

CHAPTER - 4

MARKETING OF COTTON
IN PHALTAN MARKET

IMARKETING OF COTTON IN PHALTAN MARKET

At present there is no private trade of cotton in Maharashtra State, as the government is the sole purchaser of cotton since 1972 (excluding 1976 to 1979). But before 1972 and in the free period as noted above, the trade was carried on privately, the salient features of which are described below.

(A) Marketing Practices

The cotton season starts in Phaltan market from August. Arrival of cotton starts normally from the second week of August immediately after the picking of cotton is done. The cultivators used to bring their produce in market and sell it through commission agents or co-operative marketing societies. The commission agents were reputed traders in this area. They used to receive the consignments from the growers of the area on their own credit, and pay nearly fifty percent of the approximate value as advance to the cultivators. The commission agents, in turn sold the cotton to the wholesale buyers thereafter and received payments from them within a week or two. The farmers were generally absent at the time of this transaction and trusted fully the commission agents.

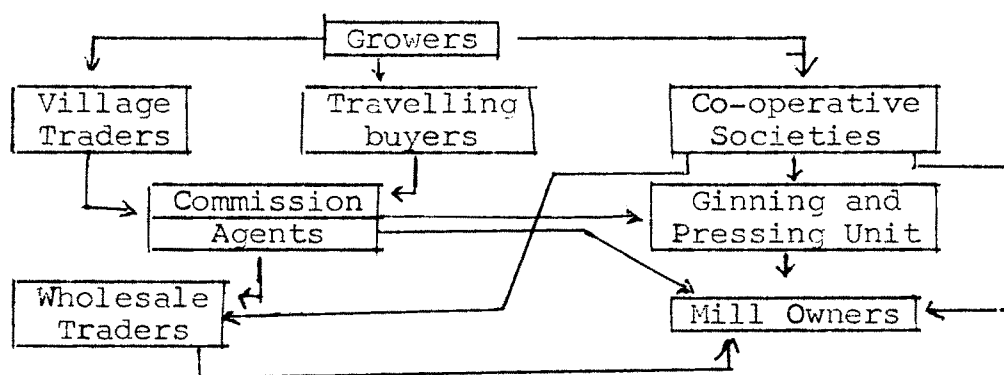
The latter had complete freedom of disposal of the growers' produce. Under such circumstances, it is obvious that the traders use to exploit the situation to their best advantage.

Phaltan being a regulated market since 1952, open auction sale system was adopted. However, the growers were least interested in and often ignorant about the market practices, their sale interest lay in proceeds accruing to them. Because, traders provided farmer assistance in cash and kind throughout the year as and when needed. In short, a strong money link between growers and traders existed in the cotton market of Phaltan also.

(B) Marketing Channels

Chart - 1

Marketing Channels of Cotton in Phaltan Market before Monopoly Scheme



In village bazars the village traders and travelling buyers collected cotton and transported it to Phaltan regulated market. Small quantity of cotton and urgent need of cash led small cultivators to sell in the village itself. Farmers with larger quantity brought their produce in Phaltan market and sold through commission agents or

commission agents or co-operative societies. Majority of the farmers, however, preferred to sell their cotton in Phaltan market. Wholesale traders from different places purchased cotton through local commission agents, ginned it in case they did not have their own ginning units and transported raw or ginned cotton to their own places. Chart-1 exhibits the trading channels in cotton trade in Phaltan market in the absence of monopoly purchase scheme.

(C) Cotton Commission Agents

So long as private trade in cotton existed, all the cotton traders in Phaltan market functioned as commission agents. As they were functioning in regulated market, they obtained licences from the Market Committee in the category of commission agents. A commission agent is normally understood as "a person who himself or through his own servants buys or sells agricultural produce to another person, keeps it in custody and controls it during the process of its sale or purchase and collects payment thereof from the buyers and pays it to sellers and receives by way of remuneration a commission of percentage upon the amount involved in each transaction."¹

1 - Joshi, V.S. & Kayamkane, L.K. : The Maharashtra Agricultural Produce (Regulation) Act, 1963 & Rules, 1967; Page-22; Dnyandeep Prakashan, Pune 16.

Commission agents of Phaltan fitted well to in this description. They worked as an intermediary between growers and wholesale buyers from side out places. For their upcountry buyers they purchased cotton of requisite quantity, stored properly in their godowns and did ginning and pressing if needed. The upcountry buyers paid the commission agents commission as fixed mutually besides covering actual cost of all the operations involved in the business. To the grower-sellers also the commission agents provided services of assembling, sorting, weighing, storate, selling at the opportune time and in the meanwhile making advance payments; for all this commission was charged to the growers.

These commission agents were moneyed people and hence a considerably large portion of their finance was their own. About 25 to 40 percent of their capital investment came from financial institutions like banks. As a result, growers could realise their proceeds without much delay.

In Phaltan market, there was no commission agent who was engaged only in cotton trade; everybody had one or more additional business activities. Their allied business comprised agro-services, cloth selling, cotton ginning and pressing and so on. Diversification of business activities, though adopted for profit making to begin with, proved to be a boon in disguise later on for many traders when cotton

trade was detached from them on introduction of cotton monopoly purchase scheme in Maharashtra State. However, as cotton trade was their major activity, about one-third of the commission agents could not withstand the impact of withdrawal of cotton trade and, therefore, were out of commission agency business in general as observed from Table-1.

Table - 1
Commission Agents in Phaltan Market

Year	General Commission Agents
1968-69	32
1969-70	35
1970-71	39
1971-72	30
1972-73	19
1973-74	20
1974-75	19
1975-76	19
1976-77	19
1977-78	32
1978-79	31
1979-80	34
1980-81	24
1981-82	30

Source:- Agricultural Produce Market Committee;
Phaltan : Annual Reports.

Before Monopoly Purchase Scheme of Cotton, the number of commission agents varied between 30 to 39, it dropped down to 19 in 1972-73 and remained there for the next two years also. With de-monopolisation in 1976, perhaps, ousted people might have again come in as the number went up to the pre-monopoly level. But unlike the earlier development, it seems that they could gather strength in meanwhile so that with reimposition of the monopoly purchase scheme in 1978 they could very well continue as general commission agents. In anticipation of comeback of the scheme they took precaution to gain strongholds in other lines of business also along with cotton trading. Therefore, the general commission agents moved roundabout 30 only - overall stability in number of dealers in Phaltan market.

Among these commission agents there were four co-operative societies which dealt with cotton before the enforcement of procurement scheme. They were (1) Vidani Vividh Karyakari Sahakari Society Ltd. Vidani (2) Maharashtra State Co-operative Marketing Federation Ltd. (iii) Phaltan Taluka Sales and Purchase Union Ltd. and (iv) The Phaltan Cotton Sell, Ginning and Pressing Co-operative Society Ltd., Phaltan. Remaining commission agents were private firms. Of the four co-operative societies, the Phaltan Cotton, Ginning and Pressing Co-operative Society Ltd. dealt with cotton activity only. Before monopoly scheme of cotton, this

society provided cotton seeds, fertilisers and plant protection materials to its members on their own credit and deducted the amount from sale proceeds after marketing of their produce. But under monopoly scheme, these activities were stopped because amount so given was treated as advance and not as loan and hence recovery was not allowed to be made through the sale proceeds of cotton. Hence the co-operative unit had to discontinue the practice of non-loan payments to the cotton growers.

