

CHAPTER - 3

SCHEME OF MONOPOLY PURCHASE
OF COTTON

Raw cotton has a high commercial value as the entire output is marketed by growers in that form. Maharashtra State produces cotton on a substantial scale. Northern Maharashtra, Vidarbha and part of Marathwada region in the State have big stake in production and marketing of cotton. Marketing of cotton produce in the State followed the traditional path so that cotton grower always remained fully at the mercy of the trader. Co-operative Marketing Societies failed in improving the plight of the growers while market regulation did not help much in making a headway. Under the circumstances, due to persistent efforts of some enlightened persons, growers' voice began to be heard for some concerted action by the government to better their lot. Demand for government trade gradually gained ground. The state government also realised the need for it and took certain concrete steps for this which culminated into passing and enforcement of the Maharashtra Raw Cotton (Procurement, Processing and Marketing) Act, 1971. With enforcement of this Act from 1st August, 1972 all private trading in cotton in Maharashtra State came to an end and the Maharashtra State Co-operative Marketing Federation Ltd. was appointed as the official agency to undertake sale and purchase of cotton on behalf of the state government.

I

OBJECTIVES OF THE SCHEME

Broad objectives of the Scheme of Monopoly Procurement of Cotton in the State were as follows :

- (1) To ensure a fair and remunerative price for cotton produced in the State.
- (2) To effect additional transfer of incomes to the cotton growers by eliminating middlemen and securing full advantage of terminal price.
- (3) Necessity to supply unadulterated cotton to consumers at reasonable price and guarantee the purity of cotton and honest trade practices at processing centres.
- (4) To strengthen the institutional framework of the co-operative movement by improving fully the process of procurement, processing and marketing of cotton and establish effective linkage of co-operative dues.
- (5) To bring about stability in the grower's income and thereby stability and growth in overall production of cotton in the State.
- (6) To supply scientifically graded quality of cotton to the commercial mills.
- (7) In case of the profit accruing from this activity, 75 percent of it would be offered as an incentive bonus to the growers and the balance of 25 percent of the amount would

be credited to the Price Fluctuation Fund.

(8) To guarantee a minimum price to the cotton produce brought by cultivators.

(9) To revitalise the rural economy by establishing close connections between various processes connected with cotton, viz., production, marketing, ginning, pressing, spinning, weaving, oilseed, crushing, etc.

In short, the Scheme envisaged the creation of a public sector agency equipped with adequate storage, processing and marketing infrastructure facilities so that it would be in a position to undertake price support operations and commercial purchase and sale of cotton on a continuous basis.

II

CONTENTS OF THE SCHEME

Salient features of the Cotton Monopoly Procurement Scheme as laid down in the relevant Act are summarised below.

(1) Duration :- Initially the Scheme was to be in force upto the end of June, 1980 only. However, in September, 1979 the period was extended by two years upto June, 1981. It was extended further by another year to end in June, 1982. As the second extension was nearing end, clouds of uncertainty loomed large over the

world of cotton growers with the fear that the scheme of monopoly purchase might be abandoned. Ultimately, a State Government announcement came providing life to the scheme for another two years upto June, 1984. The Scheme, thus, has an adhoc existence, perhaps, under the popular pressure.

(2) Establishment of State Advisory Board :- The state government has established a board by name The Maharashtra State Cotton Control Advisory Board for the following purposes :

(a) to advise the state government with regard to the policy to be adopted in matters of cultivation of cotton in the State and grading and marketing of cotton with a view to ensure a fair price to the growers and to fulfil other objectives of the Act;

(b) to establish cotton collection centres;

(c) to advise the state government in the matter of fixation of final prices of different varieties of cotton;

(d) to recommend the number and places of godowns required for storing cotton and the cotton ginning and processing factories required for processing of cotton;

(e) to advise the state government on all other matters to facilitate proper carrying out of the purposes of the Act.

(3) Prohibition of carrying cotton business :-

No private agencies are allowed to carry on business in cotton, except with the prior permission of the concerned authorities. In the normal course, entire trade in the state would be undertaken by the State or the agency appointed for the purpose.

