

The Economic Price of Paddy

By

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The agricultural policy of the Government in the past, had been one of apathy to the agriculturists. Our country was suffering from a deficit supply of staple food. Imports of rice from Burma and Siam had been flowing into the country to meet our shortage. Even after a long period of dependency on foreign countries, it is regrettable that there has not been enough increase in output, even to the extent of making our country self-sufficient in the matter of her food requirements.

The reason is not far to seek. The prices of agricultural produce were not determined by the cost of production and other allied factors, but fluctuated depending on the foreign imports. The Indian agriculturists had to contend against the low cost of production of rice in the fertile Irrawady delta and against the inelastic production of an export surplus in Burma. When representations were made to the Government to levy a protective duty on rice and to restrict imports, they were not given due consideration. It is no wonder that the area under food crops decreased, as the agriculturists took to the cultivation of commercial crops, which brought them increased returns. Mr. C. R. Srinivasan, former Paddy Specialist, has said "People began to raise money crops in their fields resulting in a reduction of 13% in rice acreage."

The exigencies of War made us realise the necessity of producing sufficient food in our own country. It cannot be denied that the price fixed for food grains is very low. The Hon'ble Premier of Madras in his "Agrarian Reforms and Parity Economy" has truly observed, "At present, the remuneration from manufacture, commerce, and services far excels that for Agriculture". In his speech at the Agricultural Conference Mr. B. Ramachandra Reddy has said, "To keep the production continuing in a progressive ratio, prices of agricultural produce should be maintained, so as to make production economic and paying". One of the recommendations passed at the Conference is "Protect the producer from over-taxation, overprocurement and depressed prices and from the want of wherewithal for production". The Mail in its Editorial of 9th Oct. '48, "Extremely Grave", observes, "To eliminate one seriously disturbing influence, the Government should guarantee a fair, even generous price to producers, thus enabling them to be equally generous in their payments to the labour they employ".

The agriculturists do not demand any preferential treatment at the hands of the Government. They feel that the policy of stepmotherly treatment to agriculture should be given up and that a fair and just

treatment should be noted out to them. In pre-war days the prices for agricultural produce were low, but the agriculturists never grumbled. But in these days of exorbitant prices of all manufactured and finished goods, the prices of agricultural produce are fixed at a low level, without taking into consideration, the cost of cultivation or, margin of profit. The agriculturist expects a good price for his produce but he is sadly disappointed when he has to sell his produce at uneconomic prices. His cost of cultivation has increased manyfold, his standard of living raised, and he has to maintain himself at a greater cost with comparatively little income. Paddy cultivators do not derive the full benefit of the "increased" prices for their produce. Paddy which sold at Rs. 9/- per Kotta (280 lbs. or 112 M. M.) in 1939, is now sold at Rs. 24—3—0 per Kotta. But the prices of other agricultural products namely, gingelly, coconut, black gram, cotton, cotton seeds have risen 4 to 5 times the 1939 prices. The peasant is a consumer as well as a producer. He has got to purchase necessaries of life, like cloth, sugar and other amenities of civilised life.

The agriculturist is conscious of the services he is rendering to his country by producing more, and his demand is nothing more than bare justice. Only if the agricultural industry is made remunerative, can there be an incentive to produce more? Mr. M. Kantiraj, the Headquarters Dy. Director of Agriculture, Madras has dealt with this aspect of the problem in the *Madras Agricultural Journal* (September 1948) under the heading "The present Food Crisis and its solution". He says as follows:—

"It is the common practice with the ryots to increase or decrease the area under any crop depending on the prevailing market rate at the time of sowing. In England the prices of agricultural produce were fixed as an emergency measure sufficiently in advance of the sowing season to give an incentive to the ryots to increase the area under a particular crop. It was only by adopting such a procedure, the United Kingdom was in a position to reduce the quantity of foodstuffs imported from about 70 to 30% of their total requirements. This remarkable achievement should not be passed unnoticed".

Apart from the uneconomic price of paddy, there are other problems, which deserve attention, namely, Land tax, and the margin of profit allowed to the wholesale and retail dealers.

