REGULATED MARKETS IN GUJARAT
PART 1

A HISTORICAL REVIEW
CHAPTER I

PRE-INDEPENDENCE PERIOD


A: Agricultural Situation in the Pre-marketing Legislation Era upto 1897

Introduction: Since the Vedic Age, India has predominantly been a pastoral/agricultural country. A vast majority of her population has used to live in thousands of small villages and hamlets scattered all over the country, depending directly or indirectly upon agriculture and pastoral pursuits. Even in 1881, the first population census recorded over 90% of the people as rural. The subsequent decennial censuses also mirrored the heavy incidence of the rural sector. Thus for instance, the percentages of rural to total population stood at 90 in 1921, 88 in 1931, 87 in 1941, 86 in 1951 and 82 in
1961. Though there has been no material change in the composition of population in terms of its rural and urban character, village life in India witnessed many far-reaching and drastic changes after the advent of the British Raj through the agency of the East India Company.

Pre-British period: The agrarian economy then was characterized by its self-subsisting, self-perpetuating, self-contained and autonomous typical unit, the village.

The peasants used to concentrate on the production of food-grains and other produce like cotton, sugarcane, and groundnut. This they did primarily for local consumption as development of internal transport and trade in agricultural products had been limited. Consequently, the marketable surplus from agriculture was negligible.

The home/village industries that steadily grew in the villages had close liaison with agriculture. The former catered to most of the needs of the agrarian community by customary exchanges of foodstuffs, raw materials and finished products. The interdependence between these two sections made the village economically independent of the outside world except for a few things like salt and metals not locally available.

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1. Out of this 82% rural population, that dependent entirely or mainly on agriculture came to 69.55% in 1961. Cf.: "While in India about 71% of the population were dependent on agriculture for occupation and livelihood, the corresponding figures in other countries were much less-- 12% for the U.S., 13% for Australia, 16% for Newzealand, 19% for Netherlands, 25% for Denmark, 26% for France and 40% for Japan." Vide: L-4: p.326.
The farmers normally paid a share of one-sixth to one-half of their crops to the ruling authority of the area through village headman. No other taxes of any kind were in vogue.4

Land was sparsely populated and was plentifully available for cultivation to anyone almost anywhere. A farmer was respected by the village community. A farmer had the right of ownership of land occupied by him. He could alienate, sell or mortgage it freely. However, on account of the close-knit organisation of the village community, these rights and obligations were conditioned by customary patterns and conventions of antiquity. There were very few written laws, formal and elaborate set of rules, cases-material and law-courts; and civil disputes at the village level were usually decided by the village community.5

In times of peace, the village community managed their own affairs quite independent of external assistance or interference. For centuries, the changes in the ruling authority of the area rarely affected the autonomous structure of the village administration.6

Advent of British Rule: The British rulers introduced a number of fundamental changes in the socio-politico-economic life of the country. They included (i) the introduction of new land tenure systems between 1793 and 1850 mainly with the object of

getting the largest possible revenue needed for financing further conquest and consolidation, (ii) the imposition, in their early rule, of English administrative institutions which were characterised by their predatory and impersonal nature, (iii) the laying and expansion of railways in the country for strategic reasons, (iv) the linking up of coastal towns in India with those in Great Britain by steamship services introduced in 1840's under the pressure of British merchants and manufacturers of industrial goods, (v) the pursuance of the post-Industrial Revolution policy of free trade to satisfy the mounting demands for cheap raw materials from the expanding British industries and to provide them with vast and unrestricted colonial market for their manufactures, (vi) the calculated steps of annihilating competing Indian handicrafts and of preventing/restricting the growth of large scale industries and, (vii) the closure of forests for free use by people for their livelihood.  

Cumulative effects of these and other governmental measures were experienced in the different segments of our agrarian economy. A host of functionless and parasitic intermediaries emerged in the Indian peasantry. Many of them had no organic connection with the agricultural process. Their job amounted to collecting rents from the inferior holders and paying land revenues to the State, keeping a substantial margin to themselves. In course of time, these super-imposed revenue-recipients appropriated with the connivance and support of the

Government-- the ownership rights related to the land in their charge. They became Zamindars. The rightful owners became tenant-tillers. They acquired the status of a privileged class in society as the Government accorded them special rights including semi-judicial status in their domains and special representation in the provincial legislature's. They became the centres of effective concentration of economic, social and political power in village life. The vast majority of the villagers had to be dependent upon them in one or more ways for their livelihood and the latter seized every opportunity for their exploitation.

The apparatus of law courts, enactments, lawyers and formal procedures in replacement of the century-old customs and usage was evolved to protect the rights of these intermediaries, to settle the cases of land transfers and to regulate and administer all other matters pertaining to land.  

The rapid penetration of money and market economy in the rural sector and the fixation of land revenue and other dues in cash opened up vast vistas for the operations of the money-lending class. The introduction of the new legal system and their appendages facilitated the task of the money-lender for the recovery of his dues from the agriculturist-debtors,

12. Cf.'"With the passing of the Registration of Documents Act(1864) and the Transfer of Property Act(1882), the law came to the aid of the money-lender in expropriating the cultivator all over India." Vide: K-31: p.340.
by attaching even their lands, livestock and personal possessions. Added to these were foreclosures of mortgages and direct sales. This development accelerated the pace of the transfer of proprietary lands from the tillers to the money-lenders who then rented them out to others for cultivation. A new breed of absentee-landlords got born of the money lending business. Again, the money-lenders insisted upon their farmer-debtors to sell their produce only through them. Because of the numerous malpractices that ensued, the producer lost the advantage of securing the best price for his product and had to be the victim of accounts-manipulation. Rural indebtedness rose rapidly, tightening the grip of money-lenders on the agriculturists. Its chronic character has been brought out in the investigations by various authorities. The Deccan Riots Commission, 1875, put the debt figure per occupant at Rs. 371.

