CHAPTER XLI

CONCLUSION

It is now proposed to present a retrospective view of the work, embedded in the foregoing pages and to put together the results of this investigation. The growth of the cotton cooperatives controlling almost half the quantity of cotton output of South Gujarat is a phenomena which is both interesting as well as instructive. It is a torch-bearer for the cooperative societies working in the field of commodity marketing. The cotton sale societies of this part of the country are pride of the marketing cooperatives in India and much can be learnt from their evolution, working, and progress so as to render cooperative efforts in marketing of agricultural commodities successful.

It may be pertinently asked at this stageasto what objectives the cotton cooperatives have been professing to serve and whether these are successfully accomplished. Let us consider what the specific objects the marketing cooperatives are expected to accomplish.

Objectives expected of marketing cooperatives:

The eminent authors on the subject usually ascribe the following objectives to the farmer's cooperative societies set up for marketing farm products. (1) They can put the primary producer into contact with the market. The farmers come to grasp something about the problems of marketing, the very existence of which they may not have even known before. In this, the marketing cooperatives prove of a distinct educational value and may lead the farmers to effect profitable changes in their operating methods. (2) Through their own marketing
organisation the farmers are brought in direct contact with the trade, where the quality of the produce exerts a material influence on its price. Such a knowledge inspires a consciousness about the quality and leads them to produce better quality of crop with resultant increase in their income. (3) The cooperative organisation may help in effecting economies in marketing cost by breaking up a monopoly of private dealers or by increasing the volume of produce handled or, by eliminating unnecessary middleman and their charges, or by conducting the business in a generally more efficient manner. Opportunity to do one or all of these, depends upon the expanse and the hegemony of a rival marketing agency. (4) Marketing cooperatives by handling a large volume of the commodity sold in a particular market, may be able to achieve what the farmers individually are not able to do. Particularly in case of a commodity for which there exist large buying interests with considerable influence on the terms of contracts in marketing the equalization of bargaining power through unity may prove of advantage to producers. Terms of contracts and conditions attached with the business transactions can be moulded to reconcile the interests of farmers as well as of buyers. By diverting a part of the crop to an alternative market, or by having direct access to the final buyers, the marketing societies can plan to expand the market, enhance the average price for their members' produce.

Thus, as Prof. Norton emphasises, the marketing cooperatives should not stress on putting dealers out of business or eliminating their profits. That may be incidentally accomplished but the main aim is to build up a producer-owned
marketing system which will permit increased quantities of produce of improved quality to reach the consumer at a minimum cost and waste and at the same time return to the producer, the best price possible under the circumstances. In a paper recently published by F.A.O. on "Cooperative Marketing for Agricultural Producers" it is aptly pointed out that the greatest opportunity for improvement lies less in the diversion of middlemen's profits than in reducing costs through joint handling and in establishing enlightened market practices. The ultimate effect of cooperative efforts in the field of commodity marketing is the rationalisation of marketing practices, eventually leading to the elimination of superfluous elements in personnel, methods, as well as the cost of marketing.

'ACHIEVEMENTS OF COTTON COOPERATIVES OF SOUTH GUJARAT'.

I Rationalisation in the procedure and the cost of Marketing:

While trying to handle the marketing operations as economically as possible, a cooperative marketing unit impels similar economies on part of the competing marketing agencies also. A private dealer can afford to be careless about the marketing charges, and continue to act like a parasite, so long as he alone provides the marketing service. As soon as he finds the rival agencies increasing in number he is forced to economise with a view to retaining his margin of profit.

When the alternative marketing agencies are at keen competition

1. Norton L. G., "Marketing of Warm Products" P. 111

the middlemen's services become available at reduced cost and
the force of circumstances compels all of them to find the
shortest route by which the commodity is marketed from the farms
to the mills with the minimum expenses and the maximum
bargaining advantage. Thus the procedure and cost of marketing is
automatically rationalised leaving no variation either for a
private dealer or farmers' cooperative agency. Let us see what
the cotton cooperatives have been able to achieve in this respect.

In reply to the questions No. 15 and 16 of the question-
aire issued to the cotton sale societies, it was stated that
at present there is no difference in the methods and cost of
selling cotton, in case of a private dealer as well as a
cooperative sale society.¹ In this context it will be worthwhile
to produce here the findings of the Cotton Marketing Committee of
1949 which procured the figures of comparative marketing costs
of South Gujarat Cotton.

1. For specimen of Questionnaire See Appendix.

(Statement No. 44 is on the next page)
Statement showing the comparative costs of marketing cotton (per candy) through the usual trade channels and the cooperative organisations in Surat District (pertaining to years 1949-1951)

<table>
<thead>
<tr>
<th>Items of Marketing Cost</th>
<th>Usual trade Channels.</th>
<th>Cooperative Organisation</th>
<th>REMARKS.</th>
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</table>

(1) Cartage on Seed Cotton from village to gin. | nil | nil |

(2) Dalali Charges on Procuring Seed Cotton | 280 | nil |

Transactions are made for gin delivery and the cotton-grower himself arranges for the necessary cartage.

Dalali charges are paid by the gin-merchant and not by the cotton grower.

