.

1.4. The State Trading Scheme in paddy was first introduced in the Newgong district as an experimental measure in January, 1959. In the following year the area under State Trading was expanded to include the districts of Kamrup, Darrang and Cachar, and the North-Lakhimpur sub-division of the Lakhimpur district and the areas falling on the South of the Brahmaputra River in the Goalpara district. Since January, 1961, the whole of the plains districts of Assam came under the scheme.

## 2. Meaning of State Trading

2.1. The Scheme of State Trading that has now been introduced in Assam, does not include all aspects of paddy trade in the State. In the whole programme, the main emphasis has been placed on the procurement of paddy from growers and on distribution of the procured quantity of rice mills, Government Supply Department and others at the Government fixed quota. There is practically no sale of paddy to consumers either wholesale or retail from the societies. It is, therefore, no exaggeration to state that various Cooperative Societies which are undertaking monopoly trade in paddy are practically acting as procuring agents of the Government to supply paddy to Government approved parties.

2.2. The Cooperative Societies established for carrying out the State Trading Scheme enjoy the monopoly power of procurement of paddy. It may, however, be noted that small transactions not exceeding 10 mds. can be carried without going through Cooperative