CHAPTER II

COOPERATION AND MARKETING OF COTTON IN INDIA

Genesis of Cooperation in India:

The development of non-credit cooperation has a short history extending to only four decades. It was the economic distress of the Indian farmer and his craving for a cheap and timely credit in the latter part of the 19th century that led to the inauguration of the cooperative movement in India. Thus the genesis of Cooperation in India was, mainly the need for rural credit. The decline of indigenous industries, as a consequence of the gradual advent of the factory system in India and the decay of the joint family economy led to the increasing pressure on land which reduced the income of an average Indian peasant. The growth of population and the new judicial system, permitting the division of the property among the inheritors as well as enabling the moneylenders to appropriate the land in discharge of the loans owed to them, further added to the economic distress of the farmers. The usurious rates of interest on account of lack of alternative channels of credit, and the miserable failure of 'Tagavi' system in meeting the credit needs of the farmer subjected him to a sheer despondency resulting in the Deccan Riots and emphasising the urgent need for an alternative source of credit, to the agriculturist.

Sir Fredric Nicholson, deputed by the government of Madras in 1892 to study the problems of rural indebtedness, made a strong plea for the introduction of cooperative credit societies on German model. The government of India took up the problem seriously and appointed a committee under the chairmanship of Sir Edward Law in 190%, and on its recommendation, passed the
cooperative credit societies Act in 1904.

**The Act of 1912 and the beginning of Marketing Cooperatives**:

While the Act of 1904, paved the way for the cooperative credit movement in India, it made no provision for non-credit societies. The remedy of cooperation to meet the ills of agriculture had shown the signs of success and there was natural impetus to try the same cure for other problems of Indian Agriculture. The Act of 1912, gave a new emphasis on the need of organising societies other than credit societies.  

So as early as in 1914, it was recognised that the cooperative movement could not improve the lot of an agriculturist unless he was enabled to secure the best possible price for the commodity that he produces. A farmer could not be made creditworthy without ensuring for him a higher gain or a greater margin of income in his profession. The government of Bombay, accordingly, appointed an officer on special duty for a period of six months to organise various types of distributive societies around Bombay city. The first cooperative sale society registered in the Bombay State was for Cotton in the year 1915 at Hubli. Since then the experience has shown that in India the growth of marketing

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2. "The initiation of societies for the organisation of Agriculture undoubtedly presents greater difficulties than the establishment of credit societies but the cooperative movement will not have its full effect on the Agricultural Economy of the Presidency unless the purchase of agricultural requirements and the sale of agricultural produce are organised on cooperative basis..." The Bombay Government Resolution No: 9101, Revenue Department, dated fourth October 1913. Quoted by Naik K. N.: The cooperative Movement in the Bombay State P. 22.

Cooperatives is conspicuously slower as compared with that of credit cooperatives.¹

Cooperation and The Problem of Agricultural Marketing:

A limited progress in cooperative marketing of agricultural produce cannot be accounted for unless we consider how the characteristics of agricultural produce and agricultural operations influence their marketing. The price of the agricultural produce, is mostly determined by such factors, internal as well as external, over which an agriculturist has little control. Improvement in the technique of cultivation is of little use to a cultivator unless he is encouraged to do so by the profitable sale of his produce. To a certain extent the price depends upon the efficiency of marketing and marketing of agricultural produce like raw cotton involves a number of functions such as assembling, grading, standardising, ginning, pressing, financing, insurance etc. The question is how a cultivator stands in relation to the need of efficient discharging of these functions. The characteristics of farm products have a great influence on the way in which these are marketed.

Characteristics of Agricultural Products:

The most important characteristics of agricultural produce which affect its marketing are bulk, seasonal production, variation in quality and volume from season to season and perishability.

Bulk:

Most of the agricultural crops are bulky in the sense that their weight or volume is great in relation to their value.

¹ All India Rural Credit Survey Committee: General Report. Vol. 11. P. 106.
This itself makes their storage and transportation difficult and expensive. Therefore these crops cannot be marketed over a long distance without the facilities for convenient transport. The progress in mechanical transport, in home trade as well as Oceanic trade has greatly contributed to the extended markets for commodities like raw cotton. Cotton, being quite a bulky crop, the cost of transportation is an important element in determining whether a cotton grower would prefer to sell it in his village or to take it to a nearer town market to secure a good bargain.  

**Seasonal Character:**

The most important feature of agricultural industry, from the point of view of marketing is its seasonal character. Agricultural operations in India are gone through according to the Monsoon. This is more true of rainfed tract than of irrigated tract. Even in the case of irrigated agriculture, the soil, climate, and other natural factors restrict the cultivation a certain season. Thus, crops mature during a relatively short period of the year, and after harvest there is natural pressure for sale. Certain crops are perishable and are sold immediately but even in case of non-perishable industrial crop like raw cotton, that can be held for months in its natural state, the grower often desires to sell at once. His holding capacity is limited. He may sell or may agree to sell even before the harvest. There is an urgent need of recovering the capital he has invested in seasonal operations. Not infrequently the amount is often borrowed on the condition of selling the crop on harvest to the lending agency. The pressure of paying land revenue also compel him to dispose of the crop as soon as it is harvested.

The industry, utilising this raw produce may not make an immediate

demand and very few manufacturers wish, or are able to store and finance products for their own future use. This situation brings in middlemen or such similar agency to take up the task of storing and financing and to fill up the time lag, between the peak load of supply in the season and widely spread out demand from the manufacturers.