Expenses From Gin to Mills

(1) Ginning Charges | 3000 | 3000 |

(2) Clerical Establishment. | 100 | 100 |

(3) Vasallas hire charges | 200 | 200 |

(4) Insurance Charges | 100 | 100 |

(5) Pressing Charges | 200 | 200 |

(6) Dalali on Lint | 100 | 100 |

(7) Weighing Charges Dharmada etc. | 150 | 150 |

(8) Commission Charges @ as. 8 per Rs. 100 | 400 | 400 |

(9) Garging from pressing factory to the nearest Rly. St. | 180 | 180 |

(10) Railway Freight (a) From Surat to Bombay | 800 | 800 |

(b) Carting Charges from Bombay St. to Bombay Mill. | 500 | 500 |

775 | 7413 |

The only difference in the marketing cost, incurred by both the agencies is the dalali charges to be paid on the procurement of seed cotton i.e. Rs. 2-8-0 per candy, which the cotton dealer has to pay to his agent. The cotton sale society has not to pay any charges for obtaining member's kapas. On the contrary, it charges commission to members at the rate of one to two rupees per bhar, for providing the selling service, which works out to about Rs. 2-8-0 to 5-0-0 per candy of lint. (Two and a half bhars of kapas make one candy of lint) A similar enquiry into the comparative marketing charges per bhar of seedcotton sold through ordinary channels and through the cooperatives, was conducted a few years ago by Shri. R. T. Mirchandani, at present, Senior Marketing Officer, Directorate of Marketing and Inspection, Government of India. The conclusion of the probe was that the cooperative sale has not helped to reduce the number of intermediaries, and the societies have to pay more or less the same customary charges as paid by the traders. In place of dalali charges on seedcotton borne by the traders, the societies recover from the members, the establishment charges and other sundry expenses by way of commission.  

Shri Mirchandani has obviously missed one point. Marketing charges cannot continue to differ for long, as between the private dealers and the cotton cooperatives. The force of competition soon establishes the uniformity of customary charges for all the functionaries in the market.

1. See Table of Comparative Marketing charges and the Remarks, in Shri Mirchandani's article on "Cooperative Marketing of Cotton in Surat District". The Indian Cotton Growing Review, January 1952 P. 40. He observed that the charges paid by a gin-owner were Rs. 23-12-3 per bhar of kapas whereas those, paid by a cooperative society were Rs. 25-0-3 per bhar.
Besides, it should be noted that a trader is very keen on economising, as every rupee saved adds to his personal gain whereas the paid officer of a cooperative sales unit has little incentive for economy because the gains, when prorated among the members, appear to be very insignificant. The cooperatives only provide the pressure of competition so that the marketing charges are reduced to a reasonable level and a trader is forced to sacrifice much of his margin of profit in form of competitively higher prices paid by him to a cotton grower.

II Better prices through superior bargaining power:

The objective of securing a higher return for the produce of a member-farmer, is achieved by a cooperative marketing society partly by rationalising the procedure and cost of marketing, and partly by rendering superior bargaining strength to agriculturists as sellers of their crop. The advantage is derived by way of pooling a large quantity of crop, bulk handling, propaganda for uniform, pure, and improved quality of the produce, and premium due to agmark certification. The pool price distributed by the cotton cooperatives to their members during the last five years is shown below:

(Table No. 45 is on the Next Page)
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<td>7. * Chapabatta</td>
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<td>8. * Nana Verachra</td>
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<td>17. * Umbel</td>
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<td>24. * Velachacha</td>
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It is clear from the above figures that the cotton cooperative have been able to pay better prices from year to year, to their respective members except for the 1954-55 season which had experienced an unexpected slump in the commodity markets. Better prices are evidently the result of a number of factors such as the sowing of the improved variety and pure seeds of cotton, premium for grading and ag-mark certification, bulk handling and the economies of pooling. The collective selling through the Southern Gujarat Cooperative Cotton Marketing Union, Surat, has also contributed to the bargaining strength of a cooperative seller. Out of the total cotton crop of South Gujarat 49.9% is sold through cooperative channels and 58.7% of the cotton growers are members and hence are beneficiaries of the cooperative sale. Thus the cooperative efforts in marketing of Surti Cotton have made a striking progress.

III Control of Marketing Operations

Since marketing agencies are operated in the interests of those who control them, it is natural that through cooperatives, farmers assume increasingly greater control of as many functions of marketing as is practicable. The resources of an average cotton grower are not sufficient to enable him to take up processing and other incidental functions of marketing. It is only when cotton growers join in cooperatives that they can pool their slender resources to build institutions for ginning, pressing etc., providing them with services at cost, and eliminating thereby one more plank of exploitation by middlemen. By the end of the year 1956, there were ten gin-press factories for cotton organised on cooperative lines. This year two of them have amalgamated into one and therefore the total now amounts to 9. Thus at ten
assembly centres, there are cooperative ginneries and one or two more are likely to be set up in the near future. As in case of marketing charges in the field of ginning and pressing too, the hegemony of cooperative action has forced down the cost of cotton processing. Private gin presses cannot afford to charge more in competition with the cooperatives. Thus the producer-owned marketing institution develops as an enclave within a competitive system on the strength of social capital and unity to combat the private capital and exploitation.

FURTHER BENEFITS OF COTTON COOPERATIVES.

Rationalisation of the procedure and the cost of marketing, control of marketing operations, and the resultant higher gain through superior bargaining strength have been emphasised so far, as the principal benefits resulting from the cooperative marketing of cotton. There are several others which incidentally follow.

(1) As members' kapas is pooled together for joint ginning, pressing and sale, an individual cotton grower is relieved from worry about the price for his lot. The entire produce, collected by each cotton sale society is treated separately according to the grade and agmark labelling and lint is sold at the best available price from time to time. A member-grower obtains the average of season's sale proceeds after deducting the cost of marketing. This removes the basis for any anxiety about price of his individual contribution to the total pool of cotton.

