



Promoting micro Enterprises along Paddy Value Chain in India

Paddy is one of the major crops that provide food to the mankind. Along with wheat, rice is a major staple food in India. India produces, one fifth of rice in the World. Paddy value chain provides livelihood (income and employment) to large number of marginalized families. West Bengal, AP and Orissa are major paddy growing states in India. It is observed that coverage under paddy is directly linked to coverage under irrigation. It is important to note that only 10 % of paddy area has assured irrigation, where Rabi crop is regularly grown. These places generate surplus and can be considered as important clusters of paddy in India.

In last few years, rice production in India has more or less stabilized, so also the per capita consumption of rice. Nevertheless, given the size and scope of paddy value chain in India, it would continue to contribute towards livelihoods of poor and marginalized families.

Paddy value chain is associated with number of actors that links paddy farmers to final consumers. This includes farmers, local traders, millers, whole sellers, retailers and exporters. State owned Food Corporation of India (for procurement of paddy) and Public Distribution System (PDS) has strong influence on the operation of the value chain. Other actors in the value chain are: transporters, seed companies, agrochemical companies, agriculture equipment companies, irrigation equipment related companies, banks, inspection agencies (like seed certification agency), commerce/tax authorities, agriculture department, farmer's organization, association of Rice Millers, research organization like ICAR, policy makers, Civil Society Organizations involved in extension services and also Consumer Forums.

The following details some of the observations in paddy value chain in India. This is based on recent study by Vrutti Livelihoods Resource Centre in Tumkur district of Karnataka and Nagapattinam district of Tamil Nadu in India.

Inputs: Paddy farmers are accessing inputs from different sources like private companies, Government and Cooperative societies. However, fertilizer and pesticide shops (in small towns) are major source of inputs to paddy farmers.

Access to Seeds: Demand for seeds is quite high compared to its availability. However, incidence of seed production by farmers is very limited.

Unavailability of Labour: Paddy production requires more labour inputs. The demand is very high in certain operations like transplanting and harvesting. However, there is huge shortage of labour.

Marketing: Farmers generally sale their paddy to village based traders (3 to 4 in a village) in their own village. In some cases, rice millers directly buying paddy from the farmers at village level. Similarly, there are also few instances of farmers carrying paddy to nearby towns, and finally selling to mills. The source of market information for farmers is newspapers, radio, fellow farmers, local traders, friends and relatives. Some of the farmers have access (through traders) to procurement of paddy by Government.

Access to Credit: Farmers generally access credit from institutional sources like Nationalized Banks and Cooperatives. Like in other commodities (ex. Ground nut), credit is generally not linked to trade. There are cases of traders providing credit for short duration, with condition that farmer will sale his produce to the concern traders. However, these small paddy traders do not have access to any credit support. State Financial Corporations have played lead role in setting up of rice mills. Banks normally finance large mills.

Information & Extension Services: Agriculture retail outlets are the key source of information for the farmers. Government Agriculture Department provides extension services and sales inputs like seeds, bio fertilizers and agricultural equipments at subsidized rates. According to farmers, the role of Government agriculture department in influencing paddy cultivation practices is very minimal.

Paddy Processing: Traditionally, processing of paddy is done through village based haulers. Usually, there is one hauler in every 2-3 villages. In recent years, there is demand for more and more fine rice. This has led to preference for shellers in place of haulers. In cases of shellers, the yield rate (conversion of paddy to rice) is quite high. Meanwhile, export of high value rice has also increased at steady pace. The demand for high value rice is being met by modern rice mills.

Business Development Services (BDS): Government plays an important role with regards to BDS for the paddy value chain. It influences the value chain both at production as well at consumption level. Procurement of rice through mills (minimum support price) and supply of rice through Public Distribution System & NREGA/Food for Work schemes largely influences the price of paddy and rice.

Very limited availability of paddy seeds (in quantity and at right time), inadequate access of farmers to market information on paddy prices to be able to take informed decision and unavailability of labour (need for mechanization) are some of the critical issues in paddy value chain. Some of the pointers for promoting micro Enterprises along the Paddy Value Chain across India are:

- Organizing small farmers to aggregate their produce and sale directly to licensed traders
- Promoting Seed Farmers through Private Seed Companies and Government Seed Corporations
- Promoting network of Agriculture Information Centres with support of village based progressive farmers. Such centers can be linked to market level Nodal Information Centres functioning along with Seed Retail Outlets.
- Promote Agro Service Centres as an enterprise activity for progressive farmers and youth who can serve small farmers.
- Credit support to village based paddy traders

There are many interventions required to promote an Inclusive Paddy Value Chain in India. This requires collaborative effort by Private Companies, Government, Civil Society Organizations and Community. The above observations, issues and some of the pointers for interventions only relates for promotion of micro Enterprises along the Paddy Value Chain in India. This is based on recent study by Vrutti Livelihoods Resource Centre in Tumkur district of Karnataka and Nagapattinam district of Tamil Nadu in India.



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