II

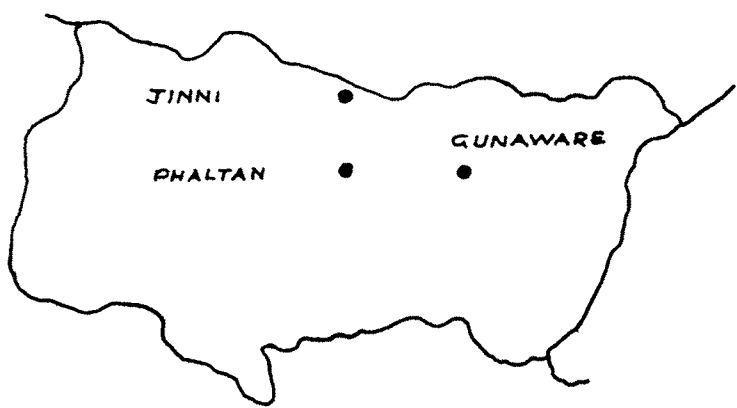
AFTER MONOPOLY PROCUREMENT SCHEME

After introduction of monopoly purchase of cotton in Maharashtra State, private trade came to an end and the Maharashtra State Co-operative Marketing Federation Ltd. was wholly responsible for marketing functions.

Importance of Phaltan town in cotton assembling has continued even after the introduction of monopoly procurement scheme as more than 50 percent of cotton collection is still done in Phaltan itself. Details in this respect are given in Table-2.

COTTON COLLECTION IN PHALTAN MARKET (1981-82).

(A) COLLECTING CENTERS.



(B) CENTERWISE COLLECTION OF COTTON IN PHALTAN TALUKA

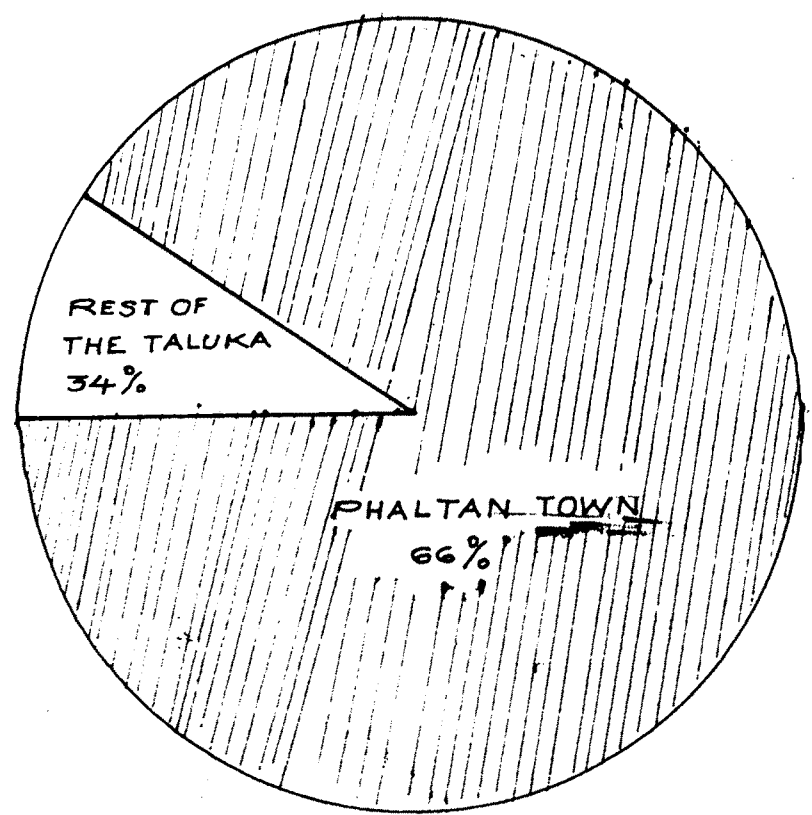


Table - 2

Centrewise collection of cotton in Phaltan
Taluka (1981-82)

Area	Name of the Collection Centre	Collection of Cotton	
		Quantity in Quintals	% to Grand Total
Phaltan Town	Co-operative Gin	20,923	66.63
	Total	20,923	66.63
Outside Phaltan Town	Gunaware	8,574	27.30
	Jinti	1,981	6.30
	Total	10,555	33.61
Grand Total A + B		31,398	100

Source :- The Agricultural Produce Market Committee,
Phaltan; Annual Reports.

In 1981-82 total cotton purchased was 31,398 quintals out of which 20,923 quintals, 66 percent cotton was collected by co-operative ginning factory at Phaltan, whereas Gunaware and Jinti collection centres together collected 10,555 quintals of cotton outside the Phaltan town. In short, Phaltan town is a major cotton trading centre in the taluka.

(A) Marketing Channels :

Phaltan marketing area as such can be divided into Phaltan proper and outside Phaltan town comprising rest of the taluka. Both these units covered three collection centres of which one is in Phaltan town and two are

in the rest of the taluka. Channelling of cotton through the collection centres has become a simple process as it is depicted in Chart-2 as compared to the same before monopoly purchase scheme.

After monopoly scheme, growers in the taluka bring their raw cotton at the collection centres, which are prefixed for them. The produce is then graded by the authorities and pooled to in different heaps as per grades. Before sending the cotton for ginning and pressing, the collection centres spread it in open on tarpaulin carpets to dry out the moisture as also to remove unwanted elements therein. Ginned cotton later on pressed into bales of 180 kilograms each. Finally, these bales are transported to terminal markets.

