Chapter - IX
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SUMMARY AND CONCLUSIONS

Cotton, the 'King of fibres' has exerted a profound influence in the economy of our country from time immemorial. Even today, it plays a very important role in the national economy by sustaining the organised cotton mill industry besides providing gainful employment to millions of people who are engaged in its cultivation, processing, marketing, etc. The major cotton producing states in the country are Maharashtra, Gujarat, Punjab, Haryana, Rajasthan, Madhyapradesh, Karnataka, Andhrapradesh and Tamil Nadu.

In Tamil Nadu, cotton was grown in 3.2 per cent of country's total cotton area with 3.5 per cent of the total cotton production (1993-94). Tamil Nadu has more than 40 per cent of total mills in India and consumes around 35 to 40 per cent of total cotton consumed in India. But the cotton produced in Tamil Nadu is not enough to meet the cotton required by the textile mills in the state and
therefore they have to depend on other states. Further the area under cotton which was 3.45 lakh hectares in 1950's declined to 2.54 lakh hectares in 1993-94. But the production of cotton increased marginally from 3.18 lakh tonnes of lint to 3.75 lakh tonnes during the above period due to better yield.

Supply of cotton is not matching with the demand for cotton in India, specifically in the Coimbatore District which is popularly known as "Manchester of South India". Coimbatore district was chosen purposively because the maximum number of cotton textile mills are located in and around Coimbatore. Hence a study on marketing cotton was undertaken in Coimbatore district with the following objectives.

(i) To analyse the behaviour of prices of cotton kapas over time and space in order to assess the spatial and temporal pricing efficiency of cotton marketing system.

(ii) To examine the marketing practices and to evaluate the costs incurred and margin earned by different intermediaries in marketing of cotton.
(iii) To identify the problems encountered by cotton growers while marketing their produce.

iv) To analyse the role played by Cotton Corporation of India in cotton marketing.

Design of the study.

Both primary as well as secondary data were collected as follows.

Collection of secondary data.

(a) In order to visualise Indian cotton economy, the data related to area, production and productivity of raw cotton in India were collected. These data were related to the period from 1965-66 to 1993-94. In addition to that the data on import, export and consumption were collected and were related to the period 1972-73 to 1992-93.

(b) In order to examine the price behaviour of cotton in Coimbatore district, information on arrivals and prices were collected from the selected five regulated markets.
(Coimbatore, Annur, Avanashi, Sevur and Tirupur). The data thus collected were related to the period from January 1981 to December 1993.

(C) To investigate the magnitude of intervention of Cotton Corporation of India in cotton marketing, the data regarding the purchase, import and export of CCI were collected from the records of CCI. The data regarding the profile of the district were collected from the district statistics department, respective village and block offices.

Collection of Primary data

(a) In order to study the price spread in marketing cotton, "Concurrent margin" method was used and hence the data related to cost incurred and margin earned by different market intermediaries were collected only at selected market centres.

The selected 80 growers, 40 village merchants, 40 wholesale traders and 40 commission agents were contacted in person and data were collected. The data were collected during March 1995. In addition to the cost and margins, the
problems encountered by them in marketing of cotton were also collected from the selected farmers.

(b) To identify the marketing problems encountered by cotton growers, an opinion survey was conducted in the villages also. Out of the 26 blocks of Coimbatore district, 4 blocks namely Avanashi, Pollachi, Gudimangalam and Udumalpet were selected purposively on the basis of cotton acreage. From each block 2 villages were selected purposively. From the selected 8 villages, 20 farmers were chosen randomly from each village. In all 160 cotton growers were chosen and the data were collected during 1993 and were related to the reference period 1991 - 92.

The collected data were processed and the appropriate statistical tools were employed taking into account the objectives chosen for the study. The tools of analysis used are indicated then and there while describing the summary of the results which are presented below.
I Behaviour of Prices and arrivals of cotton.

Trends and seasonal variation in arrivals and prices were computed. The results of the analysis are presented below.

Trends in prices and arrivals

Regression analysis was done to examine the trends in prices and arrivals. In the analysis price/arrivals were used as dependent variable and time as independent variable. The price trends of the selected markets showed that the prices had been increasing significantly, which might be due to increase in general price and increase in demand for cotton due to population explosion. The arrival trend showed a mixed trend. Avanashi, Sevur and Coimbatore markets exhibited a negative trend and Tirupur and Annur showed a positive trend.