**Variation in Quality and Volume:**

A characteristic feature which is closely connected with the seasonal character of agricultural produce is the variation in the volume and quality of the crop from year to year. The standardisation, as understood in case of manufactured goods, is not at all possible with agricultural produce. This tends to disorganise market prices and complicates both storage and transportation. The variation in quality complicates the problem of grading and makes the purchase or sale more difficult. This is particularly true of industrial crops as manufacturers demand raw materials of specific grades with reliable characters. These variations of quality and quantity cause some of the major difficulties in the way of stabilised agricultural prices. It is because of this very reason that the price for raw materials such as cotton is fixed not by the grower, but by the factors operating in the terminal markets. This also handicaps the development of an organisation to lay down a direct relation between the cotton grower and a Spinner i.e. Manufacturer.¹

A satisfactory adjustment of the supply to the demand for agricultural produce is, obviously impossible. For many products

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¹. Clark and Weld: Marketing of Agricultural Products, P. 5.
there is no acreage which will prove satisfactory year in and year out, because an increase or decrease in acreage is rarely followed by a proportionate increase or decrease in the volume of crop. The weather conditions such as incidence of rainfall, temperature, supply of soil nutrients etc., are largely responsible for such variations in the relations between acreage and volume. The same conditions affect the quality. The uniform sowing of an improved variety of seed gives no guarantee that crop will yield the uniform quality. First-class seed may yield the expected quality under favourable weather and soil conditions. Whereas, under the adverse conditions it may develop into mediocre or inferior grade.\(^1\) Under such conditions, stabilisation of production is virtually impracticable. After the start of the sowing season the farmer is seldom in a position to curtail the output. The seed is planted, and crops are raised before there can be any very accurate estimate of what the volume and quality will be. Since the conditions may change any time during the growing season, the status of the whole crop cannot be known until the season is well advanced. Even if it could be known, the individual farmer feels that he may be able to sell his crop for what he can if he lets his crop come to maturity. Most of the cost of cultivation is already incurred early in the crop season, and curtailment means the loss of his crop with no income to offset the expense. Thus farm production cannot be curtailed for a few days, weeks, or months as can be done in case of factories, mines and forests.

Nature of Agricultural Production, influencing Marketing:

Besides the characteristics of agricultural produce discussed above, there are certain economic factors, affecting their production and consumption, that determine the nature of the marketing organisation. Among them, the most important are the small sale and specialised production of crops, the variety of goods demanded in the market, the need for processing to make crop consumable by the factories, and the localised manufacture.

Small Scale and Specialised Production:

An average farm is a small production unit. Although in some cases, the total holdings may be larger than the equipment, the working force and the volume and value of the product per each farm is small. For instance, hundreds of farms may be growing raw cotton to meet the requirements of each textile mill. Quite a large lot may head for exports. This makes the possibility of an individual farmer, attempting to contact an individual spinner, almost rare.

On the other hand, specialised production, which is characteristic of manufacturing industry has also become characteristic of agriculture. Each farm produces for the market and must sell its surplus in case of food crops, and the entire quantity in the case of crop for industrial use. The commercialisation of agriculture involving the specialisation to grow cash crop is the basis of modern productive system. It is, therefore, necessary to remember while considering the problem of marketing of agricultural produce, that, a farmer must sell his crop, and his need for sale immediately after harvest is urgent. We have not heard of a cotton grower who has sold the crop of one season, in another season. As a result of this small scale and yet specialised production, the agricultural produce starts its journey to market in form of small lots of hundreds and
thousands of individual farmers and must ultimately find its way in large quantities to hundreds of manufacturing plants. In case of food crops going in for direct consumption, the journey is towards millions of individual consumers who demand them in extremely small quantities.

Demand for Varieties:

There is a difference in demand for food crops that are meant for direct consumption and a demand for crops meant for industrial use. In the first place the demand for all sorts of crops is continuous all the year around while their production is seasonal in character. Secondly, there has been a rapid development in the demand for variety, on part of consumers. This is more significant in case of industrial crops like raw cotton, of which specific varieties have been in demand by mills and, therefore, the attempts are made to grow them. The machinery in a typical textile mill is set for manufacturing specific sorts of cloth, involving the use of cotton with the appropriate characteristics. A farmer will and should try to grow that variety which a manufacturer of cloth is prepared to buy at a premium. Thus several types of cotton or 'Varieties' are in demand by mills, but an individual farmer is not in a position to grow each and every variety, nor he will like to do so. It is in his interest to grow a variety, suitable to the soil and weather conditions of his tract. He can, of course, take all precautions to grow it true to the quality and to retain its purity till the crop leaves his hands. In this respect the cotton growers of South Gujarat, are fortunate as they grow a variety of cotton carrying a premium price in India. The point, in relevance here, is that an individual grower grows a small quantity of one of the several varieties in demand by the spinner. He can never hope to meet the entire demand of a mill.
The Need for Processing the Crop:-

Whatever the produce that a farmer proposes to sell, whether food crop or industrial crop, it is necessary to supply it in a serviceable form either to an individual consumer or to a manufacturer. Industrial crops like raw cotton needs some processing in form of ginning and pressing before it can be conveniently marketed for use in mills. Raw cotton or Kapas should be ginned, so that cotton seed is separated for lint and lint should be pressed into bales so that cotton is conveniently packed and transported over a long distance. A textile mill makes a demand for cotton in bales while the grower has cotton in form of 'Kapas' i.e. SEED COTTON. An individual farmer is rarely in a position to gin and press his volume of seed cotton as it is beyond his means. It is an independent industry, seasonal in character, and undertaken by an enterpriser or trader who is interested in selling lint cotton to a spinner.

As the ginning and pressing involves the investment and management similar to that of manufacturing, a considerable quantity of cotton is sold without ginning or 'Sold in the Seed' as Brown puts it.\(^1\) Selling cotton in the seed usually works to the disadvantage of the cotton grower. Before cotton is ginned no one can grade it accurately, and consequently trader while buying unginned cotton is often careful in his estimate of the grade to give himself some margin. When it is realised that the price of cotton depends upon its grade it becomes clear that a farmer is made to suffer a good deal when he is forced to sell cotton without ginning.

