Selection of Region for Study:

In the last chapter it was mentioned that cooperatives are working side by side with private marketing channels for the disposal of cotton in Surat region. To study the cooperative's efficiency from the three point criteria enunciated in the previous chapter and wherever necessary to compare their performance with that of the private channels, it is necessary to select an appropriate area where all these systems and sub-systems are working and then to select representative units among these institutions. The selection of the institutions as the primary units of study, rather than starting with the producer or the ultimate consumer has been done deliberately.

In the marketing chain, the institutions stand somewhere in the middle between the producer and the consumer so that tracing backward to the producer, or forward, the consumer, is relatively easy. Our focal point is the ginning and pressing factory. Cotton in the producing areas are generally pooled in the yards of the ginning and pressing factories. After pressing, the lint cotton is disposed off to the consumers. At these factories, seed cotton of the different parties are generally kept in separate lots.
it is possible to follow the lots backward to the farmers and forward to the consumers and identify the relative efficiency of different sub-systems, under which the transactions are taking place. While selecting the ginning and pressing units, one has to be careful to select those units which operate under different systems and sub-systems.

As the first step two zones have been selected where most of the marketing systems and sub-systems are operating. One is the "Olpad-Choryasi region" (hereafter referred to as Olpad tract) and the other is "Bardoli region" (hereafter referred to as Bardoli tract). The former falls within the first cotton sub-zone and the latter falls in the second sub-zone. In the Olpad tract the entire cotton is sold through a particular pattern of cooperative structure, i.e., cooperative sub-system I, which is the most popular system in the 'Surti region'. The sale of cotton through this form of cooperative structure accounted for about 69 per cent (in 1969-70) of total cotton marketed in Surti Zone. In Bardoli tract, the other two variations of the cooperative structure as well as the two sub-systems of the private trading system are operating. Thus by selecting these two tracts one can study the two major systems, viz. the cooperative system and the private trading system and also study most of the sub-systems under these two systems. The study of the direct mill purchase which is the third sub-system under private trade was not possible due to
non-availability of data from the mills.

After selecting the areas of study, the second stage is the selection of certain ginning and pressing factories in these two tracts, which would permit the study of the cotton grower marketing their cotton under different sub-systems. In selecting the ginning and pressing factories care is taken to see that they are typical or "representative" of the particular system and sub-systems. The diagram below shows the selected ginning and pressing factories, the systems and the sub-systems they represent. It can be seen from the diagram (Diagram IV.1) that by selecting these four ginning and pressing units, all the three cooperative sub-systems under cooperative system and both the two sub-systems under private system are covered.

A brief account of the two tracts and also of the selected institutions follows.

**Olpad-Choryasi* Tract**:

This tract consists of predominantly Olpad taluka of Surat district. In these Olpad and Choryasi talukas the area under cotton accounts for 41 and 21 per cent respectively in the gross cropped area.

As mentioned earlier, in Olpad-Choryasi tract, cotton is grown by cultivators of all size groups. Though the absolute area under cotton increases with the size of holdings, the

*Choryasi is the adjacent taluka to Olpad taluka in Surat District. The head office of the selected society is situated at Surat which is in Choryasi taluka. Though the head office is situated at Choryasi, 16 societies and large proportion of members are in Olpad taluka.*
percentage share of area under cotton is more or less the same for all size groups of cultivators. It was also shown that because of the economic importance of cotton to cultivators, the cooperative form of organisation in cotton marketing has taken firm roots in this tract. Practically all cotton cultivators are members of the cotton cooperatives and the cooperatives have taken up various measures for efficient and profitable disposal of cotton.

