

Farmers undertake market operations

A case of collective action



In the trees lie the roots of all life on the earth.

-The Dalai Lama

AME Foundation promotes ecological agriculture among small and marginal farmers in the semi arid areas of the Deccan Plateau by generating farming alternatives, enriching farmers knowledge, linking development agencies and sharing experience.

December 2006

Vast stretches of maize is a common sight in the drylands of Perambalur district of Tamil Nadu. In a region that was traditionally growing cotton and groundnut, various factors have combined to lead farmers to maize cultivation. Cotton cultivation has become less remunerative since farmers have to resort to excessive use of pesticides. Delayed onset of monsoon has been hindering timely sowing of groundnut leading to yield loss. Maize cultivation is thus being perceived as relatively easier proposition, with its dependable demand for cattle feed.

In this scenario, Tiruchi Unit of AME Foundation started working with groups of farmers in four villages in the Kunnam taluk of Perambalur district in May 2005. The focus of its intervention was on improving the yields and reducing production costs in maize. However, discussions with farmers revealed that, besides escalating production costs, losses incurred while marketing the produce, was also a major factor in declining net returns to farmers. AMEF wanted to help farmers in realising a better price also, by addressing this issue more practically. Hence, attention was put on marketing maize, as a farm product.

Prevailing marketing practices

Farmers sell their produce to the traders in the village itself. During the harvest season, traders from Perambalur come to the village to buy the produce. They bring with them, the weighing machines, gunny bags and also arrange their own transport, for taking the maize produce back to the town, immediately. They weigh the produce, pack them in 100 kg bags, load them into the lorries and take them for sale at Perambalur. The process is the same, whether the quantity of maize produced is small or huge.

The price offered depends on the season. The prices are low during February and March, the season of harvest. As farmers sell their produce immediately after harvest, they normally get lower price due to market

glut. Yet, as farmers do not have facilities to store the produce, they are forced to sell at low prices. In turn, they pay higher price for the cattle feed they purchase, prepared with maize.

It is seen that the core issue where farmers get bogged down is that of weightment in Maize. Malpractices in weightment are many. Some go unnoticed by farmers. But, in most cases, farmers remain helpless witnesses. It is said that, even the regulated market is not spared. Middlemen earn up to Rs. 1000 for a load of 14 tonnes, by procuring extra quantity of maize this way. Farmers try on their own to deal with the problem by using pre-weighed trial bags to check the menace. But, the result, however is that traders hardly come to such villages.

Farmers themselves are probably responsible for such exploitation by traders. Farmers are generally carried away by the higher price quoted and the provision of sacks by local traders. They seldom perceive readily the loss incurred due to improper weightments. The small farmers have too little quantity of produce and hardly have any capacity to bargain. Also, the pressure of immediate need for money worsens the situation. Equally affected are those who own larger quantities of maize, which cannot be stored for want of sacks and storage space.

Common malpractices found in maize weightment

- About half a kilo/bag is collected by traders as wastage, which is generally not opposed by farmers.
- Usage of tampered weighing scales, which causes a difference of a minimum of 1 kg per bag.
- Meddling with the bags while weighing, results in the weight difference between 2 to 8 kgs per bag.
- Weightment done during late evenings when the weights are generally not visible to farmers. Weighing the bag and later on adding excess quantity as a correction measure is also prevalent.
- Men who come as loaders weigh the bags and farmers are not allowed to do it.

Looking for solutions

To address these various issues in marketing maize, a workshop was conducted in 2005, by AMEF, with farmers and NGOs. The discussions brought out various options to deal with the prevailing problem like storing the produce and waiting for favourable prices; using calibrated balance or choosing an accurate weighbridge; approaching the wholesale trader who supplies the produce to the feed companies, avoiding local middlemen; marketing the produce to the feed companies directly; preparing cattle feed for own use by farmers and at a later period operating it as a commercial venture.