• (B) Marketing Arrangements

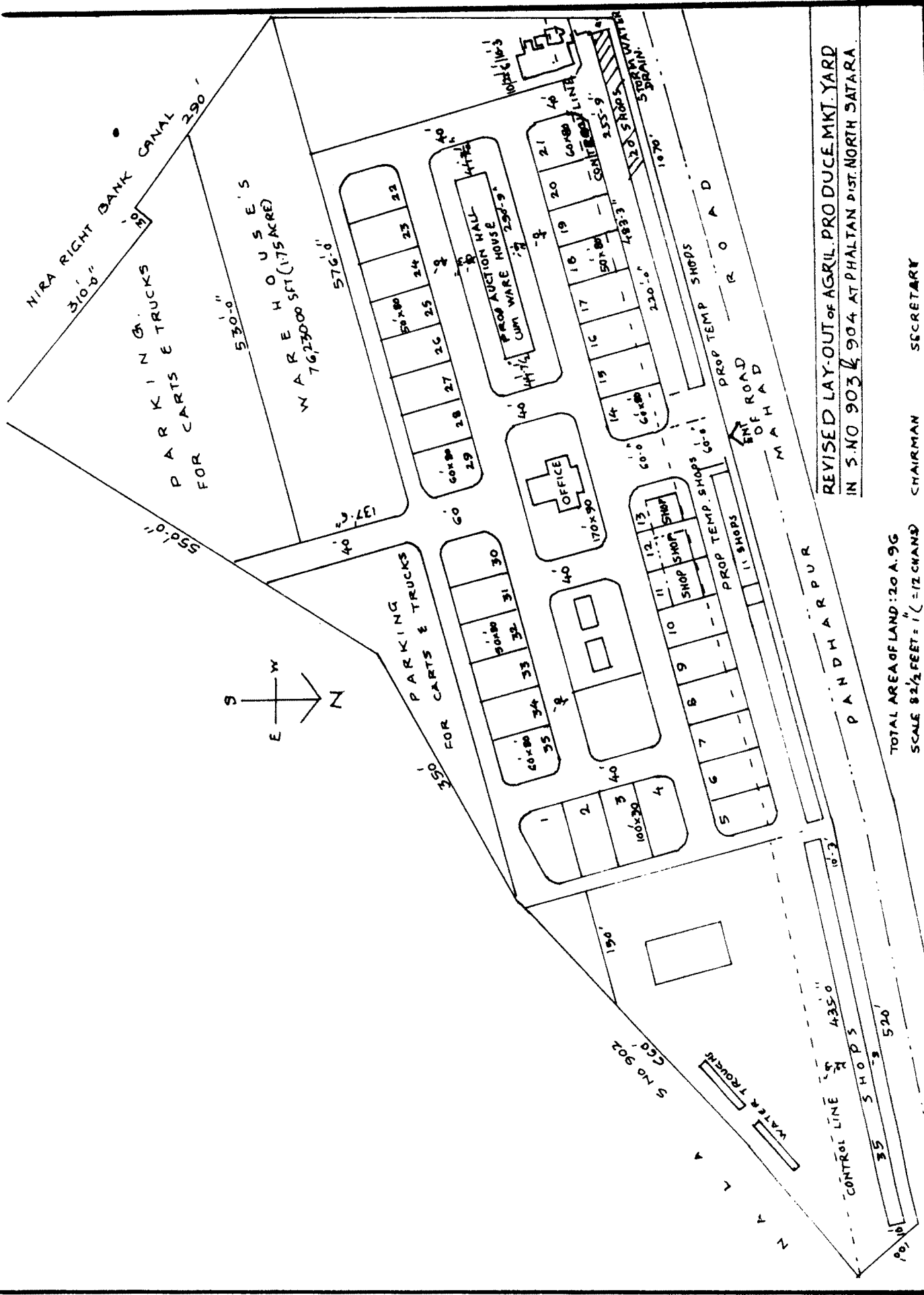
Growers bring their produce at respective collection centres on the days fixed by zonal officer in consultation with the market committee. Licensed hamals unload the bullock carts/trolleys at the weighing balance and the weightment is reported at the billing counter. After gradation, weightment of cotton is observed and signed by the grader, weighman and sub-agent in the presence of the grower-seller. At the same time details of loans, if any, from Co-operative Credit Society, Land Development Bank and crop loan of commercial banks are verified from the green card of the grower. He is paid full value of his produce in case his green card is found clean and upto 40 percent if he is indebted. Payment is made by Account Payee Cheque.

(C) Area of Arrivals

Because of zones, sub-zones, collection centres etc., which are predetermined by the state government, free movement of cotton is strictly prohibited. So whatever the quantity of cotton is collected at the centre is solely the collection of the produce from the area falling within the jurisdiction of respective collection centre.

(D) Agricultural Produce Market Committee, Phaltan

Growers of agricultural commodities normally sell their produce in primary and secondary markets. But



REVISED LAY-OUT OF AGRIL. PRODUCE MKT. YARD
 IN S.NO 903 & 904 AT PHALTAN DIST. NORTH SATARA.

TOTAL AREA OF LAND: 20 A. 96
 SCALE 8 1/2 FEET = 1" (= 12 CM) AND

CHAIRMAN SECRETARY

therein various malpractices such as short weight, unauthorised deductions, expensive market charges etc. take away a considerable part of the price paid by the buyers in the absence of any controlling authority. As an antidote to this, regulated markets have been developed at each taluka level in Maharashtra State. Market regulation helps -

- (a) to regulate sale and purchase of produce and
- (b) to create conditions of fair competition so as to ensure a fair deal to farmers in marketing their produce.

Brief History

Agricultural Produce Market Committee, Phaltan was established on 15th December, 1952. Initially, it regulated agricultural commodities in both the Phaltan and Khandala talukas in Satara district. Khandala taluka was subsequently detached from the authority of Phaltan Market Committee when Khandala taluka was granted an independent Market Committee. Consequently, Phaltan Market Committee continued to operate for Phaltan taluka only.

Chief Features

(1) Market Infrastructure

The state government declared in official gazette the establishment of an Agricultural Produce Market

Committee for the area comprising Phaltan and Khandala talukas of Satara district on January 26, 1951. The Agricultural Produce Market Committee, Phaltan (APMC Phaltan) actually started functioning on December 15, 1952, showing a time lag of six months and four days between its official declaration and its actual establishment.

The Agricultural Produce Market Committee, Phaltan declared Phaltan and Khandala talukas as its market area and the bazar locality of Phaltan town as market yard, to begin with. To facilitate the work of regulation in the principal market yard at Phaltan, the Agricultural Produce Market Committee, Phaltan acquired land measuring 23 acres and 20.5 gunthas on Mahad-Pandharpur Road to the extension side of Phaltan town. The first notification of land acquisition was published on February 22, 1965 whereas the actual acquisition process was completed on June 30, 1966, involving time gap nearly one year and four months. The Agricultural Produce Market Committee, Phaltan then got prepared a layout plan of the market yard as given in the map and in the right earnest began its execution.

So far the Agricultural Produce Market Committee has provided the following infrastructural facilities in the principal yard of Phaltan : barbed wire fencing to yard, the office building, staff quarters, Shetkari Niwas,

Canteen, Godowns, Bank Office, Post Office, Shops for traders, water supply, road and street lights, trees by the roadsides, supermarket for consumers and publicity and propaganda devices. In the near future the Agricultural Produce Market Committee contemplates to provide auction platforms, additional roads, sanitary blocks, rest houses, cattlesheds and compound wall.

Considering the developments in the yard so far, the Phaltan market yard can be considered as semi-developed one.

The Agricultural Produce Market Committee, Phaltan has proposed to establish upto 1985 sub-market yards in the taluka at Barad and Taradgaon, 15 and 20 kilometers respectively away from Phaltan.

(2) Market Committee

Agricultural Produce Market Committee, Phaltan consists of eighteen members including seven representatives of cultivators, three traders, one of municipality, one of co-operative society, one of cash crop officer, one of Assistant Registrar of Co-operation and one of Panchayat Samiti.

(3) Regulated Commodities

In all eighteen commodities have been regulated in the area of Market Committee; viz. jaggery, onions, jawar, bajara, wheat, khapali, tur, gram, cotton, wool, paddy,

rice, chillies, cotton-seed, cattle, and fodder.

(4) Licenceholders

The functionaries in the regulated market are required to obtain licence. They have to pay a prescribed licence fee. The licenceholders and their fees are given in Table-3.