(4) Prohibition on transport of Kapas :- No person other than the state government or the head of any department in this behalf, would except with previous permission of the state government or head of the department, transport Kapas from any place outside the state to any place within the State as also to outside place from the place within the State.

(5) Every grower of cotton compelled to sell produce to the government :- Every grower of cotton has to sell his marketable surplus of Kapas to state government only by tendering it at a collection centre.

(6) Fixation of the final price :- Soon after the close of every cotton season, the state government, after consulting the Advisory Board and taking into account prices at which bales of cotton, cotton seed, cotton-waste were sold, cotton stocks and all the expenditure incidental to the handling of Kapas and disposing the same after ginning and pressing it into bales would fix in the prescribed

manner the final price for different varieties or grades of Kapas acquired during the completed cotton season.

III

OPERATION OF THE SCHEME

(A) Marketing Organisation

Legally the state government became the sole buyer of the cotton grown in Maharashtra. The state government, therefore, appointed the Maharashtra State Co-operative Marketing Federation Ltd. as its sole agent for implementation of the monopoly cotton procurement scheme. The Federation implemented this scheme through the taluka and Block level sale-purchase unions as its sub-agents appointed on the recommendation of the state co-operative department. They had the responsibility of maintaining purchase accounts and making payments to the cultivators. The Federation organised a number of collection centres in the cotton growing areas in the State. The progress of the operating units in the set-up of the Scheme is indicated in Table-1 below.

Table - 1

Progress in the operating units under the Scheme of Monopoly Cotton Procurement in Maharashtra State.

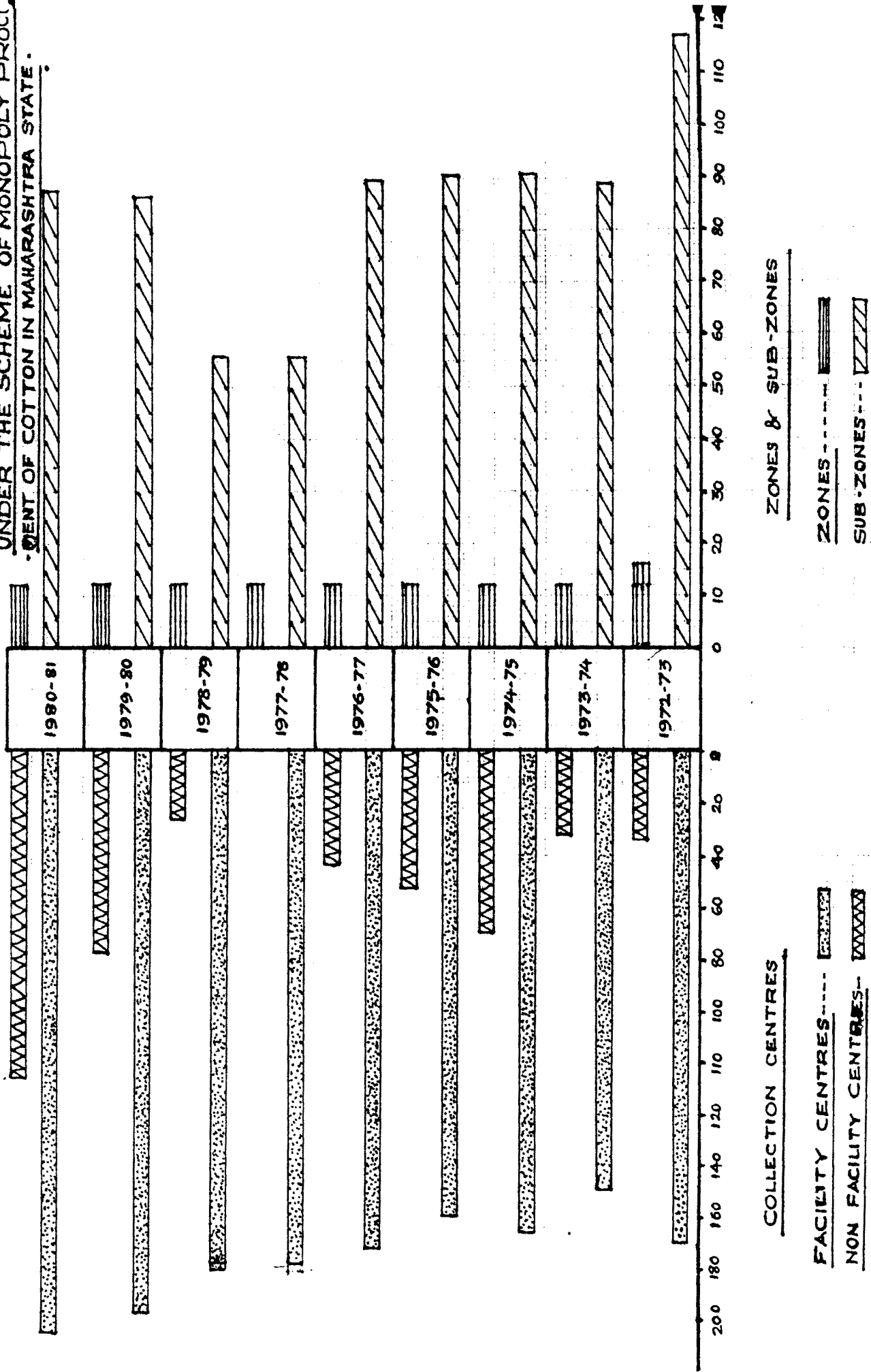
Years	Zones	Sub-Zones	Collection Centres	
			Facility	Non-facility
1972-73	16	116	170	35
1973-74	12	89	150	33
1974-75	12	91	167	70
1975-76	12	91	160	58
1976-77	12	90	173	44
1977-78	12	56	179	-
1978-79	12	56	181	27
1979-80	12	87	198	79
1980-81	12	88	207	117