(2) Next, the crop need not be hurriedly carted to the gin as would be in case of sale to a private dealer. A cotton grower is free to deliver kapas to the society's gin as and when he finds convenient. At the same time he need not unnecessarily hold up his crop in hope of better prices. On the contrary, he gets a benefit of insurance when he delivers cotton to his cooperative society.
(3) Since a cooperative society is not interested in individual profits or loss there is no reason for cheating in weighment. A private dealer is likely to resort to such a malpractice in adverse market position. Similarly a cotton grower is spared from the usual disputes about the quality of cotton which a private dealer invariably picks up with him while unloading the cart in heap of cotton. Chopping off the price under this pretex has now become a thing of the past.

(4) A cotton sale society also provides credit facilities within the limit of its bye-laws, and as such a needy farmer is not forced to approach the cotton dealer for financial aid. Majority of the cotton cooperatives by now provide saving bank facilities and accept deposits from members.

(5) A cooperative seller is freed from the ill-treatment by and humiliating attitude of a private dealer. The growing strength of the cooperatives has had a salutary effect upon the behaviour of traders towards farmers. Officials of a cooperative cotton sale society having come from the class of agriculturists, treat the members as partners in their enterprise. Besides, the cooperative help to popularise improved seeds and induce the members to grow pure and uniform quality of cotton. As better crop fetches a better price, cotton growers are rendered quality conscious and are encouraged to preserve the quality by careful cultivation and handling.

(6) Perhaps the most significant benefit is in respect of knowledge about sales and business methods. Ordinarily an agriculturist as a seller of his crop is a poor match for a shrewd businessman. But those among the members of the Cooperatives who volunteer to work on the managing committee gradually acquire a training in business tactics and can stand in market with confidence.
The ownership of more and more marketing institutions opens the scope for wider employment of the Kith and Kin of the cooperators themselves. The staff of the cotton sale societies and cooperative gin press factories is drawn from the agriculturists and their services serve the interest and the welfare of the cultivators themselves. This is in contrast to marketing through a capitalistic organisation which directs its employees as 'so many pawns' against the interest of the producers. The scope of employment in the cooperatives is to be considered from one more point of view. In ordinary trading organisation a clerk or a menial servant cannot hope to take place of a manager or cannot aspire to become an enterpriser. In democratic organisation like a cooperative society there are instances that weighmen or heapman have risen to the position of manager of chairman of society by dint of their labour. As a member of a society a cotton grower has scope to occupy any office of importance.

The growth of cooperative sale societies has led to the gradual elimination of petty middlemen operating between the cotton dealers and the farmers. Only gin-pressowners have any how survived the competition with cooperatives. Except in the northern talukas, the number of itinerant cotton dealers is negligible in South Gujarat. To that extent the cost of marketing is reduced.

The last but not the least is the advantage of Training in democratic management. Provided that members demonstrate the necessary interest in the working of their cooperatives, cultivators are educated in methods of conducting meetings and parliamentary procedure of democratic functioning. At times they evince
lively interest in elections to the managing committee and on getting elected they share the responsibility of framing the sales policies and even executing them. Thus training democracy is a bye-product of cooperative organisation. It promotes mutual understanding and a community spirit.

ELEMENTS OF WEAKNESS AND REMEDIES:

Cooperative organisations like all other human organisations are not infallible. A cooperative marketing society should remain cooperative in spirit, farmer-owned and farmer-controlled at all times. The cultivators as members desiring a more efficient marketing service should show necessary vigilance. If they feel that the society has slipped out of their control into the hands of a small clique among them, failure is soon to follow. The success of a cooperative marketing society will depend upon the efficacy of its structure and operating policies.

(1) Importance of Commodity and functional specialisation:

The byelaws of a typical cotton sale society are comprehensive enough to enable it to take up the sale of cotton as well as of all other agricultural produce on behalf of members. Granting of credit is also a part of its objects. But so far, the cotton cooperatives of South Gujarat have succeeded as single commodity organisations and hence the gains of specialised working should not be lost to them while the recommendations of the All India Rural Credit Survey Committee are being proposed to be implemented. Of late, a number of multipurpose cooperatives have freshly taken to cotton sale. If they are to succeed, they must concentrate their resources and talent on this activity only so that except credit and marketing of cotton no other line of working absorbs
their energy. Cotton marketing units must continue to grant credit to members as a prelude to sale of their cotton because only in this way they can keep cotton growers away from the clutches of traders-cum-moneylanders. The byelaws of the cotton sale societies should be suitably amended to enable them to continue their present character and activities under the new scheme of 'integrated credit.' While endorsing a plea for combining marketing and credit in the same unit the editorial remarks of the All India Cooperative Review emphasise that "So long as the success of the credit organisations is dependent upon the effective functioning of the marketing societies, with the administration of which the credit societies would have no organic connection, it is open to doubt how far the integrated credit scheme is going to benefit the farmers to enlarge their margins and thereby stimulate increase in production. In view of this, we are of the opinion that the results, particularly in the context of our urgent need to augment agricultural production, could be better achieved by combining both the functions of marketing and supply including finance in the same primary organisation viz. the marketing society. The advantages of such combination are obvious in the first place, close membership association and participation in all the activities could be ensured. Secondly as our future is to advance production credit, the institution which sells the produce of its members would be best fitted to judge their credit requirement for production purposes. Moreover, the criteria for advancing loans would also be more scientific. The marketing

1. A resolution containing similar recommendation for all the single commodity marketing cooperatives was passed at the third Surat District Coop. Conference held at Bardoli on 22-1-1956. It may be of interest here to note that the Surat District has specialised marketing cooperatives for milk, vegetables, pulses etc.
cooperative can certainly evolve the practice of fixing the credit limits for the members on the basis of their three years' average surplus marketed through it. This system is by far superior to the somewhat inelastic formula of fixing the credit limits in terms of a predetermined amount per acre of a particular crop which does not take into account the difference between farmer and farmer, and good and bad land in the same area etc. ...