In order to examine the relationship between prices and arrivals, correlation analysis was carried out. In all the markets except in Annur and Tirupur negative correlation was noticed between prices and arrivals of respective markets.
The positive relationships in Annur and Tirupur explains that prices did not decrease when the arrivals were heavy, which shows the non exploitative character of the market. Therefore it could be inferred that the markets are functioning effectively.

**Seasonal variation in prices and arrivals**

Before working out the ratios to moving average method, average monthly arrival was worked out for all the selected markets. The results of the analysis indicates that the arrivals were predominant during December to March in all the selected markets except Tirupur. This might be due arrivals of cotton from other districts of Tamil Nadu, and from other neighbouring states throughout the year. The average annual arrivals were worked out and it revealed that it was maximum in Tirupur (1,54,000 quintals) and it was followed by Sevur (10,808 quintals), Avanashi (5940 quintals), Annur (3902 quintals) markets.

The arrival data were subjected to ratio to moving average method to workout the seasonal index. Seasonal index of arrivals of kapas of all the selected markets (after
pooling the data) showed that they were predominant during December to March which is cotton marketing season for the notified areas of the selected markets. The seasonal index was computed separately for Tirupur market. The seasonal index reached the maximum in the month of May and it was followed by June. The difference between the highest and lowest arrival index in Tirupur market was 68.555 and in all the selected markets was 124.748. The difference was less because cotton was brought from all the districts in Tamil Nadu and also from neighbouring states.

The seasonal indices on prices worked out from the combined data of all the selected markets revealed that it reached the maximum during January which was followed by August and February. The difference between the highest and lowest price index was 7.64. Seasonal indices worked out from the price data of Tirupur revealed that the seasonal index was maximum in August and it was followed by July and April. The difference between the maximum and minimum seasonal index in this market was 7.
Comparing the seasonal indices of prices and arrivals revealed that though there was a wide variation in arrivals, the price variation was not wide. It proves that the cotton markets in this area did not show any exploitative character and hence it could be inferred that the cotton markets were functioning efficiently in the selected area.

In order to examine the spatial variation in prices of kapas, market integration was examined. The correlation coefficient estimated between the annual prices of these markets revealed that they were very high and significant. This shows that the selected markets were well integrated. Market awareness of the farmers in this area was good and hence exploitation was not possible.

II Marketing costs and margin

Price spread is one of the frequently used measures of marketing efficiency.

By comparing costs and margin of marketing, the efficient marketing channel among the alternatives can be identified. An attempt has been made to calculate the costs and margins of different marketing channels so as to assess the impact of regulation on
marketing efficiency. The method of concurrent margin was used for this purpose.

The following four channels were identified.

**Channel I** - Producer - Village merchant - Commission agent - Wholesale Trader - Miller.

**Channel II** - Producer - Village merchant - wholesale Trader - miller.

**Channel III** - Producer - Village merchant - miller

**Channel IV** - Producer - wholesale trader - miller.

The cotton growers who sold their produce directly to the village merchants did not incur any marketing expenses because they sold the produce in the village itself (Channel I, II, III). In channel IV the growers sold directly to wholesale traders and they incurred Rs.28.75 towards marketing expenses. The percentage share of mill owners rupee received by the growers in channel I, II and III was 86.77 per cent, whereas it was 92.04 per cent in channel IV. High percentage of consumer's rupee was received by the
growers in channel IV and this might be due to sale of kapas to wholesale trader. Further only one intermediary i.e. wholesale trader was involved till the kapas reached the consumer.

From the farmers' angle, channel IV is considered to be efficient as the percentage of consumer's rupee received by them was comparatively larger.

III Problems Encountered by Farmers in Marketing of cotton.

An opinion survey was conducted among farmers at villages, and farmers who visited market centres, to identify the market problems faced by them in marketing cotton kapas.

The results of the opinion survey conducted to examine the marketing problems faced by them indicates that 94 per cent of them opined that storage was their major problem followed by inadequate transport facility (47 per cent) and poor compensation for gunny bags (50 per cent). Delayed payments was also one of the problem and it was reported by 10 per cent of the farmers. Collusion among the traders was
another problem which was complained by 27 per cent of the farmers.