Putting the first step forward

Based on the support from the group and AMEF, the farmers of the Vinayaga group of Permathukudikaadu village, decided to market their



Farmers weighing maize using weighbridge

Expenditure and returns from direct marketing in Rs.				
S.No	Activity	Earlier practice	Direct marketing	Difference
1	Quantity of maize weighed (kg)	14000.00	14610.00	4.3%
	Cost incurred			
	Materials (Gunny bags)		1667.50	
	Loading charges		1450.00	
	Transport		5440.00	
	Others		266.00	
2	Total expenditure		8823.00	
3	Gross returns	70000.00	81085.50	15.8%
4	Net returns	70000.00	72262.00	3.2%

maize directly to a poultry feed unit at Nammakkal. The Unit was located at about 160 km from the village. To start with, two farmers took 14 tonnes (one load) of maize to the Namakkal feed plant.

Being their first experience in direct marketing, farmers had to face a lot of problems. Firstly, the loading men doubled their labour charges from Rs. 5 to Rs. 10 per bag taking advantage of the farmers in a helpless situation. They, having formed into unions, try to take advantage of those who are new to the activity. External people are not allowed to be used for loading work in the village. Secondly, being the peak season, transport charges were hiked by 25% coupled with low price offers from feed companies. Feed companies tried tampering with the moisture content readings of the sample to offer a lower rate. The price of gunny bags was also hiked by 50% owing to the high demand in the peak season. This was however, overcome with the support from the owner of the company who showed personal interest in helping the farmers.

The other risks which were anticipated by farmers included spoilage by rains, delay due to logistics, companies rejecting the produce citing false reasons like arrival of cheaper maize from neighboring states and

untoward incidents such as accidents and lorry break down. It was the sheer determination of the group of farmers that took them through these various odds.

Despite the constraints, farmers were able to realise significant benefits. Weighment in weighbridge alone had contributed to 610 kg of additional weight for one load of 14 tonnes. In monetary terms, this amounted to Rs. 3385.

There was a definite price advantage. Maize was sold at Rs. 555/q. The price offered at the village was Rs. 500/q. Even though the farmers had to bear additional cost for marketing, their net returns were higher by about 3.2%. Farmers through this initiative had earned an additional Rs.13.30 per bag.

These benefits were in spite of the constraints faced owing to lack of experience in direct marketing. There is scope to improve the net income by 50% if farmers purchased gunny bags during the off-season and contracted the loading and transport well in advance.

Besides monetary benefits, farmers place value on the experience and knowledge gained through this initiative. Improved knowledge on direct marketing has strengthened the confidence levels of farmers. Mahendran, a farmer who marketed the produce said "I value the knowledge gained on the direct marketing of maize the most when compared to the extra income earned through this initiative". Other farmers who initially had doubts are now confident of direct marketing of maize.



Following the foot steps

Inspired by the bold steps taken by the two farmers, other farmers in the group were motivated to follow the same procedure. Unfortunately, due to bird flu attack, many poultry units in Namakkal got shut down, resulting in steep fall in the prices of maize. Without losing hope, farmers thought of alternative strategies.

Farmers decided in the group meetings to wait for the price to stabilize. Group members supported those who were in need of money. About 50 farmers of four groups decided to wait until they got better price. They delayed marketing for two months and then sold their produce to the local dealers. This helped each farmer to get a price advantage of Rs. 10 per bag, with an average increased income of Rs. 300. Collective marketing efforts also enabled farmers to minimise the irregularities in weighment to certain extent, though not completely.

Farmers, who had cattle, were motivated to utilize their produce for production of cattle feed. Farmers were trained on preparing cattle feed with maize and other available materials such as sorghum, groundnut and sesame. Consequently, 30 farmers of the four groups prepared cattle feed instead of buying it from outside. The average cost of production was Rs. 8/kg which was much less than the price of the commercial feed i.e. Rs. 13/kg. An average cost reduction in feed purchase of Rs. 200/month/cow was achieved by farmers through this initiative. Farmers also observed an increase in the consistency of milk, which is due to higher fat percentage.

There is no doubt that these small efforts would serve as stepping-stones for the farmers in marketing their produce with higher returns during Kharif 2006. Two of the four groups have already planned for the collective purchase of weighing machines and are planning to buy the gunny bags before the peak season. It is only hoped that incidents such as bird flu, which are beyond their control, do not occur to undermine the efforts of these bold and innovative farmers.