Source:- 'Sahakar Setu'; February, 1982;
Page 106.

Highlights :

(1) In 1972-73 the cotton growing areas of Maharashtra were divided into sixteen zones and 116 sub-zones. But due to certain inconveniences, sixteen zones were reduced to twelve zones and sub-zones were reduced proportionately. At the suspension of the Scheme, sub-zones were further reduced to 56 from 1977-78 to 1978-79. As the Scheme was continued further since 1979-80, number of sub-zones was again increased to almost the original level of 1973-74.

● PROGRESS IN THE OPERATING UNIT
 UNDER THE SCHEME OF MONOPOLY PROCL
 - GENT OF COTTON IN MAHARASHTRA STATE .



COLLECTION CENTRES

FACILITY CENTRES
 NON FACILITY CENTRES

ZONES & SUB-ZONES

ZONES
 SUB-ZONES

(2) The number of cotton collection (facility and non-facility) centres has been stepped up considerably from 205 in 1972-73 to 324 in 1980-81, amounting to 58.04 percent increase. This has helped in bringing the marketing centres closer to the cultivator-sellers.

(3) Non-facility centres increased more than three times; i.e. from 35 at the beginning of the Scheme to 117 at the end of 1980-81. After the introduction of mixed cotton trading, non-facility centres were closed down in 1977-78 and were again introduced since the following years.

The facility centres are located at ginneries while the non-facility centres have no processing facilities available and, therefore, cotton collected there has necessarily to be transported to facility centres. Each of the cotton producing villages is within the radius of 30 kilometers of the collection centres. The Agricultural Produce Market Committee is expected to make adequate arrangement for weighment of Kapas and to provide necessary facilities to the cultivators in the market yard. Arrangements of ginning and pressing of cotton are made at the collection centres and for this work preference is given to co-operative units.

(B) Procurement of Cotton

Right from the beginning of the Scheme the Maharashtra State Co-operative Federation has procured cotton farm year

to year as given in Table-2. Figures in the table exhibit considerable ups and downs in the purchase of cotton, perhaps indicating how the Scheme itself has been continuing in the conditions of uncertainty. One or two instances of this can be cited.