(2) Over-lapping in areas of operation should be avoided:

As already indicated, an area of operation for a cotton sale society varies from a single village to a radius of 15 miles at the maximum. It denotes a sphere of membership but when new societies crop up in the same area, there arises an overlapping. In the same village one finds members of two or three societies nearabout. For a cotton cooperative an area of operation has two significances. In the first place it points out distinctness in grade and quality of cotton grown in that area and secondly it decides the volume of business that the society is likely to obtain. Overlapping areas of operation has been so far tolerated on the plea that cotton growers who are dissatisfied with one cotton sale society, should be permitted to join a new group of their own rather than being forced to sell cotton to traders. However the implementation of pilot scheme of "integrated and institutional credit" will now impell the removal of such overlapping so that agriculturists are able to meet all their credit needs through a single organisation in their vicinity. Where the entire village or taluka is covered by membership of cotton cooperatives referendum will have to be taken asking the cotton growers of a specific village to choose one society or the other. In the interest of

1. All India Cooperative Review: January 1957 Page. 516.
of the new credit scheme minority will have to join that cooperative of which majority of cotton growers are members. Such adjustment is very imminent in the Olpad and Chorasi talukas of the West group where 86.3% of the cotton growers are selling cooperatively. Ultimately the area of operation should closely confirm to the grade, ginning outturn and uniformity of cotton in the interest of efficient selling. It should have reference to the homogeneity of quality rather than to mere convenience of distance or grouping.

(3) Need for well-informed and loyal membership:

Intelligent leadership and loyal membership are the requisite of a successful democratic control. As already stated one of the major problems of cooperatives is to maintain a flow of information between management and membership. Motives behind membership should be carefully studied and a foundation in favour of cooperative thinking should be built up. Members have varying background of economic status, literacy and social consciousness and all these factors cause them to react differently under different situations. Of course, majority of them aim at a better financial gain. But they must realise the weaknesses of their organisation as well as its potentialities. Unless they are well informed of the activities and policies of the society, they cannot gain confidence in the management. Fluctuations in membership, even though the same is on a limited scale, should be prevented by a careful consideration of the desires and expectations of members. It must be admitted that cotton cooperatives have so far done very little in this direction. Internal dissention and lack of

1. See Table No. 34 Chapter VIII Page 361
interest in membership defeat the aim of democratic control. A study of members' attitude is of vital importance in promoting a well-knit cooperative organisation.

(4) Probe into the Motives of Non-members:

It is equally worth while to carry on a probe into why cotton growers do not join the cooperative sale. Despite the glorious progress in cooperative marketing of cotton during the last three decades, 41.3% of the cotton growers of South Gujarat are yet outside the cooperative fold and are selling direct to traders for one reason or the other. Majority of them prefer the immediate payment of price for their crop. Of course, the cotton cooperative cannot make an outright purchase as they function on agency-basis, but they do provide for the advance payment upto 70% of the ruling price of cotton. However the same is treated as loan carrying interest and many small agriculturists or poorer farmers have objections to this policy. It should be possible to meet the demand of this class of cotton growers by devising some method, under which a larger advance may be granted to small scale cultivators, say growing less than four bhars of kapas, with exemption from interest on the same. Large and well-to-do cultivators should bear a little sacrifice for the smaller and poorer ones, in the interest of cooperation. Orthodox policies in matters of crop loans and price advances should be given up in view of the sound financial reserves that the cotton cooperatives have built up by now, and the general credit limits should be enhanced for all the members to cover their normal requirements of cultivation.

(5) Need for impartial and intelligent management:

Management should be scrupulously clean, nonsectarian and intelligent so as to inspire happy membership relations. A few of
the cotton cooperatives met with failure on account of dishonest management and internal disputes. Casteism, political rivalries and personal jealousies eat away the vitals of cooperative organisation. With the increasing consciousness of membership, such rivalries are likely to grow. Tactful management can prevent unhealthy competitions. Much depends upon the personnel of the managing committee which should be made as much representative as possible. A manager is the spear-head of the entire organisation. He should be well qualified and adequately remunerated. He is to provide guidance for day to day working. Instead of usurping the authority he should work as an adviser as well as an executor. Political attitudes, sectarian views, formation of cliques, and domination of one group over the other are some of the blemishings of the management policies of the cotton cooperatives. In the third Surat District Cooperative Conference held at Bardoli on 22nd January 1956, the president Shri L. H. Patel sounded a note of warning to the management of a few cotton cooperatives against their parochial outlook in not admitting certain cooperators as members. This evidences the formation of cliques and deserves protest. Apathy on part of members may have shielded them at present, but the spread of literacy is bound to bring the necessary awakening. Educated and well informed membership evolved out of firm convictions and true understanding will pave way for efficient and scrupulous management. Therefore the way to cooperative business is membership education. Closer contact between the management and members should be promoted through insistence on regular attendance at yearly meetings, propaganda and circulation of relevant literature on
cooperation, holding frequent conferences to celebrate important occasions in life of a society, arranging for lectures of eminent authorities on marketing and cotton culture etc.

