CHAPTER V

SURAT COTTON MARKET - ITS ORGANISATION AND WORKING.

Central market for surti cotton:

Surat is the great spot market, clearing annually the business of about 2 lakhs and a half bales of Surti Cotton. It deals in all grades from "Rajpipla, Animeswar line" to highly priced "Bardoli and Navsari Cotton." Surat is the central market and all transactions dealing in Surti cotton are under the jurisdiction of the Surat Market before the bales start their journey towards either Bombay or Ahmedabad. Major portion of course goes to Bombay. The statistics of the destination of Surti Cotton are as follows.

TABLE NO. 19*

The centres to which Surti Cotton has been despatched during the last three Seasons.

The Number of Cotton Bales Despatched.

<table>
<thead>
<tr>
<th>The Name of City</th>
<th>1953-54</th>
<th>1954-55</th>
<th>1955-56</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bombay</td>
<td>1,10,990</td>
<td>1,82,000</td>
<td>1,52,500</td>
</tr>
<tr>
<td>Ahmedabad</td>
<td>17,100</td>
<td>17,000</td>
<td>45,000</td>
</tr>
<tr>
<td>Cawnpore</td>
<td>15,900</td>
<td>6,500</td>
<td>26,000</td>
</tr>
<tr>
<td>Nagpur</td>
<td>1,800</td>
<td>....</td>
<td></td>
</tr>
<tr>
<td>Khandesh</td>
<td>2,600</td>
<td>....</td>
<td></td>
</tr>
<tr>
<td>Charbatia (Orissa)</td>
<td>2,000</td>
<td>....</td>
<td>13,000</td>
</tr>
<tr>
<td>Ujjain</td>
<td>1,400</td>
<td>....</td>
<td></td>
</tr>
<tr>
<td>Coimbatore</td>
<td>3,500</td>
<td>7,227</td>
<td>10,000</td>
</tr>
<tr>
<td>Mattur</td>
<td>2,000</td>
<td></td>
<td>4,500</td>
</tr>
<tr>
<td>Rest</td>
<td>1,500</td>
<td>5,500</td>
<td></td>
</tr>
<tr>
<td>Calcutta</td>
<td>....</td>
<td>4,000</td>
<td></td>
</tr>
</tbody>
</table>

* Figures from records of The S. D. C. D. Association.
The above Table can give some idea of the destination of Surti Cotton. Bombay takes more than the 50 per cent of the crop.\(^1\)

**Place and the Hours of Work:**

There is no specific place or a building where buyers and sellers in Surat Market gather for doing the business. The road extending from the Railway Station to the Lal Darvaja is considered to be the Cotton Market. On this road, there are offices of Commission Brokers, Sellers, the Representatives of Mills and big cotton firms of Bombay and Ahmedabad and of other independent dealers in Cotton.

Two decades before the large opening in front of the station was a market place. The sellers used to arrive by the evening trains from various pressing centres such as Kim, Kosamba, Ankleswar, Bardoli, Navapur and Navsari\(^2\) and approached the brokers who would be waiting for the former. Dealings were done in the street or in the garden which was there, opposite to the station. If the traffic was disturbed and the police raised objection the parties used to get in the nearby restaurants which were too eager to welcome them.

\(^1\) We have been able to procure from the Volkarat Brothers, Bombay, the percentage share of each mill centre in the average intake of Surti Cotton for the last ten years. The same is as follows.

<table>
<thead>
<tr>
<th>Place</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bombay</td>
<td>37%</td>
</tr>
<tr>
<td>Ahmedabad</td>
<td>37%</td>
</tr>
<tr>
<td>Cawnpore</td>
<td>9%</td>
</tr>
<tr>
<td>Southern Mills</td>
<td>2%</td>
</tr>
<tr>
<td>Saurastra</td>
<td>6%</td>
</tr>
<tr>
<td>Delhi</td>
<td>4%</td>
</tr>
<tr>
<td>Khandesh</td>
<td>2%</td>
</tr>
<tr>
<td>Surat Local</td>
<td>2%</td>
</tr>
<tr>
<td>Calcutta</td>
<td>¼%</td>
</tr>
</tbody>
</table>

\(^2\) If the variety of cotton now grown in North Gujarat and Saurastra is improve during the last four years the northern mills buy less of Surti Cotton. Hence the major portion goes to Bombay and South.

2. The arrival of kapas at the gins, during the day enabled the sellers to have an idea how much lint could be offered for sale.
The working hours too were not fixed. The inquiries from the textile mills and the cotton firms of Bombay and Ahmedabad were received in the morning mail on the basis of which the commission houses and dealers placed their quotations with brokers. The parties concerned had already asked for season's sample of cotton from various centres. The size of stock offered for sale in a day used to be known with the arrival of sellers. The news about rates for Surti Cotton in Bombay market reached Surat late in the evening by which time the market used to gather momentum. The buyers and brokers too returned to Surat in the evening after completing selection work at various pressing centres. For those of the sellers who used to return to their respective centres by the night trains the contracts would be fixed even on the railway station just before the trains moved. For the rest the dealings were done any time late at night till the last train going to Bombay or Ahmedabad arrived at the Surat Station. The contracts in Bardoli cotton would be done at night as there was no train for the sellers from Bardoli centre to return till next day morning. As the last despatches were sent to Bombay and Ahmedabad the market appeared to the closing as the dealers and brokers turned to their beds.

The growth of quicker means of communications such as telephone and trunk call facilities has greatly contributed to reduce the time and distance between the various cotton pressing centres and the Surat market. The offices of various cotton firms and cooperative societies' sales union now possess the telephone facilities and therefore the Lal Darvaja Road no longer gives the impression of a market. The sellers are able to transact the business by contacting the parties in Surat Market within a few minutes without being required to come to Surat. Similarly the wireless and telephone facilities between Bombay and Surat Market begins to function by 12 noon and generally comes to close by 6 or 7 p.m. The enquiries
from farthest centres like Delhi, Cawnpore, Calcutta, Coimbatore, Madras etc. may reach here late in the evening and therefore no one can say when the telephones will function and make the market function. However, the mofussil centres like Hansot, Netrang, Valia, Bansda etc. do not possess the telephone facilities. The sellers from these centres find it necessary to pay frequent visits to Surat. Although as a rule, the managers of several cooperative cotton sale societies come to Surat frequently to convey how much stock they offer to sell they usually sell through the South Gujarat Cooperative Cotton Marketing Union to which most of the cotton sale societies of South Gujarat are affiliated.

Rules and Regulations:

The cotton market of Surat is as old as the Surti cotton itself. All indigenous markets in this country have been working under certain customary regulations. Surat is no exception to that. The business in cotton has been transacted here according to some commonly accepted rules and regulations, which governed the cotton trade of South Gujarat for more than half a century. It is said that a few decades before leading cotton dealers of this market took efforts to put the regulations in black and white, attested with signatures of representative sellers, buyers and brokers and maintained a written record of the same with Narandas Rajaram and Co., one of the oldest cotton firms of Surat. This was probably done with a view to provide some basis in cases of trade disputes. However, the reputation of Surat Cotton Market is such that once the agreement is done, may be oral or written, there is hardly any case of backing out. There might have been several occasions of disputes, but the buyers and sellers in Surat market have always come to an amicable settlement giving no rise to a major litigation. Both the parties are accommoda-
tive and realise their interdependence. On a number of occasions the dealers seem to have expressed their desire to organise a body or association for the purpose of regulating the cotton trade but nothing in concrete was accomplished till the end of the second world war. The Surat District Cotton Dealers' Association was organised on Fourth January 1946, and the rules of the cotton market were adopted with institutional sanction for the first time. They are popularly known as "Surat Dharo".

SURAT 'DHARO'

Surat Dharo is an official document of the Surat District Cotton Dealers' Association stating the rules and clauses that govern the dealings in cotton in Surat market. There are in all twenty clauses regulating the entire procedure of dealing in Surti Cotton. All the contracts in Surat Market are delivery contracts implying that each contract is based on a specific number of bales of cotton of a specific grade from a specific centre and that each contract whether committed early in advance or in the season must conclude with the delivery of cotton. The price is quoted for a candy which according to the clause 2 of Surat Dharo is to contain 800 lbs. of lint. Ordinarily two bales of Surti Cotton make one candy. The clauses 4 lays down that not less than two ginneries of each centre should submit to the office of the Surat District Cotton Dealers' Association, two samples of pressed lint, i.e. one of the kapas, ginned and pressed in the opening of the season, and the other of the kapas ginned and pressed 45 days after. The first sample being of the first two picks, and the second being of second and third pick, can give an adequate idea of the average quality of the season. The disputes' Committee of the Association gives judgement on the disputes regarding the quality of delivered bales, by taking into account these samples.

Advance Contracts:
Advance Contracts:

The cotton may be sold before the crop is actually taken to the gin. Such contracts for future delivery are customary and usually 25% of the crop is sold in this manner. These are known as forward contracts but with bindings for specific delivery. These are governed by the Clause 3 of the Dharo which states that the fair average quality of the season will be delivered in such contracts. If the contract refers to a specific grade such as Agmarked Red labelled or Black labelled or certified, the necessary markings must appear on the bales to be delivered in default of which the lot shall be deemed ordinary without any premium in price.

Selection and Approval:

Although the contracts for sale of cotton are entered into at Surat the delivery of cotton is given at respective gin press centre. i.e. as soon as the contracts are signed by the sellers and buyers it is for the buyers to go to the centre where sold bales are available and complete the subsequent formalities such as selection, weighment, marking etc. This is known as 'Parakh and Tol' in vernacular. The buyer is to complete the selection and weighment within a reasonable time if he expects the delivery of a specific grade referred to in the contract. The limit of reasonableness of time ordinarily extends from the day next to the day of contract, and a fortnight. If the selection is not done within this time limit, the buyer has to accept whatever grade that may be available at the centre of delivery. If the first selection fails on account of the grade not being upto the expected quality, the buyer is to go for selection again within a few days. Thus selection can be done thrice consecutively so on long as the ginning continues. If all the three trials fail to satisfy the buyer and both the parties
disagree with regards to the grade of cotton offered in delivery the matter may be referred to the Association. However, the tradition of the Surat Market is not to revert on any contract and both the parties usually settle the matter by exchanging the differences between the agreed price and the ruling price on that day for the grade of lint offered in delivery. Thus the settlement is done in terms of the ruling price.

