

Impacts of Online Procurement of Paddy on Socio-Economic Conditions of Farmers in West Bengal

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Abstract

Price of paddy plays a very important role in determining the income of the farmers and consequently their overall socio-economic conditions. Effective implementation of the Minimum Support Price (MSP) policy for paddy can ensure a remunerative price of their produce. In the study the impact of online paddy procurement by the Government at MSP on the socio-economic conditions of the farmers was analyzed. We collected data from the district of Murshidabad, West Bengal using multi-stage stratified sampling. The empirical study showed that there is a positive impact of paddy procurement on the socio-economic conditions of the farmers. The study revealed that there was an increase of about 22% of annual income for the farmers who availed the Minimum Support price fixed by the Government.

Keywords: *Farmers, procurement, Minimum Support Price, Socio economic condition.*

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1. Introduction

Agriculture in West Bengal provides livelihood of about 65% of its population. Rice occupies almost 53% of the total agricultural crop areas of the state and it contributes the same percentage (53%) towards the total production of all agricultural crops (Agricultural Statistics, Department of Agriculture, Government of West Bengal, 2020). Therefore, price of paddy plays a very important role in determining the income of the farmers and consequently their overall socio-economic

conditions. There is an urgent necessity to ensure a remunerative price of paddy produced by the farmers, particularly small and marginal farmers. Minimum Support Price (MSP) was introduced by the Government of India to protect farmers against decline of agricultural prices, which was generally observed during the harvest seasons. The harvest seasons are often associated with excess supply than demand and hence, in most cases the commodity prices hit the bottom. This forces the farmers, in necessity of money for repayment of debts and other household requirement, in selling their produce at a very low price. Effective implementation of the MSP can ensure a remunerative price of paddy.

2. Why Online Paddy Procurement?

The MSP operation means procuring of paddy from the farmers at Government fixed rate and makes the payment to the farmers directly to them. The operation is very vast with hundreds of Rice Mills, Cooperative Societies and SHG participation and Centralized Procurement Centre (CPC). The whole system needs to be information technology based so that a systematic, uniform and speedy system are maintained. Online paddy procurement is free from the difficulties which manual system is prone to like registration of farmers takes much time, proper monitoring is not possible, real time information cannot be transmission, online payment is not possible, grievance redressal mechanism is delayed, monitoring and supervision of paddy procurement takes longer time, required report return preparation is not feasible in real time, manual system is costlier than IT based system and manual system cannot take care of transparency.

3. Online vs. Offline Paddy Procurement

The earlier system was completely manual in nature. Payments to the farmers used to be made with the help of cash till 2010 and from 2010 to 2015 through account payee cheques and from 2016 only payments to the farmers are being made through NEFT. Manual system has its own faults as it was not associated with the proper identification of farmers and payments were made to non-farmers very often and bought corruption into the system. Also, it used to take a lot of time in crediting money to the account of the farmers but with the introduction of online payment system it has been possible to reduce the time gap of payments and payments are ensured to the farmers within three days of purchasing paddy from the farmers and thereby saving the time of the farmers. It has also been possible with the help of online payment to identify the farmers properly and to reduce/remove the role of the

intermediaries and to ensure the MSP to the farmers in time and without much time to wait. Another very important thing is to have the desired and regular report on paddy procurement on various parameters, which in turn help to analyze the data in depth. Necessary policy modifications are possible with the help of online data available with the system and can help to enrich the implementation process to a great extent.

Paddy procurement in the earlier system was not proper in the sense that payments to the farmers were made from the end of the Rice Mills only and control from the Government was minimum in respect of ensuring MSP to the farmers who sold paddy to them and this was due to the fact that paddy was not purchased by the Government directly from the farmers from Government run paddy procurement centers. Rice Mills used to purchase paddy from the farmers and then milled the procured paddy and delivered the rice to the Government at the rate fixed by the Government. Government had little scope for monitoring as there was no proper Management Information System for real time verification and monitoring.

However, with the introduction of e-Paddy Procurement all the above-mentioned problems have been reduced/removed. In the new procurement system, there is no existence of levy. Paddy is procured through Custom Milled Rice (CMR) mode where Government procures paddy from the farmers directly through Centralized Procurement Centers and Cooperative Societies/SHGs and pays the MSP to the farmers directly through NEFT. The roles of the Rice Mills have been reduced to only milling of paddy and delivery of resultant CMR thereof. The identification of farmers, registration, procurement and payments to them are done by the Government or by the Government Agencies directly.

