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FEATURES

The fall of rice

By Tharuka Dissanaikie

Despite the dry weather Polonnaruwa was a sea of rice fields. Lush green-gold carpets of paddy that, quite apart from their fertile beauty, would appear to be a picture of booming agriculture. But the sorry truth is reflected in the deep worry lines on the farmers' face and an almost negligent care for the coming crop.

By end August the Yala season's harvest would be in the market. The falling paddy price of the past six months, and large stocks of rice from the last harvest kept in storage anticipating better prices, dull the anticipation of the upcoming harvest. The better the harvest, said one farmer, the bigger our problems in marketing and prices would be.

Paddy prices sank to a rock bottom low around mid-June, when farmers, who stock rice to issue during this period when the prices traditionally rise, found that the price offered for a kilo of paddy in the market was as low as Rs. 7-7.50. The government's guaranteed price for paddy has been Rs. 7.42 since 1993. In the past few years, the market price has fluctuated between Rs. 10-14 per kilo.

To try to minimise the shock of falling prices, the government has moved in and ordered fixed price buying through the co-operative societies.

Beginning last Monday, co-operative societies in Polonnaruwa were gearing to purchase excess paddy still held by farmers at a given Rs. 10 per kilo. But in no way was it a smooth operation. Many such societies, financially unwieldy and debt-ridden themselves, looked with distaste at the prospect of buying large quantities of paddy, knowing that it could not be sold in the market in a hurry. Most co-op stores did not have proper facilities to store the paddy they were buying. Many had no idea how the farmers were to be paid or how long it would take.

Meanwhile, the farmers, already caught in a vicious circle of debt, are spinning out of control with regard to their finances. For the farmer, his stock of paddy is his gold, his saving. Government estimates point to a cost of production of over Rs. 9 per kilogram of rice. But these estimates never account for the high-interest loans farmers obtain from village *mudalalis*. With huge stocks of rice in hand and no money, the farmer is forced to barter the paddy for his daily purchases or go deeper into debt. Most have pawned jewellery, electronic equipment and not stopping there, farm implements like the plough, tractor tyres, wheels, motors etc. The cost of production is even higher this season. Increased prices for diesel and agro-chemicals will dent farmer profits further. In this state, they are not in a position to pay back high-interest debts. A future of unstable, or worse, low paddy prices is bleaker still.

Two rooms of E.M. Kiribanda's house in Kusumpokuna, Medirigiriya are filled from floor to ceiling with unsold stacks of paddy. Spiders have long since spun webs on the gunny sacks. Mildew and mites have set in. "I have 400 bushels (approx. 8000 kilos) of paddy here," Kiribanda said. "We were hoping to get a better price than Rs. 8 and 8.50 offered by the traders. I have to somehow sell this rice, even at cost, so that I can pay off my loans" Kiribanda said he is servicing debts of Rs. 80,000 from local loan sharks. He had to borrow to sow this Yala season, since he had no money in hand to invest.

For Kiribanda, taking the produce to the CWE or the co-op society is not an option. Transport and labour fare for taking this paddy to the buying point would cost too much. Further he has heard that one had to persuade CWE officials to buy, with a little 'something'. He could not afford these extra costs. Instead this farmer is content to wait for a trader's lorry.

Buying had not commenced at the main branch of the Kaudulla co-op society last Monday when we visited. A knot of anxious, tense farmers were gathered in the garden. Many of them already had their stocks of rice in the co-operative warehouse. The society implements a scheme where it stores excess stocks for the farmer, and issue loans for 75% of the value at 30% annual interest. "We have been successfully doing this for the past seven or eight seasons," said J.S.M. Muthubanda, the President. "Farmers leave the rice here until prices climb, then sell and settle their debts with us. But this year they have not been able to sell and are still paying interest on their borrowing." The society has 300,000 kilos of farmers' paddy in its stores.