Table - 2

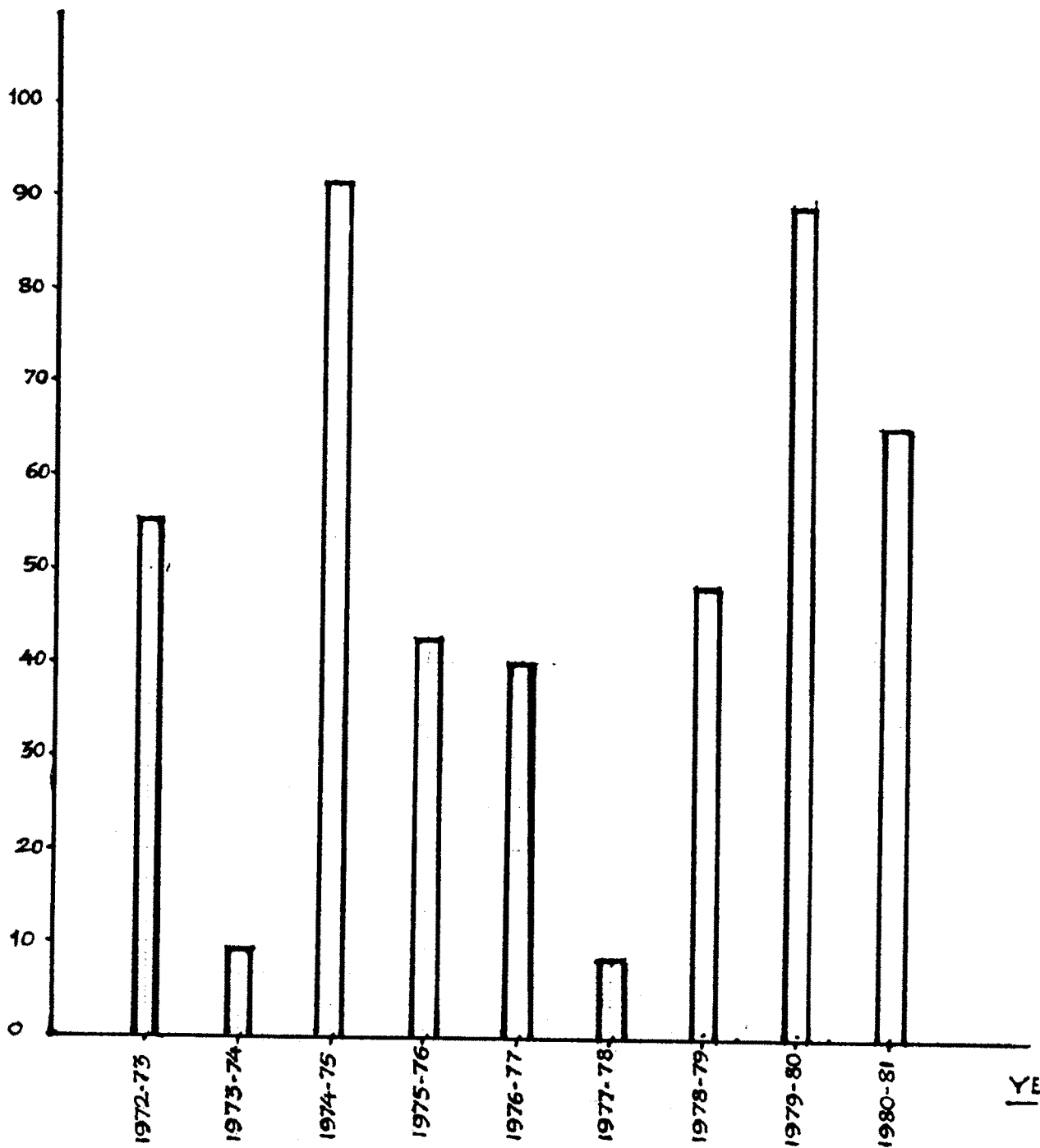
Procurement of Cotton under the Scheme of Monopoly Cotton Purchase in Maharashtra State

Years	Cotton Purchased (in lakhs of Quintals)
1972-73	55.57
1973-74	9.70
1974-75	91.00
1975-76	43.04
1976-77	40.95
1977-78	7.78
1978-79	48.03
1979-80	88.83
1980-81	65.15
Total	491.25
Average	54.24

Source:- Sahakar Setu; February, 1982;
Page 106

PROCUREMENT OF COTTON UNDER THE
SCHEME OF MONOPOLY COTTON PURCHASE
IN MAHARASHTRA STATE.