"Mr. M.L. Darling estimated the total of agricultural debt in 1921 to be between Rs. 500 and 550 crores. In 1931, the Central Banking Enquiry Committee Report estimated the total at Rs. 900 crores. The burden of debt was doubled by halving of the cultivator's income due to the slump. In 1935, Mr. P.J. Thomas estimated total indebtedness of the Indian peasant at Rs. 1500 crores. In 1937, the first Report of the Agricultural Credit Department of the Reserve Bank of India estimated the total at Rs. 1800 crores." 14

Indian Agriculture became steadily more exposed to the orbit of international trade. The opening of the Suez Canal in

1869 was a major contributory factor in the expansion of the areas and the volume of the foreign trade of India. One hand, it had a definite impact on agriculture—subsistence farming giving way to commercial farming owing (a) to the operation of the trading class, and (b) to the relative cost-price advantage in different agricultural commodities; on the other, competition from imported factory manufactures—particularly, from Great Britian—gave a death-blow to the village industries. It brought in its wake wide spread ruin for the artisans who had to fall back upon land for their livelihood. This, along with the natural growth in agricultural population, generated a tremendous pressure of population on land. The Census Reports show that the population dependent on agriculture steadily rose from 61.1% in 1891 to 65.5% in 1901, 72.2% in 1911, 75% in 1921, 75% in 1931. The appalling demographic pressure on land and the laws in capitalist society resulted in (i) the continuance of the outmoded land tenure systems, (ii) low land-man ratio, (iii) chronic unemployment/under-employment of agricultural labour, (iv) poor investment potential and continuous low productivity of land, (v) very little marketable surplus of agricultural produce because of high rate of family consumption, and (vi) continuous parcelling of

15. K-8; pp. 61 to 64, 125 and 128.
17. Cf.: Even after a decade of planning, "farm production per acre in India is about 4 or 4 the average of other countries. There is also a very large difference between the productivity of average and good farmers within the country." Vide: K-36; p.5.
land into smaller uneconomic fragments making large scale cultivation impossible, preventing any appreciable land maintenance and improvement, causing a steady decline in its fertility, raising the incidence of land wastages in boundaries and litigations, and imposing a strain on the farmers required to till the scattered plots.

The situation was aggravated by the ruin of the home industries that provided the only source of supplemented income to the farmers whose earnings were mostly scanty. The Indian Famine Commission, as early as in 1880, pointed out that the absence of subsidiary industry from which the agricultural community could derive its support was the most potent cause for its destitution during periods of famines.

These situational factors led to the disintegration of the former composite village community structure. They also gave rise to a built-in depressing frame in the agrarian economy that got flooded with imbalances. The dragon of poverty that had remained concealed until then jumped to the forefront and began to extend its tentacles. The farmer was trapped in the ever encircling vicious spiral of meagre earnings and debt

20. Cf.: "The average income of an agriculturist in British India does not work out at a higher figure than about Rs. 42 or a little over £ 5 a year. Thus the general poverty of the agricultural classes is a matter which is beyond dispute." Vide: G-7: p.39.
Agriculture had, per force, to remain a way of life for an overwhelming mass of illiterate, ignorant, poor and ill-equipped individuals, who could hardly play any constructive role in social existence.

Agricultural situation—ameliorative measures: The Government was certainly not unaware of the precarious conditions of the peasantry in India. The recurrence of famines, draughts and floods frequently aggravated the situations. The inquiries of the Famine Commissions of 1880, 1891 and 1901, the Irrigation Commission of 1905 and the Committee of Co-operation of 1915 brought to light the seriousness of many problems of agriculture and the rural economy and offered suggestions for remedial action in the context of the then existing situations. Dr. Voelker had poignantly remarked, as early as in 1889, that "Agriculture in India has deteriorated to such an extent that no further deterioration is possible." It had to be rescued from the turmoil. While the Famine Commissions were, in the main, concerned with the steps necessary on the part of the Government to diminish the severity of the famines or fortify the people against them, they also made recommendations which if implemented, with a perspective, would have gone a long way in effecting permanent improvement of agriculture and promoting the welfare of the rural population. Their reports were destined


to provide a solid base on which the superstructures of the latter developments in the agricultural arena were to take shape. However, serious steps—though very slow—began to be taken only after the turn of the century. To the Famine Commission of 1901, we owe the development of agricultural departments working on scientific lines for the improvement of agriculture. It strongly recommended that the expert staff of the agricultural departments in all provinces should be strengthened. A major landmark was laid when the Government of Lord Curzon embarked upon a forward policy in the matter of agricultural research and improvement. A very brief reference will be made in the following paragraphs to the important measures that were taken by the Governments in regard to the major issues relating to the agrarian economy sketched above.

In order to prevent deterioration of the landlord-tenant relations and adverse effects on agricultural sector both in Zamindari and ryotwari areas, the Provincial Governments seriously thought of passing special legislation. The beginning was made by the Government of Bengal that enacted the Bengal Tenancy Act in 1859. The motive force behind it was the primary need to collect rent from the tenants of the Zamindari areas. Between 1859 and 1928, 9 other Governments passed similar Acts. During 1929-39, various Governments in ryotwari areas were forced to pass tenancy Acts as a result of kisan movement. The Congress Ministries in Bombay and U.P. took the lead in

enacting comprehensive legislation. Thus, it was only in 1939, the Bombay Tenancy Act was passed by the short-lived nationalist Government with the province of Bombay to offer protection to the tenants against the Zamindars and absentee landlords. As regards Zamindari, the Bengal Land Revenue Commission (1940) stated that "the Zamindari system has developed so many defects that it ceased to serve any national interest." (Special Acts were passed by various State Governments for abolition of the Zamindars in the post-Independence years.)

As regards rural indebtedness and the control of the mal-practices of money-lenders, before 1875 the principle of 'Dam Dupat' was in vogue. Under it, the maximum total amount of interest which could be collected, irrespective of the length of the period of a loan, was limited to the amount of the principal. There was no legislation pertaining to stamps, registration, limitation, etc. "In about 1875, following upon agricultural distress riot took place in the Deccan and some of the Sahukars were looted and the money-bonds were destroyed. The British Government, therefore, felt the necessity of taking strong measures and in 1879, the Deccan Agriculturists' Relief Act was passed. It was to operate first in the four districts of the Deccan, but in 1905, it was applied to the whole of the Bombay Presidency." (Special Acts were passed by various State Governments for abolition of the Zamindars in the post-Independence years.)

