

## CHAPTER IV

### GOVERNMENT PARTICIPATION IN PADI MARKETING IN SEKINCHAN

The Federal Government's participation in the marketing of padi in Sekinchan which directly affects the farmers in Block S2 assumes the form of (i) a guaranteed minimum price for padi, (ii) the enforcement of rules and regulations regulating the marketing activities of farmers incidental to the operation of the guaranteed minimum price and (iii) initiating the establishment of the Farmers' Association and supervising its day-to-day management.

#### The Government Price-Support Programme for Padi

The rationale of the price-support programme for padi introduced by the Federal Government is to give the farmer a larger proportion of the national income by supporting the price of padi. In this way the government seeks to stabilise the price of padi by keeping in check price fluctuations and so eliminate much of the price risk which farmers carried before the price of padi was supported. In the States of Malaya the price-support programme for padi assumes the form of government purchases and a guaranteed minimum price.

The price-support programme of the government operates through its purchasing organisation known as the Government Reserve Stock of Padi which buys padi from the farmers through the agency of the Union of Co-operative Rice Mills and other government-sponsored rice mills. These purchases together with whatever imported rice the government may buy forms the Government Reserve Stock of Padi which is intended to provide a basic food reserve should a shortage of padi arise. For these purchases the government pays a guaranteed minimum price of \$16.00 per pikul ex-mill of padi whose moisture content does not exceed 13% which is termed by the government as "good, clean, dry" padi. This guaranteed minimum price of \$16.00 per pikul which came into effect during the 1963/64 crop-year is \$1.00 above the price fixed for the last seven years since the 1956/57 crop-year.

The objective of these purchases is to provide a support price for the padi farmer by taking off the surplus production of padi at harvest time and immediately afterwards and by selling it throughout the year at a rate consistent with market demand and at constant prices. In this way the price of padi is stabilised and price fluctuations - low price at harvest time and immediately afterwards and high price immediately before harvest - are kept in check.

## Effects of Guaranteed Minimum Price to Farmer

The Government in its desire to purchase as much of the farmers' padi as possible enforces rules and regulations which directly affect the marketing activities of the farmers. Under Notification Bil. Coop. T.K. 13/51/91 dated March 8, 1964 issued by the Department of Co-operative Development in Kuala Selangor the full context of which is produced in Appendix V the farmer is enforced by the government to sell his padi to a co-operative mill only which is the only licensed dealer of padi in Bekinchan. The farmer is altogether forbidden to sell his padi to an unlicensed dealer. He is also instructed by the government to dry his padi in order to reduce its moisture content to 13% or less and also to pack his padi in standardized gunny sacks before selling it to the co-operative mill. This is the direct effect of the guaranteed minimum price of padi to the farmer.

With the operation of the government's guaranteed minimum price, the farmer faces a stable price situation for his padi devoid of any price fluctuations. He thus carries a negligible or no price risk at all. As long as his padi meets the government's specifications of "good, clean, dry" padi and as long as he sells his padi to a co-operative rice mill the farmer is paid the guaranteed minimum price of \$16.00 per pikul (under normal circumstances).

Apart from having his price of padi stabilized the farmer, under the guaranteed minimum price, is also paid twice as much as he would have been paid for his padi had it been sold in the open market without having its price supported by the government at all. With the competition from rice imported from Thailand, Taiwan and Burma, whose quality is comparatively better than locally produced rice, it is unlikely that the padi farmer will fetch more than \$8.00 for a pikul of his padi in the open market. The farmer would even fetch a lower price for his padi at harvest time and immediately afterwards had there been no guaranteed minimum price for padi.

About the only disadvantage of the guaranteed minimum price for padi is that it provides no monetary inducement for the farmer to improve the quality of his padi. Under the prevailing pricing system only one price exists for all varieties and grades of padi. As long as the padi measures up to the specifications of "good, clean, dry" padi, it fetches the guaranteed minimum price of \$16.00 per pikul ex-mill irrespective of whether the padi is of MAlinja, Mahsuri or Raden India variety. There is no financial inducement in the guaranteed minimum price at all to motivate farmers to cultivate better varieties of padi or to improve the quality of their existing variety of padi. On the other hand, farmers tend to switch from cultivating superior quality padi to inferior quality padi because of the guaranteed minimum price.

