

CHAPTER VI

CONCLUSION: PROBLEMS AND RECOMMENDATIONS FROM PRODUCERS' PERSPECTIVE

The following conclusions on the various aspects of marketing of farm products, from producers' perspective in Block S4, Sekinchan, can be drawn from the preceding chapters. These conclusions were, in the writer's opinion, applicable to all other blocks in Sekinchan, since the marketing system and the problems faced by the farmers were mostly likely to be similar; the difference, if any, would not be such as to affect the conclusions reached to any appreciable extent.

At the end of this chapter, recommendations are given in the light of present double cropping system of padi where no off-season crop is grown in Block S4, and the fact that a triple cropping system is being introduced by the State Agricultural Office, though without much success. These recommendations are given on the assumption that such a system will be successfully achieved in not too distant future, with close cooperation of the farmers.

(A) ACUTE MARKETING PROBLEMS

Pricing of Padi

As far as marketing of padi was concerned, the pricing aspect proved to be the greatest problem faced by the farmers in Block S4, and most probably in the whole of Sekinchan.

Although the Malayan government had earlier fixed the price of "clean, good and dry" padi at \$16.00¹ per pikul, this policy only applied at certain big Rice Mills with license to purchase padi and mill it for sale. In Sekinchan, the four Cooperative Rice Mills Societies Ltd. were licensed to purchase padi on behalf of the Government Sponsored Rice Mill, Tanjong Karang which milled the padi for sale. The local Cooperative Rice Mill Societies could only mill the padi for farmers' own consumption, in which case milling charges were imposed according to quantity milled. All these meant one thing: farmers

¹This fixed price applied only to certain varieties including the ones commonly grown by the farmers interviewed such as Malinja, Mahsuri and Radin India.

would be paid the price per pikul of padi after deductions for moisture content or impurities, weight of guni sack, transport and handling charges were made. Now, even if the farmers sold "clean, good and dry" padi, they would still be paid by the local cooperative rice mill societies to whom they sold their padi the price per pikul of padi less weight of guni sack, transport charges and handling charges. This was the basic principle upon which padi was to be priced at producers' level. This principle still holds today; but it was and still is not followed correctly.

The price of padi was "fixed" by the local cooperatives at \$13.80 per pikul at producers' level. The very fact that it was fixed meant that every farmer would be paid the same price regardless of the degree of dryness or cleanliness. It was unfair for the farmers whose padi was drier and cleaner to be paid the same price as those whose padi was not as dry and as clean or even wet and dirty. As a result of this price fixing by the local cooperative rice mill societies at producers' level, the farmers did not make special or extra effort to dry and clean their padi before selling. In other words, farmers were not made to feel that by selling "clean, good and dry" padi they would be paid a higher price. This could also mean that the cooperatives were not really interested in giving the farmers the highest price for their produce which, fortunately or unfortunately, should be their aim.

If the local cooperative rice mill societies followed the established rate of deduction for moisture content rather strictly, the farmers would not feel otherwise but be convinced of the advantages or gains of selling "drying" padi for there was a big difference between no deduction and a deduction of 5 or 7 katies per pikul. This was also true for cleanliness and quality. They would certainly produce good quality padi in the sense that they would harvest only when the padi was fully ripe and properly clean their padi if only they were assured of higher price per pikul.

Thus the low price of padi at producers' level was mainly caused by poor quality padi, high moisture content and high degree of uncleanness which in turn were caused by the attitude of the cooperative rice mill societies limited towards the farmers. If some farmers were paid a much lower price per pikul of padi than the others, then the farmers had themselves to blame for not properly cleaning, drying and harvesting at the right time. But if the farmers were paid the same low price as was and still is, then the cooperatives were to be blamed for not correctly following the rate of deduction established for moisture content and other rates for cleanliness and quality. If they had no such rates for cleanliness and quality, they should have established them and followed, though there was some difficulty in this due to subjective judgement but at least an attempt should have been made if only for the sake of convincing the farmers.