Large Scale and Localised Manufacture:

The manufacture of very few products is evenly distributed in the areas from which the raw materials are drawn. Manufacturing is

\(^1\) Brown: Cotton: P: 450.
localised according to the availability of several factors and is always conducted on large scale. The localisation is the result of the comparative full of various factors such as source of raw materials, source of fuel, the supply of labour, capital, repairing services and accessories, and the nearness to market. The comparatively costlier factor attracts the site of a manufacturing plant, nearer to it. But the modern development of transport and communication have had a double-edged effect on localisation of this kind. On the one hand the products of a localised industry can be transported over great distances at a relatively low cost to compete successfully with the products of regions less favoured in natural resources. On the other hand, if the finished products could be transported cheaply, so could the raw materials so that the nearness to the latter no longer constitutes an overwhelming advantage.¹ This is particularly true of the cotton textile industry, when one observes, how in 19th century, the American cotton was spun and woven in Lancashire for Asiatic Markets; and how by now the textile industry has a tendency to grow wherever raw cotton and motive power are available.²

The natural effect of localisation is to increase the size of the industrial unit, and to benefit from economies of large scale operation.³

Naturally the Raw Materials should be collected from a large number of individual growers in order to secure a sufficient supply for a single textile mill and the product of the same mill, in turn, may be sent to consuming areas hundreds of miles away.

THE FARMER AND MARKETING

The conditions described above, have had an important bearing on

the development and organisation of the agency for marketing farm products. On the one hand there is a small scale, specialised production on individual farms, scattered over a wide length and breadth of a country, on the other hand there are big manufacturing plants often located hundreds of miles away from the farms, constantly demanding agricultural produce in great variety and in varying qualities and quantities. Farmer's operations are confined to specific seasons and rely, for their success, on the vagaries of rain-fall, and uncertainty of nature, whereas, the manufacturer has his mill to run all the year round, consuming the raw produce on a standardised basis. His demand for raw materials is conditioned by the sale of his finished goods in consumers' market. To get produce from the grower into the hands of distant users, involves many functions, processes, and risks. Many farm products are ready for personal consumption without requiring processing in any way or at the most, a slight change from their original state; while most of the agricultural products are raw materials, meant for use in manufacturer; and their marketing involves more elaborate stages and functions before they are placed in usable form in the hands of manufacturers. From this point of view, their distribution is for the manufacturers' market, whereas in case of food crops such as cereals, fruits, vegetables etc. or dairy products such as Milk, Butter, Ghee and Eggs, marketing involves transfer to final consumers in their original form.

1. A particular commodity may appear in either or both the classes. For instance, fruits are sold to canning and crushing factories as well as directly for home consumption. Milk and Cream are consumed in their natural state; they are also raw materials for making butter, sweetmeats and ice cream. Wheat, Rice and other cereals are meant for direct consumption and are raw materials as well for starch factories, bakeries, etc.
The problem of marketing is thus, not the same for all sorts of products. The magnitude and the number of distributive agencies depend upon the nature and the number of functions, that must be performed before raw produce or agricultural products are placed in hands of the appropriate users. There is a fundamental difference in the type of sales efforts that can be used in selling these two major types of agricultural produce referred to above. The farmer can hope to act more effectively in marketing those products sold to consumers in original state, whereas there is little likelihood of success in meeting the manufacturing demand when he bids to market raw materials. Efforts to increase demand can be used to extend the market for products going in for the direct consumption whereas, in case of raw materials such efforts are not likely to succeed because the demand for a commodity like raw cotton is primarily dependent on the demand for cloth i.e. the finished product, in the sale of which the farmer usually has no influence. Consumers can be influenced (though doubtful how far) to buy more Oranges or Bananas or Vegetables, but mills and factories can seldom be influenced by any efforts of growers to increase their purchases or to prefer one quality of cotton to other, or one variety of wheat to other by claims that it is superior. The quantity demanded is determined by the volume of finished products that the mill expects to sell, and the quality will be determined by the sorts or patterns of finished goods a mill wants to manufacture to meet its market demand.

There is another important difference between food crops and raw materials. The growers of food crops must be contended with a definite limitation of total demand for their products, because the demand for food in general is comparatively inelastic. The sale of food, therefore, involves a high degree of product competition. Whereas, it is
possible for the consumer to multiply the amount of clothing or add to its varieties with his increasing purchasing power, and thus create a greater derived demand for raw materials.\footnote{Clark Fred E. Principles of Marketing: P: 96.}

**Marketing - A Complex Problem:**

The above discussion should make it clear that the problems of marketing are varied and complex. The nature and responsibilities of marketing differ according to the type of agricultural produce and the market for it. The main processes of marketing system i.e. Concentration, Equalisation and Dispersion,\footnote{Macklin Theodore: Efficient Marketing for Agriculture: P: 194} are by no means uniform for all products. Even in case of cereal crops, some are merely to be sold in village markets or adjoining town markets, others may have to be stored for the distribution over wider areas in the same country or may be for export. Some products meant for industrial use, may pass direct from growers to nearby manufacturers such as bakeries, creameries, sugar factories, ginning and pressing factories, etc. While others may be stored for wider distribution or for exports.