The Selected Ginning and Pressing Factory in Olpad-Choryasi Tract:

Purushotham Farmers' Cooperative Cotton Ginning and Pressing Society (hereafter called as the Purushotham society) is selected for intensive study. This is the most important ginning and pressing factory of this tract. This society is owned by 22 marketing cooperatives and 7211 individual members. Out of the cooperative societies 20 are exclusively cotton marketing societies and other two are multipurpose societies which also deal in cotton. In the initial stage of formation of this society, the individual members were enrolled to increase the share capital base of the society but now no more individuals are admitted to membership. The individual members have only one representative in the Managing Committee. The control and management of the society rests mainly with the member cooperatives. The ginning and pressing units depend for the supply of cotton on member cooperatives. The Purushottam
Society was established in 1934 for the purpose of providing pressing service to the member societies. Its head office is at Surat where it has a ginning and pressing factory. With its three more units located at Jahangirpura, Olpad and Sayan it is one of the biggest cotton ginning and pressing cooperative society in India*. At Surat, Jahangirpura and Olpad the society is having composite units (ginning and pressing) whereas at Sayan the society has only a ginning unit. The pressing arrangement for the cotton ginned at Sayan is carried out at Surat.

For the purpose of identifying the returns to farmers (efficiency criterion number 1) (see page 16) and also for knowing the role played by the societies to assist cultivators in their production activity (efficiency criterion number 3), out of the 20 member societies (i.e. excluding 2 multipurpose society) six societies have been purposively selected. These six societies are selected at the rate of two societies attached to each composite units i.e. units with ginning and pressing facilities. It may be recalled that these six societies pool the cotton from their members, get it ginned and pressed in the Purushottam society and dispose off the cotton on the advice of the Union to which all these societies are affiliated. Thus, the selection of Purushottam Society and these six marketing societies would facilitate the study of the working of the cooperative sub-system I.

Bardoli Tract:

Bardoli is an important town 20 miles from Surat, on the Surat-Bhusaval railway line. It is the taluka headquarters of Bardoli taluka and it is linked with Surat by all-weather pucca roads.

Bardoli is associated with freedom struggle. In February 1920, the farmers in this tract under the leadership of late Sardar Patel protested against the enhancement of land revenue by the British Government. Inspite of great hardship the peasants stood united against the British Government which ultimately resulted in the then Government retracing its orders.

Bardoli, with one Sugar factory, 4 cotton ginning and pressing units, two oil pressing units, a number of small agricultural tools and implements manufacturing and repairing centres and a number of diamond polishing units, is a developing agro-industrial township. The cooperative marketing structure for banana, sugarcane, cotton, fruits and vegetables, pulses and milk as well as organisation of other activities under cooperative fold has contributed to the prosperity of the farmers of this area. The assured irrigation from Hakrapar Canal has brought stability in agriculture and has added to the growing prosperity. The hilly and backward regions beyond Bardoli, towards Jalgaon, depend on Bardoli for agricultural infrastructure and other facilities.
The concentration of 4 ginning and pressing factories at Bardoli is because of two important reasons. Firstly, it is located in an area where cooperative marketing movement for cotton is not very strong. Beyond Bardoli, most of the cotton is disposed off through the private channel. Further it is close to sub-zone III where there are no ginning and pressing units. It was shown in Chapter III that there is insufficient cotton in either zone to fully meet the needs of cotton ginning and pressing factories. This shortage is overcome by locating the units in areas where it is convenient to pool cotton from both the zones. Secondly, Bardoli has all the pre-conditions such as electricity, adequate water supply, cheap labour, good communication facilities like rail, road, telephone and telegraphic arrangements, for starting industrial activities.

Out of the four cotton ginning and pressing factories located at Bardoli one is a cooperative, two are joint stock concerns and one is a private owned factory. All the four factories are composite with units with ginning and pressing facilities. The cooperative ginning and pressing unit of this region as well as the two joint stock concerns are owned by farmers. This itself is an indicator of the economic prosperity of the cotton growers in this area. It was stated in the earlier chapter that the cotton cultivators in the second sub-zone are relatively large cultivators. For instance, the average per farmer production of cotton in Olpad-Choryasi tract is 8.3 quintals whereas in Bardoli tract it is 11.5 quintals*.

*Source : The field data collected for the present study.
The relatively better economic position of the farmers by itself accounts for the type of institutional framework that they have preferred. The farmers in this tract desire not only to improve their returns from their cotton, they also want to take advantage of the cotton available in the neighbouring backward talukas. The cultivators of this tract belonging to higher size-groups exhibit a greater entrepreneurial quality than their counterparts in Olpad-Choryasi tract. The brief details about the selected ginning and pressing units follow.