4. Target vis-à-vis Achievement of Paddy Procurement in West Bengal

Over the years target of paddy to be procured is increasing due to number of farmers interested to sell paddy to the Government is increasing as well as requirement of rice for running of Public Distribution System (PDS) is increasing to cover higher number of beneficiaries under PDS. The table (**Fig. 1**) shows the the target and achievement of paddy procurement over the years.

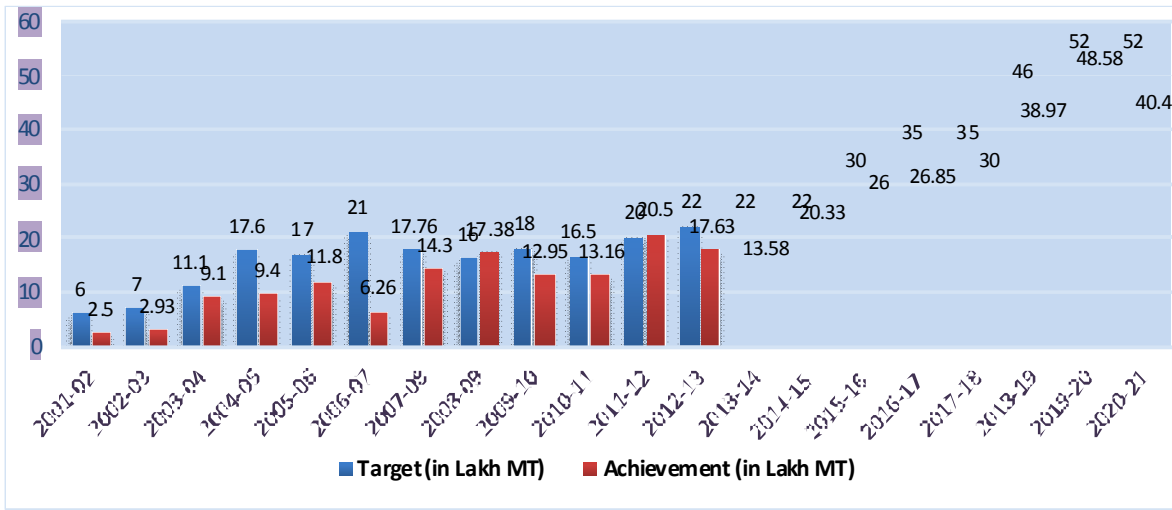


Fig. 1. Paddy Procurement in West Bengal: Target & Achievement:

Source: Official Statistics, Department of Food & Supplies, Government of West Bengal, 2021.

B. Study Area & Methodology

The district of Murshidabad has been selected for the purpose of our study. Percentage of small and marginal farmers here is comparatively higher than that of other districts and therefore selection of this district has been more meaningful. Samples have been drawn on the basis of Multi Stage Stratified Sampling with circular systematic sampling procedure (District Profile NABARD, 2016).

C. 1. Information Regarding MSP to the Farmers

Information regarding MSP in proper time plays a very important role in getting the benefit of it by the farmers. If a farmer does not know about the MSP in time, then he will be forced to sell his paddy in the open market at a price available in the market. He cannot wait for the Government to sell his paddy rather he sells the same to the open market at a very lower price. Distress sale of paddy can be prevented to a good extent if timely information is available to the farmer. There are various sources of information from which a farmer can get the required information.

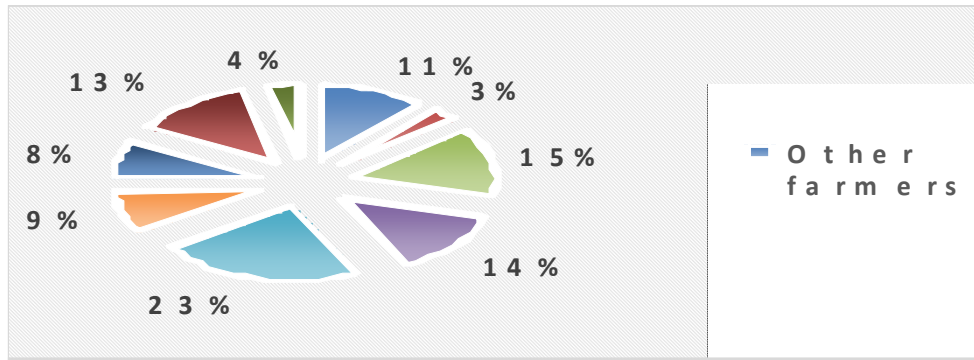


Fig. MSP Awareness

Source: Author's own source

2.: MSP Awareness

According to the survey report (Fig. 2) most of the farmers get the information regarding MSP from Television. Local Newspapers and Public announcement through administration play a crucial role here. Information from the Mandi where they sold paddy previously also a very important role in making them aware of the MSP. What is needed is that all these sources of information should be used properly so that required information reaches to the farmers in time.