**Disabilities of the Cultivator:**

The cultivator labours under distinct disadvantages in his attempts to market his produce. He has frequently neither the time and merchandising ability, nor the information and intelligence necessary to market his products successfully. He is more an agriculturist than a businessman. Since efficient cultivator calls for a high degree of specialised knowledge, most of the farmers are unable
to become specialists in marketing as well. They have inadequate knowledge of marketing methods and of market conditions and possess very little idea of the factors that influence the price for their produce. They are often uniformed as to the type of product that factories and final consumers are most willing to purchase. The operations of an average cultivator are on too small a scale to warrant giving much time to marketing or to the performance of certain important processes in marketing. He cannot effectively sort and grade, sell or advertise his limited quantity of crop. Similarly, because of the small range of crop, he cannot economically and effectively utilise the marketing methods which have been developed in the industrial field. Inadequate capital and lack of credit also hinder the farmer in his marketing just as they often hamper his productive activities. The rural indebtedness and the chronic poverty of an Indian Farmer makes him still more unfit to undertake marketing of his product. Particularly the problem of storing, financing, selling and risk bearing involved in marketing of raw materials are clearly beyond the resources and capacity of not only an individual farmer but also of an individual middleman.

The Middleman: Why and How?

These facts are largely responsible for the development of scores of traders and middleman who operate between the hundreds and thousands of individual farmers and localised manufacturers; and they operate on a scale large enough to warrant devoting their time to

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1 Marketing is the sole business of the distributor, whereas, from the point of view of the cultivator, it is apt to be regarded as subsidiary to production. Royal Commission on Agr. in India Report P: 382. Gordon says "... A good farmer cannot be at the same time, a good businessman i.e. he cannot do that as effectively as a professional middleman ... " Smith Gordon: Cooperative Marketing: quoted by Govil: Marketing in India: P. 199.
marketing and to the construction of marketing equipment. Because of their extensive resources, expert knowledge of the market and wide business connections they are naturally in a position to function more efficiently than farmers. At the same time these middlemen are in a position to exploit the farmers who are more often, illiterate and ignorant of markets and marketing methods. It is to overcome the disadvantage of small scale and scattered efforts that farmers have been advised to adopt a cooperative marketing of their produce. But cooperative marketing does not alter the status of a farmer into that of a businessman, and it will be pertinent to examine whether, by selling through his cooperative society, a farmer is able to assume all the functions performed at present by the trader. Indeed, the problem of marketing resolves itself into a question of efficiency of service rendered and the fairness of charge for such service. On the one hand, the commercialisation of agriculture in the modern economic system has naturally brought about a division of labour between the cultivators and distributors of agricultural products, on the other hand every expansion in the ranks of middlemen and in their charges without added service cuts the farmer's income.¹

Trader - Cum Moneylender:

The problem becomes more complex when the trader appears as moneylender also. In Rural Credit Survey, of 1954, conducted by the Committee of Direction, appointed by the Reserve Bank of India, it was found that the larger part of the agricultural produce in India is sold within the village and the value of the product sold to traders and commission agents formed about two-thirds of that sold. Reverse may not be necessarily true as Taylor believes "... Every reduction in cost (of distribution) increases the farmer's profits ..." Taylor H.C.: Outlines of Agricultural Economics. 1931: P: 433.
to all marketing agencies. It was also observed that the trader who may be wholesaler, general merchant, commission agent, or a village trader, also lends money, presenting the difficult problem of disentangling his transactions in one capacity from the other. Further while observing the role of middlemen, the Committee says that "... the marketing of agricultural produce is largely in the hands of a body of men who, as distinguished from government and the cooperatives represent private interests and who control both, the sources of credit and the disposal of the produce. Often enough, therefore, the cultivators' position is that of having to bargain, if he can, with some one who commands the money, commands the credit and arranges for transport".

The Position of Marketing cooperatives in India:

More than three decades have passed since the cooperative efforts were advocated and encouraged for the marketing of agricultural produce in India, and several suitable laws e.g. agricultural Produce Market Act, etc. have been enacted to regulate the methods of marketing. While observing how far cooperative activities in agricultural marketing have succeeded, the same committee reports "... A few - very few - fairly successful cooperative marketing societies there do exist in India: some of them might be significant pointers to the lines on which future progress is possible; but as a present contribution towards bringing about a system in which marketing is by the cultivator and for the cultivator, the part which they occupy in the total picture is wholly insignificant.

All the cooperative marketing societies in India put together still

2 Ibid. P: 102.
fail to catch one's attention as any thing important."¹

This state of affairs, evidently, is not due to lack of an incentive for a cooperative action in general or lack of state encouragement for cooperative marketing but, due to the inherent limitations to the capacity of a farmer as an agriculturist, imposed by the technical characteristics of agricultural produce and agricultural operations as analyzed earlier in this chapter. The problems of credit are different from those of marketing although they are in a way connected from the point of view of Economics of Agriculture, and the growth in one sector need not necessarily and automatically cause the growth in another sector. Quite naturally, the committee of Direction in their survey, found that the total marketing societies of India put-together, lack even that purely numerical impressiveness which, on paper, credit societies manage to marshal between themselves.² The problem of rural credit may be more important than that of rural marketing but is comparatively easier to meet than the latter one, for, therein, the essence is not merely to sell, by eliminating the trader, but to secure a remunerative price for the agricultural produce.³

1. Report of All India Rural Credit Survey Committee. Vol II. P. 106
Out of 75 districts surveyed by them, in only 5 did the produce, sold through cooperatives, exceed 1 per cent of the total sales to all agencies.


3. "...Marketing is a more complicated business than either credit or supply and the organisation of cooperative activity in this field should be preceded by careful enquiry, particularly with regard to the existence or absence, reliability and cost of existing marketing facilities and the spread between producers' and consumers' prices or between local and outside markets..." I.L.O. Report II of Regional Conference for the Near and Middle East-April 1951, Page. 38.
As the Royal Commission on Agriculture in India, rightly observed as early as 1928, "...A successful credit society is the best basis on which to organise other types but it is not easy to educate the people to the advantages of those types...." where business activities are involved, business management is required and it is not easy to find the capacity for this from amongst the members of societies. ¹

However, the marketing of the agricultural produce is an important problem and the attempt must be made to seek solution by application of cooperative principles to the same. It is necessary to examine the role and working of the marketing cooperatives operating to-day with a view to find out the defects that are inhibiting their successful working and to suggest ways and means to modify their structure so as to render them more efficient as business institutions.