**Weighment and Marking:**

The association has maintained certified men for weighing, sample-drawing and marking. These individuals belong to families doing this work in Surat Market for several generations. The buyer going for selection and approval carries with him the team of weighman, sampler, and marker. The Sample-drawer is known as 'Sikmar' and he cuts the bale by sharp knife and hammer, and draws the lint from the inside portion of the bale. The Clause 5 of the Dharo lays down that the buyer can test one bale per each lot of 25 bales to ascertain the quality. Thus, 4 bales at random in lot of 100 bales can be opened for selection. The buyer can open more bales to satisfy him about the quality but he has to take all these broken bales in delivery. Once the grade is approved the stage is set ready for weighment, which is done by the certified weighman. The Clause 7 lays down that weighing shall be taken in round figures of lbs. and not in fraction. When the bales are weighed both the parties have to decide at what rate the weight of tare and hoops should be deducted from the total weight. The clause 6 of the Dharo leaves this to the mutual agreement between the parties. In case of disagreement, the average of weight of the tare of any three fully opened bales selected by the buyer shall be taken as basis for calculating total weight of tare known as 'Bardan'. After
completing the weighing the marker i.e. Chapmar puts the marks of names of the original buyers of any party that buyer may direct and number on the bale and with this the delivery is supposed to be complete.

Payment of Price:

The clauses numbering 10, 10 B, and 11 govern the payment of price by the buyer to the seller. According to Surat Dharo the buyer is liable to make payment on the same day i.e. the day of weighment for all the contracts entered into the ginning season. In default of payment the seller can take back the bales and claim from the buyer whatever damages the former has suffered. Ordinarily when delivery is completed at the gin press centre the parties including seller, return to Surat the same day or next day for the settlement of account. Having received the payment the seller gives full discharge to the buyer through a formally written 'Transfer Note' and thenseforward although the bales may lie at the delivery centre the expenses of insurance, cartages, removal charges etc. are to borne by the buyer. The Clause 11 lays down that the seller shall offer all the necessary facilities for carriage outwards and placing the bales in wagons. If the buyer incurs loss due to delay in placing bales in the railway wagons the seller shall be held responsible for the same. Ordinarily every gin-press factory in the yard of which sellers have kept their bales ready for delivery owns a motor truck service and carting bales to the station is undertaken by gin-press owners at the cost of buyers.

Pressing And Other Market Charges:

The Clause 13 lays down that, every gin-press owner or sellers at the every pressing centre should fix the pressing and carting rates and furnish the same to the Association's Office, in the first
week of December every year. This helps the calculation of price quotations. The Clause 2 lays down that the pressing charges are to be borne by the buyer whereas the brokerage, weighing, sampling, marking etc. is to be paid for by the seller. The Clause 14 lays down that the seller shall refund the following market charges to the buyer by way of deduction from the price quoted for a candy. The charges to be deducted per candy paid by the buyer but borne by the seller are as follows:

<table>
<thead>
<tr>
<th>Rs. a.p.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 0 0</td>
</tr>
<tr>
<td>0 5 6</td>
</tr>
<tr>
<td>0 2 3</td>
</tr>
<tr>
<td>0 2 3</td>
</tr>
<tr>
<td>0 2 0</td>
</tr>
<tr>
<td>1 12 0</td>
</tr>
</tbody>
</table>

Out of 2 as, per candy deducted for charity the Association gives one anna to Surat 'Panjrapol'; half anna to Surat Pigeon-house and the remaining half an anna is taken to the charity Fund. Besides the Association also makes a levy according to Clause 17 of the Dharo on every bale despatched from the Surat Cotton area. Of this one anna, half goes to meet the office expenses of the Association and a half to the Surat 'Panjrapol'. They buyer also pays 3 pies per bale to weighman.1 Thus the Total i.e. Weighman gets Rs. 0-7-0 per

1. This is a customary charge as in the old days buyers used to purchase loose or half pressed bales, necessitating reweighment after they were fully pressed. At present all the contracts are for fully pressed bales but the charges of Rs. 0-0-9 per bale continue to be borne by the buyer.
candy in all. The trading interests have always been propitious towards charities to human beings, animals, and birds. The cotton brokers who are paid a rupee per bale have also to sacrifice 4 per cent of their total brokerage according to Clause 19, the Association collects the same for charity and allocates half of the amount to Surat Panjrapol.

Contracts during the Rainy Season:

All the contracts entered into, after the 21st of June i.e. after the ginning season is over are known as contracts of rainy season based on the actual sample and for the Station Delivery. The Clause 8 requires that the prices quoted for such contracts shall include the pressing charges. In other words the pressing charges for the bales sold, after the 21st of June are to be borne by the sellers. During the ginning season i.e. upto 21st of June, the pressing charges for the bales sold are to be collected within two days from the date of selection from the buyer's office. The owner of a pressing factory or a seller has to collect these dues. It should be remembered that in South Gujarat the seller of cotton is also a gin-press owner, may be a cotton dealer or a Cooperative Cotton Sale Society. As rainy season contracts are deemed to be contracts based on actual lot sample, contract stands to be cancelled if the cotton tendered in delivery does not correspond with the sample previously submitted. In such contracts the selection is to be done only once and not thrice as in case of ordinary dry season contracts. The selection and approval for the rainy season contracts (i.e. Chomasa na Sauda) must be done within four days from the date of contract, otherwise, the lot offered in delivery shall be deemed to have been approved. Any dispute arising out of the delay in selection is to be referred to the Association within 72 hours and the Dispute Committee is bound to give its final verdict.
within 96 hours of the lodging of the dispute. During the wet season which is supposed to be of the duration between 21st of June and 15th of November, the cotton is likely to gain a little more weight owing to the moistutous weather. The Clause 9 therefore specifies that the buyer shall be entitled to discount in price for the reduction of weight, at the rate of 2 lbs. per bale upto 15th November and one lb. per bale after 15th November. These deductions are not allowed for the new crop and dry season contracts i.e. from January to 21st of June. The responsibilities of seller in case of rainy season contracts are laid down in the Clause 20 which states that in the event of bales not being despatched due to booking difficulties the payment shall be done by the buyer after 20 days from the date of selection and weighment but as these rainy season contracts are for Station Delivery i.e. F.O.R. the seller has to bear the charges for warehousing the bales, cartage, insurance etc. The buyer shall bear the insurance charges for the period after 20 days. The seller however is entitled to demand payment as soon as the bales are placed in the wagon. If for certain reasons the buyer does not wish to remove the bales from seller's godown he has to make payment immediately and bear the subsequent cost of Warehousing and Insurance.

**Disputes:**

All the contracts are to be effected through the registered brokers of the Surat District Cotton Dealers' Association and Cotton Brokers are required to file the same with the Association's Office within four days from the date on which they were effected. The buyer and the seller are given a copy each by the broker. The subsequent work of selection weighment and delivery is to be completed by mutual understanding. Any dispute arising in course of the completion of the contract is to be referred to the disputes committees.
The Dispute Fee of Rs. 50/- is to be paid by the party making complaint.

The Board of Directors of the Association annually sets up a panel of 16 members i.e. 8 from the buyers and 8 from sellers as the 'Board of Dispute'. The President selects 2 each from both the groups to constitute the dispute committee to deal with a particular dispute. In the event of differences of opinion in this Committee, the Board of Directors have power to give the final verdict by a simple majority.

MERITS OF REGULATED MARKETS:

The Surat Dharo as described above has extensive provisions to regulate all the stages of the sale of Surti Cotton. The regulations cover the procedure of effecting contracts, the selection, approval, weighing, the payment of price, market dues and pressing charges. They also provide for arbitration in event of trade disputes. The interests of both the sellers and buyers are reconciled as much as there are certain provisions distinctly in favour of sellers and others in favour of buyers. No regulations of other cotton markets in India are probably so justful and ingeneously devised to enlist the ungrudging allegiance of both the parties for decades. Regulation of markets had been recommended by the Royal Commission on Agriculture because well regulated markets create in the mind of the cultivator a feeling of confidence and of receiving fair play and this is the mood in which he is most ready to accept new ideas and to strive to improve agricultural price.¹ Cotton markets as were examined by the Commission in 1927, betrayed lack of any organisation or regulation worth the name. The weights and measures were not standardised. There existed large number of unjustifiable

¹. The Report of the Royal Commission on Agriculture in India, P. 388.
deductions for religious and charitable purposes. Large 'Samples' of the produce were taken by dealers without any obligation to effect sales. The biddings were done under a piece of cloth with a view to keep the cotton grower ignorant of the market quotations. Except in the Berar, where the cotton markets were regulated under the Cotton and Grain Markets Law, the conditions under which Indian Cotton was marketed, were totally unsatisfactory and to the disadvantage of the sellers. Regulation is advised to render agricultural marketing more efficient and fair. While recommending regulated markets for the sale of all agricultural produce, the Royal Commission had emphasised the importance of such regulation as regards to the facilities of standard weights and fair weighment, adequate representation to the class of cultivators in the management of market, provisions for the disputes about the quality and weighment, and the publication of latest ruling prices for the commodity concerned in important markets. The licencing of the cotton brokers, weighmen, and measurers, the regulation of market charges and freedom from illegal and unjustified deductions were also some of the aims contemplated under regulation of markets. Berar Cotton Market Rules were criticized as they did not assure a specific representation to cotton growers on the Market Committee while the Bombay Cotton Markets Act of 1927 was fairer in treatment given to cultivators for it provided that Committee shall consist of not less than twelve and not more than sixteen members of whom not less than half shall be persons elected by growers of cotton of such area as the local government might prescribe.¹ By 1939 seven cotton markets were regulated under this Act. In 1939, with the object of extending the benefits of regulation to other commodities, the Bombay Agricultural Produce Markets Act, was passed to encompass within its ambit all

¹ Dantwala M. L.; Marketing of Raw Cotton in India. Page. 108.
agricultural produce and animal husbandary products. This measure repealed the old Cotton Markets Act, and all the cotton markets regulated under the Bombay Cotton Markets Act are now under the provisions of the Agricultural Produce Markets Act.

The salient features of the Agricultural Produce Markets Act are as under:


(1) The Market Charges are clearly defined and excessive charges are reduced and unwarranted ones are prohibited.

