

CHAPTER IV

PADI MILLING AND PADI MARKETING OPERATIONS

There are two major sections to the operations of the cooperative society namely the milling section and the marketing section. Both sections keep their records separately and for all purposes are treated as two different entities, although when it comes to preparing financial statements they are treated as one.

The cooperative society mills farmers' padi only for home consumption. Milling and marketing facilities are offered to both members and non-members.

Milling Operations

The rate per pickul charged for milling padi is ninety cents irrespective of the variety of padi. The farmers either pay cash for the milling service or they may pay in kind. There is no provision of credit. The rice that is deducted from the farmers in payment for the milling charges will be sold off at the prevailing market price in the Sekinchan market.¹⁹

Padi is accepted for milling irrespective of its moisture content.²⁰

No transportation from the field to the cooperative society is provided. All the rice milled is done on "at the mill door" basis. Not only farmers in the Sekinchan area patronise the milling services of the cooperative society, but also non-members living near Sekinchan.

The following table 7 on page (19) illustrates the extent of padi milling yearly.

¹⁹Revenue from such sales is treated as revenue for milling charges.

²⁰Farmers will dry their padi before they bring it to be milled. Thus, the padi is clean and dry padi.

TABLE 7

**AMOUNT OF PADI MILLED AND TOTAL PROFITS MADE FROM
MILLING, SEKINCHAN LONG HENG COOPERATIVE RICE MILL
SOCIETY LIMITED, 1960-1964.**

Year	1960	1961	1962	1963	1964
Amount of Padi milled (pickuls)	12270.4	13367.5	10807.9	8051.9	8916.6
Total Milling charges (\$)	11085.3	12032.4	9730.3	8972.2	8031.8
Milling Charges per pickul (\$)	0.9	0.9	0.9	1.1	0.9
Bran Produced (pickuls)	2242.4	2476.5	2121.9	2088.3	1179.0
Sale of Bran (\$)	13867.4	15395.0	13234.3	13542.8	11366.9
Sale of Bran per pickul (\$)	6.2	6.2	6.2	6.5	9.6
Total Profits (\$) ²¹	5405.4	7433.7	3,107.9	2661.6	1373.9

Source:

1. Audit Reports, Sekinchan Long Heng Cooperative Rice Mill Society Limited, 1960 - 1964.
11. Padi Milling Accounts, Sekinchan Long Heng Cooperative Rice Mill Society Limited, 1960 - 1964.

table

Under the item Amount of padi milled in the/above, the quantity milled declines abruptly after 1961 but increases very slightly in 1964. The sharp fall in the quantity milled is due to the farmers who used to send their padi to this co-operative society to be milled sending to the other newly

²¹Total Profits from padi milling is derived after deducting from total milling charges and revenue from sales of bran the items on salaries, repairs to machines and other miscellaneous expenses. For example, taking 1964 as representative analysis for the other years, the total revenue obtained from total milling charges and sales of bran is \$19,398.70. After deducting the various expenses from that figure, the total profit stands at \$1,373.9.

established cooperative societies near Sekinchan
now.

The total amount of milling charges in dollars shows that the revenue from milling charges increases when the amount of padi milled increases. This is because the milling charge is ninety cents per pickul, but in 1963 it runs contradictory to what is the normal practice. Revenue received from milling charges increases when the amount of padi milled decreases if the 1963 and 1964 figures are compared. This is because the milling charge per pickul has increased to one dollar and ten cents in 1963.

The revenue from the sale of bran increases as the total amount of bran produced increases and vice versa.²² It is only in 1963 where greater revenue is obtained from a lesser bran sale. The reason for this is that the per unit charge for bran has increased from six dollars and twenty cents to six dollars and fifty cents per pickul.

It can be seen also that 1961 is a good padi milling year with great quantity of milling done and also total profits is greatest in that year. The amount of total profits derived from this milling section declines after 1961 partly because of lesser amount of padi milled and possibly because the cooperative society's milling section has greater expense and costs items.

Padi Purchase by the Cooperative Society

The cooperative society purchases padi at the "going" price from members as well as non-members.²³ Commission agents are employed to purchase padi and they receive a commission for their services. If it is brought in during the busy harvesting season, the commission rate will be fifteen cents per pickul of padi. If it is brought in during or nearly the end of the padi harvest, the commission payment will only be ten

²² Bran produced depends on moisture content of padi as well as the type of padi that is milled.