The low price of padi per pikul at producers' level was also caused by a combination of high transport cost (including handling

charges) and excessive profit made by the cooperatives. The cooperatives were allowed to make profits in order to cover the possible losses or risks, for after all these would finally go to the farmers. But the fact that the cooperatives paid the private padi dealers a commission¹ of 10 to 15 cents for every pikul of padi sold by these private padi dealers to Tanjong Karang Rice Mill with the help of representatives from the cooperatives, showed that the cooperatives could buy padi at \$13.90 or \$13.95 per pikul and still make enough profit to cover the possible losses or risks and the employees' wages. Now, why the cooperatives could not pay the same price to the farmers? In short the service motive should be the main objective rather than the profit motive. With regard to transport cost, it is very difficult to say whether it was too high or reasonable. However, the writer feels that a little more reduction should have been possible.

In conclusion, the price of padi at the producers' level, could have been increased greatly if Sekinchan farmers, like most if not all Kelantan farmers, sold "clean, good and dry" padi, for then they would be paid the price of \$16.00 per pikul less the weight of guni sack and transport cost (including handling charges) which was about 30 cents per pikul from houses to Tanjong Karang or 50 cents per pikul to Rice Mills in Petaling Jaya and a minimum profit just sufficient to cover the possible losses. In other words no deductions for moisture content, for cleanliness and quality were made. This called for a reformed attitude on the part of the cooperatives towards the farmers. It was not so much the lack of drying and cleaning facilities but rather the lack of implementing the basic principles and the established rates for deductions that caused farmers to sell their padi with high degree of moisture content and dirt. Once farmers were convinced of the advantages of selling "cleaning, good and dry" padi, they would find ways and means to dry and clean their padi and would be prepared to wait for another month or so before selling it and getting the money to pay the debts. After all they did clean and dry their padi for own consumption and had been taking goods on credit for the past five months or so.

Pricing of Off-season Crops

The fact that the farmers showed little sign of frustration over low price should not mislead anyone into thinking that low price did not create a problem to the farmers. On the contrary, it was an even more urgent and serious problem, since the farmers were taxing their energy at the expense of their health only to obtain a

¹ Paying commission of 10 to 15 cents for every pikul sold by the private padi dealers to Tanjong Karang Rice Mill was same as buying padi from private dealers at \$13.90 or \$13.96 per pikul.

little extra income. It was necessary to put an end to such state of affairs if only to raise the health and living standard of farmers. But this was no easy problem.

Actually it was not practicable and advisable for the government to fix the price of vegetables and other off-season crops. Even if it was practicable it would be to the disadvantage of the farmers finally for when so much was produced not all would be marketed and consumed and had to be thrown as waste. Off-season crops, particularly vegetables are different from padi which is very much less perishable and people will be much less prepared to forgo padi (rice) than say vegetables.

However, minimum price could have been higher if farmers knew the prices prevailing in different markets, that was if they knew the prices bought by different dealers, local as well as outside. Minimum price could have been higher also if dealers did not fix the price on the basis of personality and education of the farmers. And most important of all the minimum price could have been greatly increased if they were in a stronger bargaining position. Indeed, their problem of low price would have, most probably, been solved, though partly, if the farmers had formed a cooperative marketing society which would undertake to buy the farm produce or arrange for its sale. Then one group of middlemen would have been bypassed which meant that their previous gross profits could then be transformed into higher price for the farm produce plus dividends on patronage.

Financing and Marketing

Lack of capital for the successful operation of their farms has always been a serious problem to farmers. In most areas they are forced to borrow money from private moneylenders at an exorbitant rate of interest. In Sekinchan, the same problem existed, but in quite a different way. Although it was known that some farmers did borrow money from the shopkeepers, friends and relatives, yet the amount was small compared to their actual requirements. This was due to a number of reasons. First, shopkeepers preferred the farmers to take goods on credit rather than to borrow money for this would mean greater turnover of their business and hence greater profit, other things remaining equal. Second, by allowing the farmers to take goods on credit, the shopkeepers felt more secure as this would mean frequent contacts with the farmers. Third, farmers on their own part felt that this was a more economical and safer way in the long run since there was no likelihood of spending money in a wasteful manner: they bought goods on credit from the shops as and when the needs arised for the good of himself and the family.