2. Satisfaction of the Farmers with Amount of MSP as Fixed by the Government:

As per the survey report most of the farmers are satisfied with the MSP. However, we need to find out the actual reasons behind the dissatisfaction of the farmers who are partially dissatisfied (Fig. 3)

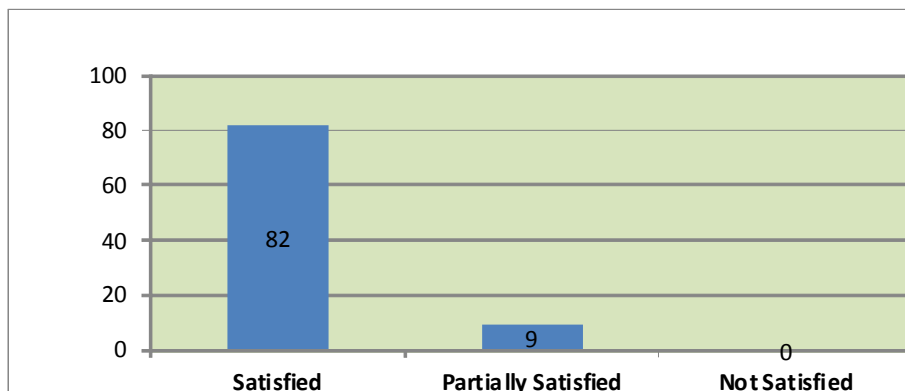


Fig. 3: Satisfaction with MSP

Source: Author's own source from survey

3. How far are the Purchase Centers?

It has been noticed that most of the farmer who sold paddy at CPCs are living within 10 KM radius from the Procurement Centers (**Fig. 4**). Now, the question is how much distance a farmer may consider reasonable/feasible for selling their paddy to the Government because more is the distance more is the transportation costs to be incurred by the farmers and therefore the question of whether to sell or not to sell depends much on the distance to be covered by a farmer to reach to the purchase centers. In order to reduce the average distance between the farmer and the purchase center greater number of purchase center needs to be opened.

However, it is also not easy to open the required number of centers as it requires manpower, infrastructural facilities, and more funds and so on. Therefore, it is a very important decision for the part of the government to take how many purchase centers to be opened and also how much paddy needs to be procured by the government. It is pertinent to mention here that government faces a limitation in terms of fund and manpower.

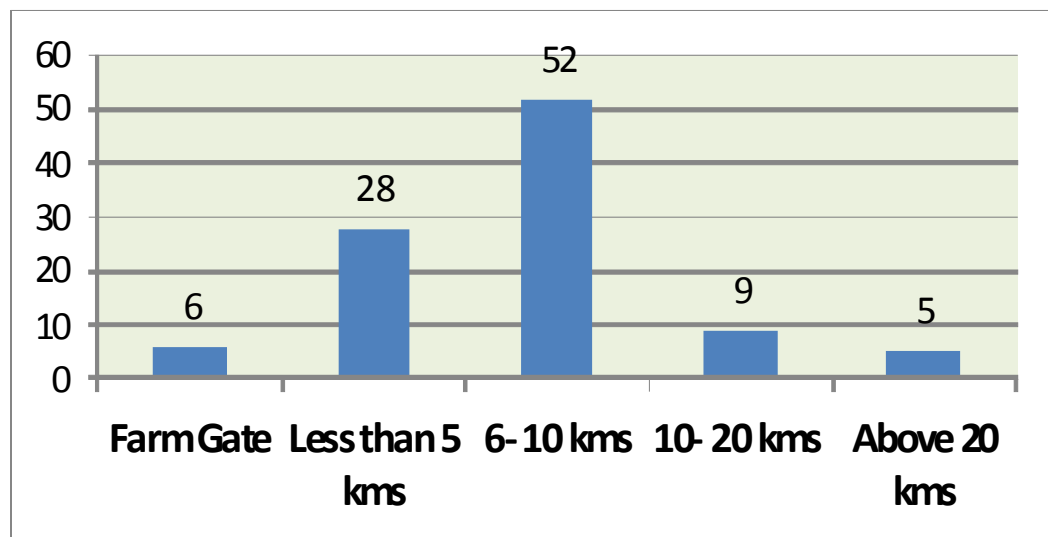


Fig. 4: Distance of Purchase Centre

Source: Author's Own Source from Survey

Also, the paddy so produced needs to be disposed of by way of public distribution system or other means failing which excess paddy so procured may get wasted. The amount of paddy required to run the public distribution system basically determines the limit of paddy procurement and therefore more is the vastness of public distribution system more is the amount of paddy required to be procured from the farmers. So, there is a positive relationship between amount to be procured and rice required for Public Distribution System in a State.