The Cooperative Factory of Bardoli:

The cooperative ginning and pressing factory of Bardoli represents the second cooperative sub-system. It was registered on 25th June, 1937 under the name of Khedut Sahakari Cooperative Society (hereafter referred to as the Khedut Society). This unit has 2294 farmers and two marketing cooperatives as its sponsor-members. These members i.e. individuals and cooperatives, get their cotton ginned and pressed in this factory and sell it in the market. There are differences between cooperative structure as represented by the Purushottam Society of Choryasi-Olpad tract (i.e. Cooperative Sub-system I) and that represented by this society (i.e. Cooperative Sub-system II). At the Purushottam Society individual members do not control and manage the ginning and pressing society which is managed by the member cooperatives. Further, in that society non-members are not allowed to get their cotton ginned. On the other hand, in the Khedut society of Bardoli, individual members get their cotton
ginned and pressed in their ginning and pressing unit and sell their cotton. The Khedut society undertakes processing work of non-members also. The individual owner-members of Khedut society sell their pooled cotton through an unregistered Mandal (Association). The two member cooperatives of this society are just like other individual members. They are under no obligation to sell their cotton through this society or through the unregistered mandal. Their annual reports show that they hire the ginning and pressing services of the Khedut society but sell their cotton independently. One of the two cooperatives is selected for study and this represents the third cooperative sub-system.

Some private traders are also hiring the ginning and pressing facilities in this society. They sell their cotton independently.*

Joint Stock Concerns:

The two joint stock concerns selected for study from Bardoli tract are the Patidar Ginning and Pressing Company and the Patel Brothers Company Ltd. (hereafter referred to as Patidar Company and Patel Company). These two companies are different from the popular types of joint stock concerns. The boards of directors of the two companies are mostly constituted by the cotton growers. Of the two, the Patidar company was the first one to be registered on 13th March, 1937.

*However, no details are available about the activities of these traders.
In fact, it started functioning from 1928 as an unregistered institution. The chief promoters of this company in the initial stage, organised the cotton farmers of Bardoli region into an unregistered Mandal (Association) and sold their cotton by getting them ginned and pressed. For five years they did not desire to get their informal arrangement to sell cotton formalised in a registered institution either cooperative or even as a private company. Mainly due to their nationalistic feelings, they did not wish to approach the British Government to give registration for their concern! Subsequently in 1933, they decided to get their informal association registered as a joint stock form of organisation. They found that joint stock form has greater scope for providing continuity of leadership. Further they saw that by forming this type of organisation they can take the benefits of a cooperative as well as that of a private company. That is why in essence the working of this company is like a cooperative though with certain differences. The company's share holders are organised into an unregistered Mandal (Association) and the mandal arranges to dispose cotton of the share holders collectively. After meeting the expenses, shareholders are paid a pooled price. The company advances production credit to shareholders and sells seeds and other inputs. It also provides other facilities to shareholders like those provided by the cooperatives of the Olpad-Choryasi tract (and that is why it is identified as the private trade sub-system I). But the company
has its own trading activity also. It purchases cotton on its account and sells the same. This puts it in private trade sub-system II. For the cotton selling activity of the company, it has its commission agents, who move in the interior villages and purchase cotton from the cultivators. Every day the commission agents are informed about the price that the company is willing to offer for cotton and on that basis they strike bargains with the cultivators. The cotton cultivators deliver cotton at the yard of the company and collect payment. The trading activity of the company extends to far off places sometimes extending upto 50 to 80 miles. The company also takes up ginning and pressing activity for outsiders on custom-service basis. A few cooperative cotton marketing societies near Bardoli get their cotton ginned in this private factory paying processing charges. These cooperatives represent cooperative sub-system III in the cooperative system. These societies prefer to get their cotton ginned and pressed in this company for various reasons. Firstly, they are located nearer to the factory. The company provides facilities like boarding and lodging for those office bearers or members of the cooperatives who come from a distance. These societies are also given certain financial accommodation to advance production credit to their members. Besides, they get market news regarding cotton prices free of charge from the company. But the major consideration is that these societies having little quantities of cotton for sale are allowed to sell their cotton alongwith
the company's share holder's cotton, which enables them to average a better price.