(2) Market Practices are regularised and market functionaries are licenced.

(3) Correct Weighment is ensured by periodical inspection and verification of scales and weights by the licensing of weighmen and by the supervision of weighment.

(4) Suitable arrangements for the settlement of disputes regarding quality, weighment and deductions etc., prevention of litigation and safeguarding the interest of the agriculturists.

(5) Insistence on prompt payment of the value of produce by the buyer to the seller.

(6) Arrangements for reliable and up-to-date market news to the users of the market.

(7) Suitable quality standards and standard contract terms for buying and selling.

(8) Sales by open auction or by open agreement.

(9) Appointment of Market Committee fully representative of growers, traders, local authorities and government.
The entire approach in regulated marketing is to ensure for the cotton grower a fair treatment and an atmosphere in which he can act in the best interests of him as a seller. The question is whether the existing regulated markets have fulfilled this objective. Marketing legislation has its own limitations. It can mobilise the fair play of the agents of supply and demand, but it cannot itself take a positive step to ensure maximum prices to be realised by the cotton growers.

**Surat - Not a Regulated Market**

Surat is not a regulated market under the Bombay Agricultural Produce Market Act. In Surti Cotton area there are at present two regulated markets. One is Ankleswar and another is Navapur of West Khandesh District. Since the Act regulates the sale of kapas the marketing of lint continues to be regulated by the traditional code of Surat Dharo. So far as the sale of ginned and pressed cotton is concerned the regulation provided by the Bombay Agricultural Produce Act obviously cannot meet the requirements of trade.

In reply to the question No. 15 of our questionnaire issued to the cotton growers out of 821 cotton growers interviewed, 736 expressed themselves against any application of 'Market Dharo' for sale of their crop. The rest did not know anything about such regulation but maintained that 'Surat Dharo' is the best for them. The main plank of their opposition to the regulation was that in such regulated markets the kapas is to be taken to the recognised market yard for sale. The sales outside such market yard are not permitted. Secondly, however licenced and authorised the buyers may be, as they often come from the same town, there is a greater likelihood of theirs agreeing to a certain minimum price, below which none may make any open offer. Third possibility is that in the event of not being able to find agreeable prices the cotton...
growers have to accept the terms of buyers, rather than take the cart back to the village. A cultivator cannot entertain an idea of being forced to sell in this way, nor can he afford to return without having sold. In contrast with these apprehensions the cotton growers of South Gujarat are in much better position. Those who are amongst the 58.7% selling their kapas through the Cooperative Cotton Sale Societies do not face any problem in as much as they are sellers of lint and not of kapas. Those, who constitute 41.3% of the group i.e. selling kapas or lint to traders individually are also in a superior bargaining position as they find traders, approaching them many times in competition with one another; agreeing to take village delivery of kapas; making payment for the crop promptly and, finally permitting the price to be fixed on any day in the season as the seller may choose.

The state of affairs as regards the sale of kapas described talukwise in the previous pages has fully justified the opposition of growers to any scheme of regulation. As already pointed out, the cotton growers in South Group often prefer to sell kapas on being able to obtain the expected price. The non-member growers in the east and west group often sell on the condition that they may be paid at the rate earned by the member growers. Thus they get the benefit of a cooperative sale without being a member of Sale Society.

REGULATED MARKETS - Navapur.

Navapur is a regulated market. In an interview with the secretary of the Agricultural Produce Market Committee it was gathered that the cotton growers who are invariably indebted to money lenders often take their carts first to their creditors who are by now licenced buyers of kapas in Navapur market and agree to a certain deal. The subsequent carting to the market yard and settlement of the terms is a mere formality. The sales proceeds
are credited in the books of the moneylenders while the receipt of
having received money is produced before the officer of the market
yard. Many times the kapas is bought while carts are on their way
to the Market Yard, and the deal is completed with superfluous
formalities in the market yard. Among those who sell kapas outside
are often the members of the Market Committee. Such practises of
'Mock Sales' have been brought to the notice of the regulated
Markets Enquiry Committee which worked in 1950 for the government
of Bombay. 1

Ankleswar:

As far as the Ankleswar market is concerned we are told that
the factory premises of Vakharia's ginning and pressing factory are
declared to be the market area. However, kapas is hardly bought
there in the premises. The entire handling of kapas is done accord­
ing to the same conventions which rule elsewhere in this tract.
The regulation is only in the name. 2

1. .... In Talod was brought to our notice that the transactions
take place before the commencement of the season and outside the
market yard. When the produce is ready it is brought to the market
yard and in order to conform to the market rules a mock auction is
gone through and the produce ultimately finds its way to the merchant
who had bought it much in advance of the auction in the market yard...
Report of the Enquiry into Regulated Markets in the Bombay State P.10­
2. Vakharia's are the dominating parties. Kapas is brought in motor
trucks from various talukas ranging from Hansot to Valia and Vakahria
and Sons are the largest buyers. This cotton firm has acquired the
fame of cotton king of Gujarat and it operates about 50 ginning fac­
tories between Baroda and Navsari. 3 4 He learnt from the Ankleswar Taluk
Cooperative Purchase and Sale Union that Vakharla's firm competes
stiffly with the cooperatives in both the respects i.e. they pay a
higher price for kapas and grants more liberal credit.
Market Legislation and the Sale of Surti Cotton:

The above observations on Navapur and Ankleswar market reveal that the regulated markets do not serve any substantial purpose in the circumstances obtaining in South Gujarat. In this tract buyer approaches the seller who sells to the highest bidder. Thus the demand side is fairly competitive. There is no cost to be incurred for sale of kapas beyond taking the crop in own bullock carts to the ginnery. No charges are to be borne either for weighment or sale. The weighment is done by the buyer. There are standard weigh bridges set up at all the ginneries numbering about 62 in the entire Surti Cotton tract and no ginning centre is ordinarily beyond 15 miles of a village. Thus the regulation under the Act is rendered unwarranted in the present case. Even otherwise what a regulated market under the law can achieve is fully brought out by the following remarks of the authoritative body which very recently studied the working of the Agricultural Produce Markets Act of the Bombay State. It states as follows, "............ This Act has its main aim the regulation of market practices within a marketing area by constituting regulated markets. Processes associated with buying and selling, it may be emphasised, constitute only one link, though a vital one, in the long chain of marketing. It would therefore be wrong to expect any radical improvement in the entire field of marketing through the regulation of a single link in the marketing chain. Our first contention is that a marketing legislation will be effective only to the extent it equalises the bargaining power of the various constituents in the market. Leaving aside a few exceptional circumstances this amounts in our country to strengthening the bargaining power of the farmer. Where the buyer and the seller agree - the latter by the force of his circumstances - ways and means will be found to bypass market regulations. For example
instances are known of farmers bringing their produce, already privately sold to a merchant to the market and going through all formalities including the determination of the price. The merchant who has already bought the produce offers a fictitious price and takes the delivery through all market formalities. The practice of advances by merchants on standing crops is fairly wide spread and this gives them a hold over marketing which no narrowly conceived marketing legislation can control. The reduction in cost which regulation of market charges may achieve is likely to be more than offset by an unmerited squeeze in prices. 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 trader's 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 penny wise and pound negligent.

The main point is the improvement in the bargaining status of a cotton grower, which is evidenced by his capacity to calculate the price for the produce and his firmness to assert his role in the market. It should be remembered that marketing involved a number of functions including the processing like ginning and pressing which are of special significance in case of marketing of cotton. The party that controls as many functions of marketing as it can, obviously yields a superior bargaining strength in relation to the opposite party. A buyer of kapas at the gin centre is the seller of lint at the Surat Market. The kapas may be sold in parity with the price of lint i.e. a bale

but as a cotton grower progressively takes over ginning and pressing of his raw cotton through cooperative efforts, he not only eliminates one link in the chain of middleman but acquires a superior position as a seller of lint in the Surat market. If the cooperative efforts are extended still further he can eliminate yet another link of middlemen and sell direct to the agents of the textile mills. However, it should not inferred that to acquire a better bargaining position a cotton grower must sell lint and not kapas. The real merit of the organised cooperative marketing is its educational value. It has the effect of making farmers marketing conscious. The same is also the benefit for the marketing legislation. The very fact that farmers fervently come forward to form a sale society with a view to ginning, pressing, and selling the cotton bales brings a realisation to them that marketing is not a private preserve of businessman. They also realise that they have a stake in the economic processes which are gone through after their crop left their farm. They begin to appreciate that the selling is as important as production and every attempt to control functions of marketing adds to their income as well as status.

On the other hand as the number of cotton growers desiring to sell lint instead of kapas increase in a certain cotton tract a new sense of obligation dawns to the business community. Businessman realise that they can not have all their way in the marketing of agricultural produce and that they will have to subject themselves to a certain self improved discipline if at all they want to avoid the hanging sword of state legislation. Thus the consciousness on part of the cotton growers about their rights as sellers and that of their obligations on the part of the cotton dealers has gone a long way in improving the entire atmosphere in which the marketing of Surti Cotton takes place. Coming to its economic side
it may be mentioned that it is neither possible nor necessary to
have an exact calculation of benefits conferred by the general
awakening on part of both the parties in money terms. If the
marketing functions are efficiently managed and the expert business
acumen is acquired the monetary advantages must be there and any
curiosity to put them in exact monetary terms is uncalled for. The
reason is obvious, the social gains of the rationalisation of
marketing are too broad to be expressly visible at any particular
point of action. Rationalisation achieves the social good without
permitting one party to gain at the cost of other. It increases
the total social welfare by reconciling the interests of all the
parties concerned. Seller should not earn at the cost of the buyer
or the vice versa. Every body should get the dues justified by
his role as a functionary.