Table - 3

Market Functionaries in regulated market of Phaltan

Sr. No.	Class of Licencee	Annual Fee Rs.	Renewal Fee Rs.	Number of Licenceholders					
				75-76	76-77	77-78	78-79	79-80	80-81
1.	General Commission Agents	100	90	19	32	31	34	24	30
2.	Traders 'A'	100	90	28	32	35	33	35	34
3.	Traders 'B'	50	45	63	58	48	56	55	56
4.	Traders 'C'	20	15	159	178	126	195	246	265
5.	Processors	100	90	06	05	06	08	07	04
6.	Brokers	20	15	04	-	-	-	-	-
7.	Weighmen	10	09	43	42	35	41	36	23
8.	Hamals	03	02	387	369	316	422	309	272

Source : The Agricultural Produce Market Committee : Annual Reports.

(5) Market Charges :

Nominal amount by way of market fee has to be paid by the traders to the market committee. It is usually levied on the basis of value of commodity. It is the main source of income to the market committee.

Market charges for cotton were as follows when private trade was in vogue :

- (a) Market charges to be recovered from sellers -
 - (i) Commission Rs.1.75 per quintal.
 - (ii) Weighing Rs.0.80 per bag.
 - (iii) Hamali Rs.0.80 per quintal
 - (iv)
- (b) Market charges to be recovered from purchasers -
 - (i) Market fee Rs.0.50 percent.
 - (ii) Supervision fee Rs.0.05 percent.

In monopoly scheme deductions are as follows -

- (i) Agricultural Produce Market Committee charges include -
 - (a) Hamali - Rs.1.00 per quintal or 0.22% of sale proceeds
 - (b) Weighment - Rs.0.25 per quintal or 0.05% of sale proceeds.
- (ii) Planning Fund: 3% of the sale proceeds (for stabilisation of scheme and development of cotton processing activities. These deductions are made). It bears 12% interest rate.

(6) Method of Sale :

Goods have to be sold by open auction in Market yard. According to this system auction of the produce is done at a particular time of the day, when all the intending buyers are present. Generally, the produce is sold to the highest bidder. All this holds good in case of all the regulated commodities in the market except cotton, as cotton prices are fixed at the collecting centres in the market yard outside according to the guarantee prices declared by the State government for different graders. Hence, there are no auctions also in cotton. This method will continue so long as the monopoly purchase scheme of cotton continues.

(7) Financial position of the Agricultural Produce Market Committee, Phaltan :

Table-4 gives the income and expenditure position of the Agricultural Produce Market Committee, Phaltan during the period of 1951-52 to 1981-82.

Income :(A) Market fees

Market fee accounted for average 33 percent upto 1960-61 and above 59 percent thereafter. It was due to increase in turnover in the market and extension of the regulation of marketing to many more items.

(B) Licence Fees.

Income for licence fee has shown a continuous increase. This increase in income is due to change in

Table - 4

Financial Position of the Agricultural Produce Market Committee

Year	INCOME				EXPENDITURE			Surplus (Rs.)	Surplus as % to income	Permanent Fund (Rs.)					
	Market Fee (Rs.)	% to total income	Licence Fee total income	% to total income	Others (Rs.)	% to total exp.	Other Exp. (Rs.)				% to total exp.				
1-52	2,637	40.82	2,613	40.43	1,212	16.75	6,462	3,961	75.31	1,298	24.69	5,259	473	7.31	5,511
5-56	5,070	32.12	10,163	65.66	244	3.22	15,475	7,764	76.39	2,399	23.61	10,163	5,312	3.39	19,608
6-61	12,009	37.22	14,570	45.16	12,680	39.30	32,259	11,134	45.53	13,318	54.46	24,452	14,808	0.46	60,740
5-66	57,281	74.97	8,970	11.74	10,154	13.28	76,405	21,402	52.75	19,955	40.25	41,357	35,048	45.87	1,84,201
10-71	1,23,079	92.91	1,531	1.15	8,853	6.64	1,33,463	30,996	43.39	40,732	57.02	71,489	75,635	50.67	3,82,335
15-76	1,04,336	62.22	13,995	8.35	49,354	29.43	1,67,685	58,339	53.98	49,543	45.84	1,08,079	59,833	35.68	5,35,652
10-81	3,10,130	67.80	16,661	3.64	1,30,552	28.56	4,57,373	1,17,204	40.50	1,72,180	59.50	2,89,384	1,67,989	36.73	15,60,542
11-82	2,40,000	59.08	17,745	4.36	1,48,437	36.58	4,06,182	1,93,307	55.29	1,56,709	45.77	3,50,016	56,166	13.83	18,16,708

Source :- The Agricultural Produce Market Committee, Phaltan; Annual Reports.

licence fee and market functionaries. The range of the contribution of the licence fee in total income was 115 to 65.66 percent.

Expenditure

Between 1951-52 and 1981-82 total expenditure of market committee, Phaltan shot up considerably. Establishment expenditure claimed the major share in the aggregate expenditure. It averaged about 58 percent for the period with variations from 41 to 76 percent.

Surplus Fund

As regards the accruing of surplus, the Phaltan market committee has shown progress with a petty sum of Rs.473 in 1951 to Rs.56,166 in 1981-82.

Growth in the surplus can be easily comparable with income. In 1951-52 it was 7 percent and in 1981-82 it was 12 percent. The trend was increasing till the beginning of the nineteen seventies, but it reversed thereafter. Surplus fund is a good source of capital formation of the market committee. These funds should be promptly utilised for the development of the market yard.

(E) Volume of Business in Cotton :

Phaltan market has major dealings in cotton, wheat, khapali and cattle; of these cotton is the most important. Cotton produced in this region is irrigated,

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possesses good strength and has long staple. So, it is considered of good quality. Cotton season in this area starts early in August and is called the first season in India. The cultivator, therefore, can get somewhat better price to their produce if private trade prevails. Cotton crop is known as white gold in this region.

Table - 5

Cotton Trade in Phaltan Market (1980-81)

Sr. No.	Description	Arrivals		Value	
		Quantity	% to total	Ps.	% to total
1.	Other Commodities	80,832	70.56	1,86,93,797	54.94
2.	Cotton	33,721	29.44	1,53,23,812	45.06
	Total	1,14,553	100	3,40,27,609	100

Source : Agricultural Produce Market Committee Phaltan: Annual Report - 1980-81.

Importance of cotton trade in Phaltan market could be seen from Table-5, though in terms of quantity traded, cotton's share is about 30 percent in terms of value, its position is dominating at about 45 percent. By and large, we can say that nearly half of the volume trade in Phaltan market is due to cotton.

(F) Cotton Arrivals in Phaltan Market

Introduction of Monopoly Procurement Scheme in cotton has technically speaking, affected adversely the

market arrivals of cotton in Phaltan market. Before the scheme, any grower of cotton in and outside Phaltan taluka was free to bring his produce in the Phaltan market in the interest of getting a fair price. So growers from nearly 60 to 70 miles radius used to flock to this market at their sweet will. Therefore, a quantity traded of cotton was, on an average around one lakh quintals, 1969-70 to 1971-72 and 1976-77 to 1977-78 were the years of private trade in cotton. Figures of cotton arrivals in Table-6 would reveal the truth in the inference stated hereabove. On the contrary, during the years of monopoly procurement of cotton, due to adoption of zonal system and thereby linking of growers to the collecting centres, less number of growers of cotton could come to Phaltan. They were mostly from nearby places within a radius of 20 to 25 miles. As the feeding area of the market was thus cut down considerably, figures of market arrivals are bound to be on lower side

1972 to 1974-75 and again 1978-79 to 1981-82 have been the periods of Monopoly procurement. Average arrivals during each of the spans is about 5,500 quintals, that is nearly half of the arrivals during private trade. Two facts regarding arrivals during monopoly procurement are worth noting. One, in the first phase, that is 1972-73 to 1975-76 there have been marked peaks and troughs in arrivals, ranging from just 11,471 quintals in 1971-72 to 105699 quintals in 1975-76. Lean arrivals in 1971-72

were due to drought conditions. Second fact is more important. During the second phase, that is 1978-79 to 1981-82, market arrivals have consistently fallen almost to 36 percent in 1981-82 as compared to 1978-79. A falling trend of arrivals seems to have set in. This should be a cause of concern to everybody connected with this activity. We will turn to this point for a deeper analysis at a later stage.