As Shri R. G. Sayaiya, the veteran cooperator, said in his president's speech at the Annual General Meeting of the Bombay State cooperative Bank Ltd., on 24th September 1955, the organisation of cooperative marketing should receive priority even over the further expansion or improvement of credit structure. This is all the more necessary in the present agricultural situation, when supplies are often, temporarily at any rate, in excess of demand.

¹ Such talent in this direction as exists usually prefers to find scope in working for private gain and several promising societies have come to grief owing to the secession of an important office holder who, seeing the possibilities of profit, decides to put his own interests first —...." Their Report, Page. 467.
EARLY DEVELOPMENTS IN INDIA AND THE MARKETING OF RAW COTTON

All that has been said above applies to Cotton as well, and the position of a cotton grower in India has not much altered since the time when Royal Commission on Agriculture examined the problem of Marketing and made their exhaustive recommendations to improve the standard. In one way, however, the history of the cultivation and marketing of raw cotton in India is conspicuous because cotton was the chief crop which provided the basis of early economic policies of the British Rulers in India. India has been the accredited home of the cotton plant. The Industrial Revolution which inaugurated the modern economic order began with changes in the textile industry, and therefore the raw cotton played a dominant part in the economic development of the world. Advent of the British Rule in India, any how, coincided with the Industrial Revolution in England, where it occurred first. This stimulated England's interest in India's Raw Cotton. Prior to this, The East India Company's policy was to permit and encourage the Indian Cotton Manufactures. By the end of the eighteenth century when, the rising number of the spinning and weaving mills in Manchester began to demand more and more supply of Raw Materials the Court of Directors were encouraged to import Indian Cotton in Great Britain (particularly Broach and Surat Cotton) and to help its growth and improvement in India; particularly those species which were used in the Decca fabric. The Court of Directors:

2. Reports and Documents of the proceedings of the East India company in regard to the culture and manufacture of Cotton - Wool raw silk etc. Referred to by Prof. M.L. Dantwala: A hundred years of Indian Cotton.
afterwards was asked to take every conceivable measure to aid and encourage and even to undertake the cultivation in India of more and better Cotton and its clean marketing to Great Britain.¹

The Imperial Policy towards Indian Cotton:

So great was the rulers' interest in India's raw cotton that almost all the economic policies of the Imperialist Rulers towards this country were framed either at the instance or in the light of the problems of raw cotton.² American Civil War (1861-1864) resulting in the curtailment of shipments of American Cotton to Great Britain, opened an era of prosperity for Indian Cotton, and for the time being the cotton cultivators in India, had reaped the harvest of fortunes.³ The British imports of India's cotton rose respectively. Exports of cotton during this period was facilitated by the appointments of Cotton Commissioners for Bombay and C.P. It is from the memorandums and reports submitted by these cotton commissioners to the government, from time to time, that we are able to get the glimpses of the earlier methods of marketing of cotton in India. As a rule, cotton was sold in

¹ "... That the object is not merely to improve the cotton of India and send it home, better cleaned than here to fore, but to grow that improved cotton so extensively and so cheaply as to undersell and supplant the Americans in the English Market and thus make England independent of foreigners for the supply of the raw material at our principal manufacturers..." Wrote Lord Ellenborough, the Governor-General in his letter date 31st May 1842, to the court of Directors; Quoted by Prof. M. L. Dantwala Op. Cit. Page. 5.

² As Prof. Dantwala puts it, the economic history of India, could be read through the economics of raw cotton. The evolution of organised markets, the growth of trade associations, improvements in processing and marketing and even the development of roads and railways, owe their incentives to the problems of raw cotton. Vide: A hundred years of Indian Cotton.

³ Surat Cotton which had been selling in Liverpool at 3 d. to 5 d. per lb. fetched as much as 20 d. to 24 d. : Prof. Dantwala. op. cit Page: 19.
villages and in form of Kapas. The method of packing while bringing it to town market was most defective. Cotton was trodden into coarse bags of hemp rope, and it projected prominently through these meshes. On its journey to neighbouring cotton markets it was perfectly open to dust, moisture and trash. The actual loss from waste and the deterioration in value caused by this careless mode of packing was reported to be not less than 15%. ¹

The authorities, they, cared more for maintaining the quality of cotton, rather than for its price which constituted an important factor in the income of a cotton grower. ² The interest of the British rulers was that of a buyer of cotton. Till the turn of the 19th Century nothing specific was done to improve the standard of cultivation of cotton and its marketing. The opening years of the 20th century marked two important developments from the point of view of the Indian Agriculture viz. the setting up of the departments for Agriculture and Cooperation. As a fact, the first proposal for a special department of agriculture originated with the necessity of improving the cotton crop. ³

¹ Memorandum dated 14th Jan. 1865, on the cotton fields of Nagpur by Mr. Forbes, the Cotton Commissioner for Bombay. Quoted by Prof. Dantwala Op. Cit.

² E.g. As early as in 1829, the branch of Criminal Judicature of the Government of Bombay enacted a regulation to provide for the punishment of frauds committed in the packing and sale of cotton. In 1863, a fresh legislation was provided with more stringent measures. According to it, every bale had to be marked with a press mark, by a cotton pressing factory. The Act also provided for the appointments of the Inspectors of Cotton whose duty was to suppress the use of unlicensed presses and to examine cotton offered for compression or intended for sale. Vide Prof. Dantwala Op. Cit. Page. 46-49.