The object of the Act was "to relieve agricultural classes in certain parts of the Deccan from indebtedness" and "to put

the relations between agriculturists and money-lenders on a better footing."  

The Act formulated the methods by which this result was to be attained as follows:

"(1) by provisions of safeguards against money-lenders committing frauds in their accounts and obtaining from ignorant peasants bonds for larger amounts than are actually paid to, and due from, them;

(2) by settling disputes by conciliation as far as possible;

(3) by requiring the courts in contested suits against agriculturists to investigate the entire history of the transactions between the parties, and do substantial justice to them;

(4) by restricting the sale of the ryot's land in execution of a decree and by providing insolvency procedure more liberal to the debtor than that of the Code of Civil Procedure."  

The experiment of conciliation proceedings was tried in the Central Provinces in 1899, but it failed to achieving its aim of wholesale liquidation of debts which continued to mount up from generation to generation.  

The Punjab Land Alienation Act, 1900, sought to grant relief to the agriculturist-debtors from the other end by providing regulation of both the permanent and temporary alienations of agricultural land.  

The Usurious Loans Act of 1918 gave wide powers to the court. Once seized of a case, it could, on its own motion,
reopen old transactions and inquire into the equity of the terms and scale down debts. In about a decade's time, however, the Royal Commission on Agriculture reported: "The evidence we received showed conclusively that the Act is practically a dead letter in all provinces." 33

The Insolvency Act of 1980 provided for the protection of the debtors against arrest and imprisonment in cases where the debt amounted to Rs. 500 and over.

The Great Depression in the thirties gravely affected the agriculturists. Attempts were made for remission and reduction of debts on a voluntary basis. Consequent upon the grant of provincial autonomy under the Government of India Act, 1935, the Madras Agriculturists' Relief Act, 1938, the Bengal Agricultural Debtors' Act, 1938, the Central Provinces and Berar Relief of Indebtedness Act, 1939, and the Travancore Debt Relief Act, 1940, were passed. Though the Acts varied from one another in regard to the classes of debtors brought within their purview, their purport in all cases was the grant of relief to them. Conciliation boards were set up to enable the debtors to obtain consent of their creditors for reducing debts

32. The Royal Commission on Agriculture was first of its kind, appointed by the Government of India, in 1936. It was specifically asked to examine the conditions of agriculture and rural economy in India and to suggest measures for the improvement of agriculture and the promotion of the welfare and prosperity of the rural mass. It examined in its Report that was published in 1938, all the facets of the agrarian economy exhaustively and made very valuable basic suggestions to bring about a metamorphosis in the Indian Village life.
and fixing easy instalments for repayment. Compulsory reductions were also resorted to in many cases.

The above steps to scale down debts were negative— or, at best, preventive of a chronic malaise— in character. Their intention was to reinstate an agriculturist on a stable financial position from where he could make fresh beginnings for improved agricultural enterprise. The Government did also take positive steps to provide finance both for current operations and long-term improvements in agriculture.

On the recommendation of the Famine Commission of 1880, the Land Improvement Loans Act, 1883, and the Agriculturists' Loans Act, 1884, were passed. Under the former, loans known as 'Tagavi' were granted by revenue officers for effecting improvements in land, construction of well for irrigation, etc. These carried relatively low rates of interest and easy terms for instalment-repayments. The latter provided for the grant of short-term loans to mitigate temporary distress and to help agriculturists tide over shortages of funds for the purchase of seeds, manures, cattle, etc. The impact of the operations of these two Acts was, however, extremely limited. "The record of Taccavi is a record of inadequacies." Inadequacy of amounts, inequality of distribution, inappropriateness of bases of security, inconvenience of timings, incidental delays and impositions of various kinds of burdens on the borrower, inefficiency of supervision and incompleteness of co-ordination summarise the criticisms against the 'Taccavi' administration. The dispersal of such loan-aid got discounted because their distribution was generally heavily weighted in favour of the
bigger rather than the medium and the small needy cultivators. Also, in practice, the cost of obtaining it exceeded that of finance from other sources. 34

It should not be forgotten that, at any place and point of time, direct government assistance is bound to form a very limited segment of the total needs of agriculture. People have to be self-reliant for the rest. As early as towards the close of the last century, the success of village banks in Germany and Italy had attracted considerable attention of both official and non-official workers in India also. The Government of Madras took the pioneering step of deputing Sir Frederick Nicholson to Europe to study the theory and practice of agricultural banking and to suggest means by which a similar movement might be started in their Presidency. His recommendations contained in the monumental reports-Part I and II- published in 1895 and 1897 and the powerful advocacy of the founding of mutual credit associations on the German pattern by the Famine Commission, 1901, ushered in the Co-operative Credit Societies Act, 1904. Its scope was restricted to the formation of credit co-operatives. "In the course of 7 or 8 years of working of the Act of 1904, it became evident that much progress could not be made under it in the matter of developing rural credit. The entire working capital of the movement in the year 1912 was less than Rs. 75 lakhs."35 In 1912, a second Act was passed in supersession of the Act of 1904. The new Act expressly provided for the organisation of all types of co-operative

societies, including federations. Thus, it infused a new energy into the co-operative movement. The publication of the comprehensive and classic report of the Maclagan Committee on co-operation in 1916 was a very important land-mark in the development of co-operatives. The Committee made many constructive proposals of a far-reaching character for consolidation and development of the movement, especially on its financial side. Consequent upon the passing of the Government of India Act, 1919, 'Co-operation' became a transferred subject and came under the purview of the Provincial Governments. The Bombay Government did the pioneering work in legislating the Bombay Co-operative Societies Act, 1926, on provincial basis. A number of other Provinces followed it in having their separate enactments for co-operatives. Thus, since 1912, co-operatives -- both credit and non-credit -- began to penetrate the rural sector and distribute their benefits among the rural folks.