Table - 6

Arrivals of Cotton in Phaltan Market

Years	Nature of trade	Quantity (Quintals)	Value Rs.
1969-70	Private Trade	1,37,727	4,71,90,611
1970-71		99,714	65,84,749
1971-72		70,768	1,48,04,062
1972-73	Monopoly Trade	11,474	30,43,077
1973-74		89,110	2,95,01,870
1974-75		14,254	71,46,890
1975-76	Private Trade	1,05,699	2,76,06,465
1976-77		1,13,615	5,04,71,621
1977-78		1,16,540	5,60,22,888
1978-79	Monopoly Trade	86,121	3,66,42,151
1979-80		70,302	2,72,37,689
1980-81		33,721	1,53,33,812
1981-82		33,398	1,41,18,289
	Total	9,70,443	33,57,04,174
	Average	74,633	2,58,23,315

Note:- Market year is from 1st September to 31st October every year.

Source: Agricultural Produce Market Committee, Phaltan, Annual Reports.

(G) Role of Co-operative Marketing Societies in Cotton Marketing

District and taluka level co-operative marketing societies can help producers by way of production and marketing improvements. Marketing improvement is concerned with joint action of individuals or firms regarding marketing one or more agricultural products. When voluntary action is ineffective, Marketing Society is a producers' organisation formed for the purchase and sale of agricultural products. It is an organisation which can protect the agricultural producer from exploitation in the marketing process.

The co-operative marketing societies are useful to the cultivators. By development of orderly conditions of marketing, better grading, increasing bargaining power in price fixation, Co-operative marketing fetches higher prices to member cultivators. In addition, cost of production also is lowered through the supply of agricultural inputs at reasonable price. Marketing cost can be lowered by improving marketing methods. Marketing co-operatives undertake other activities like grading and processing agricultural produce, loans and advances to members etc. They strengthen the position of cultivators by reducing instability of agricultural prices.

Sale purchase union, Phaltan has invested their funds in the purchase of various commodities for the benefit of the cultivator class. For this, details of its work so far we have to refer to Table-7 and 8.

Table - 7

Purchase Activity of the Sale-Purchase Union,
Phaltan during 1965-66 to 1981-82

(Value of purchase in '000 Rupees)

Year	Agricultural Produce		Agrl. Requi- sites		Consumer Goods		Total Rs.
	Rs.	% to total	Rs.	% to total	Rs.	% to total	
1965-66	-	-	1,049	43.00	1,373	56.68	2,422
1966-67	-	-	4,295	72.14	1,659	27.86	5,954
1967-68	46	0.77	4,484	75.30	1,422	23.80	5,952
1968-69	122	6.81	90	5.02	1,579	88.16	1,791
1969-70	126	2.55	3,025	61.22	1,780	36.02	4,941
1970-71	-	-	1,359	37.70	2,246	62.30	3,605
1971-72	562	16.73	1,872	55.75	924	27.52	3,358
1972-73	-	-	4,193	65.35	2,223	34.64	6,416
1973-74	29	0.46	3,696	58.48	2,595	41.06	6,320
1974-75	-	-	3,799	57.03	2,850	42.86	6,649
1975-76	57	0.76	3,979	53.06	3,449	46.08	7,485
1976-77	86	1.05	4,249	51.98	3,839	46.96	8,174
1977-78	80	1.16	4,447	64.69	2,347	34.14	6,874
1978-79	168	3.05	4,747	86.21	591	10.73	5,506
1979-80	413	2.60	6,774	42.69	8,680	54.70	15,867
1980-81	333	2.87	5,905	50.86	5,372	46.27	11,610
1981-82	124	1.48	4,329	51.72	3,917	44.80	8,370

Source : Sale Purchase Union, Phaltan,
Annual Reports.

Sale Purchase Union, Phaltan has opened in 1965-66, a marketing section called in vernacular as "Adat Vibhag" to deal with the sale and purchase of agricultural produce, though actual transactions began from 1967-68.

Table - 8

Sales Activity of the Sale Purchase Union,
Phaltan during 1965-66 to 1981-82.
(Value of sales in '000 rupees)

Year	Agrl. Produce		Agrl. Requi.		Cons. Goods		Total
	Rs.	% to total	Rs.	% to total	Rs.	% to total	
1965-66	-	-	152	10.05	1,360	90.95	1,512
1966-67	-	-	3,989	69.69	1,736	30.31	5,724
1967-68	47	0.69	5,012	73.39	1,770	25.91	6,829
1968-69	118	6.43	90	4.90	1,626	88.65	1,834
1969-70	128	6.81	125	6.65	1,626	86.53	1,879
1970-71	-	-	1,631	38.65	2,588	6.34	4,219
1971-72	58	1.57	2,657	72.08	971	26.34	3,686
1972-73	21	0.28	4,688	62.03	2,848	37.68	7,557
1973-74	38	0.55	3,946	57.29	2,903	42.15	6,887
1974-75	-	-	4,245	52.13	3,898	47.80	8,143
1975-76	54	0.58	4,344	47.14	4,896	53.13	9,214
1976-77	84	0.76	4,687	42.40	6,282	56.83	11,053
1977-78	85	1.13	4,794	63.65	2,652	35.21	7,531
1978-79	178	2.97	5,041	84.81	760	12.69	5,988
1979-80	425	2.60	6,996	42.93	8,873	59.45	16,294
1980-81	318	2.59	6,546	53.29	5,418	44.11	12,282
1981-82	127	1.34	4,989	52.77	4,338	45.88	9,454

Source: Sale Purchase Union, Phaltan :
Annual Reports.

Table 7 and 8 open before us the entire panorama of the activities done by the Phaltan Sale and Purchase Co-operative Society. Really its primary function is and should be, marketing of agricultural produce. The society did nothing of this during the initial two years of its life. Later on the function was undertaken, but as a matter of a very minor activity as it is depicted by normally 1 to 3 percent of the total turnover. In addition, its purchase of agricultural produce were zero in 1970-71, 1971-72 and 1974-75 while sales were stopped in 1970-71 and 1974-75. The entire thrust of the marketing society has been on procurement and distribution of agricultural requisites and essential consumer goods as available for distribution through the public distribution system. To cut short, the marketing society in Phaltan has miserably failed in delivering goods to the cultivators.