In reality, this method of financing the farmers was as harmful as giving them loans at exorbitant rates. The farmers were made to pay a "little higher price" for most of the goods, especially for the more "expensive" items like fertilizer, farm implements etc. The farmers were quite prepared to pay a little higher price for they argued that since the shopkeepers helped them why not they in turn

help the shopkeepers. But these same farmers seemed to forget that the shopkeepers charged different prices to different farmers, depending on their personality and outlook. Thus to some farmers a "little higher price" would actually mean "quite a high price". Moreover, most if not all the farmers did not care to record the items bought due mainly to their low standard of education, thus giving way to some sort of cheating on the part of the shopkeepers. Over the months, the amount the farmers would have to pay in excess of the actual amount for the purchased items priced at normal or prevailing market price would be quite substantial. This extra cost was never revealed to the farmers for obvious reasons.

The above method of financing had a direct influence on the marketing system, particularly with regards to padi. Although the farmers were not openly forced by the shopkeepers to sell padi to them, yet they were obliged to do so for the services extended by the shopkeepers. The amount of padi sold to these private padi dealers by the individual farmer might be small, but taking all the farmers together, it would have been large enough to undermine the strength of the cooperative rice mill societies which were licensed to buy padi on behalf of the Government Sponsored Rice Mill, Tanjong Karang. On the surface of it, it did not seem to matter whether they sold their padi to the cooperatives or to the private dealers since both groups bought at the same price. But closer examination revealed the defect in the marketing system hence the problem.

Thus financing problems gave rise to marketing problems which together worked to the disadvantage of the farmers. If there had been a cheap source of credit, say the cooperative credit society there would not be any obligation on the part of the farmers to sell padi to shopkeepers, which would therefore result in greater proportion of padi sold to the cooperatives rice mill societies. Assuming the cooperatives were run on a sound basis, with the objective of helping to raise the living standard of the people, this would bring higher net income to the farmers.

(B) LESS ACUTE MARKETING PROBLEMS

Product and Production and their relation to Marketing

From interviews with farmers and local wholesalers, the writer understands that most of the farm products produced in Sekinchan, were not of a very high quality. This is even true today. It was due to a number of factors such as degree of watering, manuring, ravages of pest and diseases, techniques of cultivation and others which were mostly within the farmers' control. With greater knowledge of the proper methods of cultivation, the pest-control method and the requirements of each particular crop, the quality could have been improved, which would in turn mean higher price for the products.

The products were also not uniform or that the degree of uniformity of the products was rather low. Even from same padi lot or

vegetable plot, the products differed in size, ripeness, in colour, in moisture content, in hardness or softness etc. This was mainly due to carelessness or improper time for harvest. Taking the lots or plots together, the low degree of uniformity was caused by different seeds, different methods of cultivation, manuring, watering, pest control, attitude towards farming and similar factors. Although some were graded, but even within the grade there were variations, for example red chilis were of different sizes, hardness, ripeness etc. Since there was no well established grading system, the farmers could but expect lower price for their products. This could have been greatly improved with greater help and assistance from agricultural assistants and through farmers' association and cooperative marketing society.

Production was on a small scale, very few farmers operated two padi lots or 6 acres of off-season crops. Most of them cultivated only three acres of padi and off-season crops, while some operated 1 acre or less than 3 acres. The main problem connected with small scale operation was that farmers had a weak bargaining power when selling their produce except padi. As a result they were tended to be exploited by local as well as outside dealers in many ways. This problem would have been solved if farmers joined together and formed a cooperative marketing society or a multi-purpose cooperative society in which marketing formed a part.

Supply and Marketing

The gross yield per acre was generally low, especially for padi. It varied from lot to lot and from season to season depending on the degree of water control, planting techniques, the ravages of pests and diseases and the fertility of the soils, among others. Clearly there was room for improving yields. With better seeds, better knowledge of techniques and special requirements of particular crops, the gross yield per acre would have increased quite substantially. The farmers would have to follow the instructions regarding the time of planting, water control and the special requirements of each variety of padi and each type of off-season crops in order to obtain good harvest.

The main problem regarding supply was that farmers did not know exactly the total acreage under each particular crop (padi aside). Thus there was likely to be too much supply for some crops and insufficient for others. The problem of what crops to plant so as to get maximum net income was in most cases solved by taking chance and hoping for the best. There was no basis for decision making such as the probable prices for the commodity, the probable volume of supply and demand in different markets and other similar economic factors. The other problem was the time of planting since this would affect the net incomes. Surely the farmers should not have planted the crops such as maize and sweet potato at the same time. This was to some extent followed by the farmers, but again there was no scientific basis for the decision. These were difficult problems but at least some attempts should have been made to minimise the risks and improve the situation.