Subdivision and fragmentation were the result of the operation of the laws of inheritance and the attachment of farmers to the pieces of the same types of lands. Over decades, the plots became extremely small in size and the productivity declined considerably. Prevention of further subdivision below a floor size and consolidation by combination of holdings in immediate neighbourhood and exchange of fragments was a prerequisite to any steps aimed at improving agricultural situation. In the Bombay Presidency, the Land Revenue Code, 1879, originally empowered the Government to refuse recognition of a survey number below the prescribed minimum size. But, as the
Law Courts recognised sub-divisions, the provision had to be later repealed. The need for legislation to prevent the progressive parcelling out of land and to consolidate smaller segments of land was felt by the Royal Commission on Agriculture which drew the attention of Government to the need for undertaking surveys and checking further subdivision. The Baroda Act, 1920, was permissive. The Central Provinces Consolidation of Holdings Act, 1928, authorised officers to confirm a scheme of redistribution when not less than one half of the permanent holders, holding not less than two thirds of the occupied area, agreed to it. This Act granted the Government a limited power of compulsion. The draft Small Holdings Bill, 1927, introduced in the Bombay Legislature had defined a standard holding below which no subdivision was to be permissible and had sought to grant powers to enforce a scheme of consolidation in any given area despite the unwillingness of the land-holders of the locality. The Bill was, however, dropped then.

A structural change was taking place in the spheres of agricultural production and marketing. Subsistence farming was giving way to cultivation for meeting the needs of the

38. It was twenty years after, in 1947, that the Bombay Fragmentation and Consolidation of Holdings Act authorised the Government to fix and determine the size of the standard area, recording of the fragments in the Records of Rights, prohibition of transfer of such fragments except when they were to become merged with the adjoining survey number.
The crop pattern was getting geared to the requirements of foodgrains for the expanding urban population, the growing agro-based industries within the country and the ever-increasing quanta of exports of agricultural raw materials to feed the manufacturing industries in Great Britain. A fillip was also given to the establishment and growth of local, regional and terminal markets for various commodities. Networks of intermediaries beginning with the local dealers through commission agents to foreign shippers came into existence. These developments could have improved the lot of the poor farmers. There were, however, major hurdles to be crossed before the gains of rising demand in the free market economy could be secured by them. The road system was very backward and all-weather roads were few. Market intelligence was primitive. The marketable surpluses of the vast majority of the producer-sellers were meagre. The pressure for their sale through the money-lenders and zamindars was formidable and they had practically no waiting capacity to take advantage of off-season price-rises. In the process of market transactions also, various malpractices related to selling method, price fixation, weighment, payment, quality, market allowances, market charges, accounts, discriminatory treatment in favour of buyers, etc. crept in at the cost of the grower-seller.39 The situation of the marketing of agricultural products had, by 1897, reached a stage where corrective action had to be imminent.

B1: Milestones in the Regulation of Markets for Agricultural Products

The Berar Cotton and Grain Markets Law, 1897: It was constituted by the orders of the Governor General in Council issued by him under Notification NO. 1727-IB, dated the 6th May, 1897, "in exercise of powers conferred by Sections 4 and 5 of the Foreign Jurisdiction and Extradition Act, 1879". Its purpose was to enable the Government to open markets and bazars for the sale of agricultural produce, to arrange for their conservancy and management, to levy fees therein, and to provide for the collection and utilisation of fees so levied. It was the first statute regarding regulation of agricultural marketing in the whole of India and subsequent markets Acts wherever passed have virtually been based on the concepts and principles embodied in this monumentary pioneering step. Its salient features were: (i) All the markets as existed on the date of the enforcement of the Law came under its purview. (ii) The Resident could declare any additional markets or bazars for the sale of agricultural produce generally or for the sale of a particular class or classes of agricultural produce. (iii) The Commissioner was to appoint from among the list of eligible persons submitted by the Deputy Commissioner, a committee consisting ordinarily of five members -- two representing the Municipal Authority concerned and the remaining three from amongst the cotton-traders -- for implementing the law. (iv) The Committee was authorised to appoint a sub-committee or a joint

committee from among its members for the conduct of any work or works, etc. and/or delegate its duties to one or more members. (v) Trade allowances or customs in usage were abolished. (vi) Unauthorised markets and bazars were banned within five miles of the market or bazar notified under the law. (vii) Market functionaries were required to take out licences. (viii) The Resident was empowered to make rules for (a) the management of the market, (b) the levy of fees and their collection and disposal, (c) the conditions under which licences be issued to brokers, weighmen, measurers and the fees to be charged for them, and (d) the place/s for weighment and measuring, the description of scales, weights, and measures to be used and their periodical inspection, correction, seizure and confiscation, if used in violation of such rules, etc. (ix) Penalties for breach of certain provisions of the law were laid down. (x) It was provided that the surplus (i.e. unexpended balance) on First November each year be transferred to the Municipal Committee or the District Board for its use. 41

Though the above scheme of regulation was universally praised and regarded as a model for adoption in our country, in its working, it was found to be suffering from some defects and limitations. One: The administration of each market established was carried out in the beginning by government servants on deputation for the purpose, or by municipal committees or their employees. Later on, from 1922, the administration was in the hands of local bodies who used to appoint a sub-committee for the purpose. 42 Where committees were established, the constitution did not make allowance for the representation of the

cultivating class on them. Actually, it was their interest which ought to have primarily been recognised in the management of the market. Two: The committees were not willing to take energetic steps to secure fair trading in the markets as a majority of the members belonged to the trading community who had their own vested interest. Three: Though the Act provided for the regulation of markets for agricultural produce as a class, in actual practice, markets for cotton only were established and no attempts have seemingly been made for covering the other commodities. Four: No independent machinery for the settlement of disputes between the seller and the buyer existed.