4. Selling of Paddy in the Open Market:

The main objective of the MSP operations is to ensure a remunerative price to the farmers so that they can earn at least a minimum level of price and do not face any distress sale of paddy and therefore leading to a substantial loss from their part in general. Then, why farmers sell paddy to the private traders? Farmers who are not selling paddy to the Government were asked why they sell paddy in the open market? **Fig. 5** describes the several reasons for selling paddy in the open market.

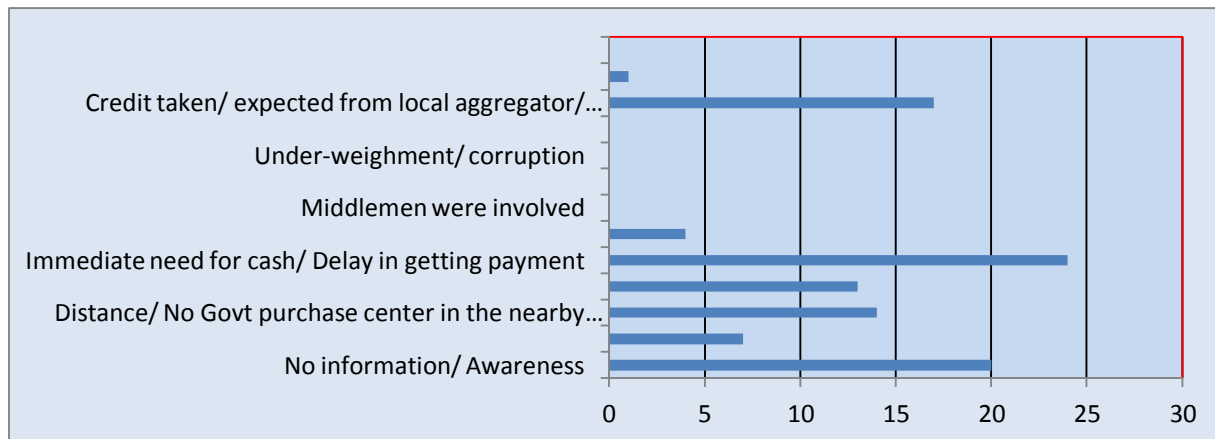


Fig. 5. Reasons for Selling Paddy in the Open Market

Source: Author's own source from survey

According to the farmers the most important reasons behind selling paddy in the open market is immediate need of cash and uncertainty of dates of government operations. Then comes the distance factor from the farm to the purchase centers etc. It is found that there is a great amount of uncertainty in the minds of the farmers regarding the confirmation on whether government will really procure paddy from the farmers or not and therefore they do not wait too long and sell paddy in the open market. Small and marginal farmers in the State also suffer from the lack of capital

for their paddy cultivation and therefore approach to the local Money Lenders or Mahajan for the need of their credit with a condition that they will sell their produce to them. There is a lack of awareness about procurement details too and therefore wide publication needs to be made so that each and every farmer comes to know the details of the programme of the government of the procurement. Procurement for the sake of procurement should not be viewed as a laudable proposition if it fails to give benefits to the farmers.

5. Sources of Information of Procurement of Paddy:

One of the most important reasons for selling paddy at MSP to the Government is the right and timely information in respect of paddy procurement centers. Table F gives various reasons for selling paddy in the open market.

Like MSP, in most of the cases the farmers get information about the procurement operations through television, newspaper, public announcement etc. But here many farmers get informed through other farmers and local leaders or Panchayat. The point to be noted here is that only 2% farmers get the information from the website of the government which is very surprising and not at all desirable because now a days all the government departments develop its website and provide all required information on regular basis but still a very smaller number of farmers see that information from the website.