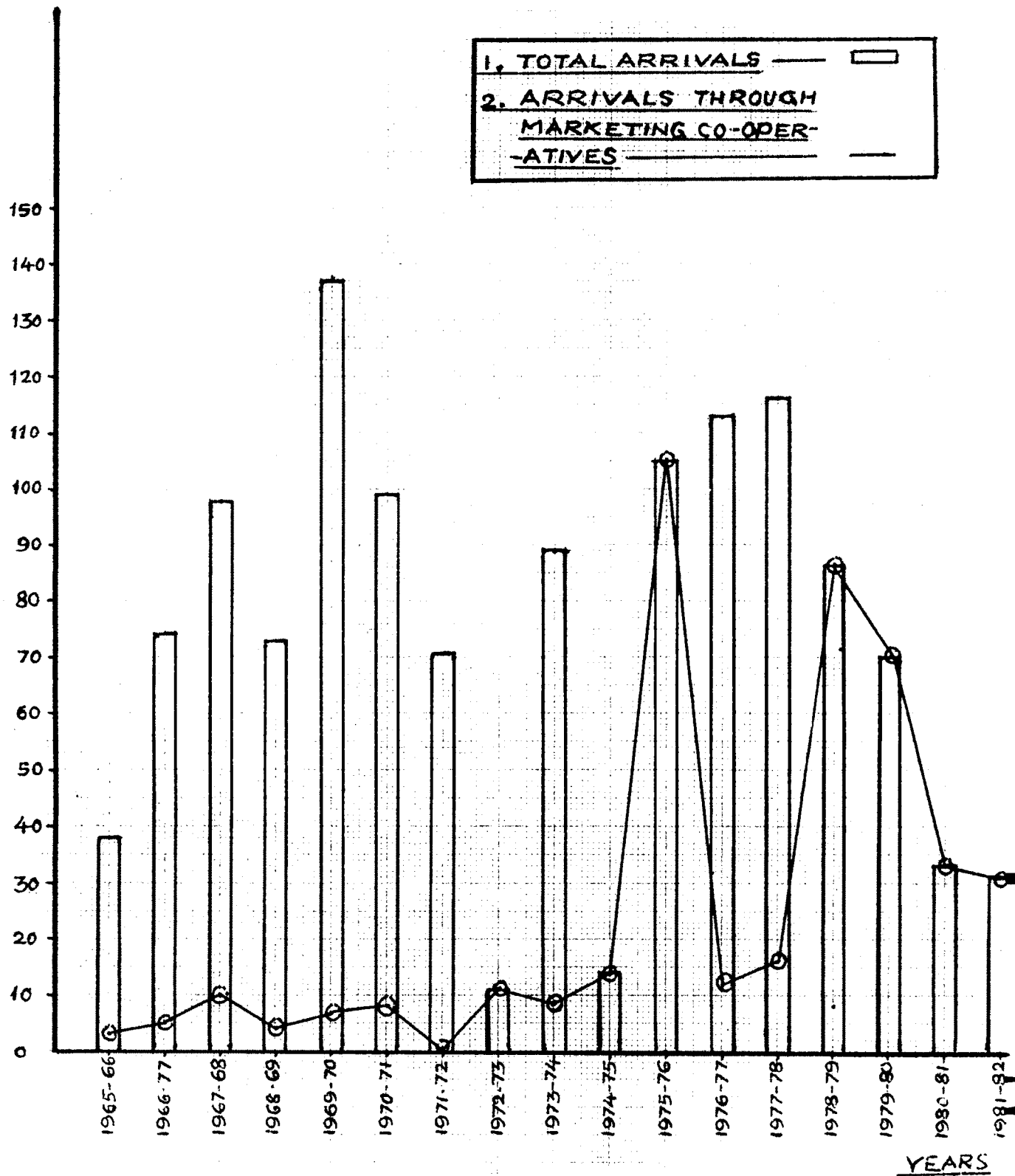
Table - 9

Arrivals of Cotton in Market Yard through the Marketing Co-operatives.

Year	Total Arrivals (Quintals)	Arrivals through Co-operatives	
		Quantity (Quintals)	Percentage to total
1965-66	38,796	3,374	8.69
1966-67	74,584	5,603	7.51
1967-68	97,878	10,130	10.35
1968-69	72,890	4,081	5.59
1969-70	1,37,727	6,994	5.07
1970-71	99,714	8,323	8.39
1971-72	70,763	632	0.89 (Negligible)
1972-73	11,474	11,474	100
1973-74	89,110	89,110	100
1974-75	14,254	14,254	100
1975-76	1,05,699	1,05,699	100
1976-77	1,13,615	12,425	10.93
1977-78	1,16,540	16,390	14.06
1978-79	86,121	86,121	100
1979-80	70,302	70,302	100
1980-81	33,721	33,721	100
1981-82	31,338	31,398	100

Source : Agricultural Produce Market Committee, Phaltan; Annual Reports.

●● ARRIVALS OF COTTON IN PHALTAN MARKET
AND THE SHARE THEREIN OF THE COOPERATIVE
MARKETING SOCIETIES IN THE TALUKA,



The story of other co-operative marketing units did not differ from that of the Phaltan Sale and Purchase Society. A consolidated picture of all marketing co-operatives in Phaltan taluka is presented in Table-9. We can very well realise the interest these marketing societies took in channelling the cotton produce through them. Two observations are clear: One, under the system of private trade, the share of marketing co-operatives in cotton trading fluctuated between 5 and 10 percent normally; Two, under monopoly trade, entire produce went to these societies for the sheer reason of the arrangements made under the monopoly purchase scheme. Therefore, this strengthens our inference that marketing co-operatives have neglected their basic function of providing institutional assistance to the producers of cotton and other agricultural products.

(H) Standardisation and Grading

Standardisation is a broader term and grading is one of the functions of it. Standardisation concerned with the division of commodities into district groups each having common important characteristics. Standardised goods are further sub-divided into classes calls grades. Thus grading follows standardisation. Grading of agricultural produce has many advantages. It reduces the cost of marketing. Buyers pay more for standardised commodities. It enables the farmers to know the exact grade of his produce and realise a reasonable

price for it, in the market.

Grading of cotton is process of classifying cotton with regard to colour, foreign matter, staple length and ginning percentage. Grading is an art where hands and eyes play an important part. It requires skill and judgement.

Though Phaltan Market was reputed for cotton, scientific grading of cotton was conspicuous by its absence so long as private trade prevailed. The so-called grading of cotton was haphazard and was done by traders. The system, therefore, lacked uniformity and honesty. It was a good opportunity for the trader to exploit the situation to his advantage. Whims of the traders were reflected in branding a consignment as of a specific quality. Normally the attitude was to count down in grading. The grower-seller had no say in this vital part of marketing on account of his weakness in bargaining individually as also due to his economic subordination to the trader.

Introduction of the monopoly procurement scheme in cotton since 1972-73 certainly has brought a sign of relief to the growers. Among the host of welcome features in the scheme, scientific grading happens to be one. The scheme has fixed following grades -

- i) Super
- ii) Fair Average Quality
- iii) X
- iv) Kawadi

Above grades were fixed taking into account the following technical characteristics.