With all these limitations, it must be said that, in the conditions prevailing during the period of three decades from 1897, the Law was a commendable move forward in the regulation of markets for agricultural produce—particularly, cotton. The experiment in Berar was destined to serve as a prelude to the series of Regulated Markets Acts that were passed by other provinces in India.

The Indian Cotton Committee, 1917-19: The Bombay Presidency had witnessed no move in regard to the regulation of markets until September, 1917, when the Indian Cotton Committee was appointed by the Governor General in Council. Observing that in most cases the cultivator used to sell his cotton to a village trader-cum-money-lender, under whose financial obligations he was and to whom he had to sell it at a price much

\[\text{45. G-1: p. 168.} \]
\[\text{44. G-3: pp. 389-90.} \]
\[\text{45. There were 21 cotton markets in Berar in 1928. Vide: G-1: p. 168.} \]
below the current market rate and that, in others, the agriculturist was heavily handicapped in securing adequate price for his produce on account of a large chain of intermediaries in its marketing process, it had recommended that open markets for cotton on Berar System should be established in other provinces having compact cotton tracts. This, it had suggested, could be done by the introduction of suitable provisions in the Municipal Acts or under a special legislation as in Berar. The purposes sought to be achieved were: (1) Reduction in the number of middlemen. (ii) Control on the operations, malpractices, etc. of different market functionaries. (iii) Facilitating the establishment of direct contacts of cotton grower-sellers with genuine buyers of cotton. 46

The Bombay Cotton Markets Act, 1927: Of all the Provincial Governments and the native States, the Government of Bombay Presidency was the first to take initiative in the matter and enacted the comprehensive Bombay Cotton Markets Act, 1927. The Rules thereunder for the management and regulation of cotton markets were framed in July, 1929, and were made effective from October, 1929. The Act provided for (i) the establishment of markets for both ginned and unginned cotton, (ii) the notification of a cotton market by the Local Government either after consulting the District Local Board and such other local authorities as they deemed necessary, or upon a representation made by the District Local Board, (iii) the constitution, by the Collector concerned, a Market Committee as a body corporate—with perpetual succession, common seal and power to sue and be

46. G-1; p. 168.
sued in its corporate name— for managing every market to be established with a majority of the representatives of cotton growers on it, (iv) the obligatory appointment of a Disputes Sub-Committee, (v) the grant of power to the Market Committee to appoint other Sub-Committees or Joint Committees for the conduct of work/s, (vi) the ban on any trade allowance not recognised under the Rules or Bye-laws framed under the Act, (vii) the restriction on the opening of a private market in or near places declared to be a cotton market, (viii) the levy of market fees, (ix) the ban on the operations of any market functionary without getting a licence from the Committee, (x) the exercise, by the Collector concerned, of the administrative control on the Committees, and (xi) the imposition of penalties for breach of, or working in contravention of, certain provisions of the Act.

The progress under the Act was very slow as it was only an enabling and permissive one. The process of obtaining necessary resolutions from District Boards, Municipalities and other important bodies was lengthy; benevolent enabling Acts always demand initiative either from the Government officials, the public or the public organisations; and the predominance of commercial interests in local organisations in the absence of any producers' organisation were major limiting factors and a change in mass psychology is always difficult and time-consuming. Therefore, while the Act was, on paper, also applied to the areas of the then Ahmedabad, Broach, Kaira, the Panchmahals and Surat districts and it was intended by the Government

to establish cotton markets at Bavla (Ahmedabad), Jambusar (Broach), Thasra (Kaira), and Surat, none could be so notified during the operation of the Act. Thus, in practice, no marketing centre in British territory in Gujarat was covered by the Act. None of the native states including Baroda had any such piece of legislation.

The Royal Commission on Agriculture, 1926-28: It was, as if, by co-incidence that the Royal Commission on Agriculture was appointed by the Government of India in 1926 for an overall survey of the Indian agrarian scene. Amongst other things, it investigated into the difficulties and malpractices the agriculturists had to encounter in the marketing of their produce. In its report, that was published in the year 1928, in addition to laying stress on the improvement of communications, the Commission recommended the establishment of regulated markets on the Berar pattern as modified by the Bombay Cotton Markets Act, 1927, with special emphasis on (i) the application of the scheme of regulation to all agricultural commodities instead of cotton only, (ii) the establishment of Market Committees everywhere only under a single all-pervading provincial enactment, (iii) the taking of initiative by the provincial governments in the establishment of regulated markets, (iv) the grant of loans by the provincial governments to Market Committees for meeting initial expenditure on land and buildings, (v) the provision of machinery in the form of a Board of Arbitrators for the settlement of disputes, (vi) the displaying of market

49. I-4: p. 25.
information by the Committee for the benefit of the users of the market, (vii) the prevention of brokers from acting for both buyers and sellers in the markets, (viii) adequate storage accommodation in the market yards, (ix) the encouragement to organisation of co-operative sale societies, and (x) the standardisation of weights and measures.50

The Bombay Provincial Banking Inquiry Committee, 1929-30: It, too, had, in its own right, pointed out the glaring defects in the working of the traditional markets, viz., secret fixing of prices, manoeuvering price reductions on the ground of alleged inferior quality, mixing & adulteration, diversity of weights and measurements making actual price comparisons impossible51 and had recommended (i) the immediate application of the Bombay Cotton Markets Act to important centres in the Presidency, (ii) the establishment of regulated markets for agricultural commodities other than cotton, (iii) the standardisation of weights and measures, (iv) the introduction of the system of licensed warehouses in a few important centres initially, and (v) the provision of financial assistance in the shape of long-term loans carrying low rates of interest to the co-operative sale societies for the construction of godowns.52

The last two recommendations introduced two new elements to link up agricultural credit with marketing and to strengthen