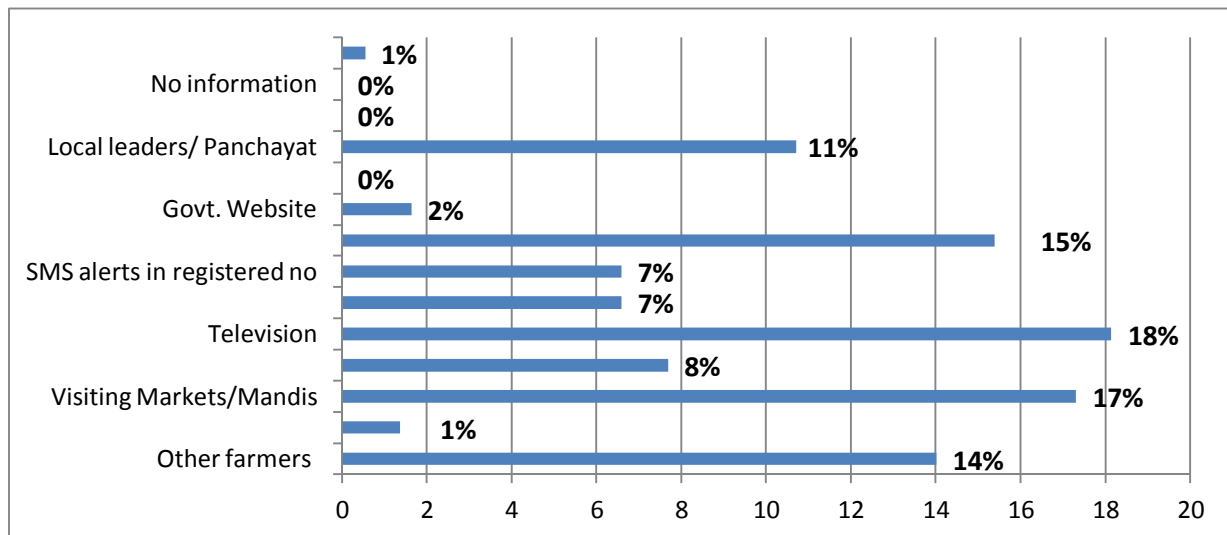


Fig. 6. Sources of Information to the Farmers

Source: Author's own source from survey.

One reason may be the lack of familiarity of the farmers with the website. However, the SMS sent to the farmers plays an important role in making the farmer aware of the procurement operations. Therefore, SMS scheme may be looked into more seriously so that numbers of such recipients are increased to a great extent. A farmer is also informed by another person and therefore it is a chain effect which means more the number of farmers who are informed more is the cumulative effect in the end. Now the most surprising fact is that various cooperative societies which procure paddy from the farmers are not making the farmers aware of the procurement programme of the government as it is only one percent of farmers who are getting information from them. That means those who are in charge of procurement are not playing their due role in informing the farmers to bring their paddy to the purchase centers. This should be taken care of by the part of the procuring agencies (Fig. 6).

6. Preparation of the Farmers Before Going to the Mandi:

According to the report about 67% farmers undertake exercise before reaching the CPC. Exercise means here that paddy needs to be made Fair Average Quality (FAQ) before reaching to the paddy procurement centers as only FAQ paddy is procured by the government and therefore it would be better if farmers get the paddy ready before selling. If they do not make the paddy of FAQ then it will consume extra time in the procurement centers and also a scope for disagreement with the procuring agency.

It is reported many a time that disagreement takes place on the quality of the paddy between rice millers and the farmers. The rice millers want to deduct maximum while the farmers want to deduct the minimum. In order to come to a conclusion a three men committee has been formed in the state of West Bengal with the representative of Block Development Officer, the Assistant Director of Agriculture and the representative of the Rice Mills. (Fig. 7).

