

CHAPTER VIII

EVALUATION AND COMMENT

From the foregoing Chapters it is seen that the marketing of padi by farmers in Block S2 is still far from being perfect and efficient. There exists lots of grounds for improvement.

The absence of credit facilities where loans can be obtained readily at a reasonable rate of interest to finance the farmer's production activities and to provide him with the means for sustaining himself during the no-income waiting period compels the farmer to obtain supplies of feedstuffs and other household needs from the local shop-keeper on credit in addition to money loans which he obtains from the shop-keeper from time to time to finance his production activities. In spite of the government ruling forbidding any farmer to sell their padi to dealers other than the co-operative rice mills, yet a large number of the farmers illegally dispose of their padi to the shop-keepers with the intention of gaining the shop-keepers' favour in order that loans can be easily solicited in future to meet contingencies such as a daughter's wedding or the death of a member of the family. For all these loans-money or otherwise - the farmer ties up a portion of his harvest for the repayment of the loans. Although the farmer is paid by the shop-keeper the same price as he would be paid by a co-operative rice mill for his padi, the farmer's actions apart from being illegal encourages this sort of "back-door" business to gain a strong foothold and become an integral part in the socio-economic structure of his community. Furthermore he is giving less support to the co-operative rice mill of which he is a member in the form of patronage and so will receive a smaller amount in patronage dividends. As a matter of fact he is turning his back to an organisation whose very existence is to serve him.

The co-operative rice mill is partly to blame for this widespread practice among farmers of illegal selling of padi to shop-keepers. The payment of a commission of 0.10 cents per pikul to the shop-keeper by the co-operative mill for the bulk sales of padi he makes to it provides a financial inducement to the shop-keeper to make purchases of padi from the farmer and also to demand the repayment of debts not in cash but in padi.

In order to rectify this position of the farmer's dependence on the shop-keeper for money loans and for the supply of provisions on credit and in order to put a stop to this practice of illegal selling of padi to the shop-keeper, it is felt that the payment of 0.10 cents commission per pikul by the co-operative mill to the shop-keeper for purchases of padi made from him be withdrawn and another source of

loans should be made available to the farmers which can take the form of providing the credit needed by the farmers through co-operative means either by a single-purpose co-operative credit society or a multi-purpose co-operative society which incorporates the function of credit provision among its many other functions.

The prevailing methods of harvesting and threshing which is labour-intensive and time-consuming affords scope for the improvement of these marketing services through mechanisation. As most of the farmers hire workers to perform these services, mechanisation will not cause any serious unemployment among the farming community other than displacing the services of hired workers with those of mechaneries.

The provision of mechanical equipment for the mechanisation of harvesting and threshing can be provided by (i) having the well-to-do members of the farming community hiring out the equipments to the farmers for a fee and (ii) by having either a single-purpose mechanical equipment co-operative society or a multi-purpose co-operative association to undertake the hiring out of the equipments to the farmers. The first method has the disadvantage of creating a new-property owning class in the community upon whom the farmer may become increasingly dependent for the provision of two essential marketing services which will later on work to their disadvantage. A co-operative society is therefore preferable for providing these services.

It is felt that the farmers need to be provided by the government through the Farmers' Association up-to-date drying and storage facilities of which they seriously lack. What the farmers need is a common drying place and storage house situated in the vicinity of each of the 3 sites (sites, A, B and C). The drying place should have a cement flooring and fitted with a convertible-roof which is able to be opened and shut at will and it should also be protected from the intrusions of animals. The store house (one for each site) should be built according to modern scientific requirements and divided into compartments. The allocation of compartments is to be made on a house-to-house basis. The government has already stipulated in the First Malaysia Plan 1966-1970 to provide the farmers with these facilities through the Farmers' Association.¹ It is now up to the Farmers' Association in Bekinchan to press for its rightful claims from the government.