Land revenue is a heavy burden, even in periods of rising prices, it is oppressive in a period of falling prices and intolerable in years of drought. Land tax in Tinnevely District is very high, the highest being Rs. 22—8—0 per acre, perhaps unique in the history of land tenures. On this subject, Mr. Ramdas Pantulu has observed, "No amount of economic planning can by itself increase the income of the agriculturist or create a

sufficient margin of profit from agriculture to give a decent living standard to the ryot, so long as the Land Revenue policy remains what it is". A revision of the Land Revenue Policy will go a long way to ameliorate the condition of the producers.

Another problem, namely, the margin of profit now appropriated by the wholesale and retail dealers deserves our attention. The margin between the dealer and producer is higher compared with Continental countries, and it has increased considerably after the war. The wholesale dealer and the retail dealer at present receive Rs. 2 each for one kotta of paddy. While the producer gets Rs. 24—3—0 for one kotta of paddy, the consumer at the other end pays Rs. 28—3—0 for it. The profit Rs. 4/- is equally shared by the wholesaler and retailer. Some other arrangement should be devised whereby a percentage of the profit goes to the producer, instead of to the middlemen.

The basis for the fixation of the price of paddy must be from the producer's standpoint. The cost of cultivation must be taken into account in determining the price of paddy. A statement regarding the cost of cultivation is given below :

Basis for Determining the Economic price of Paddy per kotta.

of 280 lbs. or 112 M. M.

| | | |
|--|------------|--------------------------|
| Interest on Capital invested on land @ 4½ % for Rs. 6000/- the price of one acre wet land | Rs. | 270—0—0 |
| Cultivation Expenses (2 Crops) as per separate statement | Rs. | 366—8—0 |
| Land Tax and Cess | Rs. | 28—0—0 |
| Depreciation, Cattle Insurance Fund | Rs. | 25—0—0 |
| Permanent improvements on land | Rs. | 15—0—0 |
| Set-off against bad and indifferent years @ 5 Kottas @ x Rs. per kotta | | 5 x. |
| Total expenditure | Rs. | 704—8—0 plus 5 x. |

Yield from the land will be 20 Kottas Paddy and 80 bundles of straw.

Cost of paddy at x Rs. per kotta will be 20 x.

Cost of straw at Rs. 1/8 per bundle will be Rs. 120/-

So 20x plus 120 = 704.5 plus 5 x

15 x = 584.5

x = 39.

- NOTE :—
1. The land that is taken into consideration is the A I land,
 2. The return of $4\frac{1}{2}\%$ on the outlay is not too much. When investments in other enterprises fetch 12 and even 24 %, in fairness, a producer who takes risks with the vagaries of the monsoon should not be denied $4\frac{1}{2}\%$.
 3. The yield is the maximum that could be obtained from the land under very favourable conditions.
 4. Set-off against bad and indifferent seasons is calculated for a 5 years period viz. 2 normal years, 2 indifferent years and 1 bad year. The maximum yield that could be got these 5 years will be 100 Kottas. Set-off against bad and indifferent years will be 25 Kottas and for each year a set-off of 5 Kottas has been allowed.

The above statement shows the price level at which paddy cultivation would be economic. For agriculture to be remunerative, the price should be fixed at Rs. 39/- per Kotta (280 lbs. or 112 M. M.)

Another aspect of the problem has been considered by Mr. K. P. Yagneswara Sarma. He says "Prices, if they are to be fixed at all, have to be fixed in relation to the world market or at least in terms of the agriculturists' other requirements. There was a traditional rule that a Kotta of paddy (112 M.M.), a pot of gingelly oil (11 M.M.) and a Kalanji of gold ($\frac{2}{3}$ sovereign) are interchangeable". Now the prevailing prices of gingelly oil are Rs. 44/- per pot and Rs. 50/- per kalanji of gold. These justify that the price of paddy must be revised to that level. As has been pointed out above, the price of paddy should be fixed at Rs. 39/- or thereabouts per Kotta (112 M.M.)