**MERIT AND DEMERITS OF 'SURAT DHARO':**

If considered in the light of the above remarks, the provisions
of the 'Surat Dharo' render equal justice to the seller and buyer of
Surti Cotton. It is a sort of compromising device reconciling to
the fullest extent, the interests of both the parties. The seller
finds his interests protected in a number of ways. The Clauses
14, 18, 17, and 19 regulate the market charges amounting to Rs. 1-12-0
to be borne by the seller. Similarly the Clauses 2 and 8 relate
to the pressing charges specifying which of the parties will bear
the same under which contract. The procedure of selection and
approval is also thoroughly regulated by the Clauses 5,6 and 7.
The period of delivery is supposed to be the entire ginning season
and the seller has liberty to offer the delivery thrice successively
if the buyer rejects the lot. Despite this, the contract once
entered into is not to be cancelled but is liable to be settled by
exchange of the difference in the agreed price and the ruling price
of the lot tendered in delivery. If the ruling price is higher than the agreed price, the seller is entitled to the difference in prices, whereas the buyer gets the benefit of difference in case the ruling price for the lot offered is lower. This convention alone speaks very highly of the morals of the cotton trade of South Gujarat. Elsewhere the contracts may be cancelled if the cotton tendered in delivery does not correspond with the quality contemplated by the contract. Rainy season contracts are, however, cancelled in this manner as they are deemed to be based on the actual lot sample. The more important and probably in the best interest of the seller is the provision for the immediate payment of price by the buyer. Contracts elsewhere are paid either upon the Station Delivery or Bombay Delivery.

The disputes are resolved by referring the same to the Surat District Cotton Dealer’s Association. It is to the credit of Cotton trade of South Gujarat, that the occasions of disputes are almost rare and most of them are settled amicably by the parties by mutual understanding.

The buyer of cotton has also certain benefits to claim from the ‘Surat Dharo’. He is entitled to claim the delivery of the exact grade of cotton for which he pays. He obtains a rebate, if the grade tendered in delivery is inferior and the ruling price is lower for the same. The buyer also benefits from the provision of Clause 14 that the charges for the broker, the weighman, sample drawer and market and also for the charity are to be recovered by the buyer from the seller. Thus in reality the seller bears the charges but the functionaries are personally paid by the buyer. The impression of the sellers operating in Surat Market is that these functionaries feel obliged to the buyers and therefore work in the interests of the latter. Apart from the bonafides of such
impression, it is certain that buyers obtain a derived gain out of this provision. The Clause 11 of the 'Surat Dharo' assures the buyer that the seller is bound to cooperate in providing the necessary carting facilities for placing the bales in wagons. The latter is to bear the loss that the buyer may have to suffer if the bales are not carried in time to the Railway Station. Although the expenses of carriage outwards are borne by the buyer the responsibility of placing bales on the rails is on the seller.

There are certain characteristics of the 'Surat Dharo' demonstrating its equitability of justice for both the parties of the transaction. For instance, the buyer of cotton is to pay the pressing charges in case of 'dry season contracts' although he buys fully pressed bales whereas, the seller has to pay for the brokerage, weighing, sampling and marking although these services are rendered at the instance of the buyer. As regards to the market levy for Charity, all the three parties viz. the buyer, the seller and the broker, are made to share the burden. The buyer too, makes a customary payment of 9 pies per bale for weighing.

The dry season contracts are not to be cancelled on any ground. The provision for the settlement by exchanging price differences is most fair and justful. In case of rainy season contracts, the seller has to bear the pressing charges while the buyer gets the benefit of a reduction in weight at the rate of two lbs. per bale on account of the moistured weather. So far as the seller is able to clear off his stock before the commencement of the rainy season i.e. before 21st June, there is nothing in the regulations that may harm his interests.

SELLERS' GRIEVANCES

(1) Size of the Sample Lint:

The Surat Dharo is not, however, free from criticism. The
cotton cooperatives constitute the important section among the sellers of cotton at the Surat Market. Out of the 45 Cooperatives in the present work Cotton Sale Societies examined by us, 6 expressed their grievance about the present regulations. The main point of dispute was the practice on part of buyers to take away samples of lint profusely while selection is done. The samples drawn during 'Parakh' should not exceed 15 seers of lint according to the trade usage. The buyer is entitled to open any four bales in the lot of 100 and at the rate of 15 lbs. he can collect 3/4 of a maund of lint, to the disadvantage of the seller. Of course, the payment is not done for the samples. The sellers in the first place, argue that once the contract is entered into, there is no reason why, samples should be expected by the buyers. Secondly, the Surat Dharo does not specify how much lint should be taken away as sample from each bale opened by the buyer. It is a custom that about 10 to 15 lbs. of lint may be drawn from the bale opened during selection. Thirdly the Clause 5 of the Surat Dharo permits buyer to open as many bales as he considers necessary for testing the lint. In the opinion of the Manager of one Cotton Sale Society of Sayan this is often done to bag more quantity of lint in sample. Let us consider what the buyers have to say on this point. We interviewed 29 cotton firms acting as buyers in Surat Market. Majority of them stated that, the practice of taking samples during 'Parakh' is occasioned by the necessity on part of buyers to provide samples to their clients outside the Surat Market. These samples are to be despatched to buyers from Bombay, Cawnpore, Calcutta and other mill centres. The quantity of lint taken in sample would naturally depend upon the size of clientele that the buyer has at the various mill centres. As the bales are straight way sold and despatched from the pressing centres to these mill centres, the buyer has no further chance,
after selection, to open the bale for samples. Secondly, it is stated that every spot market of cotton, particularly the Sewree market, provide for this practice. At Bombay market, the usual practice being to draw 10 lbs. per bale opened for selection. Thus Surat is not the case in exception. Thirdly it is argued that since the samples ultimately form the basis of subsequent sales it is a factor in support of the market and hence the sellers should not grudge about the quantity of lint taken for samples. It is significant that, among the sellers, only cotton cooperatives raise this point, whereas, the independent dealers are silent. The latter generally believe that the samples pave the way for immediate sales. It is, of course, agreed by both the parties that the Dharo should lay down specifically, the rate of the size of sample. We believe that, in fairness to the cotton trade in general, and for the justice to the sellers in particular, this appendage to the existing regulation is strictly essential.

(2) Direct Payment of the Market Charges i.e. Valtar:

Another point of dispute placed before us by the cotton Cooperative Societies, was the provision under which the market charges are to be borne by the sellers, but actually handed over to various functionaries by the buyers. Reference to this practice has already been made while discussing the benefits derived by the buyers under the Surat Dharo. As already stated the sellers believe that this practice results in rendering the functionaries more loyal to the buyers. So far as the sample drawers, weighman, and marker are concerned there is no grievance because theirs is a routine work but, the main apple of discord, is the cotton brokers, whose role in the transaction is of a decisive character. The price depends upon how a broker negotiates the contract. We shall
touch this point a little later, but it should be noted that the Cotton Cooperatives prefer the system of direct payment in place of the existing indirect way of bearing the charges. They are of the opinion that these charges should be recovered from them through the South Gujarat Cooperative Cotton Marketing Union which is a federation of majority of Cotton Sale Societies and has its sales office at Surat Cotton Market. The origin of the present system was in the fact that brokers and other functionaries thought it more convenient to ask buyers to pay them as in old days the latter were all available in Surat, while sellers came from mofussil centres. The buyers were at hand, while it was rather inconvenient to contact sellers, after their departure from Surat. The cotton brokers know that they are remunerated by the sellers and therefore the alleged loyalty of theirs to buyers is due to some other factors. In the first place, the cotton brokers are conventionally attached to certain buying firms with the result that the latter must pay the brokerage to their respective brokers for all the contracts effected either through brokers or directly. Thus the brokers expressly work for their specific buying firms. Naturally they appear to be loyal to the latter. Secondly the interest of a cotton broker lies in effecting as much more sales as possible on account of the buyers to which he is attached, for every purchase by his party gives him the brokerage. Consequently, although he creates market for the sellers, he is likely to satisfy the buyer by way of effecting the bargain in latter's favour. He is not to get the brokerage for every sale but for such sales as are done to his parties. Thirdly, the transaction are usually initiated by the buyers i.e. the brokers are contacted by the buyers early in a day and thus the inquiries are set for the saleable lots.
The brokers then turn to sellers with a view to negotiate the transactions and procure the lots to meet the requirements of the buyers. Thus the initiative to move the market lies with the buyers. The reason for this is obvious. The mills and buying firms from textile centres place their orders with the commission agents and other buyers at Surat. These are received by morning mail or late at night when Sewri Market closes. It is also likely that in the early hours of the market the buyers of Surat market may sell at Bombay and later turn to Surat for buying. As the brokers work on the initiative of buyers, there is hardly any likelihood in the change of their attitude eventhough they may be paid directly. As long as it is not possible to prove conclusively how sellers suffer due to the present method of paying brokerage, no inferences can be drawn about their attitude. On the other hand as the market is initiated by the demand side, it all the more helps to maintain the firmness which is likely to benefit more the sellers than the buyers.

We therefore feel that the present practice merely serves the convenience rather than working adversely for any interests.

**BUYERS' GRIEVANCES:**

In interview with none of the buying firms offered adverse comments on the Surat Dharo. Of course the consensus of the opinion is that the Dharo favours sellers rather than buyers. Surti Cotton being in great demand, it has always appeared in spot market and scarcely in the futures market. Besides, the spinners have always favoured Surti Cotton for the purposes of mixing for the 28 to 30 counts. These reasons have made demand side more pressing than the supply side. Thus the buyers believe that the general trend of the Dharo is to favour the sellers. For instance, the buyers are to pay the pressing charges despite the fact that all the contracts, now a days are for fully pressed bales. In old days
half pressed bales were bought and buyers used to press them fully before their final disposal. Hence the pressing was done at the cost of the buyer. However, the convention for buyers to pay for pressing charges continues. In Broach Cotton Market, sellers bear the cost of pressing. Secondly, the buyers will be glad if the dry season contracts are for F.O.R. like rainy season contracts and not for the godown delivery. At present except for the rainy season contracts the bales are to be removed from the sellers' godown by the buyers at their own cost. The buyers of Surat Market have to sell to other centres on the basis of F.O.R. terms. As already stated these are the points which the buyers can raise but they have referred to none of these in our interviews.

The fun of the situation is that the buyers feel that Surat is a sellers' market, while the sellers feel that it is the buyers' market. From the point of view of the business the regulations which keep both the parties interested in the market are always the best. If the rules are made to favour one party in preference to the other, the balance shall be lost and the market will not maintain the firmness. The Surat Market has never experienced erratic fluctuations and compromising attitude of both the parties. The sellers have to sell and clear the season's stock. The buyers provide the support. Unless sales are made direct to the textile mills or markets other than surat, it is essential to maintain the support of buyers. The Cotton cooperatives are heading for the majority among the sellers, and they naturally aspire to eliminate yet one more link in the chain of middleman by selling directly to Bombay market. How far they will succeed in these attempts shall be discussed at the appropriate place, but I only prefer to leave here a warm hint that they should not risk
the price for their crop, merely for the fancy of elimination. To ascertain as to who is a superfluous middleman among the cotton dealers of Surat market we should now examine the personal of the cotton dealers operating at Surat.