Garette ranking technique was used to rank their problems. As a whole, both at village level and market centres, inadequate storage facility was the major problem faced by the cotton growers. Poor compensation paid for gunny bags ranked second and lack of transport facility ranked third.

III Cotton Corporation of India

The main idea of the CCI was to safeguard the interest of cotton growers and consumers and impart the needed stability in cotton prices in the long run. The performance of CCI in terms of procurement of cotton kapas, financial performance, imports and exports undertaken by it was examined.

The CCI's purchases were modest in the beginning (1971 - 72) with 5,47,000 bales (7.9 per cent). Thereafter it declined and procured only 0.5 per cent of the country's production during 1974 - 75. By way of purchase to NTC and
price support operations it fared better by procuring 6,62,000 bales in 1977-78 and 10,91,000 bales during 1978-79. The procurement was done through 153 centres. Thereafter, there was no need for the corporation to undertake price support operations since the market prices of kapas ruled at levels higher than the minimum support price fixed by the Government and so it procured 12,40,000 bales under commercial operations. Madhyapradesh, Andhra Pradesh, Rajasthan, Haryana, Gujarat lead the states in cotton procurement by CCI. With a view to lending the required support to cotton growers, the CCI have not only covered a sizeable quantity, but have also ensured payment of reasonable prices to the growers.

The financial performance of the corporation revealed that it incurred losses during 1977-78 to 1987-88 except in 1980-81. Thereonwards the corporation's financial performance was better from 1988-89 and the net profit before tax was Rs.19.52 crores during the period. The net profit was maximum during 1992-93 which amounted to 90.14 crores. The profit earned during these last seven
consecutive years offset the accumulated loss in the earlier periods. The share capital of the corporation has also increased from 4 crores in 1977-78 to 23 crores in 1993-94. This shows the commendable performance of the CCI.

Impacts made by the corporation were higher during its earlier period of establishment. The imports of our country depends on the trade agreements, domestic production and prices of cotton. CCI imported cotton from countries like Pakistan, Sudan, Ivory Coast and Egypt, with the increase in the output since 1978-79 the imports more or less stopped.

The CCI plays a vital role in the country's export also. During 1971-72, it exported 25,026 bales and crossed 42,500 bales during 1972-73. The export during 1974-75 was 300 bales and due to famine the exports were nil in the next two years. Thereafter, the exports fluctuated and during 1989-90 CCI's export was 6,61,657 bales valued at 308.36 crores. The export was highest during 1993-94 which was valued at 316.17 crores.

It can be concluded that the operations carried out by the CCI was commendable. It helps the farmers through price
support operations when the market price was well below the cost of cultivation. CCI also helps to avoid exploitation. CCI also helps to promote textile industry by way of procuring cotton for them.

Suggestions

The study indicated that the cotton markets in the study area are functioning efficiently. However in the light of the findings of the study, the following suggestions are being made which will provide guidelines to frame suitable policy measures.

(1) The results of the study on marketing costs and margins revealed that majority of the farmers sold the cotton kapas to the village merchants within the village itself. If they bring the produce to the assembling centres and sold to wholesale traders, it fetches higher price. Therefore the administration should take suitable measures to remove the hurdles while selling the produce to wholesale trader.
(2) The opinion survey revealed the hurdles which were to be removed to get fair price for the produce. According to them inadequate storage facility was the main problem. If the available storage facilities are adequate they can retain the produce for some period and sell it to big traders like wholesale traders after pooling and storing the cotton kapas obtained from several pickings.

(3) As indicated earlier, most of the cotton kapas were sold within the village itself. This might be due to poor conditions of the roads from the villages to market centres and inadequacy of the transport facility. This was supported by the opinion given by the farmers. In addition to that the farmers also suffered while transporting the produce from village to market centres on the assumption by the enforcement wing of the market committee that they were traders who have purchased the produce in the notified area. Therefore suitable steps may be taken to improve the condition of roads and other transport facilities.
4) This study also provides scope for further research as follows,

(a) The factors which influence the arrival of cotton in the market were not examined and therefore a study in this regard could be conducted with the use of multiple regression (both linear as well non linear) analysis.

(b) This study was conducted only in Coimbatore district and therefore, it is suggested to conduct further studies in other important cotton growing districts of India.