(6) Planning for 'Business Approach' in Sales Policy:

An efficient sales organisation never makes an approach to market without planning in advance its sales policy. The cotton cooperatives mostly concentrate their dealings to spot market, in which the index of efficiency is 'timely sale'. A great responsibility lies with the manager of a sale society and the salesman of the South Gujarat Cooperative Cotton Marketing Union of Surat in clearing the cotton bales in time and at such prices as to yield the maximum average price of the season. It should be noted that 69.9% of the cotton growers among the total membership have joined the cooperatives mainly to obtain better price for cotton. Thus the ability to secure maximum average price for member's cotton underlines the success of sales policy of a cotton sale society. The sales policy of the South Gujarat Cooperative Cotton Marketing Union plays an important role in marshalling timely sales for the affiliated societies. The general consensus of opinion is that the Union should adopt more business like tactics while selling cotton because with the growing output and increasingly liberal tone of the market, orthodox approach of selling, as buyers turn up, will not pay. The cotton cooperatives with their control over about 50% of cotton grown in South Gujarat, constitute the biggest seller in Surat Cotton Market and as such should provide lead to the market rather than following the policy of "watch and wait". It is already emphasised in discussion of sales policy how the
non-affiliated cotton cooperatives, due to the 'Business Approach' in their sales policies, are able to sell in time and at bargain prices. Much of the risk in 'Spot Selling' is avoided by taking recourse to hedging, and, therefore, hedging and forward sales should be assigned a due role in the sales programme. At present, the cooperatives are not prepared to handle 'futures' unless market compells them to do so. However the leaders of the cotton cooperatives accept that hedging is indespensable and will have to be resorted to sooner or later in view of the vast size of crop handled by the cooperatives.

(7) 'Discriminative Selling' and 'Unified Sales':

Reliance on Surat Market alone for disposing of the entire stock of cooperatively handled cotton is not advisable. Direct sales to the textile mills or to consumption centres like Bombay, Ahmedabad, Cawmpore, Goimtore, Madras, Nagpur etc., should be arranged as a 'Second line of Defense' or as alternative outlets. It is worth while to follow the heels of big cotton firms who buy as well as sell at various cotton centres. The cooperatives must contact alternative markets for the policy of 'Discriminative Selling'. This opinion was unanimously endorsed by the All Gujarat Cooperative Cotton Sale Societies Conference, first held on 21-1-1956 at Surat, under the presidentship of Shri Lalubhai Haribhai Patel. Direct sale to the Bombay Market has been found worth encouraging so far and a permanent office for the same at Bombay is needed. However, attempts should be made to obtain membership of the East Indian Cotton Association and to possess

1. I was invited to attend the conference and to take part in the proceedings.
independent godown and telephone facilities. In the interest of 'direct sale' and to meet large orders from the mills the importance of unification of selling by the cotton sale societies operating at each cotton pressing centre, cannot be overemphasised. The Unified sales of even running lots of cotton bales have been twice attempted and yielded excellent returns. It helps clearance of stocks in time, secures better prices and reduces expenses. It discourages an invidious competition among the cooperatives for gaining the market and prevents the resulting depression in the prices.

(8) Need for Coordination in Sales Programme:

All the points emphasised above will call for a proper coordination of sales programme of the member societies with the sales policy of the South Gujarat Cooperative Cotton Marketing Union and also between the Surat Office and the Bombay Office of the Union. Planning in advance with careful consideration of the pressure of cotton crop in India, comparative outlook for cotton varieties competitive to Surti Cotton, the state policy as regards with export and import of cotton, buying tendencies on part of the textile mills and the experience of sales in the previous season, should render the sales policy most successful. The position of the manager of the South Gujarat Cooperative Cotton Marketing Union is of supreme importance from the point of view of sales efficiency. He is the pivot of the entire sales organisation of the cotton cooperatives. His role in the sales policy of the Union is well brought out by the following statement of Shri Lallubhai Naik, one of the brokers of Surti Cotton.

1. Shri Naik was salesman in Navsari District Cooperative Cotton Sale Societies Union and also in South Gujarat Cooperative Cotton Marketing Union. The statement quoted here, was given by him to me, in interview with him on 10th January 1957.
"The principal work of the Union is to sell cotton on behalf of the member societies. Of late, the tendency has grown with the Union to derive a greater authority for sale than is formally permitted by the byelaws and constitution of the affiliated bodies. As the cotton trade is usually subject to erratic and wide fluctuations it is very necessary that the direction and guidance that the Union's manager gives to member societies should be apt and exact. Evidently the manager should have himself a very correct reading of the market and a full understanding of currents and crosscurrents influencing the market. To sell cotton in rising market is rather easy but when the market is nervous and cannot be easily judged, it is always worth while to direct the efforts towards utilising the slightest opportunity of selling while bearing in mind the position of market. It is not always correct to examine the ruling price in the context of the merchandising cost which the trade may consider reasonable. It may happen that market may appear less attractive than what seller expect but the principal aim being the disposal of the societies' crop it is imperative that the sales authority should take an immediate decision and act promptly. In any business organisation as also with the Union, the long-standing experience and keen insight of the most important position like a manager does offer a great advantage, but democratic institutions while benefitting from such service have their own limitations of jurisdiction and, therefore, there remains a necessity of superimposing a certain authority over manager himself. However the super-imposition of the authority does not mean that his freedom to act in a certain situation is restricted."
Amendments in Surat Cotton Market Rules:

While we are concluding this research an important modification has been effected in the 'Surat Dharo' regulating the business of Surati Cotton. In the discussion on merits and demerits of the Surat 'Dharo', the specific grievances that sellers and buyers in Surat Cotton market have against its provisions were pointed out and considered. The cooperative group among the sellers, insisted that the market rules must specify the size of lint, permissible as sample, to be taken away at the time of selection and approval by the buyers. Secondly, it was believed that the present practice of market charges, borne by the sellers but paid through the buyers rendered the market functionaries more loyal towards buyers. Main apple of discord is the payment to cotton broker whose role in the market transaction is of a deciding character. The cotton cooperatives expressed their preference in favour of direct payment of the market charges. The genesis of this system which is peculiar to Surat Cotton Trade was also pointed out. Brokers are attached to specific buying firms and obtain the brokerage for all the contracts effected by the respective buying firms, regardless of whether the same are effected through the brokers or otherwise. As the initiative in moving the market lies with the buyers the brokers are set to work first by them. Thus brokers' loyalty towards the buyers of cotton gains a basis. It has already been pointed out that so long as the initiative in marketing lies with the buyers no change is likely in the attitude of brokers even though sellers may pay the brokerage directly. On the contrary the present system helps to lend firmness to the market as brokers are more interested in attracting buyers to Surat Cotton Market.

1. For reference, Please See Chapter V Pages. 205 to 207.
Buyers on their side, expressed the desire that the contract should be for station delivery instead of for godown delivery as it is present. Besides they held that the pressing charges even in case of 'dry season contracts' should be borne by sellers.

In the meeting of the Surat District Cotton Dealers' Association, held on 20th October 1956, an attempt was made to reconcile the interests of both the parties. The Cotton Cooperatives moved the proposal that marketing charges, which are at present borne by sellers and paid by buyers, should be hereafter paid by sellers themselves. In reaction to the proposal, buyers offered themselves to bear the marketing charges and thereby retain the loyalty of brokers and other market functionaries. The buyers' point was carried. As already stated, in our discussion on the personnel of cotton trade of South Gujarat, there are among sellers and buyers of cotton various categories of groups with differing interests. The commission agents among the buyers later on thought that the market charges to be borne by them will reduce their margins of commission nor will they be able to recover the same from their principals. Hence an extra-ordinary meeting of the Association was requisitioned by the buyers to reconsider the resolution of the earlier meeting. Prior to that, private negotiations were held to evolve some compromise. The Cotton Cooperatives offered to bear half the market charges and to pay the same directly. Secondly the rate of market charges was to be reduced to 75% of the present rate in view of the extention of acreage and increased size of cotton crop. The buyers' representa

1. Kantilal Shantilal Brothers of Broach proposed this resolution and Kilachand Devchand & Co., seconded.

2. See Chapter V, Pages. 210 to 238.
atives agreed to accept these proposals on the condition that the contracts should provide for station delivery and the sellers should bear the pressing charges. Now the gin press merchants among the sellers were opposed to these conditions as they would have been forced to sacrifice their income from pressing of cotton. Hence the negotiations failed.

The cotton cooperatives met on 27th December 1956 to decide once for all, their attitude towards the Association.\(^1\) It was agreed that they should uphold what was resolved by the Association in the meeting of 20th October 1956. In case the old decision is rescinded by the requisitioned meeting the cooperatives were to quit the Association and arrange for alternative channels of disposing cotton.

The requisitioned meeting of the Association was held on 29th December 1956 and ultimately it was resolved to the satisfaction of both the parties that the market charges should be reduced from Rs. 1-12-0 per candy to Rs. 1-9-0, out of which Rs. 0-9-6 should be paid by sellers directly and Rs. 0-15-6 should be borne by sellers as before, but will be paid by buyers.\(^2\) Side by side it was orally agreed that the size of sample lint should be restricted to 20 lbs. per 100 bales of cotton, but the same was not recorded. Thus except, in the clause No. 14, no other changes were introduce in the market rules.\(^3\) The reduction of 3 as. in the market charges and the provision for direct payment of half the brokerage and weighing charge by sellers may appear to be trivial, but is of no less significance. The cooperatives as the leading group

1. I was invited to attend this meeting.
2. See Clause No. 14(as amended)of the 'Surat Dharo! Appendix P.\(^\text{III}\)
3. Vide, the circular No. 30-12-87 of the Association to its members issued on 2nd January 1957.
among the sellers could assert and have conclusively proved that organised marketing can render a bargaining strength to primary producers, without requiring any intervention on part of the Government. The cooperative approach is one of 'compromise'. It was not advisable to break away from the Association by waging a war against traders. It was a triumph for the cooperatives in being able to bring the traders round to their proposals and making them realise the strength of the cotton sale societies. These are the Shadows of the future progress.

THE UTILITY OF THE SURAT DISTRICT COTTON DEALERS' ASSOCIATION:

SUGGESTIONS FOR IMPROVEMENT:

During the last eleven years of its working the Association has rendered a commendable service in cushioning the differences between sellers and buyers of cotton in Surat Market. When the cotton markets in India were passing through the after-effects of the Second World War the market for South Gujarat Cotton was thoroughly shielded by the vigilance of the Association. The distribution of cotton during the cotton-control period was gone through successfully. Booking facilities were secured by the Association in the years of transport bottlenecks through negotiations with the state government in the years of transport. It was also represented the interests of cotton trade of this area to the government from time to time.

However, a few suggestions can be offered to render the Association more servicable to the cotton trade. In the first place the Association should be registered as a cotton market body. So far all the parties in the local cotton trade have given their allegiance to the authority of and the rules imposed by the Association, but beyond their goodwill and a sense of honouring
The Association needs technically qualified and appropriately remunerated staff. At present, there is no more staff beyond an assistant Secretary, who is every thing in himself. He can look to the office-routine but the Association does not possess an expert employee to guide the traders as regards with the technological as well as economic aspects of cotton. Eventually, the Association is NOT in a position to render market intelligence service so as to guide the cotton trade in matters of crop conditions during the farming season, as well as about the movements in cotton markets of India from week to week. Statistics of progress in pressing and arrivals in market and their price-trends with appropriate comments are of great value for the successful and efficient marketing of cotton. At present such information is secured by the dealers individually. However, the Association can do it on better level.