THE PERSONNEL OF THE COTTON TRADE:

The Surat Market so far as the dealings are concerned constitutes a much wider area than a small strip of road connecting Lal Darvaja to the Railway Station. Since the Surat Dharo contemplates the delivery of cotton at various gin pressing centres, all the centres, together with Surat, make the market for South Gujarat Cotton. According to the Surat Dharo only those who are members of the Surat District Cotton Dealers' Association are entitled to deal in Surti Cotton in the area.

The Association's register of members in the year 1955 showed the list of buyers numbering 48, and the sellers numbering 58. We have interviewed 29 members of the Buyers' class, and 34 members of the sellers' class. We are, told, however, that the distinction

1. In the opinion of F. E. Clark, an authority on marketing in America, a market is a centre about which the forces leading to exchanges of title operate and towards which and from which the actual goods tend to travel. It leads to clarity of thought to bear these two aspects of market structure constantly in mind i.e. the market structure is built about two processes; the transfer of the title to goods from seller to buyer and the physical transfer of the goods themselves. But the physical presence of the goods is not essential to a market, for, the distinguishing characteristic of a market is the fact that transfers of title take place therein. Clark F. E. - Principles of Marketing - Page. 5.

between these two groups is not very rigid. It only points out the major interest either in buying lint or selling lint. In certain cases, both buying and selling are done by the same party. Secondly all of the members who are empanelled either as buyers or sellers are not actually in operation. Quite a number of firms and individuals on both the sides are defunct for one reason or the other. Thirdly there are categories among the buyers as well as sellers according to the nature of business. It will be our task now to examine these categories in details by taking up the discussion of both the groups separately.

**Buyers of Cotton in Surat Market:**

In the domestic cotton trade the cotton merchants and dealers as well as commission agents of the export firms play an important part in buying cotton from assembly centres and secondary markets. Surat, being at a near distance from Bombay and Ahmedabad, has evoked a direct interest on part of big dealers of Bombay and other consumption centres. By locating office at Surat for the banking and other requisite commercial facilities the cotton dealers are able to buy from any point between Rajpipla to Bilimora. There are various categories among the buyers of cotton. We have tried to classify them according to the nature of business transacted by them as it was felt that such a classification would throw some light upon the problem of middleman, whom, the cotton cooperatives desire to eliminate. There are certain firms, doing the business of Commission Agency on behalf of textile mills and other buyers from the terminal markets. There are others, who besides the Commission Agency operate independently on their own account with a view to sell Surti Cotton to outside markets. A few of them are only branch offices of cotton firms of Bombay. Some of them buyers act like jobbers, buying cotton with a view to resell at Surat or vice versa,
whereas others operate exclusively as buyers. There are a few of them, buying exclusively for specific textile mills. Besides there are certain firms which buy kapas and sell lint directly to outside markets. Quite a large number of buyers registered with the Surat District Cotton Dealers' Association are from Bombay, Ahmedabad and Broach. They have either ceased to work in Surat Market or do their business sparingly through the Commission Agents. Let us see some details about each class.

**TABLE NO. 20**
The Classification of 48 dealers, operating as buyers of Cotton in Surat Market.

<table>
<thead>
<tr>
<th>Class</th>
<th>Description</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>Commission Agents only</td>
<td>7</td>
</tr>
<tr>
<td>II</td>
<td>Commission Agents as well as Buyers on own Account</td>
<td>16</td>
</tr>
<tr>
<td>III</td>
<td>Branch Offices of Cotton Buying Firms</td>
<td>4</td>
</tr>
<tr>
<td>IV</td>
<td>Buyers of Kapas to sell Lint in Outside Markets</td>
<td>6</td>
</tr>
<tr>
<td>V</td>
<td>Jobbers</td>
<td>7</td>
</tr>
<tr>
<td>VI</td>
<td>Defunct</td>
<td>19</td>
</tr>
<tr>
<td>VII</td>
<td>Buying Agents for specific Textile Mills</td>
<td>4</td>
</tr>
</tbody>
</table>

*63*

**I. Commission Agents:**

In our inquiry with 29 buyers, 7 reported to be doing the work of Commission Agents only. They get the advance inquiries from the textile mills or gothawallas of Bombay for the grades of cotton of various pressing centres. They brokers are advised by them to find out the sellers for the respective grades and obtain their quotations. The brokers are usually able to negotiate the contracting

* There are about 10 firms which operate in two or three categories and hence the total of the above units comes to 63.
parties within a few hours. On seeking the confirmation from clients the commission Agents complete the deal. The income for this class consists of the commission at the rate of eight annas per Rs. 100 of the contract price. Those who do pure agency business carry great credit with the mills. One commission Agent may get orders from 3 or 4 mills or one mill may cover its requirements of Surti Cotton through 2 or 3 Commission Agents. The orders, are placed for the specific prices and grades. If there is a disagreement counter offers are made by the agents. The commission houses usually send reports about the days' ruling prices of various grades to their prospective as well as regular clients. The textile mills usually prefer such commission houses as are able to finance their buyings i.e. The Commission Agents have to make an immediate payment to the sellers in Surat Market, whereas the mills settle their accounts with the agents in course of a season. Thus the Commission Houses have to possess the adequate finances to accomodate buying by the spinners. This group of buyers, obviously face no risk as regards the price changes. Their interest lies only in the amount of Commission.

II Commission Agents as well as Buyers on own account:

Looking to the total cotton bales sold in Surat Market pure commission agency hardly makes the business worth while and therefore quite a number of buyers work for commission as well as deal independently. They buy in Surat Market and sell in Sewri Market of Bombay. There are 16 of such firms out of the total buyers. This is the most important class of buyers in providing support for Surti Cotton. Their income consists of the commission varying from 4 as to 8 as. Per Rs. 100 as well as the profit out of the price margin between two spot markets. This group bears a greater risk than the first one as regards with the changes in price.
Majority of this class own gin press factories also so that they often buye kapas at the mofussil ginning centres or from villages with a view to selling cotton directly to Bombay Market. Some of them hire the ginning factories in season or gin their kapas at a more than one centre. But the practice of hiring gins noted in the cotton control period is now diminished.

**III. Branch Houses:**

There are four buyers, which are branch offices of firms such as The Volkarts, Rawlis, Kilachand Devechand and Ramrikh Durgaprasad. They do not take an initiative while operating at Surat, but merely execute the orders placed by their respective head offices. Their interest in Surti Cotton is dependent upon how the prices of Surti Cotton compare with the competitive varieties like Jayadhar, Laxmi etc. As the main business of this buyer is concentrated at Bombay, their dealings are not of a magnitude to influence the price of Surti Cotton.

**IV & V. Direct Sellers to outside market and Jobbers:**

As already stated the majority of the buyers from the class II operate in these two groups. The kapas is brought in villages or at their own ginning factories and after ginning and pressing the same the bales are sold direct to spinners. In this case besides the price margin the profit consists of gains in ginning outturn and processing. The gains can be further inflated by following certain objectionable practices like mixing of cottons, watering etc. However, with the greater scope for profit this class also faces the greatest risk through price fluctuations which the dealers invariably cover by hedging on the Bombay Cotton Exchange. The nature of risk, that the buyers of this category undertake often impell them to speculate in spot market, which is technically known as jobbing.
With a view to meet the immediate demand from their customers of other markets, they sell cotton in advance and later on buy the same at lower prices. They take what is known as the 'Jobbers' Turn'. There can be just the opposite transaction i.e. buying at the lower level and selling in the same market at a higher level. Thus, when season opens the preliminary buying may be done by this class of operators with a view to hold on till the prices take a favourable turn. In the full swing of price or at the end when market becomes firm, the previous purchases are unloaded. The jobbers in this way may go short or long according to the market situation.

It is this class, which conflicts with the interests of the Cotton Cooperative Sale Societies, in so far as these buyers compete with the latter in buying kapas. For that purpose, the main plank of attraction is the credit facilities offered to the Cotton Growers, which also offers competition to the financing done by the cooperatives during the sowing season. The competition, of course, benefits the grower of cotton who, in this part of the country, knows his interest well. While striking at the allegiance of cotton growers to cotton cooperatives the members of this group excels the former in the methods of sale, business efficiency, knowledge of other cotton markets, hedging etc. Consequently this group has become the target of criticism by the cooperative leadership.

VI. Defunct Group:

There are about 19 cotton buying firms, on the register of the Surat District Cotton Dealers' Association who have either ceased to function or work very sparingly. Among them 3 are from Surat, 2 from Broach, 8 from Bombay and 6 of Ahmedabad. The cotton dealers
from Ahmedabad and Bombay enrolled themselves with the Association during the period of cotton control when out of scarcity of medium staple cotton in India, Surti Cotton was rationed among the spinners by the Regional Distribution Committee. Since the decontrol this class has become almost defunct. Only a very few of them appear at times as buyers through the Commission Agents. We are told that the membership of the Association is continued simply to take advantage of the Surat Dharo. This also renders them eligible to open their offices in Surat in future.

VII Buying Agents for Specific Mills:

Besides the above types, among the buyers, there are four firms which exclusively buy for their respective mills such as Mafat Gagal Group, Tatas, Pordar Mills, Kamala Mills etc. These textile concerns are regular consumers of Surti Cotton while the rest buy Surti Cotton frequently when the spinning of 28 to 30 counts is desired. The income of these buyers consist of agency remuneration. Quite often, these agents buy kapas on behalf of mills and do subsequent processing at the Mills' Cost.

To sum up, we find that only the first two classes, have a major share of business in Surat market. There are about 15 cotton dealers, mostly belonging to the 2nd and 4th and 5th category, who exert decisive influence on the Cotton Trade of South Gujarat. The financial resources of them vary between Rs. 2 lakhs to Rs. 50 lakhs. One or two of them are licensed money lenders and invest quite liberally in form of credit to cotton growers in cropping season. This only goes to show how the demand side is fairly competitive.