### The Farmers' Association

The establishment of the Farmers' Association and the part

the government plays in its day-to-day management assumes another form of government participation in the marketing (and production as well) of padi in Sekinchan.

The Farmers' Association in Sekinchan is a voluntary association of farmers established, inter alia, for the purpose of promoting the use of better farming techniques to improve agricultural productivity per man and per acre in order to raise the farmers' standard of living. Membership of this association which is confined to farmers only is voluntary - every member has full freedom of entry as well as freedom of egress. However, every farmer is encouraged by the government to join the association.

The government through its Agricultural Office in Tanjong Karang played a major role in the establishment of this association. It was on the initiative and through the efforts of the government that this association was established. It was the government who first realised that the farmers need such an association to act as a liaison-agency between the government and the people for the dissemination of research findings and market information.

The government does not only play a prominent role in the formation of the Farmers' Association but also plays a major part in its day-to-day management by providing an official of the government (either an extension or an agricultural officer) to supervise the convening of meetings, election of office-bearers, to disseminate information and to offer advice. The government under the First Malaysia Five-Year Plan has also undertaken to provide the association with pest control equipment, water pumps and accessories, harvesting and processing equipment and drying and storage facilities.

The Farmers' Association in Sekinchan which has the following objectives:

- 1) To enable farmers to get together to discuss their problems and to formulate plans and programmes to improve their economic and social well-being.
- 2) To act as a medium for the dissemination of plans and programmes of the government to a cross-section of the farmers.
- 3) To enable farmers to initiate, formulate and enforce useful programmes and plans for their common benefit through their Committee of Management.
- 4) To encourage farmers to adopt the spirit of "self-help" without resorting to external aid unless deemed necessary.
- 5) To stimulate the feeling of citizenship, the spirit of leadership and co-operation among farmers

so as to pave the way for a harmonious rural community.

is thus, not only of particular relevance to the production and marketing of padi but also to the production and marketing of other agricultural produce. In the field of marketing it can act as the agency of the government through which market information such as,

- 1) The prices of agricultural produce in the markets of Kuala Lumpur, Klang, Telok Anson and elsewhere at wholesale and retail levels.
- 2) Alternative uses of the farmers' produce and alternative ways of presenting it to the consumers.
- 3) Current trends in the consumption of the farmers' produce.
- 4) Supply and demand conditions of the various agricultural produce put on the market.
- 5) Any government programme for the marketing of the farmers' produce.

can be disseminated to the farmers for the proper planning of their production and marketing programmes.

#### Advantages of the Farmers' Association

The Farmers' Association is about the only effective way available to the farmers through which they can receive first-hand knowledge of government plans and programmes affecting them as well as research findings and market information which can aid them immensely in managing their farms and marketing their produce. It also affords an effective channel for the direction of farmers' grievances, problems and complaints to the government for its necessary action.

#### Practical Problems Faced by the Farmers' Association

In spite of the advantage it offers to farmers in providing a two-way channel of communication between the farmers and the government, the Farmers' Association in Sekinchan is beset with a host of practical problems in its attempt to achieve its defined objectives. Being an institution imposed upon the farmers by the government it becomes particularly difficult for the association to recruit members in spite of all the government's encouragement and persuasion. This is because that the farmers not only are they unaware of the association's objectives, of the benefits it offers to farmers, they are also suspicious of the association and view it as something that would benefit the government at their own expense.

There is no genuine whole-hearted support for the association and there is a marked absence of group involvement which is evidenced by the poor attendance at meetings. Under the circumstances the purpose of the Farmers' Association will be defeated by the ignorance, apathy and inertia of the very people whom it is supposed to benefit.

