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Making the Markets Work for the Poor

Bulking and bulk marketing practices for realizing better profits by the small and marginal scale farmers

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Introduction

Sale of the farm produce soon after the crop harvest is a common feature in dryland areas. Farmers sell their produce in distress immediately after threshing to the commission agents/middlemen/ in the local market or to the moneylenders from whom they have borrowed credit at the beginning of the cropping season.

This distress sale of the farm produce is due to one or more of the following reasons:

- ✓ Immediate cash needs of the farmers for family needs such as education/health /family functions
- ✓ Repayment of loans borrowed from private moneylenders
- ✓ Lack of storage space for keeping the produce without deterioration
- ✓ Lack of market intelligence/ non-availability of market information
- ✓ Difficulties of transport of small quantum of produce.

Even where farmers take the produce to the market, they have to pay for a long list of charges including labor charges for unloading of the produce, cleaning of the produce, commission agents' charges, market cess and many more.

- ✓ What could relieve the farmers from the clutches of all these charges?
- ✓ What could be done to empower the farmers in deciding the price of their produce?
- ✓ What could be done to improve their bargaining power?
- ✓ What could done to raise their over all income from agriculture?

Under CFC -FAO-ICRISAT project on promoting sorghum and pearl millet for poultry feed in India, china and Thailand efforts are in pipeline to link small and marginal scale farmers to the processors (poultry feed manufacturers) through practice of **Bulking and Bulk marketing.**

Bulking

Bulking is the process by which the different farmers physically aggregate and maintain the produce of all the fellow farmers in a common place. The project has extended support to the farmers associations to construct one rural godown in each of the clusters under the project (a cluster consists of surrounding villages in close vicinity). There are five clusters in India and one each in China and Thailand. The godown is located in the central village, which is called as cluster head quarter. Thus it is helpful to the farmers of cluster villages to bring their produce and bulk it in the godown.

Bulk marketing

Bulk marketing refers to the process of marketing/ selling of the bulked produce directly to the bulk buyer/processor (without the involvement of the middle men), which would minimize the transaction cost and help them (both the buyer and the seller) realize mutually beneficial prices.

In other words bulk marketing refers to the direct sale of farm produce by the farmers to the end user or the trader at the storage place without the involvement of middlemen, thus fetching better prices.

Elements/ Features of bulking / bulk marketing

1. Aggregation



Small and marginal scale farmers have low bargaining power as they produce smaller quantities of crop produce. Produce thus harvested by them could be effectively aggregated in a common place, graded and stored scientifically. Aggregation of grains by following the scientifically established methods to fulfill all the required quality parameters is one of the basic steps involved in Bulk marketing. In the project villages the farmers have been able to bulk their produce in this year and sell them directly at mutually negotiated rates.

2. Infrastructure requirement

For bulk marketing the aggregated produce has to be scientifically graded and stored for future sale, which requires the establishment of storage structures, common threshing floors, drying equipments etc. The project has supported the farmers associations to build storage structures and install the ear head driers for drying the harvest if there are rains at the time of harvest. The drier will facilitate the farmers to harvest their crops at physiological maturity and protect it from rains and further infestations.

3. Transport

Since bulking involves physical movement of individual produce to a common place (warehouse/ godown), transport facilities become an essential component of the bulk marketing process.

Good transport facilities from the production points to the warehouses have to be ensured for the success of bulk marketing. The farmers associations facilitated the transport arrangement for the transport of the produce to the godown.

4. Drying

Bulk marketing aims at storing the produce in a godown over a period. Grains have to be dried to scientifically established moisture levels, which could extend their shelf life and prevent pest and diseases. Well-dried grains would serve as breeding places for the insect pest. Low seed moisture does

not favor microbial growth. The drier installed in the clusters were useful in ensuring the drying of the produce.

5. Grading

Bulking involves pooling produce of different types cultivated at different locations by different farmers. Hence there would be high degree on quality variations in the pooled produce. To overcome this problem the project linked the farmers with the input suppliers to provide the identified cultivars where in the quality differences are minimum. However quality tests were conducted right from the standing crop stage to the bulked stage and the results of the same were provided to the purchasers.

Grading can eliminate the above variations in quality. Grading is the process of segregating the bulked produce according to the scientific standards. Grading is important in providing different choice of produce to the buyers. Graded grains/ seeds fetch better prices as compared to the ungraded lots. The purchasers also conducted quality tests to grade the produce and decide the prices.

6. Storage

Graded produce needs to be stored over a long period for deferred sale. Spoilage during storage may lead to losses and ultimately spoils the aim of the bulk marketing.

Hence the farmers were trained in all scientific storage methods. The farmers were also trained in storage pest management measures so as to mitigate losses. The Indian Grain Storage and Management Research Institute, Hyderabad and Save Grain Campaign of Government of India (Pune and Hyderabad) extended technical support in training the farmers.

Advantages of bulking and bulk marketing:

The practices of bulking and bulk marketing have several advantages for the resource poor small and

marginal scale farmers as well as the buyers.