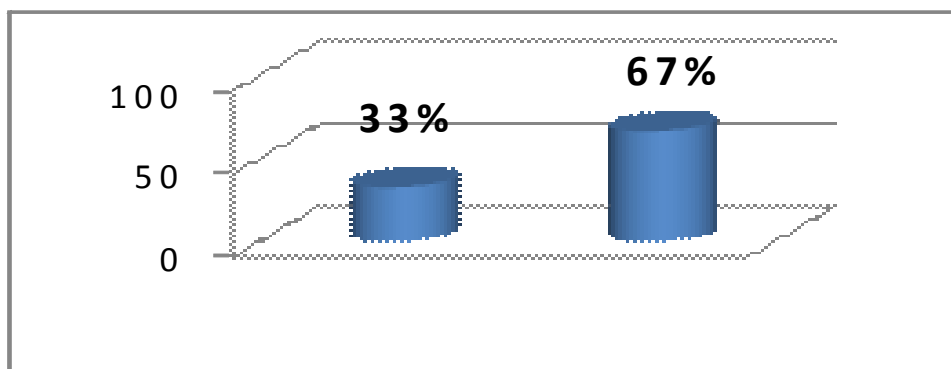
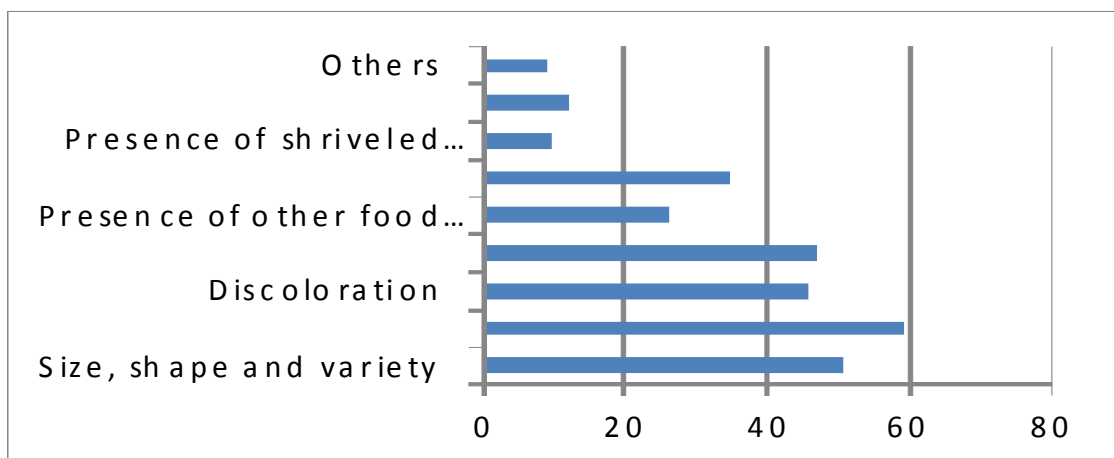


Fig 7: Preparation for making FAQ*Source: Author's own source from survey***7. Parameters to Determine the Paddy Quality:**

As per the report the moisture content of the paddy, the size shape and the variety of the paddy and the presence of damaged grains play a crucial role to determine the quality of paddy at the Procurement Centers. However, the problem is that farmers are not acquainted with these parameters and therefore it is really difficult for them to make the paddy FAQ before selling it to the purchase centres. Therefore, it

is very much important to make the farmer aware of the various parameters of paddy for selling paddy to the government. Necessary training to the farmers needs to be imparted well in advance. (Fig. 8).

**Fig 8: Preparation for making FAQ Paddy***Source: Author's own source from survey***D. 1. Minimum Support Price Vis-à-vis Open Market Price of paddy:**

As we have already discussed that government is not in a position to procure entire amount of paddy produced by the farmers and therefore a limit is imposed on the maximum amount of paddy a farmer can sell to the government. Therefore, if a farmer produces more than the maximum limit fixed by the government then the excess amount produced by the farmers to be sold in the open market at the prevailing market price. As the open market price remains below the MSP

throughout the year in general as we have experienced over the years except during drought or natural calamities the more amount of paddy sold to the government more is the income received. The graphical representation is given below.

As we know price of a commodity is decided by the forces of demand and supply in the market. If supply of a commodity rises without any rise in the demand for that commodity, then the price of that commodity will fall and vice versa.

Immediately after harvesting supply of paddy rises in the market without any corresponding rise in the demand for that commodity and therefore price of paddy remains low and it is noticed that open market price remains well below the Minimum Support Price fixed by the government throughout the year. From the price trend it clearly reflects that more amount of paddy a farmer sells to the Government more is the income the farmer received from his selling. **(Fig. 9)**