Data on acreage, price, consumption in various towns and other important data should have been collected and analysed and plans made by the Agricultural Station in Tanjong Karang with the help of farmers' cooperative marketing society which should have been in existence. And most important the farmers should be convinced of the advantages of following this plan regarding the acreage, time of planting etc.

Selling

There were two problems here; first, to whom would the farmers sell the produce so as to get the highest price and second, at what price would it be reasonable. The question of where to sell the produce was important to the farmer, for different dealers were likely to charge different prices for the same produce of more or less the same quality, mainly due to the fact that prices differed in different markets like Kuala Lumpur, Klang, Kuala Selangor, Telok Anson etc. The choice of sale outlets was made even more complicated and difficult by the fact that the same dealers might charge different prices for the same produce of the same quality for a number of reasons. First, the farmers did not know the exact prices prevailing in the different markets. Second, there was no such thing as fixed prices for specific grades of different products in Sekinchan. Third, different farmers might possess different personalities and outlooks, and on that score alone, they were exploiting by the dealers.

These two problems would have been reduced to minimum if market prices were available and known to the farmers. A better solution would be to sell the produce through their own cooperative marketing society or a multi-purpose cooperative society which undertook to buy the members' produce or arrange for its sale.

Grading, Cleaning and Drying

Accept for maize, there was either no grading at all or no true grading ^{because} ~~in the sense~~ that the products were separated while still on the plants as in case of chili, sweet potato and padi. Since individual farmer produced only a small volume of each crop, grading would not be worth the extra trouble. Even if they graded, they were not sure if their produce would fetch better price. Furthermore it would not be easy to establish a true workable grading system: research into its practicability and profitability would have to be carried out first. Even after the system has been established, the writer feels that grading would best be performed by their cooperative marketing society rather than by individual farmers.

For the off-season crops studied above, there was little problem as far as cleaning was concerned for except sweet potato and pumpkin, all others needed no cleaning. As for padi, it had to be cleaned from straw and other impurities by winnowing it. But this was not done the way it should have been done, not so much because of lack of facilities but because the farmers were not convinced of the advantages of doing so. This problem was closely related to the

pricing system followed by the cooperatives. If price of clean padi was higher than uncleaned one,, then farmers would winnow their padi without much of a difficulty.

Drying affects only padi. By itself drying did not, in the writer's opinion, create as serious a problem as was popularly believed, since farmers would be able to dry their padi (though with some difficulty perhaps), if only they were convinced of its advantages. The Malays of Kelantan, for example, do not have any special drying facilities except mats or "belulang kering"¹ and empty space around their house and yet they are able to sell "dry" padi. The Sekinchan farmers could certainly afford a few mats and empty space around their house for this purpose. In the light of present condition, it would be absurd, in the writer's opinion, to expect the cooperative rice mill society to provide drying facilities for all the farmers. For one thing, it might not have sufficient fund, and even if it had it would be much of a trouble on the part of the farmers. Now, obviously a word of reminder is needed here to dispel any misunderstanding. The writer is not against the cooperative providing any facilities for the benefit of the farmers such as drying facilities, if these are within the means of the cooperative, if they are for the benefit of the majority of the farmers, if they can be managed properly and fairly, if the farmers will not probably encounter any difficulty in using them and most important of all if there is no other better and cheaper way of providing them. All that the writer has in mind is this: are not the farmers able to provide them by their own individual efforts in the first place? It is high time the farmers were taught to explore the various possibilities of making use of resources at hand in the best manner possible.

Packing, Storing, Weighing and Handling

As far as padi was concerned, method of packing was satisfactory, but for off-season crops it was not satisfactory, particularly with regard to vegetables. Better packages than bamboo baskets could have been introduced with little extra cost. The government could have carried out research in methods of packing that suited each type of farm products. Suitable and better packages available would have resulted in reduced physical wastage and better quality which meant that products would have been sold at higher prices. The net result of all these would be, other things remaining the same, higher net income to farmers.