Finally, the Association should assert its authority with necessary seriousness of purpose. This alone can remove the slackness and apathy noticed on part of members. It will be well if the regulation now applying to sale of lint-cotton is extended to seed-cotton also. The Association can, thus, assume the complete control of the cotton trade of South Gujarat.

**Need for Cotton Seed Improvement Association:**

A reference was made in the third Chapter to cooperative cotton seed research associations, operating in the U.S.A. In our country the cotton breeding and seed research are exclusively done by the state agricultural departments. The cooperatives demand that the improved varieties should be distributed among the cotton growers through the cotton sale societies only so that the maintenance of the purity of the crop can be supervised. Traders on the other hand, believe that this creates a difficulty
for those farmers who do not want to join the cooperative marketing units. The state is accused of being partial at one time to the cooperatives, and at other, to the traders. Improvement in the quality renders benefit to all the agencies in marketing of cotton. It will be, therefore, worthwhile to organise tractwise, seed research cooperative associations with their membership open to all those who are interested in the quality of the commodity. It may also pave the way for cooperative marketing but it will surely raise the standard of trade and enhance the goodwill of our commodities in the world markets. The S.D. Cotton Dealers' Association being the body of dealers, cooperative as well as private, is the proper institution to look into this matter. In region like South Gujarat where marketing agencies are operating efficiently the government can safely delegate the work of Seed-Improvement and Distribution to unofficial agencies.

Flaws in the present system of Certification:

The present work of certifying the purity of cotton and ag-mark labelling is not perfect. The Ankleswar Taluka Purchase and Sale Union and the Bharadia Cooperative Cotton Sale Society stated that the officers of Cotton Superintendent, supervising the ginning and pressing at private ginneries are not faithful in their work. In the first place they are poorly paid. Secondly, as they are given lodging and boarding facilities by the owners of factories, they are under the obligations of those, for whom they issue certificates. Thirdly, the training which these officers receive is very superfluous. Since these are state employees the private agencies have no control over them. A better service is possible when the cooperatives as well as
private dealers are entrusted with the task of preserving the purity of cotton, through their common organisation.

**All Gujarat Cooperative Cotton Marketing Union:**

On the eve of the reorganisation of States in 1956 an idea to organise a cooperative cotton marketing union for the entire region of Gujarat was mooted by the leaders of the cotton cooperatives in the first conference of All Gujarat Cotton Sale Societies held on 21st January 1956 at Surat.\(^1\) It was felt that such an organisation will be able to regulate, guide and coordinate the activities of cooperative marketing societies in cotton, all over Gujarat. An apex body of the cotton cooperatives can render a number of services such as taking up the problems of cooperative sale of cotton at the state level, representing the interests of cotton growers in regards with the import and export policy of the Government, giving a wide publicity to fresh improvements in quality and cultural practices secured by the state agricultural department, and negotiating for a direct contact between the cooperatively organised cotton growers and the textile mills. Whether such a body can succeed as a sales union of all the member-cooperatives remains to be seen. From the point of view of business efficiency sales union should represent tracts of cotton varieties rather than administrative units of the country. For instance, the South Gujarat Cooperative Cotton Marketing Union representing the entire Surat District and parts of Broach and West Khandesh could succeed well on account of the homogenous area of Surti Cotton; whereas the lack of similar conditions in

\(^1\) Vide: the welcome speech of Shri Dayaljibhai Patel, the President of the S. G. Cooperative Cotton Marketing Union; also the resolution No. 2 of the said conference.
northern Gujarat has come in way of immediate implementation of forming an all Gujarat body. Varietal differences and vehemence of local interests have been usually the inhibiting factors. However, an organisational importance of an apex body cannot be underrated. Besides, it can help the local sales unions in their policy of discriminative selling through its branches at various cotton centres.

Cooperative manufacture of Gin-press Stores:

With the rise in number of cooperative ginning and pressing societies, the need for buying the materials and store for these factories through a common organisation is being felt. Annual expenditure towards the purchase of gin-stores for all these cooperatives exceed Rs. 3 lakhs. Besides, some of the materials such as iron-hoops, washers etc., can be manufactured locally. Hence, it was suggested at the conference, cited above, to set up a factory for manufacturing the same on cooperative basis. Indeed, the cooperatives can embark upon such venture, providing profitable source for investing their savings and obtaining their requirements economically. But the basic question is whether such cooperative production units can be referred to as cooperative when owned and controlled by agriculturists. Industrial cooperatives can belong to the workers and labourers of such industrial units and not to primary producers or consumers, otherwise, cooperative enterprise will inherit the capitalist principles and face an ideological conflict.