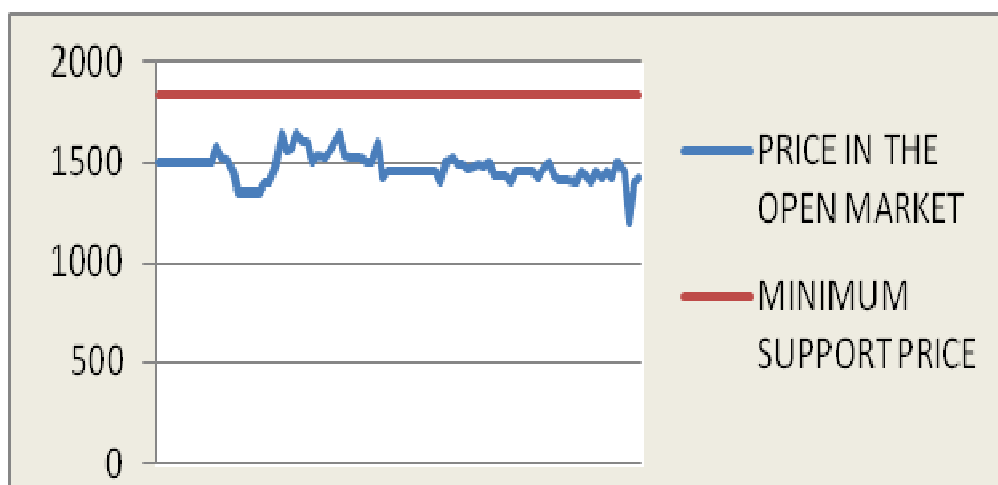


Fig. 9 Price of Paddy

Source: Author's own source from survey

2. How much paddy to sell to the Government?

At the beginning of each procurement year government fixes a target on quantity of paddy to be procured for the state as a whole and for each district. As total paddy production of West Bengal is about 150 Lakh MT per year and requirement of paddy for running Public Distribution System in the State is about 45 Lakh MT and therefore about 30% of total paddy produce is procured by the government and therefore all the farmers cannot sell entire amount of paddy produced by them. The

small and marginal farmers can sell their entire paddy to the government as it generally remains below the limit fixed by the Government as about 96% of farmers in West Bengal belong to small and marginal farmers having land below 1.00 hectares which produces maximum 45 quintal of paddy and we have also seen it that the maximum limit fixed by the government is 45 quintal per farmer in one session.

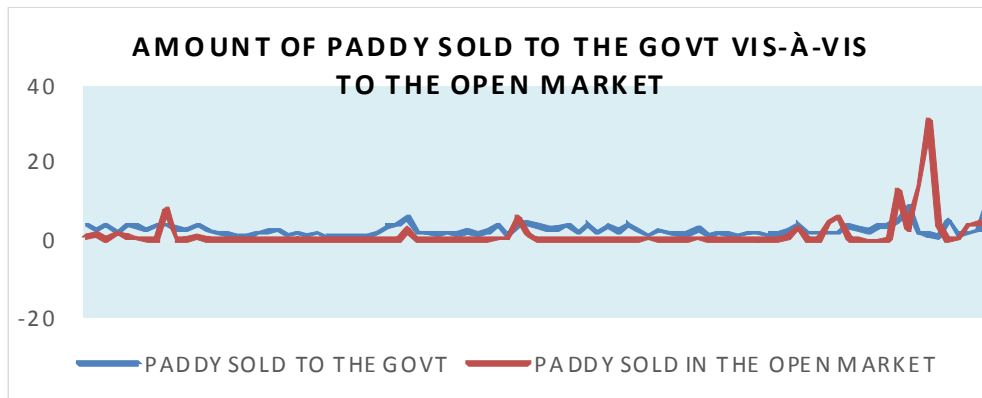


Fig 10: Quantity of Paddy Sold by the Farmers in the Year 2019-20

Source: Author's own source from survey

3. Income of the farmers in selling paddy to the government purchase centers vis-a-vis in the open market:

Farmers have the option of selling entire produced paddy to the private traders in the open market at prevailing market price and selling of entire amount of paddy, if limit permits to the government at Minimum Support Price as fixed by the Government. Also, he can sell paddy partly to the Government and partly in the open market. The survey report shows that income received from selling paddy entirely in the open market is lower than a part or entire amount of paddy sold to the government.