51. Cf.: "There is no orderly marketing in India and that Indian producer markets his produce under very disadvantageous conditions." Vide: G-7: p. 207.
the waiting capacity of the agriculturist-seller. The Indian Central Banking Inquiry Committee, 1929-31: It was appointed by the Government of India in July, 1929. It concurred with the views expressed by and endorsed the recommendations of the Royal Commission on Agriculture, and the various Provincial Banking Enquiry Committees for improving and organising agricultural marketing in India. The Baroda Committee, 1928: Insofar as Baroda State was concerned, the Government of Baroda appointed a 5-men Committee in 1928 to enquire into the possibilities of applying the recommendations of the Royal Commission on Agriculture with regard to the establishment of markets on the lines of the Berar System as modified by the Bombay Cotton Markets Act, 1927, and their extension to agricultural produce other than cotton. It had concluded that "the question of the regulation of markets be investigated on the lines prevailing in Gandevi and Billimora", 53 which had an established reputation as self-regulated good markets. The Baroda Banking Inquiry Committee, 1929-30: This Committee that was appointed in September, 1929, had also examined the issue. Its observations, as quoted were dilatory, if not retrograde: "We inquired if marketing law was necessary in the State and we were told that none was needed. The reason was that the businessmen in the villages and towns were very shrewd men and that, if committees of local people were constituted, the members would refuse to work according to the fixed rules. 

It was suggested to us that Government might nominate officers instead of merchants as members of these committees. But we hesitated to accept this proposal because officers of the State were always ill-qualified to do such a work and we feared that they would delegate the authority to a few influential people. The remedy proposed would turn out worse than the disease. Under the circumstances, we think that marketing legislation would be premature for the State.\textsuperscript{54} It had also submitted that regulation of markets was impossible without a previous survey and had recommended that the State should order comprehensive surveys of the markets for the principal products.\textsuperscript{55}

The Mohite Committee, 1932-34: Since the welfare of the agriculturist had been accorded a high priority by the Government—through the agency of the various separate Development Departments—, and it was keen to introduce necessary reforms with the help of special legislation, under Dewan Order dated 17th May, 1932, Mr. A.B. Mohite, Personal Naib Suba, Amreli District, was entrusted with the following tasks:

"(1) To make a very careful study of the actual conditions of marketing of cotton in Amreli District,

(2) To discuss in what way these conditions are defective and result in hardships to growers of cotton, etc., and

(3) in consultation with the merchants, producers and other interested, report whether a market should be organised for cotton in accordance with the Schemes adopted in Dhulia, Hyderabad, etc. modified to suit local conditions."\textsuperscript{56}

\begin{itemize}
  \item \textsuperscript{54} G-6: p. 160.
  \item \textsuperscript{55} Ibid: p. 161.
  \item \textsuperscript{56} G-8: pp. 1-11.
\end{itemize}
After a thorough and searching inquiry which revealed numerous defects in the prevalent marketing structure, he recommended the passing of a specific Act to establish regulated and organised markets for agricultural produce and submitted a draft bill for the purpose.

A 6-men Committee, appointed by the Government in 1933, considered the Report and unanimously recommended the passing of legislation the application of which "should be permissive in character and should be introduced at such places as

i. the people desire its application;

ii. when Government on report and recommendations from departments concerned consider its application as may be warranted by local conditions."

The Baroda Agricultural Produce Markets Act, 1934: The Government accepted the recommendations with a proviso that the law, when passed, be applicable to the Amreli Taluka in the first instance. Thus, after prolonged considerations by experts, The Baroda Agricultural Produce Markets Act, 1934, was put on the Statute Book. The two major features of the Act were: (i) It brought within its purview all types of agricultural produce to be notified, from time to time, by the Government. (ii) A Market Committee was to be composed of 12 to 18 members out of which at least one-half were to be elected by the growers of the particular agricultural produce, not more than one-third were to be elected by the licensed traders, one each to be elected by the District Local Board, the Co-operative Societies within the Market Area and the Municipality, if any,

and the remaining to be nominated by the Government.\textsuperscript{59} The Act was applied to the Sankheda Taluka (Baroda) and the Amreli Taluka (Amreli) only.\textsuperscript{60}

The Pioneer Regulated Market at Bodeli: The move of the Government of the then Chhota Udepur State in the year 1937-38 to establish a statutory cotton market in village Dhokalia made the business community comprising traders, commission agents and brokers in Bodeli— the trading centre half a mile away from Dhokalia— apprehensive of a diversion of cotton trade from Bodeli to Dhokalia. Supported by the agriculturists, it made a representation to the Government of Baroda to apply immediately the Baroda Act to Bodeli area. After instituting a detailed technical inquiry for ascertaining the feasibility of the scheme, the Government decided to establish a market for cotton, in the first instance, at Bodeli and issued a notification accordingly under the Baroda Act.\textsuperscript{61}

With the institution of this first regulated market began the history of regulated marketing in the entire area of Gujarat comprising the territories of British India and the native States. It was the flag end of the cotton crop season then and a few months had to be spent in the selection of site for the market yard, the construction of buildings and other structures and the procurement of finance. It was an event when the market yard was declared open on 22-12-1939 by late Sir V.T. Krishnamachari,\textsuperscript{62} the then Dewan of Baroda State. It

\textsuperscript{59} J-5. \quad \textsuperscript{60} J-6: Preface.
\textsuperscript{61} D-33: p.1. \quad \textsuperscript{62} the first Deputy Chairman, Planning Commission, Govt. of India.
were primarily his keenness and deep enthusiasm that provided the early momentum. The sizable financial assistance in terms of Government grant of an interest-free loan of Rs. 10,000, a subsidy of Rs. 5,000 from the "Hirak Mahotsav" (Golden Jubilee) Fund and a donation of Rs. 5,000 by the Baroda Prant Panchayat (Baroda District Local Board) and other assistance were the major contributory factors that put the Bodeli Market on sound foundations from the very beginning.

The first working year of the market was quite encouraging. It brought into its fold 27 A class traders, 18 commission agents, 3 brokers, 28 assistants to traders and 9 weighmen by issuing appropriate licences to them. Its market yard attracted cotton to the extent of 18994 quintals valued at Rs. 5,69,820. Cotton came even from distant places situated in areas of the then Chhota Udepur, Jambughoda and Bhamaria States, the Halol Taluka in the British Panch Mahals District, and Sankheda Taluka of the Baroda State.