³ In 1869, the Manchester Cotton Supply Association had urged with the Secretary of State for India for undertaking measures to improve the cotton crop in India in which it was primarily interested, and that a separate department of Agriculture should be established in each province. Report of the Royal Commission on Agriculture in India, Page: 15.
Inauguration of Agricultural Departments and Cooperative Movement:

Lord Curzon's Government, while giving effect to the recommendations of the Famine Commission of 1901, put on the statute, the Cooperative Societies Act of 1904, and expanded the Imperial and provincial departments of agriculture since 1905. Till then, although, there existed the Imperial Department of Revenue, Agriculture and commerce, proposals for creating extensive provincial agencies were made by two Famine Commissions, but neglected by the government of India, due to lack of definite policy towards Indian Agriculture. Since, 1905, however, more attention was paid to the research in the varieties of raw cotton, particularly in the Bombay Province.\(^1\) But the Agricultural departments in India, while having done much to improve the quality and the yield of cotton were not able to help a cotton grower in securing the best possible financial return for the same.\(^2\) The cooperative departments were primarily concerned with their function of organising credit societies and had very little time and personnel with adequate experience to devote to the problems of marketing. Only since 1912, when the scope of the cooperative society's Act of 1904 was extended to non-credit activities, that cooperative sale societies \(^x\) made their appearance.

\(^1\) Todd: The Cotton World: Page. 215

\(^2\) The Royal Commission on Agriculture remarks that except to a limited extent, where improved quality is concerned, they have regarded the problems, connected with the marketing of his produce as outside their purview ... The Report of Commission, P. 382.
The Indian Central Cotton Committee - Its role in promotion of better marketing:

So far as cotton is concerned, a development of considerable importance took place in 1917, when the Indian Cotton Committee was appointed by a resolution of the Revenue and Agricultural Department of the government of India. The Committee was primarily to investigate into possibilities of extending the growth of long staple Cotton in India. It was also asked to enquire into possibilities of improving the existing methods of ginning and marketing and also of preventing adulteration and damping of cotton. On recommendation of this committee the government of India constituted in 1921 a permanent body viz. The Indian Central Cotton Committee, entrusted with the work of suggesting and initiating reforms in the growing and marketing of cotton. The committee was given a definite legal status, by the provisions of the Indian Cotton Cess Act of 1923. The work of the committee is divided under four heads. (1) It is concerned with the improvement of Cotton Marketing and prevention of malpractices both by legislative measures and by constructive action. (2) It is an advisory Committee in regard to the policy both agricultural and commercial - to be followed in promoting the development of cotton growing in the different (now states) provinces. (3) It acts as a bureau of information for the agricultural departments, the trade and the general public. (4) Agricultural and Technological research on Cotton is its main function. So far as the improvement in Staple and yield of the cotton crop of India is concerned, the work of the committee has been excellent. It has specially helped the Indian Cotton growers in securing for them, pure seeds of improved varieties and particularly of long staple cotton.
The Committee was instrumental in suggesting legislation such as The Cotton Transport Act of 1923, to prevent free interprovincial imports of Kapas, seed or Cotton, so as to avoid mixing of different varieties. Protected areas have been notified under this Act, so that a variety recommended for one area, cannot be taken to another area. In several provinces, such cotton control measures are in force. Another piece of legislation passed at the instance of the Indian Central Cotton Committee, is the Cotton ginning and pressing Factories Act of 1925. Under this Act, every cotton ginning and pressing factory is allotted a special mark, which is required to be stamped on every bale of cotton pressed in the factory concerned, together with the serial number of the bale. Under this system it becomes possible to trace any bale to its source to locate where the malpractices are indulged in. Mixing of Varieties of cotton and watering of cotton is now prevented and made criminal offence under the special amendments of this Act, as provided in various Cotton Producing States.

It needs to be remembered that the Indian Central Cotton Committee was not directly entrusted with the task of promoting cooperative marketing of cotton in India, though it always attached great importance to the improvement of primary marketing of raw cotton.

1. In Bombay State, there is the Bombay Cotton Control Act of 1942, re-enacted in 1948, which is a comprehensive piece of legislation, empowering the state government to fix the standard varieties that can be grown in particular areas and to prohibit the growing, possession or trade in other varieties in these areas. The Act further provides penalties for the mixing (for trade purpose) of standard with prohibited varieties of cotton and of one standard with the another. Thus, there are to-day several tracts, of composite variety and the provisions of the Cotton Control Act are made applicable to tracts growing various important varieties like, Jarila, Jayawant, Gadag, Wagad, Mathio etc. The policy is to establish one variety tracts. I.C.C.C. and its work. Page. 35.
cotton. It tried to improve and regulate marketing of cotton by recommending the legislation for the regulation of markets with a view to preventing the malpractices of the cotton dealers. The Committee's work, now extending over more than three decades since its inception, was mostly confined to the improvement and research in cotton varieties and to maintaining the quality of the improved strain by providing certification of grades by the government. For instance, on the recommendation of the committee, Cotton was included in the schedule of commodities under the Agricultural Produce Grading and Marketing Act of 1937, so that specified improved varieties of cotton are given certificates and 'Ag Mark' labels, by the Agricultural Departments of various states and are sold with a guarantee of their purity. It is a fact that a certified cotton fetches a premium price over the uncertified stock and to that extent the cotton grower has been financially benefitted. As a remedial measure to prevent defective marketing, the Committee has always recommended the enactments of Regulated Markets Acts whenever necessary. However, the regulated marketing does not provide all the benefits of cooperative marketing. On the contrary, the analysis of information, collected in the present study conclusively proves that organised and well-managed cooperative marketing of cotton may render state regulation unnecessary.