The Patidar Company in turn benefits from the cooperatives because it enables them to ensure fuller utilisation of the installed capacity of the unit. Two societies have been selected for study out of the seven societies hiring ginning and pressing facilities in this unit. These two societies represent cooperative sub-system III.

**Patel and Company**:

This is another joint stock venture located at Bardoli which was started in 1941 by a progressive farmer who continues to be the Managing Director of this concern. He was once the Chairman of the Khedut Cooperative and was responsible for its growth. He found that the system of democratic election to the Managing Committee did not necessarily reward the members who put in hard work. So he left the society and organised the company. Most of the shareholders of this company were once the members of Khedut Cooperative of Bardoli. This company is different from Patidar Company in a number of ways. Unlike Patidar Company this concern is engaged in a number of other activities. In 1942-43, it added a rice and pulse mill to the ginning unit. In 1948 a groundnut oil mill was started. In 1968 the company added a pressing factory. This company does not sell its ginning and pressing services to any other cooperative or individual in this region, save to its share-holders. It does not provide any production
credit or other services to shareholders. Cotton trade is one of the activities, and not the most important activity, of the company.

In this company also the cotton of the shareholders is pooled and disposed under an unregistered mandal (this represents private sub-system I). The company also makes purchases of cotton from the growers in the interior parts of the district through commission agents and sells it on its own account (this represents private sub-system II).

Data Base of the Study:

Apart from intensive study of the data obtained from the ginning and pressing units, supplementary information was collected from the terminal market of Bombay, two secondary markets of Surat and Broach and one primary market of Kapadwanj. Besides, for eliciting informations on certain questions a randomly selected group of farmers was interviewed. The details are provided below.

The reference period for the study is 1969-70. This year is considered as a normal agricultural year particularly for cotton. Though the data for the year 1970-71 was available the same was not used because there was failure of cotton crop in that year and the prices of cotton touched unusually high levels.

Mostly the published data on area and production of cotton, available from the Directorate of Economics and Statistics
or the Directorate of Agriculture, Government of Gujarat, Ahmedabad have been used. Since the reference period of study is 1969-70, the data of the preceding three years i.e. from 1965-66 to 1968-69 are also considered in most cases. For showing certain trends, the data of the decade 1958-59 to 1968-69 is used.

For drawing conclusions on cost of cultivation, profitability of cotton in this area and intensity of cropping, the data from Farm Management Studies conducted at Surat and Bulsar are used. This study extended for three years from 1966-67 to 1968-69 and the usefulness of the data is both due to the time factor i.e. it is nearer to the reference period of this study and, also due to the spread of the study for three years. Certain evidences from ongoing researches in Surat region are also used to supplement available information.

The data on ginning and pressing expenses have been collected from the annual balance sheets of the selected institutions. The work in the cooperative institutions was facilitated because not only printed data was made readily available but also free access was given to take data from the records of the societies. In the case of the private units apart from the data in the annual balance sheets, additional data from the books of the units were generally not made available. For instance, the two private limited companies did not furnish data regarding the daily purchase price at which they purchased cotton. This information
would have proved very helpful but the same was not available.

Data on cotton prices were compiled from four different sources. For Bombay terminal market the data is taken from Cotton Annual published by the East India Cotton Association, Bombay. Similarly for Surat and Broach secondary markets, the sale prices were taken from the records of the head office of the Cooperative Unions of Surat and Broach. The data for primary market has been taken from Kapadwanj, an important market for Digvijay in the Central Gujarat Cotton Zone.

For identifying per acre quantum of production credit to the various size-groups of cotton cultivators, five per cent of the borrowers (261 cultivators) were randomly selected from the six selected societies. Data were collected from them with the help of a questionnaire and by personal interviews.