The fixation of the price of paddy should be arrived at only after consultation with the agriculturists. Any other approach based on more economic theories or on the results of discussions with merchants and millers and traders, who are interested in exploiting the agriculturists to their own advantage can lead to no advantage to the producers. There are big and small land-owners, Agricultural Associations, Research Farms and Stations run by the Government. The reasonable price of paddy can be fixed on the basis of statistics obtained from them regarding cost of cultivation etc.

The Government would be doing the Agriculturists justice, if the prices of agricultural produce are revised and fixed at the above level. By adopting this liberal policy, agricultural production would receive an incentive and more would be produced, enabling the country to become self-sufficient as regards her food requirements.

Cost of Cultivation of one acre of wet land in Tenkasi Taluk, Tinnevely District.
Kar Crop — I Crop.

| Items | 1939. | 1944. | 1948 |
|--------------------------------------|---------------|-----------------|----------------|
| First 2 ploughings 5 ploughs | Rs. 2-8-0 | 10-0-0 | 15-0-0 |
| Second 2 ploughings 4 ploughs | .. 2-0-0 | 8-0-0 | 12-0-0 |
| Sowing 4 ploughs | .. 2-0-0 | 8-0-0 | 12-0-0 |
| Levelling 2 ploughs | .. 1-0-0 | 4-0-0 | 6-0-0 |
| Bund repair 2 Coolies | .. 0-8-0 | 1-8-0 | 3-0-0 |
| Levelling 2 males & 4 female coolies | .. 1-0-0 | 3-0-0 | 4-8-0 |
| Manure 24 cartloads | .. 6-0-0 | 24-0-0 | 36-0-0 |
| Cart hire for above | .. 2-0-0 | 6-0-0 | 12-0-0 |
| Spreading manure 4 females | .. 0-8-0 | 1-8-0 | 3-0-0 |
| Paddy seed 140 lbs | .. 5-10-0 | 14-0-0 | 24-0-0 |
| Watering charges | .. 1-4-0 | 3-12-0 | 7-8-0 |
| Weeding 12 females | .. 1-0-0 | 3-0-0 | 9-0-0 |
| Harvest expenses 280 lbs. | .. 9-0-0 | 19-0-0 | 25-0-0 |
| Total | 34-6-0 | 105-12-0 | 169-0-0 |

Pisanam — II Crop.

| | | | |
|----------------------------|----------------|----------------|----------------|
| Nursery Lease | Rs. 3-0-0 | 9-0-0 | 18-0-0 |
| Ploughing 2 ploughs | .. 1-0-0 | 4-0-0 | 8-0-0 |
| Green manure (Nursery) | .. 1-0-0 | 4-0-0 | 6-0-0 |
| Seed 35 lbs. | .. 1-6-0 | 3-8-0 | 12-0-0 |
| Sowing 2 Coolies | .. 0-8-0 | 1-8-0 | 3-0-0 |
| Watering charges | .. 0-8-0 | 1-8-0 | 3-0-0 |
| Field ploughing, 5 ploughs | .. 2-8-0 | 10-0-0 | 15-0-0 |
| Next ploughing, 5 ploughs | .. 2-8-0 | 10-0-0 | 15-0-0 |
| Levelling | .. 0-8-0 | 1-8-0 | 4-8-0 |
| Bund repair 3 males. | .. 0-12-0 | 2-4-0 | 4-8-0 |
| Green manure 2 cartloads | .. 7-0-0 | 30-0-0 | 52-0-0 |
| Spreading manure | .. 0-8-0 | 1-8-0 | 3-0-0 |
| Transplanting, 16 females | .. 3-0-0 | 9-0-0 | 12-0-0 |
| Watering charges | .. 1-4-0 | 3-12-0 | 7-8-0 |
| Two weedings | .. 1-8-0 | 4-8-0 | 9-0-0 |
| Harvest expenses 280 lbs. | .. 9-0-0 | 21-0-0 | 25-0-0 |
| Total | 35-14-0 | 117-0-0 | 197-8-0 |