Under the present price-support programme for padi where the Guaranteed Minimum Price provides a single price for all varieties of padi and for all grades within a particular variety of padi, the farmer is not provided with any form of financial inducement for him to cultivate better varieties of padi and to improve the quality of his existing variety of padi. In fact under the G.M.P. the farmer

¹First Malaysia Plan 1966-1970, p. 110.

tends to switch from the cultivation of superior quality padi to the cultivation of poor quality padi. It is felt that if the G.M.P. is to work towards quality improvement, a system of grading must be adopted by the government. The padi must not only be graded according to varieties with each variety commanding a different price according to its quality, there must also be grades within a particular variety such as Malinja A, Malinja B etc. with a different price attaching to each grade. A system of grading is also desirable on grounds of facilitating inter-state as well as intra-state commerce.

In the marketing of vegetables, maize and sweet potatoes by the farmers in Block S2, the farmers are also beset with a host of market imperfections outstanding among which is the price determination by middlemen. These market imperfections arise largely from inadequate market information, lack of grades and standards, the farmers' limited bargaining power, and their over-dependence on the middlemen for the marketing of their produce etc. The farmers lack reliable and adequate market information which they could use to guide them in formulating proper production and marketing programmes. Due to the lack of market information they are not aware of the alternative uses to which their products can be put to and the alternative marketing channels for their distribution. The farmers have no knowledge of the different prices prevailing in the big towns such as Kuala Lumpur, Klang, Teluk Anson etc. for their products. Having no knowledge of market conditions and developments the farmers have to rely solely on the various intermediaries for the marketing of their products and to a certain extent for market information. This over-dependence of the farmers on the intermediaries robs them of their bargaining power and passes on to the intermediaries a bigger voice in the determination and control of prices. Lack of modern storage facilities in which the perishable commodities can be stored for a considerable period of time tends to fortify the middlemen's already strong bargaining position.

It is felt that the provision of market information should be undertaken by the government through the Farmers' Association. The government should distribute periodical price bulletins and pamphlets informing the farmers of market conditions, market developments, trends in consumers' preferences, prices and other relevant market information. However, the Farmers' Association in Sekinchan if it is to achieve its objective of disseminating market information etc. in an effective and efficient manner it must be able to gather as large a membership as possible. Only then will the two-way process of communication (i) from the government to the farmers and (ii) from the farmers to the government be effective. It is felt that the efforts of the government must be combined with the efforts of the existing members in gathering as large a membership as possible.

A system of grades and standards acceptable to both producers and consumers should be established by the Federal government for vegetables, maize and sweet potatoes not only to facilitate trade within and without the state but also to get rid of the discriminatory

elements under the no-grade system where producers of good quality vegetables, maize or sweet potatoes are paid the same price as producers of poor quality ones.

It is also felt that the farmers should form among themselves a multi-purpose co-operative society which incorporates among its functions not only the function of marketing the farmers' vegetables, maize and sweet potatoes etc. but also the functions of credit provision and the hiring out of mechanical equipment for harvesting and threshing. In this way the farmer will be able to rid himself of resorting to shop-keepers for loans and tying up a portion of his harvest to them and also rid himself of selling his padi to shop-keepers to gain their favours. He is also able to mechanise his harvesting and threshing operations and to undertake the marketing of his products through co-operative means.

Marketing of the farmers' produce along co-operative lines is advocated on grounds of (i) if the membership of the co-operative society is large, it will be able to control a large amount of the total supply of the farmers' produce and is, therefore, able to push the price up, (ii) the co-operative society can reduce the number of marketing links by dealing direct with wholesalers and retailers and, therefore, earns for the farmer a greater share of the consumer's dollar, and (iii) marketing facilities such as up-to-date storage facilities and standard weights and measures can easily be provided collectively rather than individually by the farmers.

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Whether the establishment/such a co-operative society is practically feasible or not - capital-wise and management-wise - is beyond the scope of this study.

References

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3. Jabatan Cetak Kerajaan First Malaysia Plan 1966-1970.
4. Kelly R.O. "Government Marketing Policy on Rice". In Malaysia National Training Centre Manual, Ministry of Agriculture and Co-operatives, Kuala Lumpur, 1964.