1. Vide: Resolution No. 3 of the conference of All Gujarat Cotton Sale Societies, held on 21-1-56 at Surat.
Cooperative Spinning, and the Cotton-growers:

Similarly it is often suggested that now the cotton growers of South Gujarat, having successfully controlled the marketing of their produce, should start a cooperative spinning mill. It is heard that attempts are being made to organise cooperative spinning mills at Dharwar and Nagpur. Probably handloom-weavers or power-loom-weavers are endeavouring to meet their requirements for yarn on cooperative basis. But the fundamental question is whether a spinning mill can be owned by the cotton growers and be called as cooperative. A proposal to open a spinning mill with 30,000 spindles, 10,000 each for coarse, medium and fine counts respectively, was considered by the Surat District Development Association and the Assistant Registrar of Cooperative Societies, Surat, referred the same to All India Handloom Board. The Board insisted that spinners and weavers should have controlling share in the management of such a mill but the suggestion was not endorsed by the cotton cooperatives.\(^1\) Shri Morarji Desai the Chief Minister of the Old Bombay State, in his address as a chief guest at the Silver Jubilee meeting of the Sonsek, the Pal, the Asnad, and the Purshottam cooperative gin, on 6th February 1955, raised a query as to whether a spinning mill could be owned by the cotton growers on cooperatives basis. He emphasised that a mill can belong to labourers and artisans or operators in the same mill.\(^2\) The problem is debatable involving as it does, old controversy about the legitimate spheres for producers' cooperatives and consumers' cooperatives. However it is outside the scope of the present study.

\(^1\) News reported in 'Pratap' a local daily paper in its issue of 29th day of May '56.

\(^2\) Report of his speech in 'Sahayogi Sansar' a fortnightly journal devoted to Cooperative Movement of the Surat District P. 21.
EPILOGUE:

The constitution, working and methods of business of cooperative cotton sale societies in South Gujarat have evolved a pattern that deserves to be adopted in organising similar sale societies elsewhere in Indian Union for cotton as well as for other commodities of commercial importance. It is already stated that the progress in cooperative marketing in other Indian Cottons is limited in comparison with that in South Gujarat. The Punjab and Pepsu grow more than 6 lakh bales of cotton. The U. P., Rajasthan and Madhya Pradesh, grow more than 27,000, 18,000, 3,00,000 bales respectively. But in none of these states cotton sale societies are developed. The acreage under cotton in these states is likely to increase in the second Five Year Plan.

Inquiries at the cotton centres such as Nanded in Marathwada, Coimbatore in Madras, and Amraoti and Akola in Vidarbha have revealed that in spite of a large volume of cotton trade in the respective areas, cooperative marketing of cotton has not made any progress. Mysore state grows more than 72,000 bales of cotton and has only three marketing cooperatives dealing in cotton along with other commodities. Vidarbha grows about 5 lakh bales of cotton without any progress in direction of cooperative marketing.

1. There was only one society at Nanded but the same is now defunct. Vide letter dated 5-8-56 by Chairman of the Market Committee at Nanded. Only 2 to 3% of the total crop grown in Tirpur district is sold in form of kapas, through about 8 cooperatives societies. Vide letter No. 106/56 dated 20-8-56, from the Secretary Coimbatore Market Committee. Vide also Letter No. 584/56 dated 11th August 1956 by the Honorary Secretary the Tirpur Cooperative Sale Society Ltd. For letters see Appendix 'Miscellaneous'.

2. A visit was paid to Amraoti market on 5th November 1956.
Cooperative Marketing is developed in Karnataka, Khandesh and North Gujarat. Karnataka and Khandesh type of societies do not restrict their membership only to cultivating classes, and mostly function as agents for the sale of seed-cotton. Cooperative ginning is conspicuous by absence.\(^1\) North Gujarat is closely following the example of cotton cooperatives developed in this tract and therefore Gujarat is leading the entire nation in respect of cotton cooperatives.

The Government of India has been attaching in recent years a good deal of importance to cooperative activity and has come forth in various ways to help the people in organising societies for credit, marketing, processing etc. The declared aim is to make the rural communities cooperative-minded. The Second Five Year Plan provides for the establishment of 1800 primary marketing societies and 48 cooperative cotton gins. There will be set up 1500 godowns for marketing societies and warehousing corporations at the central and state-level. It was decided at the conference of the Ministers for cooperation of the various states, held at New Delhi on 16th April 1955, that the pace of progress in marketing cooperatives should be accelerated and the regulated markets should be evolved at all the important trading centres.\(^2\)

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2. Summary of the conclusions of the conference of the state ministers for cooperation. All India Cooperative Review, May 1955 Pages. 110-114.
At another conference, held at Mussorie, they recommended stepping up of the targets for cooperative processing. Accordingly 100 cotton-ginning factories are to be cooperatively organised during the period of the Second Five Year Plan.\textsuperscript{1} It may be emphasized at this stage that mere numerical targets will not help to build a sound cooperative organisation for marketing, much less when the same is superimposed by the state. It may sound very strange but is proved by the history that more harm has been done to the cause of cooperation by artificial strength lent by the state, and by its blind supporters than by its opponents. Cooperation should not be held out as a catch-word, professing to produce miracles. It will not result in an immediate cure for all sorts of marketing difficulties. It should essentially prove a business proposition. And when and where, an approach has been made to farmers with the gospel of cooperation pointing out its definite economic merits, the farmers have not been slow to act. But to bring them round, cooperatives must be worked successfully and with the modern business methods. As Joseph G. Knapp remarks one of the weaknesses of cooperatives has been a lack of cooperation among cooperatives.\textsuperscript{2} Unity among cooperatives is essential for their competitive strength, organisational ability and

\textsuperscript{2} His Article, 'Are Cooperatives Good Business?' Harvard Business Review, January-February 1957, Page. 60.
operating efficiency. Unless cooperatives learn to work together they will not evoke cooperation among farmers. Like all other businessmen, the farmer is interested in making his business as profitable as possible and can react to cooperative marketing favourably when it impresses him most. Let the practice of cooperation prove this to the farmer. The cause of cooperation must be won on its own merits.