The establishment of a regulated market in Bodeli did not deter the Government of the small Indian Princely State of Chhota Udepur from starting a marketing centre for cotton at Dholakia in the year 1941-42 under its 'Cotton Improvement Act'. The Act provided for the regulation of trade of compulsorily grown 1027 A.L.F. variety of cotton by (i) putting a ban on the entry of cotton from the adjoining territories, (ii) restricting the flow outside of cotton produced in the State territory, and (iii) establishing marketing centres in the

State for ginning and pressing of such cotton so that main-
tenance of purity of the high grade cotton variety and best
prices to the growers were assured. 64

The working of the Dhokalia market centre affected consi-
derably the volume of business in the Bodeli cotton market.
The long staple 1027 A.L.F. cotton traded in the Dhokalia
market used to fetch about Rs. 35 more per 'Bhar' than the
'Deshi' cotton usually arriving at Bodeli. Thus, the simulta-
neous functioning of the Dhokalia and the Bodeli markets re-
sulted in a segregation of trading of the inferior and superior
varieties of cotton. The price difference of about 50% in the
two markets situated at a distance of only half a mile of each
other encouraged the smuggling of the inferior cotton into
the Dhokalia market, increased cotton adultration, and had a
further adverse impact even on the 'Deshi' cotton business of
the Bodeli market. An offshoot of the situation was that the
Government of Baroda, on representation from the Bodeli Market
Committee, granted permission to the cultivators in 28 villages
in its territory affected by the Dhokalia market to grow 1027
A.L.F. cotton in substitution of a slightly inferior B.D.8
variety compulsorily grown there under the Baroda Cotton Control
Act, 1941. 65

Despite the competition from the Dhokalia market, the
Bodeli market did witness a steady multi-directional growth
since then. 66 Both the markets functioned separately until 1949
when the States merged with Bombay State and the Dhokalia mar-
et lost its entity in favour of the Bodeli market. 67

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64. A-27 and D-37: p. 3.
Due to the exigencies of the Second World War and the immediate post-war conditions, no other market could be established in the Baroda State territory. 68 Even in Amreli Taluka, stiff opposition from vested interests had obliged the Government to abandon its special efforts to institute a regulated market under the Baroda Act. 69

The Bombay Agricultural Produce Markets Act, 1939: Since the passing of the Bombay Cotton Markets Act in 1927, the Government of Bombay had gained experience in the field of regulation of agricultural marketing. The numerous commodity-wise surveys made by the Agricultural Advisor to Government of India had produced a fund of basic information. 70 There was a clamour for the extension of the principle of regulated marketing to agricultural produce other than cotton. Hence, the comprehensive Bombay Agricultural Produce Markets Act was brought in force from 2nd November, 1939, with the avowed objectives of removing inequalities in the bargaining power between the buyer and the seller, freeing the agriculturist-sellers from the malpractices pertaining to the use of false weights and measures and recovery of unwarranted and unfined charges from them by traders and middlemen, promoting mutual confidence between all the parties at the deals, improving the efficiency of marketing, reducing the cost of marketing for the benefit of both the producers and the consumers and giving a fair deal to the agriculturist-seller. 71 The Rules thereunder were framed and

68. I-5: p. 34.
69. I-8: p. 18.
notified in June, 1941. The important new elements introduced in this legislation consisted of:

(1) inclusion of the produce of Horticulture and Animal Husbandry in "agricultural produce",

(2) distinct classification of the 62 commodities enlisted in the Schedule into eleven broad categories, viz., (i) fibres, (ii) cereals, (iii) pulses, (iv) oilseeds, (v) narcotics, (vi) sugarcane, (vii) fruits, (viii) vegetables, (ix) animal husbandry products, (x) condiments, spices, etc., and (xi) grass & fodder,

(3) empowering the Government to regulate commodity not included in the Schedule by notification in the Gazette,

(4) appointment of a Committee as a body corporate, with representation of agriculturist-sellers, traders, local authorities and Government thereon for implementing the Act, (Later on, representation to the co-operative sale societies holding traders' licence was also provided.)

(5) sales by open auction or by open agreement,

(6) insistence on prompt payment of the value of the produce by the buyer or the commission agent to the agriculturist-seller,

(7) prevention of adultration in agricultural produce,

(8) regulation of advances to agriculturists by the general commission agents or the brokers,

(9) provision for storing of agricultural produce, and

(10) control over the Committees by the Government, the Director and the Collector concerned with regard to discharging their functions under the Act.

The Second World War and its impact: The Act was, however, destined to be slow and staccato in its impact. With the outbreak of the Second World War in September 1939, the clouds of darkness and dislocation of normalcy in the social, political and economic life began to hover over the country. Progressively greater diversion of production to meet military needs given top priority, restrictions on civilian consumption, acute shortages, quotas, hoarding, black-marketing and profiteering became the order of the day. Controls on foodgrains including paddy (husked and unhusked), wheat, millets, some of the pulses, and other essential agricultural commodities were imposed. Their free movement—inter-and intra-regional—were restricted. The levy system for their direct procurement by the Government from the growers was resorted to and price control and statutory/informal rationing were introduced. Everywhere the free market economy progressively began to be converted into a stagnant closely controlled economy as the 'Dragon of War' spread its fast growing tentacles. The demand for complete independence from the British Yoke gathering momentum since 1939 and converting itself into a country-wide Quit India Movement in 1942, and its aftermath had resulted in a wide-spread imprisonment of the political leadership within the country and diverted the attention of people to meet immediate problems of precarious existence.

The period until the cessation of hostilities in May, 1945, therefore, witnessed the establishment of only three regulated markets in the same District— and that, too, for cotton only—in the Gujarat area covered by the Bombay Act, 1939. (It must
be mentioned here that this could happen only as a result of persistent pressure from some of the workers concentrating in socio-economic reforms.)\textsuperscript{73} The three markets were established at Bavla, Sanand and Viramgam in Ahmedabad District on 5-5-1943, each with a taluka-wide market area.\textsuperscript{74} The Bavla market, inaugurated on 7-2-1944,\textsuperscript{75} was the first to start functioning. Table I.1 depicts the operating results of the market during the first year.