The padi for sale was seldom stored for more than one week. If they wanted to, they could have stored longer in their houses, for the storage was such that one third or one fourth of the house could have been reserved for padi if necessary. The padi for own consumption was stored in the house without much damage by rats, or rain (turning colour) or theft. As for off-season crops they were only stored in the local dealers' shops for a day, or two in the case of maize and sweet potato, when there was heavy demand for transport. The storage facilities were highly inadequate

¹ Dried skin of cows or buffaloes.

which therefore caused physical deterioration in the products. The rather high gross profit per kati charged by local dealers was partly meant to cover this risk. Better storage facilities would have reduced gross profit which in turn would mean higher price at producers' level.

As for weighing, there was likely to be some cheating by the vegetable dealers especially when the farmers' personality and outlook were not impressive.

Generally, handling was rather rough and unintelligent, both on the farm and at local dealers' shops. This was particularly serious in case of vegetables which are much more perishable than other products, hence require special care in handling. Moreover, the bamboo baskets were put on the lorry one on top of the other. All these caused a certain amount of physical loss and deterioration in the products which again helped to reduce price at producers' level. The farmers should have been drawn to this fact, while handlers should have been told to cooperate.

Transporting

The transport facilities like lorries were still inadequate, especially during the middle of the harvesting period when the supply of products was maximum. As a result the products had to be stored away for 3 or 4 days in the case of padi or for 1 or 2 days in case of vegetables, maize and sweet potato. In case of padi storage meant less weight which in turn meant less money income. For vegetables and other off-season crops, storage meant that dealers would increase gross profit margin to cover the likely storage losses, which meant therefore reduced prices to the farmers. There was only one transport agent in Sekinchan, that was Sharikat Pengangkutan Ra'ayat Sekinchan. It was not the number of agents that was important but that this agent should have provided more lorries, for quite a large number of them came from surrounding towns. Although harvesting of padi and off-season crops together occupied less than 4 months in a year, the writer feels that this agent could have increased the number of lorries and still be able to make profits. One reason was that during the rest of the year (i.e. during the planting period) there was still sufficient demand for lorries to carry goods from Kuala Lumpur and other towns to Sekinchan and to carry vegetables etc. planted on State land and various kinds of livestock from Sekinchan to these towns. This demand could have been met by local lorries alone. Similarly vegetable dealers, cooperatively rice mill societies and the shopkeepers could have increased the number of lorries owned judging from the volume of business handled.

The transport cost was also high partly due to great demand for lorries and their insufficient supply. According to one vegetable dealer, Chop Sun Ngan, at the height of harvesting period

for off-season crops, four lorry-loads were sent to Kuala Lumpur every day, each weighing about 84 pikuls. During period of minimum supply, there were on average two lorry-loads, each weighing about 84 pikuls. And on the average, there were three lorry-loads per day throughout the harvesting period.

Assuming a lorry-load of vegetables weighing 84 pikuls was transported from Sekinchan to Kuala Lumpur, the transport cost would be made up of the following:-

Basic charges:

1 day driver's salary	\$6.00	
1 day attendant's salary	\$6.00	
Petrol	<u>18.00</u>	\$30.00
Add gross profit		<u>54.00</u>
Total transport ¹ cost per lorry		\$84.00

The net profit would be obtained after deductions for maintenance, repairs and depreciations were made. Taking this into account and the fact that on average three lorry-loads were transported every day from Sekinchan to Kuala Lumpur by a single vegetable dealer, the writer feels strongly that the transport cost could have been lowered quite substantially, by reducing the gross profit. Even in case of padi, it might be possible to reduce the transport cost.

Risk-Taking

It was stated earlier that the moment the farmers started cultivating off-season crops, they faced the risk of price variation. It was not so much the gap between maximum and minimum prices that really mattered but rather the very low level of minimum price, for more than half of the produce was sold at a price a little above it. These risks - price variation and even more the very low level of minimum price - the farmers had to face because they did not have exact idea of the probable supply of each of the crops planted. It might happen therefore that the crops they planted were what majority of them did, with the result there was a surplus in the market. On the other hand, some other crops might attract few farmers due perhaps to the previous year's low price, with the result that they purchased better price now.

¹Transport cost for vegetables from Sekinchan to Kuala Lumpur was \$1.00 per pikul.