²³ Padi is also purchased from private traders at the "going" price. The private traders obtain the padi through debt settlement made by the padi farmers. They value the farmers' padi at less than what the cooperative society will value. Some of them are in the monopolistic position to do so mainly because they supply these farmers goods on credit during the 'waiting period'.

cents per pickul of padi mainly because the quality of padi will not be so good as before.²⁴

The non-member farmers are free to sell their produce to whichever cooperative societies they desire. This holds true to the private traders too. But the members must sell their produce to this cooperative society only.²⁵

The Government Guaranteed Price for a pickul of clean and dry padi is \$16.00.²⁶ For padi not meeting with these requirements, deductions are made accordingly.

TABLE 8

DEDUCTIONS FOR MOISTURE CONTENT UNDER THE RICE PRICE GUARANTEED SCHEME

Moisture content %	Deductions from one pickul (in katis)	Total Quantity Remaining (in katis)	Price paid (\$)
13	nil	100	16.00
14	1	99	15.84
15	2	98	15.68
16	3	97	15.52
17	4	96	15.36
18	5	95	15.20
19	- not saleable padi -		

Source:

R.O.Kelly, "Government Marketing Policy on Rice", Ministry of Agriculture and Cooperative, 1964.

²⁴The committee of management decides the rate of commission payment.

²⁵See by-law 53, By-laws of Sekinchan Long Heng Co-operative Rice Mill Society Limited.

There are cases where members sell their padi to other cooperative societies.

²⁶"Clean" means without dirt, stalk and other undesired contents. "Dry" means the moisture content must not exceed 13%. This is determined by the moisture meter.

For thirteen per cent moisture content, the Government guarantees \$16.00. And if the moisture content is above eighteen per cent, for example, nineteen per cent, the co-operative society will refuse to purchase the padi. However, these deductions are not strictly adhered to. The price paid to the farmers for one pickul of clean padi up to eighteen per cent moisture content is \$13.80.²⁷

The amount of padi purchased depends on the harvest itself, the willingness to sell to this cooperative society, and also the amount of cash available to pay for the farmers' padi.²⁸ Purchases by the cooperative society are paid for and will stop once funds are exhausted. Insufficient drying facilities also impose limitations on the quantity of padi purchased by the cooperative society.

Other Marketing Services

There are many services to be provided before padi can be marketed like, for example, weighing, storage and transportation. Weighing determines the price to be paid for the padi. The padi is stored in a zinc-roofed, three-sided wooden structure with cement floor. Damage to the padi is caused by rats. Sometimes, theft of padi occurs. The storage capacity is two thousand sacks of padi²⁹; however, this is rarely used to full capacity. Selling is brisk during the peak harvesting season but declines after that. Even though

²⁷The deduction by the cooperative society of \$2.20 includes transportation as well as handling charges and moisture content deductions. These expenses are accountable for by the cooperative society.

Other variations also exist. According to one observer, since the establishment of the Tanjong Karang Co-operative Milling Union Limited, there has been no fixed way of evaluating the price of padi. Regardless of padi quality, for every pickul a reduction of fifteen katis is made. See Nanyang Siang Pau, 7th April, 1966.

²⁸Each year the cooperative society borrows twenty thousand dollars at six per cent interest rate repayable after the padi trading season from the Tanjong Karang Cooperative Milling Union Limited. That is insufficient considering the fact that there is no prompt payment when this cooperative society sells the farmers' padi to the rice mills in Tanjong Karang or Kuala Lumpur.

²⁹One sack of padi equals to one hundred and twenty katis on an average.

padi sales are poor, the padi is stored only for less than a month.³⁰

Transportation is provided by the cooperative society to its members and non-members. The farmers may also take their padi to the cooperative society on their motor cycles or bicycles.

Padi Sale by the Cooperative Society

After having purchased the farmers' padi, the cooperative society takes on the task of disposing of it. The padi bought is marketed to the Tanjong Karang Cooperative Milling Union Limited or to private rice millers in Kuala Lumpur. These are Lin Seng Rice Mill Company Limited, Haji Ahmad Rice Mill Limited and the Selangor Rice Mill Company Limited which are members of the Selangor Rice Millers' Association.