Table I.1\textsuperscript{76}

<table>
<thead>
<tr>
<th>No. of commodities regulated:</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of licence-holders</td>
<td>779</td>
</tr>
<tr>
<td>(a) A class traders</td>
<td>257</td>
</tr>
<tr>
<td>(b) B class traders</td>
<td>262</td>
</tr>
<tr>
<td>(c) General commission agents</td>
<td>15</td>
</tr>
<tr>
<td>(d) Weighmen</td>
<td>245</td>
</tr>
<tr>
<td>Total gross income</td>
<td>Rs. 19,084</td>
</tr>
<tr>
<td>(a) Licence fee</td>
<td>Rs. 15,069</td>
</tr>
<tr>
<td>(b) Market fee</td>
<td>Rs. 3,611</td>
</tr>
<tr>
<td>(c) Income from other sources</td>
<td>Rs. 1,384</td>
</tr>
<tr>
<td>Excess of income over expe­nditure (Surplus)</td>
<td>Rs. 14,380</td>
</tr>
<tr>
<td>Commodity arrivals (in carts):</td>
<td>22294</td>
</tr>
<tr>
<td>(a) No. of Cotton-pods carts</td>
<td>10448</td>
</tr>
<tr>
<td>(b) No. of unginned cotton carts</td>
<td>11401</td>
</tr>
<tr>
<td>(c) No. of cotton (ginned) carts</td>
<td>445</td>
</tr>
</tbody>
</table>

\textsuperscript{73} Cf.: "The time involved in completing preliminary surveys undertaken by the Marketing Staff as well as the disturbed (contd., p.36.)

\textsuperscript{74} E-4, pp. 58-59. \textsuperscript{75} D-15: p. 1. \textsuperscript{76} D-15: pp. 1 & 8 to 15.
The beginning was promising. To-day, it is one of the biggest regulated markets for Cotton in Gujarat.

Post-War Reconstruction Scheme: The Central as well as the Provincial Governments had already started formulating various post-war schemes before the War came to a close for the rehabilitation of the War-shattered economy and economic growth. The Post-War Reconstruction Scheme No. 68 of the Government of Bombay envisaged the establishment, within the first five post-war years, of a chain of 33 regulated markets along with the promotion of an equal number of ancillary co-operative sale societies which were to work, on behalf of agricultural primary societies and individual producers, in the regulated markets as commission agents in selected major marketing centres in 9 district of the Bombay Province.\footnote{Ibid p. 4.} Surat, Bardoli, Bulsar, Chikhali, and Olpad in the Surat District in Gujarat were included in this chain.\footnote{Ibid p. 11.} None of them, however, was so established and the scheme proved to be a paper one for Gujarat.

Review of the position as on 31-8-1946: An analysis of the position of the regulated markets in existence as on 31-8-1946 showed that there were four such markets having taluka-wide market area each. Three of them were functioning under the Bombay Act in the Ahmedabad District and one was functioning under the Baroda Act in the Baroda District. The total area

\footnote{Vide: G-12: p. 11.}

\footnote{Ibid: p. 11.}
under regulation covered all the 118 villages in Dholka, 68 in Sanand and 164 in Viramgam talukas of the Ahmedabad District and 188 in Sankheda taluka of the Baroda District. They had one principal market yard each at Bavla, Sanand, Viramgam and Bodeli respectively. The Bodeli market regulated trading in two commodities, viz., cotton and groundnut. The remaining three markets were all a single commodity cotton markets.

In Table 1.2 are presented the aggregate figures regarding licence coverage, financial position and commodity arrivals in these four markets in 1945-46.

Table I.2

<table>
<thead>
<tr>
<th>No. of licence-holders</th>
<th>1,189</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>Rs. 25,064</td>
</tr>
<tr>
<td>Surplus</td>
<td>Rs. 12,724</td>
</tr>
<tr>
<td>Accumulated permanent fund</td>
<td>Rs. 85,888</td>
</tr>
</tbody>
</table>

Commodity arrivals

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Quantity ('000 quintals)</th>
<th>Value ('000 rupees)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Fibres</td>
<td>118.6</td>
<td>5,527</td>
</tr>
<tr>
<td>(Cotton)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b) Oil-seeds</td>
<td>11.0</td>
<td>158</td>
</tr>
<tr>
<td>(Groundnut)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>129.6</td>
<td>5,685</td>
</tr>
</tbody>
</table>

All the four markets had to pass through teething troubles in their infancy.

79. D-36: pp. 3 to 8, C-17, C-19 and C-21.
Notwithstanding, the progress made by them for bringing the different market functionaries under their fold was noteworthy. In all, during the year licences were issued to (i) 65 general commission agents, (ii) 245 A class traders, (iii) 401 B class traders, (iv) 269 C class traders, (v) 13 assistants to merchants, (vi) 7 Brokers, and (vii) 193 A and B class weighmen. The Viramgam had the highest strength while Sanand had the lowest. Viramgam shared 56.8% of the aggregate income of these markets. None of them incurred any deficit and the expenditure constituted only 49% of the income. During the seven years from 1939, the permanent fund rose to Rs. 85,888.

As against the 62 commodities enlisted in the Schedules to the two Marketing Acts, only cotton and groundnut were, until 1946, regulated for trading in these markets. All the four principal market yards could attract sizable quantities of cotton, the main contributories being Bodeli and Viramgam. The average arrival of cotton per market amounted to 29,650 quintals valued at Rs. 15.82 lakhs. Groundnut constituted only 8.9% of the total volume of business of the Bodeli market.

To sum up, the history of regulated marketing in the pre-Independence years, has been limited to that of only 4 markets in Gujarat in a period of half a century since the passing, in 1897, of the first-ever Berar Law in the field in India and that of two decades since 1927, when the Bombay Cotton Act was passed, that covered the Gujarat area for the first time.