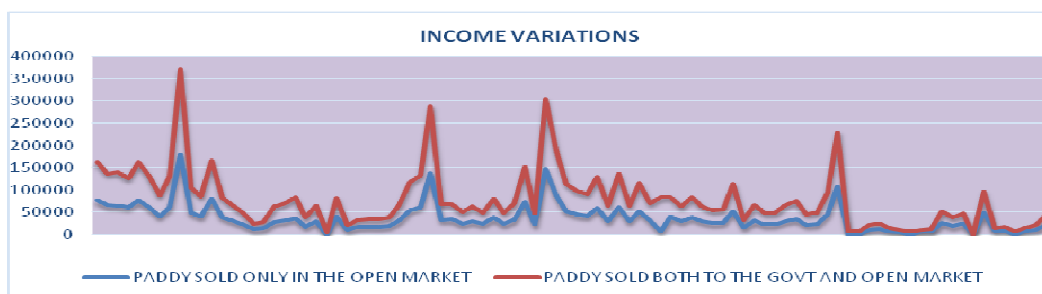
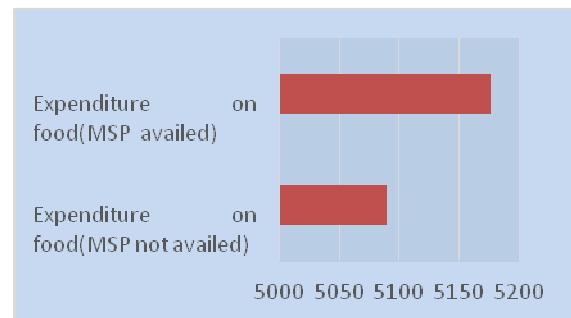
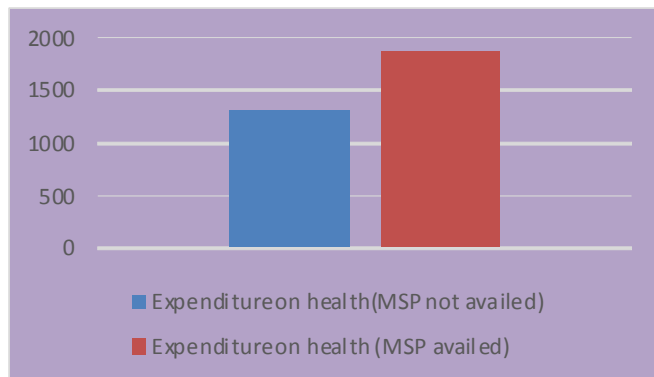
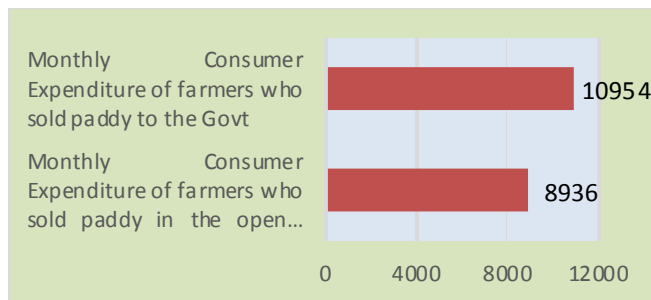


Fig 11: Variations in Income

Source: Author's own source from survey

We may conclude that it is the benefit of the online paddy procurement system as farmers get higher price by selling their paddy to the Government. In other word the income received by selling paddy to the Government or to the Government as well as the private parties is more than selling paddy only to the private parties/ in the open market. It is needless to say that more paddy sold to the government more is the income but it is not possible to sell as much as possible to the government as there is a limit on the amount a farmer can sell to the government.

4. Comparison on The Impact on Monthly Consumer Expenditure, Expenditure on Health, Education and on Food Items Between Those Farmers Who Have Availed The MSP and Who Have Not:



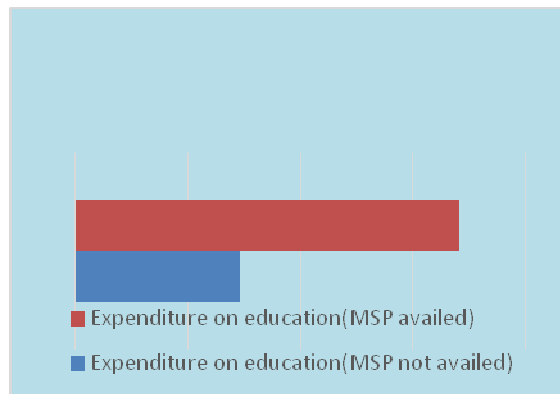


Fig. 12(A, B, C, D): Expenditure Incurred

Source: Author's own source from survey

E. Conclusion

The probability of earning of more income from the paddy produced by a farmer depends on the decision taken by the farmer whether he will sell at least a part of the produce to the government at MSP or not. On the other side, the decision to sell or not to sell to the government depends on a set of factors like required information in respect of MSP, feasibility of selling at the government run paddy purchase centers in terms of distance, time taken and other related parameters in connection with that. It has been revealed that most of the farmers who have sold paddy to the government at MSP have expressed their satisfaction with the amount of MSP. The more a farmer can sell paddy at MSP more income he is going to earn. Small and marginal farmers can sell their entire produce at MSP as the upper limit fixed by the government remains well above the amount of paddy produced by them. Increased income earned by the farmers leads to higher expenditure on food, education and health as compared to those farmers with same level of produce. Therefore, farmers need to be encouraged to avail the MSP and necessary arrangements needs to be made by the government so as to make the system more feasible and friendly to the farmers.

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Declaration of Conflict of Interest

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