1 See Chapter VII, Controlled Distribution of Cotton, P. 301
SELLERS OF COTTON IN SURAT MARKET

In Surat Market cotton sellers have a numerical majority over the cotton buyers. There are 58 sellers registered with the Surat District Cotton Dealers' Association of whom we have interviewed 34. A seller of lint cotton in a central market is a buyer of kapas or seed cotton at the assembly centres unless he himself is a grower of cotton and has undertaken to gin and press the crop before he parts with the same. Among the sellers therefore there are the traditional middlemen who buy kapas from the cultivators in the mofussil and get the same ginned and pressed into bales with a view to sell lint to central or terminal markets. Such traders may either own their gin press factories at the important railway towns where they complete the processing of the crop or may take the crop to such gin press factories, owned and operated by others. It is also possible that a gin press owner, may desire to take up dealing in cotton for one reason, or the other, in addition to his business of ginning and pressing. In the cotton tracts of Berar, Khandesh and Karnatak, the gin press owners are not dealers in cotton and only undertake the ginning and pressing work for traders of cotton. In Gujarat the tradition is that the gin press owners are also dealers in cotton. Besides ginning the kapas on own account they may offer the ginning and pressing service to other dealers who do not possess gin press factories. As already stated, while discussing the buyers' group in Surat market some of the Commission Agents may undertake the buying of kapas for the textile mills and therefore may hire gin pressing factories in the season for delivering lint, direct to their clients. This gives us all sorts of variations in the business on the supply side of the market because it is not inappropriate to expect a net work of intermediaries between a
primary producer and a final buyer in case of a raw produce like cotton which involves a number of processing services during the course of marketing. The processing invites a class of middleman otherwise a cotton grower himself must undertake that task. We have so far seen that 58.7% of the cotton growers of South Gujarat sell their crop through their cooperative sale societies, and a natural corollary of this united action has been the setting up of cooperative gin press factories, through which most of cooperator's cotton is processed upon before its sale. Thus it is possible to divide the sellers whose number is 58 into various classes so as to ascertain the strength of cotton grower as a seller of lint as well as to find out who is a middleman in the true sense of the term.

**TABLE NO. 21**

The Classification of 58 dealers operating as sellers of Cotton in Surat Market.

<table>
<thead>
<tr>
<th>Class</th>
<th>Description</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>The Cotton Sale and Gin-press Cooperative Societies and their Union.</td>
<td>8</td>
</tr>
<tr>
<td>XII</td>
<td>The Traders, who are also gin press owners.</td>
<td>17</td>
</tr>
<tr>
<td>III</td>
<td>The Dealers buying kapas to gin at other's factories.</td>
<td>17</td>
</tr>
<tr>
<td>IV</td>
<td>Commission Agents, hiring the gin presses in the season.</td>
<td>3</td>
</tr>
<tr>
<td>V</td>
<td>The gin press factory owners only.</td>
<td>4</td>
</tr>
<tr>
<td>VI</td>
<td>Defunct.</td>
<td>12*</td>
</tr>
</tbody>
</table>

(Excluding Class Fourth)...... 58*

* N.B. The 4th class compares with the 4th among the buyers' group and hence rank as sellers of lint, but they sell to terminal markets directly. Excluding these the total of the units comes to 58.
I The Cotton Cooperatives:

The Cooperative Cotton sale and gin press Societies constitute the most important section among the sellers of cotton in Surat Market. The present study is particularly undertaken to examine the genesis, working, growth and the structure of cotton sale societies. Out of 8 cooperative societies empanelled as sellers with the S.D.C.D. Association, 6 are the gin-press and sale societies, one is only sale society, while the other one is the South Gujarat Cooperative Cotton Marketing Union, which is a federation of several cotton sale societies operating at various assembly centres for cotton in South Gujarat. There are in all 49 Cooperative Cotton Sale Societies, in South Gujarat, out of which 44 are selling cotton through the South Gujarat Cooperative Cotton Marketing Union. The Union serves as a sales office in Surat for all the affiliated cotton cooperatives and it was established in 1930 to meet the need felt by the cooperatives for such an office. The history and working of the South Gujarat Cooperative Cotton Marketing Union will be dealt with at the appropriate place in the subsequent pages. The cotton growers who are not affiliated with the Union have formed their cooperative gin press and sale societies and sell lint independently of the Union. There are two of such type viz. Navsari Khedut Sahakari gin-press and Sale Society and Shri Baben Khedut Sahakari gin-press, Bardoli. Excepting these two, other six cooperative gin press societies are affiliated with the Union. However, four of these viz. The farmers', the Purshottam, the Netrang, the Valod Vibhag gin-press societies are also registered members of the S.D.C.D. Association and can sell in their name. The rest not being the members of the S.D.C.D. Association cannot enter contracts in their name. Their contracts are written in the name of the South Gujarat Cooperative Cotton Marketing Union. In
1955 out of the total business of 2,08,522 cotton sales in Surat Market, the Union sold 69,751 bales i.e. about 33% of the total crop was sold through the Union. The share of cotton Cooperatives will be slightly more if we take in account the bales sold by sale and gin press societies, not affiliated to the Union. As the detailed study of the cotton cooperatives and their working is to follow in the subsequent chapters, it will be inappropriate to elaborate the description of this class of sellers here, and hence we proceed to consider the next class.

II The Cotton Traders-Cum-gin-press Owners:

The gin press owners are usually interested in the business of dealing in cotton for several reasons. In the first place, seed cotton must be brought first to the ginning factory during the course of its marketing. It is collected at the gin and therefore the premises of ginning factory invariably serve as primary markets for raw cotton in India. The gin owners are thus, tempted to supplement their earnings of ginning by taking up the risk of ginning on own account. There are 50 ginning factories and 30 pressing factories in South Gujarat. Some of the dealers own factories at more than one centre. Secondly if the gin press owners are money lenders too, their natural inclination is to secure the possession of crop in part settlement of the debts owed to them. Thirdly if the ginning business is not sufficient to yield the reasonable interest on the investment in gin press factory, the factory owners are compelled to take additional business of dealing in cotton to keep their heads over the water. This is particularly so in a cotton tract with a limited size of crop. For instance 50 ginning factories for 2,53,453 annual bales of Surti Cotton may be considered to be more than economically warranted. Each gin roughly gets a quota of 5069 bales while we were told that 8 to 10
thousand bales of cotton are necessary to run one gin press factory on economic basis. In 1955-56 season 8 factories out of 30 pressed less than 5000 bales of cotton each. The gin presses are any how able to draw their share in the processing simply because the vagaries in the pressure of crop in the season. Sudden rush of of the crop may require day and night working of the factories, or late season may also lead to the pressure of work requiring a close cooperation between the gin press factories at a particular centre, so that baling of cotton is completed prior to the commencement of rains. Under such contingencies each ginpress gets a share in season's processing.

There are 17 sellers enrolled with the S.D.C.D. Association who are traders in cotton as well as gin press owners. Five of them own gins at 2 to 3 centres while having pressing factory at Surat, or other important town on the main line. Two of them possess ginning factory only, while they press their cotton at others'. The details about the number of gin press factories belonging to dealers and cooperatives in case of each assembly centre are given in the previous chapter. The tradition in the north group particularly at Rajpipla, Zagadia and Ankleswar is that farmers take kapas to the ginneries. In Netrang and Valia Mahal the farmers invite the ginning merchants' agent to their village on a day previously announced and open tenders about the price for kapas are made. The highest offer by a certain agent leads to the listing of contracts by growers who agree to deliver the contracted quantity of kapas to the gin of that particular agent. Delivery is supposed to be made within a week and the crop is paid for according to the price previously agreed with. In the western and eastern part of the tract, the tradition is for the ginpress traders to send their
agents, known as Dalals, to the surrounding villages. Each dealer engages 8 to 10 dalals, and each dalal is to cover 4 to 5 villages. Dalals are usually the influential cultivators of these respective villages. They get all the facilities including credit from their principals, and also a premium in price for their own kapas. Dalals are usually sent with credit offers, during the cropping season. The Cotton growers who, agree to accept credit are asked to record their names and the likely quantity of cotton which they are now under the obligation to deliver to the respective gins. When the kapas is actually delivered in the season the quantity and the owners' name is checked with this list. In such contracts, the price is not fixed in advance but is determined on the basis of the price ruling on the date of delivery or on any subsequent date, as the cotton growers concerned may choose.

The remuneration for the gin press trader's agents is Re. 1 per bhar of kapas (i.e. 12 Bengali Maunds) procured by them. It is in the interest of agents to procure as much quantity of kapas as possible by persuading the cotton growers to sell their crop to his master and not through a cooperative cotton sale society. Of course, a cotton dealer represented by this agent, provides all the necessary services which his competitive firm viz. a Cotton Cooperative progresses to offer to member growers. He offers credit, during the cropping season on liberal terms, procures the certified and pure seeds for distribution among the cultivators from the Agricultural Department, and finally provides the deposit facilities to the enterprising cotton growers. There are reputed firms like Motiram Raghavji, Narandas Rajaram, Jamshed Kapadias, Kanchanlal Marfatia, Zaverchand Kasturbhai, Rustom Vakharas, Patidar gin press Co. etc. which command quite a considerable goodwill with the cotton growers of their respective regions. These dealers were
at disadvantage when in the beginning the State Agricultural Department used to provide pure seeds only to the Cotton Cooperatives, because in order to obtain the pure seed and to benefit from the premium price that certified cotton yielded, the cotton growers had to enroll themselves as members of cotton cooperatives. To that extent the business of this group of cotton dealers suffered. Now-a-days the traders too, have formed their groups and as already referred to in the third chapter the government seed distribution authorities have been supplied seeds to the dealers for the distribution among the cotton growers in their respective groups. Thus the benefit of certification and Agrmark-ing is available also to the growers selling kapas to gin press merchants. The latest developments in reaction to the effects of cooperative marketing are noteworthy. The independent dealers, working their own gin presses have, at some places, enlisted the allegiance and loyalty of cotton sale societies which pool members' kapas at the private ginnery and sell lint under the guidance of the dealers. The illustrations of the same are as follows. Shri Bharadia Cotton Cooperative Society works at the Marfatia's gin of Wankal, the Farmers' Cotton Cooperative Sale Society and Yokha Cooperative Cotton sale Society work at the Patidar gin press Company Bardoli, Khedut Sahakari Cotton gin press and Sale Society of Navsari was so far working at the Shankar Vijay Cotton gin press factory. There are close ties of business understanding between these cotton cooperatives and cotton dealers. In certain cases the gin press merchants have promoted associations of cotton growers to obtain seed from them and to pool kapas from members, for joint ginning and pressing. These associations known as Mandals, work on cooperative lines, but are not registered as cooperative cotton sale societies. For instance, Jitali and Pungam Khedut Mandals of
Ankleswar taluka, Vijalpur, Moldhara and Abrama groups of Navsari taluka; velançha, Vaktana etc. of Kamrej taluka.