Findings of the Royal Commission on Agriculture in 1927:

While examining the problem of the agricultural marketing in general, the Royal Commission on Agriculture in India in 1927, described the position of marketing of cotton in Khandesh. The illustration of Khandesh is more significant; because it is often
emphasised by the earlier studies on the Indian Agriculture that the sale of agricultural produce to a trader was due to the latter's lending in growing season to the farmer on the condition that the crop must be sold to him. The Royal Commission on Agriculture stated that the cultivators of cotton in the Khandesh Districts of the Bombay Presidency were not hampered by indebtedness in selling their produce to the same extent as were cultivators in some other tracts such as North Gujarat and were comparatively free to dispose it of as they please. The commonest method of sale was, however, in the village to a visiting trader or more rarely to a resident trader. These traders were often financed by ginneries and by brokers known as adatyas. 1 While describing the operations in a typical cotton market of Khandesh, the Commission states that the system of sales was everywhere the same. The carts collect in the early morning, the brokers show samples to the merchants, bids are made secretly between them under a piece of cloth and the seller accepts the rate fixed. The carts are then removed to the ginning factories where weighment and often the real bargaining take place. Allowances are frequently claimed on the ground that the cotton is not up to sample, or is damp or has a low ginning percentage. Such claims are made after weighment is begun and the cultivator has usually no option but to accept the new rate. 2 Evidently, the cotton grower was functioning under hardship while attempting to sell the crop on individual efforts. Invariably, the cultivator was dependent on buyers or brokers for information about rates. Sellers in almost all markets were compelled to employ a broker and could not sell direct. While suggesting remedies, the Commission held that the

1. The Report of Royal Commission on Agriculture; Page. 385.
2. Ibid.
establishment of regulated markets, as were existing in Berar, under the C.P. and Berar Cotton and grain Markets Law, would confer an immense boon on the cultivating classes of India. Although it has to be admitted that the regulated markets can prevent trader's malpractices and can prove beneficial to cultivators in more than one way, it must be remembered that the same lends no strength to an individual cotton grower as against the organised traders. The attitude of trader can deprive the regulated markets of much of their advantage to the producer.

The Royal Commission on Agriculture endorses the idea of a cooperative sale while discussing the question of an improvement in the quality of Indian produce. In respect of cotton, which stood first in the list of Indian exports of raw produce in those days, the complaints of quality were most common both in India and Europe. The Commission observed that the effective pressure to secure improved quality from the producer must, in the main, be applied by the agricultural or cooperative departments. They stated...

"The most effective method of enabling the cultivator to secure the full premium for superior quality is organisation for the purpose of sale. Group marketing must be more efficient than marketing by individuals, specially in conditions such as those which exist in India where the individual producer is such a small unit. The ideal to be aimed at is, therefore, Cooperative Sale Societies which will educate the cultivator in the production and preparation for marketing of his produce, will provide a sufficient volume of produce to make efficient grading possible and will bring the Indian producer into

1 Page 389 of their Report.
2 Page 402 - 403 of their Report.
direct touch with the export market or with the large consumers ..."

The Commission admitted, however, that great care is required in the organisation of cooperative sale societies. Skilled technical advice and guidance were, of course, the necessary factors but even the more important was proper business management, for want of which the society must inevitably come to grief. Another formidable difficulty, envisaged by the Commission, was the opposition of the local vested interest. The case of the Gadag Cotton Sale Society, which was then, boy-cotted by local dalals, owing to its increasing hold on the cultivators in the tract, was cited by the commission.

In subsequent years, although, the non-credit cooperation was developing in various sectors, it made sporadic strides in marketing of cotton. Excepting the Bombay State, it made a very insignificant progress in India. In 1935, there were 26 Cotton Sale Societies in Gujarat out of which 16 were in South Gujarat. Karnatak had two societies, one at Hubli and the other at Gadag. The Hubli Society marketed 10 per cent of the cotton that arrived in Hubli market. While Gadag Society handled 15 per cent of the business in Gadag Market. The experiment in Cotton Cooperatives in Khandesh did not prove a success due to inefficient management, opposition of merchants, ignorance of the cultivator and inadequate finances.

National Planning Committee on Rural Marketing:

The position was not much improved in subsequent years. The Report on Rural Marketing and Finance of the National Planning

B Page 471 of their Report.
Committee, published in 1947 said that in the case of cotton the
village sales amount to 81.4 per cent in Khandesh, 51 per cent in
Central Gujarat, and 80.5 per cent in the Punjab.¹ Findings of the
Congress Agrarian Reforms Committee confirmed the view that the state
of affairs, in 1945, was not different from what the Royal Commissi­
on on Agriculture depicted, with reference to the marketing of
Indian agricultural produce in 1927. ²

The Cotton Marketing Committee of 1949:

The latest official body, to suggest ways and means of improving
the marketing of cotton with a view to benefit the cultivators by
reducing the intermediate links between the growers and the textile
mills, was the Cotton Marketing Committee, appointed by the government
of India on 14th June 1949. The Committee was asked to study the
working of Cooperative Cotton Sale Societies in Bombay Province
and other areas and suggest lines of further development. The
Committee submitted its report in June 1951. The Committee reported
that there are in India about 120 cooperatives dealing with Cotton.
Of these, 102 are produce and sale Societies and another twelve are
Multi-purpose Societies. Out of a total of 120 Co-operative Societies
handling cotton in the Country, 106 are operating in the Bombay State.
Madras has only 8, Hyderabad 3, and Mysore 3. Although Madhya Pradesh,
Punjab, Pepsu, and Madhya Bharat are also important Cotton growing
states, no cooperative societies are engaged in sale or processing
of cotton in those areas. Thus, outside the Bombay State, the number
of the Cotton Cooperative Societies is negligible.³ Excepting the
state of Bombay, the tendency is to sell cotton in villages. Report­
ing about the state of Madras, the Committee stated that only one-