A. Advantages to the farmers

1. Better price realization

Bulking and bulk marketing practices, provide the liberty of deferred sale over few months, which will help, the farmers in overcoming market gluts and realize better prices. Conventionally farmers realize low price during peak harvest months due to heavy arrivals and non-availability of storage facilities. Seed drying, grading and scientific storage of grains in godowns will ensure the availability of good quality produce for the traders who pay better prices for the same.

As an example, at the Gadwal market the modal price of Pearl millet during the peak sale season of November is Rs 465 per quintal whereas the price during February was Rs 515 per quintal. This accounts to a price difference of Rs 50 per quintal, which is quite substantial (data source: APMC Gadwal).

The farmers can avail produce-marketing loans for a short period by establishing credit linkage with the bankers by providing receipt of the produce stored in the godowns as collateral security.

2. Enhanced bargaining power of the farmers

The practice of bulking also brings in competition among the traders / purchasers / processors as the produce is available in bulk in different grades. It provides ample choice to the trader in selecting the produce. This increased competition among the traders increases the bargaining capacity of the farmers / sellers. Availability of good quality grains during off seasons will place the farmers in great comfort to bargain for better prices.

3. Bulking minimizes middlemen charges/exploitation

Conventional marketing provides an opportunity to the middlemen to exploit the farmers. As an example, the commission charges in the markets ranges between 3 to 4 percent, which is very well

above the government stipulated rate of 1.75 per cent.

Charges like loading / unloading / cleaning, transport etc. can be avoided through bulking and bulk marketing.

4. Increases the involvement of the farmers and makes them independent

In bulk marketing farmers involve themselves in drying, grading, storage, maintenance and price negotiation with the buyers, which frees them from the clutches of the middlemen. Increased involvement also educates them about the marketing channel. This brings in new linkages and exposure to the farmers.

5. Improves market intelligence to make the market perfect

Under bulk marketing, farmers become aware about the buyers, their requirements and the prices they are ready to offer. Simultaneously buyers are aware of the quality and quantity of the produce available at the warehouses. Farmers follow the price trends over time and become more confident in bargaining better prices, ultimately realizing good revenue.

6. Market expansion

Traders look for large quantities of good quality grains. They wish to purchase large quantities in a given place as bulk purchase reduces transportation cost. Bulk marketing ensures continuous and timely supply of grains to the traders, pulling the attention of the traders in far off markets.

B. Advantages to buyers

1. Overcoming seasonality in purchase

Traders experience the problem of non-availability of grains during off seasons. The concept of bulk marketing ensures produce availability during scarcity. For instance, godowns of poultry feed manufacturing companies go low in their grain stock levels during the months of April to May. They look for different sources to run their business.



They purchase grains in small quantities from varied places, which increase their overheads. Bulk marketing helps the traders to overcome the problem of seasonality.

2. Overcoming multiple transactions

Since the produce is available in bulk at a given place and the farmers come in direct contact with the processors, bulk marketing avoids multiple transactions for the buyer. Thus, bulk marketing also saves the time and cost of procurement of the processor. E-marketing of the bulked produce can be introduced between buyers and sellers, which would further bring down transaction costs making them more efficient.

3. Purity guaranteed and origin ensured

The bulk buyers/ processors are well aware of the origin of the produce and the farming practices of the farmers involved in bulking, which provides them with the idea about purity of the produce.

Processors can communicate their quality requirements to the farmers in advance so that the farmers take necessary steps to ensure production of quality grains.

B.4. Ensured supply of produce

In addition to the above advantage, bulk marketing also protects the processors from un-warranted supply deficiencies and supply shocks. It reduces the frequency of purchase, as the produce is available in bulk at a given time at a given place. With bulk marketing, buyers can efficiently plan and schedule their purchases. Traders can also look at chances of signing contracts with the farmers groups before the crop season.

Bulk marketing under the CFC-FAO-ICRISAT project

The International Crops Research Institute for the Semi Arid Tropics (ICRISAT) is implementing CFC-FAO-ICRISAT project on Enhanced utilization of sorghum and Pearl millet grains in Poultry feed industry in improving the livelihood of small scale farmers in Asia in India, China and Thailand. In India the project is being implemented in two cluster villages in Mahabub nagar district of Andhra Pradesh and three cluster villages in Maharashtra.

Small-scale farmers in the project implementation area were producing less due the use of traditional varieties. They were exploited by the middlemen. Under the project, seeds of improved varieties and hybrids were supplied to the farmers and guided in every step of production, which eventually lead to increased yield levels.

ICRISAT has facilitated the farmers to get organized into Farmers Associations though participatory approaches and helped them in constructing the storage structure and drier sheds. Ear head driers were also installed in all the cluster villages.

Farmers were educated on the benefits of bulk marketing and linked with the poultry feed manufacturers. During the current season farmers bulked their produce and stored in the godowns constructed under the project. The stored produce was sold to M/s Janaki Feeds Private Limited @ Rs 600-650 per quintal of sorghum in different village clusters. Farmers have realized an additional income of Rs 75-125 per quintal as compared to the market prices, which were at Rs 525 per quintal.

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