The reasons for the survival of private ginneries in the face of the growing competition from the cooperative cotton gin press and sale societies, can be found in the activities and policies of the gin press merchants as described above. The role of agents in carrying on a propaganda in favour of such groups encouraged by cotton dealers by magnifying as much as possible the faults in the working of cooperatives is, an important factor in maintenance of the business of this class. The agents are, in certain cases, given the lodging and boarding allowances to reward them for their service. Why the cotton growers choose to sell to traders in stead of through the cotton cooperatives will be examined at a later stage but suffice it here to state that this class of sellers offers the most stiff competition to the rising number of cotton cooperatives. The gradual progress in the cooperative gin press business for the last 2 decades has definitely given a setback to the position of gin press merchants. By 1956 out of 16 cotton pressing centres of South Gujarat 9 had fullfledged cooperative presses one at each centre. Out of 2,53,453 bales of Surti Cotton pressed in 1955-56 season the nine cooperative gin presses gave out 1,10,712 bales i.e. 43.6% of the total yield. The following table will make the position clear.

**TABLE NO. 22**

Share of Cooperative gin press factories in the total cotton pressing work in South Gujarat 1955-56 season.

<table>
<thead>
<tr>
<th>Pressing Centre</th>
<th>Number of Private gin Presses</th>
<th>Number of Coop. Cotton gin presses</th>
<th>Total No. of bales pressed at the Centre</th>
<th>No. of Bales pressed by Cooperatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hansot</td>
<td>--</td>
<td>1</td>
<td>6,917</td>
<td>6,917</td>
</tr>
<tr>
<td>Ankleswar</td>
<td>2</td>
<td>-</td>
<td>16,971*</td>
<td>-----</td>
</tr>
</tbody>
</table>
At centres like Zagadia, Ankleswar, Kim, Bilimora and Dholi kuwa (marked *) there are no cooperative gin presses and therefore local cotton cooperatives gin their members' kapas at traders gin press factories. Similarly at Bardoli and Navsari some cotton sale societies gin their kapas at traders' factories for one reason or the other. Thus if the output of these cooperatives is taken into account we have to add another 12000 bales to 1,10,712 bales pressed by the cooperative gin presses bringing the share of cotton cooperatives to about 50% in the total crop of Surti Cotton. The situation therefore, is not very encouraging for the dealers who own gin press factories. There are absolutely no prospects of adding more private gins to the existing ones. On the contrary,
as some enlightened members of this class of sellers, admitted, there shall be transfer of gins from private interests to the cotton cooperatives. The cooperative gin press factories of Chalthan, Maroli and Navsari are in fact, recently bought over from the private firms, operating formerly in the respective centres.

III The Cotton Dealers Not Owning Gin-presses:

There are 17 dealers, among the sellers of cotton who, buy kapas from the cotton growers either in retail at village markets or at villages in the same manner in which the gin press merchants do. Quite a few of them offer the financial aid to farmers during the cropping season. However, the total size of crop finance, as well as the quantity of kapas handled by this class is smaller than the previous class. These traders are attached with the neighbouring ginning and pressing factory where they ask the cotton growers to give delivery of the latters' crop. Usually the gin press merchants favour this class partly because it gives them the ginning business and partly because this class shields a certain section of cotton growers from joining any cooperative cotton sale society. It is not infrequent that these merchants may sell kapas itself to the trader at whose ginnery, they obtain the delivery of the same. It all depends upon the price level and the size of investment that an individual dealer might afford. In addition to the purchase price of crop this class has to bear the cost of ginning, pressing and further storing, insurance etc., till they sell lint to buyers in Surat Market. This opens their business to a great risk. In west and east groups a trader can hardly hope to get kapas without previously having offered the credit facility. Despite the same there is no legal binding upon the cotton grower concerned to deliver his crop to the stipulated ginnery. Trader has no remedy if the cotton grower in question sells his crop to
any other gin for the temptation of a higher price. Thus this class of sellers bear the credit risk as well as the price risk and hence often draws a meagre margin of profit. In a number of cases these traders have some other string to their bow to eke out maintenance. The cotton trade is not their only source of income. The growth of cooperative cotton sale societies has hit this class most. Among the 17 dealers who buy kapas with a view to gin on own account at others' ginning factories 9 were operating in the north, 4 in Navapur taluka, 1 each in Bardoli and Chalthan, and 2 are from Broach. This class is practically eliminated from the east, west and south group. In west and south the cooperative marketing is developed most. For instance, out of 284 cotton growers interviewed from 34 villages of west group, 245 i.e. 86.3% sold cotton through the cooperative sale societies. The proportion of cotton growers selling through cooperatives in east and south group was 35.2% and 51.7% respectively whereas in the North group out of 300 cotton growers 134 i.e. 44.6% were found to be members of cooperatives.\(^1\) This class of independent cotton dealers is more concentrated in North Group where cotton cooperatives have begun functioning only since last 3 years. In Navapur there is no society for cooperative marketing of cotton.\(^2\)

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1 See the Table No. 34 in the Chapter VIII.P. 36/

2. The population on the eastern and north eastern borders of South Gujarat consists mostly of Adiwasis and Bhils, whose land holdings are too small to yield a crop of reasonable size justifying any scheme of joint sale. Illiteracy and orthodox views are other attributes which prevent rise of cooperative activity among them. Poverty compels them to sell crop quickly.
IV Buyers of Cotton, hiring the gin presses in the Season:

As surti cotton carries a special importance for a spinner, desiring to spin yard between 28 to 30 counts, some of the textile manufacturers a few years before had asked their commission agents to buy kapas from the interior on their behalf. The Advance Mill of Ahmedabad and Potdar Mills of Bombay can be cited as examples. In such cases the cost of buying kapas, ginning, pressing and dispatching is borne by the commission agents. The mofussil gins are hired and the gin owners concerned place the entire staff, plant and machinery at the disposal of the hirers, in exchange of rent. There are certain gin press owners who restrict their business to ginning and pressing only. As they do not deal or trade in cotton, they are ready to make a good bargain in such hiring, which may earn for them more than the ginning income of the entire season. The commission agents are then reimbursed by their clients in course of a year, probably out of sale proceeds of cloth. The lint so brought for sale does not come to Surat market but is directly dispatched to its final destination. There were 3 commission agency firms, acting as hirers of gin if required by their clients. Hiring of gin was more prevalent in precontrol period.

V The Gin-press Owners only:

There are four gin press factories which are operated for the purpose of gin press business only. Their owners are empanelled as sellers of cotton with the S.D.C.D. Association but are not dealers in practice. It appears that with the growth of cotton cooperatives they have given up the trading in cotton confining their income only to the ginning and pressing for cotton sale societies in their areas e.g. Contractor's factory at Kim, renders service to Mulad and Bolav cooperative cotton Sale societies,
The new gin press factory of Zagadia gins kapas of Zagadia taluka Cooperative Cotton Sale Society only. Ratanji Fardunji's gin press factories of Bilimora and Vansda work for others only and get no ginning on owner's account. The Advance Mills' gin press factory of Navsari works for Navsari Taluka Multipurpose Cooperative Union and other unregistered cooperative groups. One advantage of such concerns is that where cotton cooperative sale societies cannot afford to open a gin press factory they can get the benefit of exclusive use of these gins in exchanging of the gin press charges. The gin press factory is interested to get some income instead of being compelled to close down the factories and suffer a loss on investment. There is a possibility of cooperatives taking over such factories after accumulating an adequate finance and necessary working experience.

VI. Defunct:

The twelve among the sellers are defunct partly due to stoppage of business by a few and partly due to some such calamity as death of the main partner etc. One or two, of this class, have continued their membership of the S.D.C.D. Association with a view to take occasional benefit of a straddle business.

Cotton Growers as Sellers of Lint:

It is necessary to add one more class of sellers in Surat Market and that is of the cotton grower himself. In our survey of southern talukas we have come across some cotton growers who

1. It should be remembered at this stage that the ginning and pressing rates are uniform for cooperatives as well as trading units in a particular centre. According to Surat Dharo the pressing rates are to be intimated to the association's office in December every year.
instead of selling kapas get the same ginned and pressed on their account with a view to selling lint. The large cultivators are able to add more to their income by purchasing kapas from smaller cultivators and thus gathering greater pool, sufficient enough to make the business more profitable. Of course, as, only the members of the S.D.C.D. Association can effect contracts of sale in Surat Market, these farmers have to sell in the name of some member-trader, frequently a gin-press owner. The proportion of such farmers to the total class of cotton growers is very negligible but, in southern talukas, these cases are not lacking.

**BROKER**

The discussion of the personnel of marketing of Surti Cotton will not be complete without reference to the most important personality i.e. a cotton broker. All the contracts of South Gujarat Cotton are supposed to be effected through registered cotton brokers of the Surat District Cotton Dealers' Association. Broker is a mercantile agent, who is defined by the Sale of Goods Act, as an agent having in the customary course of business as such agent, authority either to sell goods or to consign goods for purpose of sale, or to buy goods or to raise money on the security of goods.¹ The degree of authority with which an agent is likely to act are specified in the Chapter X of the Indian Contract Act which defines agent as a person employed to do any act for another or to represent another in dealings with third persons.² The authority of an agent may be expressed or implied. A broker is one of the mercantile agents and has an authority to act under and according to the rules and regulation of the market in which he deals. Thus authority of

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1. Indian Sale of Goods Act. Cl. 9 Sec. 2
cooperative credit movement in bringing about substantial improvement in the economic conditions of the rural masses in this country. It was any how felt that one of the reasons for the slow and unimpressive progress of cooperative movement in India was that it confined itself mostly to the credit side. Conclusion was 'Cooperation has failed, but cooperation must succeed.' Although the need was felt for the proper re-organisation of credit movement and formation of such societies which may include besides credit other aspects of agricultural and rural cooperation, it was not until 1937 when the Reserve Bank of India, through its Agriculture Credit Department, has suggested the formation of multipurpose societies that the idea received the attention of all concerned.