There were also risks in selling. Since they did not know the prices prevailing in surrounding markets, the farmers faced the risk of selling to dealers who were prepared to buy at a lower price than others for the same produce of the same quality. This was made risky by the fact that personality and outlook of the farmers to some extent "determined" the price.

Market Information

This was sadly lacking in Block S4 and the whole of Sekinchan. Farmers needed certain basic informations to assist them in making decisions right from the time they planted until their produce had passed out of their hands on the market. Such information should have included the character and volume of supply of a product, the expected level of consumer demand and wholesale demands in different markets, and the current prices in various neighbouring markets. They needed the information to aid them in planning their operation. They also looked for guidance as to when, where, how and to whom their produce could be sold to the best advantage; they wanted to be able to check the prices offered by various alternative sale outlets. This market information should have been provided by the farmers' cooperative marketing society (they should have this in the first place) or by the Agricultural Station in Tanjong Karang or by both working jointly. Some simple regulations should have also been enforced by the District Office for the purpose of reducing the risks. The facts¹ and interpretation of facts should have been understandable to most farmers to be of real use. If these informations were available and understood by the farmers, then the price variation or the gap between maximum and minimum prices would have most likely been reduced, which meant, therefore that the minimum price would have been on a higher level.

All the above problems, acute as well as less acute, are true even today except that in case of off-season crops they are not of the same degree of seriousness simply because today the crops are grown only on state lands and a few lots above cross bund 2.

(C) RECOMMENDATIONS

Padi

1. A complete abolition of private padi dealers is advocated. Legal action should be taken against those who insist on buying padi through illegal means.

¹These actually refer to production and market information.

2. It is recommended that the established rates of deduction for moisture content be strictly followed and implemented to convince the farmers of the advantages of selling "drying" padi.
3. The cooperative rice mill societies should also set up rates of deduction for impurities and follow them strictly. At a somewhat later stage steps should also be taken to encourage the farmers to produce "good" quality padi by convincing them of the gains to be derived from it.
4. The example of Kelantan farmers in drying and winnowing their padi should be followed by Sekinchan farmers in order to produce "dry and clean" padi and to get higher price for it.
5. Since a cooperative society in Malaysia is initiated, stimulated and finally established by the government, it is recommended that officials from the Ministry of Agriculture and Cooperatives be responsible for the implementation of the established rates by the cooperatives, for the benefit of the farmers.
6. A shift in emphasis on the functions of the above officials should also be made. They should regard the functions of auditing the books of the cooperative societies, checking and reporting the progress and working of the societies, as secondary to the general supervision and showing the members on the board of management how to run the society on a sound basis.

Off-season Crops

1. Since there is no cooperative credit society or cooperative marketing society for the off-season crops in Sekinchan, it is recommended that four multi-purpose cooperative societies be established as soon as possible.
2. These multi-purpose societies should operate on the block basis, just like the cooperative rice mill societies. In other words farmers from certain blocks will be eligible to membership of a particular society only.
3. It is suggested that each of these societies should undertake to:
 - (a) advance loans to members at a reasonable interest rate on the security of their produce.
 - (b) arrange for the sale or marketing of produce.
 - (c) provide adequate storage facilities.

(d) sell fertilizer, seeds and farm implements at market price.

(e) provide market information to farmers to help them in planning their operation and marketin their produce.

4. These societies should gradually be able to provide facilities for pooling, grading and standardization of produce when standard and workable systems are established.

5. The credit must be adequate and elastic enough to free the farmers from the clutches of the shopkeepers. It must be controlled credit which must be made available as and when required and not all at one time.

6. Members must sign contract to bring their produce to the society so as to ensure sufficient volume for efficient marketing.

7. It is recommended that the Agricultural Station Tanjong Karang and District Office, Kuala Selangor should cooperate with these societies in preparing market information to the farmers and in enforcing certain regulations to reduce the risks of very low level of minimum price and unfair price at the producers' level.

8. A full research programme is advocated to find out the feasibility and profitability of grading and standardization and also the best packing and handling methods that suit a particular type of produce.

9. It is recommended that elaborate measures for imparting cooperative education to the farmers be undertaken to make them understand the cooperative principles and to arouse their interests in such organizations.

10. Members on the board of management should be given special training by the Ministry of Agriculture and Cooperatives to ensure success.