These members of the Selangor Rice Millers' Association are permitted to purchase padi from the cooperative society only. There is no direct purchase from the padi farmers or the private traders.³¹

Further, these members of the Selangor Rice Millers' Association must provide the gunny sacks to contain the padi. The cooperative society has the right to refuse torn or unusable gunny sacks. Besides, the members of the Selangor Rice Millers' Association must buy all the padi offered by the cooperative society at anytime during the padi harvest season. The price paid for padi of fair marketable quality is fifteen dollars³² per pickul ex-Tanjong Karang or fourteen dollars and seventy cents per pickul loaded on to the lorry ex-Sekinchan. The thirty cents deduction is the transport charge from Sekinchan to Tanjong Karang.

There is no deduction made for padi with moisture content of twelve per cent and below. Deductions are made as agreed by the members of the Selangor Rice Millers' Association and the Cooperative Society. Only the deduction of two

³⁰ An official of the cooperative society states that during the later stages of the padi season, the committee of management fixes a date when padi purchase will stop. Even though a lorry is only one-quarter full, it has to move.

³¹ There are cases of illegal selling by the private traders and some farmers.

³² The one dollar difference from the Government Guaranteed Price of sixteen dollars is for transportation costs, handling charges, risks of damage and other deductions. Other variations also exist as agreed by the members of the Selangor Rice Millers' Association.

TABLE 9

**AMOUNT OF PADI MARKETED AND TOTAL PROFITS MADE FROM
MARKETING, SEKINCHAN LONG HENG COOPERATIVE RICE MILL
SOCIETY LIMITED, 1960-1964.**

Year	1960	1961	1962	1963	1964
Amount of padi purchased from farmers (pickuls)	34353.3	52281.9	29790.1	40459.6	36773.3
Value of padi purchased from farmers (\$)	442224.8	667482.9	377736.0	559269.3	513657.0
Value of padi purchased per pickul from farmers (\$)	12.9	12.8	12.7	13.8	13.9
Moisture content deductions (pickul)	3136.9	4885.8	3018.0	1397.6	2994.8
% of deductions	9.1	9.3	10.1	3.5	8.2
Amount of padi sold to buyers* (pickul)	31216.4	47396.2	26772.0	39062.1	33778.4
Value of padi sold to buyers* (\$)	465522.5	714728.9	393536.2	575836.2	532036.3
Value of padi sold per pickul to buyers* (\$)	14.9	15.0	14.7	14.7	15.7
Total Profits (\$) ³³	4378.9	7646.8	4849.3	1842.3	545.8

*The buyers are the members of the Selangor Rice Millers' Association

Source: I. Audit Reports, Sekinchan Long Heng Cooperative Rice Mill Society Ltd. 1960-1964. ii. Padi Marketing Accounts, Sekinchan Long Heng Cooperative Rice Mill Ltd. 1960-1964.

³³Total Profits from padi marketing is derived after deducting from

katis for the weight of gunny sack remains fixed.

The following Table 9 gives an idea of the amount of padi marketed yearly.

From Table 9, it can be seen that 1961 is the best year for padi marketing where the amount of padi purchased and sold, as well as total profits made are the highest recorded. The purchase and sale of padi fluctuate from year to year. This depends very much on the farmers. The moisture content deduction remains quite stable. In 1963 there is the trading of drier padi whose moisture content deduction is only 3.5 per cent of the amount of padi purchased.

Even though the amount of padi sold is always smaller than the amount of padi purchased because of the moisture content deduction, the value of the padi sold is always greater than the value of the padi purchased. This is because the purchase price of padi from the farmers is lesser than the sales price of padi for the buyers of padi from the cooperative society.

It does not mean that the greater the amount of padi purchased and sold, the greater will be the total profits. Total profits made in 1960 and 1962 are much greater than that made in 1963 and 1964 even though the quantity of padi purchased and sold are much lesser. This is because the working expenses of the padi marketing section has increased. On the same line of reasoning, the total profits made from padi marketing has declined yearly after 1961.

33 the value of padi sold to buyers, the item on value of padi purchased from farmers and the expenses of the padi marketing section. The expenses include wages, transportation charges, gunny sack expense and other miscellaneous expenses. For example, taking 1964 as representative analysis for the other years, the difference in value of padi bought from farmers and value of padi sold to buyers is \$18,379.24. After deducting the various expenses from that figure, the total profit stands at \$545.8.