Origin of the idea of 'Multipurpose' Unit:

The reserve Bank of India strongly advocated the establishment of multi-purpose societies in rural areas with the following expectations. "Starting with credit for current needs, a society may get the old debts of its good members liquidated through a land mortgage bank; introduce better business and better monetary return by inducing its members to sell their produce cooperatively; ensure their growing of the improved varieties of crops by purchasing seeds for them; save on purchases by arranging for the purchase of their other needs jointly and at profitable rates on an indent system without incurring any risk or liability; save litigation expenses by effecting arbitration; improve the outturn of crops by consolidation of holdings, supply of pure seeds and improved implements; supplement the income of its members by inducing them to take to subsidiary industries; introduce better-living measures by adopting bye-laws by common
consent which will curtail ceremonial expenditure and remove insanitary habits; provide medical relief and so on. Thus the aim was to bring the whole life of the cultivator within its ambit. One is still more surprised when another expert body endorsed the same view. The Cooperative planning Committee, appointed by the Government of India in 1946 to draw up a plan of cooperative development stated, while emphasising the need for the reorganisation of the primary credit societies with a multipurpose society, that the primary credit society should be reorganised so as to serve as a centre for the general economic improvement of its members and should in particular (a) finance production; (b) act as agent for the sale of crop to the nearest cooperative marketing organisation; (c) supply the farmers' simple needs for crop production like seed, cattle-feed, fertilizer and agricultural implements and also consumers' goods like cloth, Kerosene, salt, and matchboxes etc. on indent basis or the basis of established needs; (d) serve as milk collecting station for the nearest dairy and as a centre for animal first-aid and the maintenance of stud bulls; (e) serve as a centre for maintaining agricultural machinery for the joint use of members; and (f) encourage subsidiary occupation for its members. Views of the XVth Registrars' Conference in which the report of the above committee was considered, were more or less similar.

1. Review of Cooperative Movement: Reserve Bank of India 1937, P.20
Views of the experts:

We leave it to the commonsense of a scientific thinker as well as of a man with practical prudence to give judgement as to whether, saddling a credit society with an array of functions of heterogeneous nature and problems, will salvage the failing cooperative credit movement, or bring it to a still greater doom.

What has exactly happened since the inauguration of multipurpose cooperatives in 1944 onwards till-to-date, has been amply evidenced by the findings of a recently appointed Rural Credit Survey Committee whose opinion, we have already given in Chapter II of this work.¹

The cure suggested was heavier than the disease because the point of functional efficiency was altogether side-tracked in upholding the ideology of cooperative movement. As Prof. M. L. Dantwala once stated, the cooperative movement will be judged not so much by its theoretical rights or extent of jurisdiction but by concrete achievements in specific fields.² And so far as the efficient working of a marketing cooperative is concerned multi-commodity unit itself, will be rather at disadvantage, not to talk of a multipurpose society. It appears that the recommendations of the All India Rural Credit Survey Committee about their scheme of integrated credit have been made purely to revitalise the credit movement rather than with any particular reference to the functional efficiency of marketing cooperatives. We have, in support of our belief, the views of Prof. D. R. Gadgil, who was

¹. Not more than 3% of the total borrowings of the cultivator are met by cooperatives. chapter III, Page. 5 of the Summary Report of the Committee of Direction Vol. II.

one of the members of the All India Rural Survey Committee appointed by the Reserve Bank of India and who in his inaugural speech in the Maharshtra Regional Conference of the Cooperative Marketing Societies held at Poona on 24th and 25th April 1956, invited the attention of the conference to the factors that are essential for the successful working of cooperative marketing societies. According to him, "The most important requirement is to run a cooperative marketing society as a business institution. The principles on which the business of credit can be done are relatively few and simple and if applied with discretion there is not much risk of loss. But the principles and practices on which the business of cooperative marketing societies are to be conducted are much more complex and technical. It must be remembered that the merchant or trader is in possession of the necessary business acumen and skill as a result of experience gained through generations. It is against such experience that the cooperative marketing societies will have to give a fight. As cooperative marketing develops, the opposition from these vested interests will increase. It is, therefore, necessary that cooperative marketing societies conduct their business with the same zeal, businesslike fashion and self-interest as that of a merchant. Both the office bearers and executives of the societies must learn the technique as early as possible."¹ The guidance given by Prof. D. R. Gadgil exactly applies to a specialised marketing organisation like a Cotton Cooperative and indirectly confirms the principle of functional specialisation. The said conference has recommended

that Production Finance should be given by primary credit societies, large and small, which will collect the produce of their members as the agent of the marketing society and send it to the latter for sale on agency basis or an outright purchase.\textsuperscript{1} Here also the marketing unit is deemed to be separate from those meant for other purposes.

Let us see what the international experts have to say on this point. Regional Conference of International Labour Organisation, which met at Teheran, in April 1951, to review the growth of cooperative organisation in the near and middle east, came to the conclusion that marketing is a more complicated business than either credit or supply, and the combination of marketing with other operations such as credit, may work reasonably well in earlier stages when the business is small, where the cooperative is well established in its main business, and where the marketing transactions are kept strictly apart from others and are handled purely on an agency basis. As the business grows, it will become more and more desirable to separate the marketing operations entirely from others and run them as a distinct cooperative enterprise.\textsuperscript{2}

Replies to the Arguments in favour of 'Multipurpose' Unit:

To meet the arguments put forth in favour of Multipurpose Cooperatives is not difficult. Multiplicity of cooperatives may not embarrass the cultivator whose illiteracy is now gradually being removed and secondly business acumen does not necessarily require a high standard of literacy. We need not cite Denmark to

\textsuperscript{1} Proceedings of the conference; Op.Cit. Page. 4-5
\textsuperscript{2} Report II of the Regional Conference for the Near and Middle East, I. L. O. Page. 38-39.
visualise a farmer, becoming a member of 2 or more cooperative societies. In south Gujarat members of cotton sale societies are also, in a number of cases, members of purchase and sale unions, credit societies etc. Ordinarily an agriculturist follows a fixed rotation of crop according to the suitability of climate, and takes greater interest in the main crop, which is source of his major income. Thus, the varieties of produce are limited to not more than two. Further, the needs for credit and marketing are not felt at a time to rob him of time in approaching societies. The supposition that he will not be able to take an active interest in the management of different societies, is based on a gross conception about the membership behaviour in Indian Cooperative Movement. To a member who is capable and willing to take an interest the number of societies is no bar, but the truth prevails that he is not trained to take any interest, whether in single-purpose or multi-purpose units. On the other hand, where the members begin taking interest in the affairs and management of their cooperatives as cotton growers of Olpad, Chorasi and Mangrol talukas do, there arise occasions of 'split-ups' and fresh cooperatives spring from established ones. Multipurpose cooperative organisations will limit the chances for a rising number of zealous members ambitious to participate in management. In a single-commodity or single-purpose cooperatives members of varying degree of talent can find the scope to shine out. One cannot be active on all fronts. Next, the belief that the multipurpose group will usher a real atmosphere of cooperation by making all sections in village i.e. land lords and tenants, artisans and labourers, rich and poor etc., work together, has not been
attested by the experience. Soon the leadership passes to the influential and vested interests and nothing short of Cooperative Feudalism begins to reign. Most of the arguments are construed with a view to providing a liver to the credit movement. Yes, marketing should be linked with credit in the interest of safe repayment of loans, but both should not be mixed up. It is wrong to suppose that, as the problems of rural life, and for that purpose, even of urban life, are interrelated, their solution should also be attempted in a composite way. Better results are likely to follow if rural problems are solved in the manner in which they can best be solved, If functional specialisation has laid foundations of success and efficiency, through experience spread over more than three decades, it will be in the fitness of things to apply the lessons drawn from it to solve other problems. History of cooperation in the U.S.A. Canada, Denmark, Greece, and Middle East countries shows that the singlepurpose cooperatives have thrived best. Especially for the crop of national importance like cotton, single-commodity units provide the best pattern of organisation. As Prof. Mathur observes, such types are the best for one or two commodities which have largest production in the region concerned, so that a highly specialised cooperative society may occupy a prominent place in the economy of the state. For the remaining, general types of cooperatives may have multi-purposes.¹

CONCLUSION

There are 20 multipurpose cooperatives among the 49 cotton Cooperatives of South Gujarat. In fact, these multipurpose units do not tackle any more problems of rural life except credit

¹ Mathur M. P.: Cooperative Movement in India and Abroad, 1954.

Part II. Page. 76.
and marketing. Most of them have come in existence during the period of food control, with a view to taking up distribution of controlled cereals. At that time, while cotton sale societies were functioning in neighbouring areas, these multipurpose units did not take up the sale of cotton for their members, which they should have, if they really believed that several purposes and functions can be managed with equal efficiency at the same institution. The sale of cotton has been undertaken by majority of them since last three years, particularly when the consumers cooperative stores could not be run profitably after decontrol. Thus, the problems of retail sale of consumers goods could not be simultaneously tackled with those of the sale of commercial crop like raw cotton. Here is the practical difficulty deserving our attention. It is no wonder that greater difficulties will arise, when, as the sponsors of 'multi-purpose' idea wish, cooperatives will take up the problems of agricultural credit, marketing, rural housing, crop-insurance, cattle-care, better living, education, irrigation etc., all to be tackled by the same organisation.

Although, the cotton sale societies function on the principle of commodity specialisation their Bye-laws do provide for several ancillary functions in the sub-clauses from 4 to 9 of the clause 2. They are entitled, under bye-laws to grant credit for the current needs of agriculture, to act as agent for the sale of other agricultural produce and products of handicrafts, and to raise money on the mortgage of members' crop. So long as these cooperative societies offer production finance to their members, supply pure seeds and other materials for better cultivation,
sell lint and cotton seed on behalf of members, they are working with complete unity of interests of cotton growers without any need on their part to favour multipurpose cooperatives. Thus the aims and objects of cotton sale societies do provide the scope for taking up more functions if necessary. There is no question of scrapping them out of existence.

With this, we turn to the next Chapter to discuss another principle of Cooperative Marketing, and the relevant clauses of bye-laws of Cotton Sale Societies; viz., Membership Selection and Membership Relationship.