With their stores filled with paddy thus left as security by farmers, the co-op society cannot start purchasing new stocks. Many co-operatives faced the additional problem of proper storage. To store huge quantities of rice granaries have to be well-sealed. To avoid mildew paddy sacks should not rest on the floor. Strong wooden racks needed for proper stacking are not

available in most Co-op stores. Stores of the Paddy Marketing Board have already been commissioned by the CWE to keep the excess paddy they purchased during the past few months.

The Co-op Societies are buying at Rs. 10 on an interest-free loan issued by rural development banks. "We have no idea how we can sell this stock," Muthubanda said. They know that in just two months the Yala crop will flood the market and choke any attempt to push these old stocks out. Meanwhile, the CWE has purchased nearly 50,000 metric tonnes (MT) of rice, countrywide, during the past season. In Polonnaruwa alone they had purchased 10,000 MT. The CWE's seasonal capacity is just 22,000 MT. But the purchasing procedure of the institution came under heavy fire when farmers complained that the CWE preferred to purchase from middle-men and traders who were able to give 'tips' and 'gifts' to officials. Direct purchasing from farmers was minimal while the CWE's stores were filled with traders' stocks, bought from farmers at low prices.

But CWE Regional Manager W.M.S. Senevirathne assured The Sunday Times that purchasing methods were being regularised so that middle-men and traders do not receive the benefit of government buying. In co-op societies the farmer has to come with certification from the grama sevaka for identification.

Kiribanda : 8000kgs still stocked in his house

But all this, in the very words of the PAMP for Polonnaruwa



Stocks of unsold paddy in the Kaudulla co-op stores

Pix Ranjith Perera

"Private sector buying was totally erratic during the post-Maha season, contributing heavily to the price crisis. Farmers who normally sold to traders who came from Maradankadawela were left high and dry"

Nandasena Herath, is akin to putting a plaster on a festering wound. The solutions so far are very temporary. The government has stepped in to avert a near crisis. But what of the future? What of the next season? Many pertinent questions remain unanswered. How did the price of paddy sink so low? Why are there such huge stocks of rice with farmers when the country's production cannot meet its rice requirements?

Although the issues are countrywide, Polonnaruwa district, with the highest percentage of rice farmers, feels the problem much more acutely. Of a total production of 192,520 MT of paddy during the last Maha season, farmers had 143,564 MT for sale. By end June they had sold just 12,645 MT to state institutions. "In all farmers have stocks of over 40% of production, which they are unable to sell," MP Herath said.

Private sector buying was

totally erratic during the post-Maha season, contributing heavily to the price crisis. Farmers who normally sold to traders who came from Maradankadawela were left high and dry in the absence of buying from outside. Mills in the Polonnaruwa area also bought less as the season wore on. Meanwhile the country imports rice to meet the shortfall in demand and the production of paddy. In 1999 a total of 179,020 MT of rice were imported. In January this year 4057 MT were imported but the amount had declined to 366 MT by March. "If the advantage of the low paddy price is passed on to the consumer, there could be some justification," said Herath. "But there seems to be a margin of around 150% between the farmer and the consumer. The benefit, is obviously enjoyed by a handful of middle-men who manipulate the market."

Herath reiterated the farm-

ers' call for a smoother marketing mechanism. It is an absurd situation that farmers should have no market outlet for the country's staple food. It is equally absurd that consumers should be forced to pay prices that range from Rs. 18 to 36 for the same produce.

"This is not a scenario where the government can manipulate the market by being a minor player in the CWE," Herath said. The government must directly control paddy prices and purchases. They must set the price and the buying trend. There must be sufficient stocks to control prices during an escalation in prices or in an emergency." Direct government intervention is exactly what the state has given up in dismantling the Paddy Marketing Board in 1996. But today the government has found itself buying back paddy in a rushed emergency-like operation just to stabilise an out-of-hand situation.

"But what will happen in the future?" asks M.G. Ranbanda, a farmer from Sansungama, Kaudulla. "The government will do this now because elections are close at hand. But next season will they come forward to buy the crop again? What is the future for the rice farmer?"