- | | | | |
|-----------------|--------------|---|---|
| 1) | Staple | - | In Annas 16 - 1" |
| 2) | Colour | - | White, Gray, Green, Red, Dullwhite, Dull gray, Dull, green, Dull-red. |
| 2 3) | Evenness | - | Even, Uneven, Slightly |
| 4) | Lect | - | Full bodied, soft, Coarse, Roughy, silky. |
| 5) | Strength | - | Very good, Good, Average, Poor. |
| 6) | Cleanliness- | | Clean, fairly clean, Slightly yellow storm. |
| 7) | Ginning | - | Clean, cut-seed, yellow spot, green spot, Raw cotton in lint. |
| 8) | Pressing | - | Normal, Hard, Gross, pressing palu. |

Universality of grades and fixed prices for each grade throughout the sale of Maharashtra have eliminated uncertainties regarding these two most important aspects of marketing of cotton. In order to ensure that grading is done properly, educated persons are appointed as graders and are further trained. They grade cotton visually in front of cultivators. However, experience in Phaltan market is that many graders lack perfect knowledge of grading, they are unable to identify the right variety of cotton. In short duration training is producing half-baked graders. Consequently, inspite of prescription of scientific grades, actually some degree of haphazardness has peeped into the grading practice. Main sufferers in this respect are the small growers, in whose case an appeal to the senior grader

regarding improper fixation of grade of his lot is more often turned down. Hence this issue has to be attended carefully so as to deliver maximum benefit to the growers of cotton.

(I) Storage and Warehousing Facilities

Storage of goods is an important economic function in Marketing. It creates place and time utility. Storage helps to adjust supply and demand for products that are consumed or produced seasonally and prices are stabilised. Regarding cotton, storage is necessary to hold raw material to ensure continuous large scale production of cloth. Mill-owners purchase cotton on large scale to get quantity discounts to ensure continuous production.

In Phaltan Market adequate and proper storage facilities are almost non-existent. When there was free trade of cotton, traders from distant places purchased cotton through commission agents and transported the same at the earliest to their own places. In the meantime, temporary storage was provided in the godowns of commission agents. In case, ginning was done at Phaltan, simultaneously pressing of ginned cotton into bales was done ~~and these bales was done~~ and these bales were immediately despatched to the upcountry destination. Storage, thus, was considered to be not a significant service to be provided for a long time.

Status quo remains inspite of the monopoly procurement scheme. Cotton season in Phaltan starts in rainy season. Even then no special storage facilities exist in the market. Storage arrangements are temporary. Cotton heaps are covered with wax coated cloth and tarpaulin so as to prevent their wetting from rains. Co-operative ginning factory alone takes additional care, it provides temporary storage arrangements for cotton heaps by wax coated cloth and tarpaulin.

Table - 10

Cotton godowns in Phaltan Market

Size Feet	Number of Godowns	Area (Square Feet)
250 x 40	1	10,000
200 x 50	1	10,000
100 x 50	1	5,000
110 x 80	2	17,600
100 x 80	2	16,000
80 x 75	2	12,000
80 x 50	8	32,000
60 x 50	1	3,000

Source : Agricultural Produce Market Committee,
Phaltan : Godown Register - 1981-82.

In Phaltan regulated market, there are 18 permanent godowns used for cotton, out of which fourteen belong to private traders, four to Sale Purchase Union, Phaltan and one to Maharashtra State Trading Corporation. Total area

is 1,05,600 sq.feet.

(J) Ginning and Pressing Services

Cultivators usually dispose of their produce in unginned form. Ginning of cotton is a mechanical process of separating seed from cotton fibre. It is an essential process because after ginning cotton fibre, it is not damaged and such cotton fetches good price in terminal market. Cotton of all varieties is now ginned by single roller gins. The quality of lint got by machine roller is considered best as the staple is not damaged and the lint reasonably found to be free from seed.

In Phaltan market there are four ginning factories as follows :

- (1) The Phaltan Cotton Sale, Ginning and Pressing Society Ltd., Phaltan.
- (2) M.M.Doshi Ginning Factory.
- (3) Bahubali Ginning Factory,
- (4) R.R.Doshi Ginning Factory.

There is the only one ginning factory in co-operative sector established for multi-activities, such as sale, ginning and pressing of cotton. It is reputed as a commercially specialised unit in cotton in Phaltan area. Remaining three ginning units are in private sector of them one is in idle condition and two are functioning.

• The Phaltan Cotton Sale, Ginning and Pressing
Co-operative Society Ltd.

This society was established in 1960. The area of operation is Phaltan and Khandala talukas. Membership of this society consists of individual members, primary co-operatives in Phaltan and Khandala talukas and the state government. Membership of this society is gradually increasing as can be seen from Table-11.

Table - 11

Membership of the Phaltan Cotton Sale, Ginning
and Pressing Co-operative Society Ltd.

<u>Years</u>	<u>Members</u>
1976-77	3,174
1977-78	3,344
1978-79	3,380
1979-80	3,325
1980-81	3,334
1981-82	3,339

Source : The Phaltan Cotton Sale, Ginning and Pressing Co-Operative Society Ltd. Annual Reports.

Increasing membership has helped in strengthening the societies financial position. Share capital from all sources has increased from Rs.5.24 lakhs in 1977-78 to Rs.5.73 lakhs in 1981-82 showing 9 percent increase . from Table-12, it will be noticed that in the total.

Table - 12

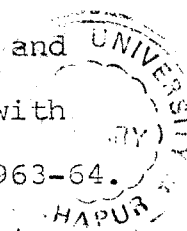
Share Capital of the Phaltan Cotton Sale, Ginning and Pressing Co-operative Society Ltd. (Rs.)

Membership	1977-78	1978-79	1979-80	1980-81	1982
1. Individual Members	2,20,950	2,29,900	2,31,400	2,26,450	2,38,200
2. Co-operative Societies	67,500	78,250	78,250	78,250	88,750
3. State Government	2,36,000	2,26,000	2,16,000	2,06,000	2,46,000
Total:-	5,24,450	5,34,450	5,25,650	5,10,700	5,72,950

Source : Annual Reports of the Society.

Share capital contribution of the marketing co-operative societies has ranged between 12 to 15 percent whereas remaining portion is nearly equally divided between the individual members and the state government. Of course, the later having a little edge over the former. The society is finally sound and seems to be managing its finances prudently. One of the indicators is its policy of returning the share capital of the state government to the extent of Rs.10,000 every year from 1978-79 to 1980-81. Table-12 shows a reduction in the share of the state government to this extent.

The principal activity of the society is ginning and pressing of cotton, though it began its operations with cotton sales. The ginning section was started in 1963-64. This society purchased cotton in open market by pooling and on commission basis. From 1963-64, it developed trade links with Ramachari Group in Karnataka consisting of twelve



traders. Its cotton purchasing and ginning programme followed the requirements of this group mainly. The society thus got assured demand for its lots and hence could make a good gain. Since 1966-67, the society made a little change in its purchasing operations; instead of pooling the produce in the market, it purchased from individual grower-sellers.

Its role underwent a change with the initiation of the State Monopoly Procurement Scheme. Considering its pivotal place in marketing and processing of cotton in Phaltan market, the Society was given the status of one of the three collection centres in the market. It is only processing centre of the cotton Marketing Federation in Phaltan Market.