¹ Page 42 of their Report.
third crop is marketed by cultivators, and the rest is sold in villages to money lenders, itinerant dealers or agents of ginneries. All these agencies advance loans to cultivators on the understanding that the cotton crop will be sold to them. Thus, their indebtedness compels cultivators to dispose of their produce in villages.¹

In the state of Mysore and Hyderabad more than 80 per cent of the cotton crop is estimated to be assembled from rural areas by village merchants or itinerant dealers. Here the cooperative efforts were organised but could not succeed as the cultivator had to go to the moneylender or village merchant for obtaining his financial requirements and therefore, had to sell his produce to or through him.²

In the northern districts of the Punjab, where degree of rural indebtedness is less the village sales were to the extent of 85%, on the other hand in the southern and western districts, although 90% of the cotton crop is brought to the local wholesale market by the producers themselves, no cooperative activity was reported.³

The Bombay State leads in Cotton Cooperatives:

Thus, to put it briefly, the Bombay State has the credit of possessing 81.6% of the total Cotton Cooperative Sale Societies in the country. Among the cotton sale societies of the Bombay State, the majority lies in Gujarat. In the year 1951, Gujarat had 56 Cotton Sale Societies, Karnataka had 7, and Maharashtra i.e. mainly East and West Khandesh and Naïik had 24 cotton sale societies.⁴

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¹ Ibid. Page: 10.
³ Ibid. Page: 11.
⁴ Annual Administrative Report on the working of the Cooperative Societies in the Bombay State: 1951, Page 42. In 1952-53 the number of cotton co-op. Society was 55 in Gujarat.
Out of these 56 societies, the largest number of Cotton Sale Societies i.e. 35 were in the Surat District, 8 in Baroda, 3 in Ahmedabad, 3 in Kaira, 5 in Broach; one in Panchmahals, and one in Sabarkantha. Today their number has increased in Gujarat but their proportion has remained the same. Quite evidently, the Surat District and part of Broach, which is known as South Gujarat and is taken to be the area for the purpose of the present study, possess the largest number (i.e. 42 in October 1953) of Cotton Sale Societies; In Surat district alone, there are 36 Cotton Sale Societies with membership of 11,575. Besides, there are 5 cotton ginning and pressing co-operative societies in Surat district with membership of 4,557.

The Conspicuous Role of South Gujarat:

The role of South Gujarat in the development of co-operative marketing of cotton is, thus, conspicuous and commendable. Making a special mention of this fact, the Cotton Marketing Committee of 1951 states . . . "The organisation of Cooperative Cotton Sale, ginning and pressing societies in the Surat and Broach districts of Gujarat (i.e. South Gujarat as is commonly understood) is a development of great socio-economic importance. Unlike cooperatives in other areas which have been organised mainly by or at the instance of the local cooperative departments, the cooperatives in Gujarat are the outcome of the people's efforts to solve their difficulties in the way of marketing their cotton profitably.

During the past 30 years the cotton grower in this area has learnt the advantage of selling his produce after ginning and processing on a cooperative basis, and stands loyalty by his society. Although the ginning rates now charged by some of the cooperative

1 All India Cooperative Review, July 1954, Page 201.
ginneries are higher than those by privately owned, the members as a rule, get their cotton processed at the cooperative ginneries which they consider their own . . ." The Committee further points that unlike other tracts there are no regular markets for sale of Kapas in this area. I In this context, it is necessary to remember that the Indian Central Cotton Committee has more than often emphasised the necessity of providing regulated markets for cotton with a view to promote better marketing and to render more justice to the cotton grower as a seller. It may be further mentioned, that in 1951 the Government of Bombay instituted an enquiry into the Regulated Markets in the Bombay State. The enquiry was conducted by Prof. M.L. Dantwala, who visited all the important markets in the Bombay State where the Market Committees were operating under the Agricultural Produce Markets Act, and also the Surat Market though, it was not a regulated market. The report of this enquiry states "If the object of marketing legislation is to secure better prices for the farmer, it cannot be achieved by mere regulation of market practices. Such a regulation concentrates on securing for the farmer a higher percentage of the traders' price, but leaves the determination of the price itself to the respective bargaining strength of buyers and sellers. Unless, therefore, the marketing legislation seeks to strengthen the bargaining power of the weaker party, it will be pennywise and pound negligent." II The enquiry confirmed that all is not well with the Regulated Markets and the further progress under the marketing legislation should be towards consolidating the work already done and not in the creation

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I  Page 48 of the Report.

of new regulated markets.¹

Conclusion:

What is intended to convey at this stage is, that although there is no regulated market for Cotton in South Gujarat the marketing cooperatives for cotton have made a significant progress, thus strengthening the bargaining power of the weaker party, as cooperation builds strength through unity.² While there are other extensive tracts in India producing cotton, that the cotton cooperatives should have more developed only in South Gujarat, in contrast with their insignificant progress elsewhere, opens a scope for the study of their growth and operating policies so as to find out how and in what environments, marketing cooperatives can work successfully. It should be noted that the cotton cooperatives of this tract are the outcome of the people's own efforts whereas elsewhere they are organised at the initiative of the local cooperative departments. Therefore the factors contributing to their success might be obtaining in the physical and social environments of South Gujarat. As a matter of fact the pattern of the cotton trade of South Gujarat provides a typical example of how the geographical environments and the social behaviour can promote the spirit of cooperation and regulation in the trade almost self-achieved, without any external force. The next chapter, therefore, is devoted to the consideration of the geographical background of the cotton culture of South Gujarat.


² "Voluntary cooperative effort has achieved significant success in some of the cotton sale societies of Bombay..." Of these the Societies in Surat, Broach, and Dharwar, are among the most successful ones..." Report of All India Rural Credit Survey Committee, 1954. Vol. II, P. 108.