An account of society's ginning activity is given in Table-13. It looks that over the years since 1963-64 to 1981-82, the Society has favoured single rollers as its number has shown almost a four-fold increase. Between 1968-69 and 1973-74 it tried double rollers also. But its experience of double roller gins was not satisfactory; they could not be suitably used under the typical climate conditions of Phaltan. These gins were almost idle for some time and hence the Society ultimately discarded them in 1974-75.

As regards ginning activity, an increasing trend is observed. Referred to the individual years, 1966-67 and 1974-75 were lean years due to drought conditions. For rest of the years upto 1978-79, the Society could fast increase its ginning works and hence there exists a positive co-relation between the number of

gins and the quantity ginned. However, a striking fact is that a declining trend in ginning work appears to have set in since 1979-80. Of course, for this the Society is not responsible. This development has to be linked with market arrivals of cotton in Phaltan market, which also have exhibited a similar trend. We are taking up to this issue in the next chapter for a deeper probe.

Coming to ginning rates per quintal, there is almost a four-fold increase during 1962-63 to 1981-82. Ginning rates were fixed in open market under private trade by the Collector of district in consultation with the representatives of the ginning factories and taking into account previous years' expenditure incurred by them. Under Monopoly Scheme, the rates are fixed by the Directorate of Marketing by the same method. Generally, these rates are remunerative to the ginning factories.

During the period of private trade, this society also did the related activities like supply of seeds, fertilisers, insecticides etc. to members on their credit and recovered the money value out of the sale proceeds of cotton. But it had to dispense with this activity under monopoly procurement scheme as this amount was treated as an advance, not a loan, and hence recovery was not allowed to be made through the sale proceeds of cotton as in case of other loans of the grower-sellers. Growers of cotton have thus lost a trustworthy source of production finance.

Private Ginning Factories :

In private sector, there are three ginning factories, out of which two are in working condition and one is in idle condition. Since the inception of monopoly procurement scheme in cotton. The following are the private ginning mills established in Phaltan market.

- (1) R.R.Doshi Ginning Factory (1967-68)
- (2) M.M.Doshi Ginning Factory (1968-69)
- (3) Bahubali Ginning Factory (1969-70)

The ginning capacity and the actual quantity of cotton ginned by each of these private units is given in Table-14.

It can be seen from Table-14, that, of the three units R.R.Doshi's gin is the biggest one, whereas Bahubali's gin has grown bigger than M.M.Doshi's unit in the course of time. But, as regards their working, the biggest private unit in Phaltan remained idle throughout excepting 1976-77 and 1978-79. Bahubali's unit experienced idleness till 1973-74. M.M.Doshi's unit is an exception in the three as it functioned for almost its entire life excepting 1971-72, 1972-73 and 1975-76.

Originally the owners of the factories were the commission agents, mainly deal in cotton as one of the important commodities; now they have no direct interest in ginning factory. Now they are looking towards their units as units to be hired to the government. Rates of ginning are fixed by the Directorate as in the case of co-operative ginning.

Table - 14

Gins and Cotton ginned by private ginning factories in
Phaltan Market

Years	M.M.Doshi Gins		Bahubali Gins		R.R.Doshi Gins	
	No.of Gins	Cotton ginned quintals	No.of gins	Cotton ginned quintals	No.of gins	Cotton ginned quintals
1967-68	-	-	-	-	28	-
1968-69	16	1,716	-	-	28	-
1969-70	16	1,451	14	-	28	-
1970-71	16	3,407	14	-	28	-
1971-72	16	-	14	-	28	-
1972-73	16	-	14	-	28	-
1973-74	16	2,661	14	-	28	-
1974-75	16	2,165	14	1,510	28	-
1975-76	16	-	14	1,188	28	-
1976-77	16	2,700	14	3,213	28	3,700
1977-78	16	5,199	24	6,111	28	3,500
1978-79	16	970	24	1,360	28	-
1979-80	16	1,500	24	1,980	28	-
1980-81	16	1,780	24	1,927	28	-

Source : Office-records of three ginning factories.

(1) Pressing of Cotton :

In cotton processing at the market level pressing follows ginning. Pressing helps in free and easy movement of cotton in transit as also stores in highest density of cotton in small place. Due to pressing cotton is not damaged and remains safe. After ginning, lint is pressed into bales. A standard bale weighs 180 kg. But the government rules do not prescribe any way the size of bale as is clear from a reference in the Maharashtra Act of 1971. It says - 'any pressed package of cotton of whatever size/density is called bale.'² It is only through traditional commercial practice that the weight of cotton bale is standardised at 180 kg. and the practice is continued.

Though there are in all four ginning factories in Phaltan Market, pressing of ginned cotton is done by only one of them; viz. The Phaltan Cotton Sale, Ginning and Pressing Society Ltd. Even in Phaltan taluka this is only pressing unit. Therefore, ginned cotton from within taluka as also from outside places like Man, Lonand, Atpadi, Khatav, Devapur is brought here for for pressing and despatch. Details of pressing activity of co-operative society are given in Table - 15.

2 - Government of Maharashtra, Maharashtra Act No.XIVII of 1971; Page-2.

Table - 15Pressing of Bales in Phaltan Market

Years	No. of bales pressed	Pressing rates (Rs. per Bale)
1965-66	2,922	14.00
1966-67	978	15.12
1967-68	8,399	15.50
1968-69	13,613	15.50
1969-70	15,168	15.80
1970-71	23,003	16.31
1971-72	19,747	19.31
1972-73	18,050	20.00
1973-74	3,330	20.50
1974-75	30,198	29.00
1975-76	21,406	30.00
1976-77	16,817	29.00
1977-78	20,090	32.00
1978-79	33,266	35.00
1979-80	24,349	35.00
1980-81	25,547	39.00
1981-82	16,497	43.00

Source : The Phaltan Cotton Sale, Ginning and Pressing Co-operative Society Ltd., Phaltan : Annual Reports.

The Phaltan Co-operative Society has started its pressing activity from 1965-66. These details also reflect the trends observed in market arrivals and ginning of cotton; increasing trend till 1978-79 and declining trend thereafter.

Pressing rates are determined by the Collector of district in the meeting of the representatives of pressing factories taking into account the previous expenditure incurred and increased charges of light, labour etc. These charges are generally remunerative to the pressing units.

(K) Dispersion of Cotton

In open market under private trade, upcountry mill owners used to get cotton ginned and pressed according to their need and transport it to their mills. Some mill owners directly transported raw cotton to their own ginning factories. The upcountry buyers were mill owners of places mainly in Karnataka and Andhra Pradesh States as also from Bombay and Solapur cities.

State being the sole trader under monopoly scheme, ginned and pressed bales are directly transported to Bombay and Coimbatore as directed by the Maharashtra Cotton Marketing Federation.

Phaltan market under private trade and under monopoly trade has shown mostly a structural transformation. The channels of marketing became more compact, terms of trade became known and precise, better grading system emerged and co-operative marketing societies, at least apparently, handled cent percent trade in cotton. On the whole, this can be treated as a change for the better. But a factor causing greatest concern also has erupted in recent years. We are noticing the declining trend of cotton arrivals in Phaltan Market, inspite of improvement of the character of Phaltan Market. It appears that no cognisance of this development has been taken by the authorities.

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