LAKH
QUINTALS



15

The Scheme was suspended in 1973-74 and 1977-78 so that the total purchases of cotton remained below 10 lakh quintals. Secondly, in 1978-79, initially the government decided to enter the cotton market through the Federation as one of the buyers instead of a monopoly buyer, for the purchase of cotton from the growers at the support price fixed by the Agricultural Prices Commission and purchased 1.05 lakh quintals of raw cotton. But in December, 1978 the government again went back to the monopoly scheme and procured 47.03 lakh quintals of cotton.

(C) Grading of Cotton :

Grading of cotton is necessary for supplying unadulterated and good quality of cotton to the consumer, and ensure proper remuneration to the growers. For fulfilling these objectives, the following grades were in force :

Cotton Season	Grades in existence
1972-73	1, 2, 3, X2, X1.
1973-74	S&S, Super, FAQ, Average, X2, X1.
1974-75	S&S, Super, FAQ, X.
1975-76	Super, FAQ, FAIR, X.
1976-77	Super, FAQ, FAIR, X.
1977-78	Super, FAQ, FAIR, X.
1978-79	Super, FAQ, FAIR, X.
1979-80	Super, FAQ, FAIR, X, Kawadi.
1980-81	Super, FAQ, FAIR, X, Kawadi.



It will be seen that during first four years after the introduction of the Scheme, grade classification was changed every year, it was maintained stable between 1975-76 and 1978-79, and again changed in 1979-80 to add 'Kawadi' variety. This establishes a need for a more thoughtful and fairly stable grade classification.

(D) Processing of Cotton

Before introduction of the Monopoly Cotton Procurement Scheme, the gins and presses were largely under the private sector. After the introduction of the Scheme, their number in private and co-operative sectors varied as in Table-3.

Table - 3

Number of ginning and pressing factories in Maharashtra State

Years	Number of Units		Total
	Co-operative	Private	
1972-73	92	338	430
1973-74	99	325	424
1974-75	101	302	403
1975-76	118	260	378
1976-77	118	260	378
1977-78	118	61	179
1978-79	144	234	383
1979-80	158	304	462
1980-81	173	306	479

Source:- Sahakar Setu; February, 1982; Page 106.

The total number of gins and presses engaged in the Season 1980-81 were 479 out of which only 173, that is 38 percent, were owned by the co-operative sector, as against 21 percent initially at the time of introduction of the scheme. Improvement in the relative position of the co-operative units may be due to the government policy to encourage the co-operative societies. It can, therefore, be seen that throughout the period of the scheme absolute number of co-operative units has consistently increased, whereas the number of private units declined upto 1977-78, when it touched a low level of bare 61, and thereafter increased, but still to a level lower than in 1972-73.

(E) Bales Pressed

Fully pressed bales are sold by the Federation as per policy directives of the Advisory Board. Pressed bales are sold at Coimbatore, Ahmedabad, Calcutta and Bombay. Quantitative details of the bales are given in Table-4.

In this case also we can observe glaring fluctuations in the bales pressed as quantity of bales related to procurement of cotton.

Table - 4

Bales pressed under the Scheme of Monopoly
Purchase of Cotton in Maharashtra State.

<u>Years</u>	<u>Bales pressed (in lakhs)</u>
1972-73	11.46
1973-74	1.88
1974-75	13.66
1975-76	8.22
1976-77	8.14
1977-78	1.54
1978-79	9.77
1979-80	17.42
1980-81	12.61
<u>Total</u>	<u>88.72</u>
<u>Average</u>	<u>9.80</u>

Source:- Sahakar Setu; February, 1982;
Page 106.

(F) Price Guarantee

It is one of the important features of the scheme to provide guaranteed prices throughout the season to growers, fixed by the government at the opening of the season for each variety. A resume of the same can be had from the details in Table-5.

Table - 5

Guaranteed prices for Cotton Varieties grown
in Maharashtra State.

Variety	1972 -73	1973 -74	1974 -75	1975 -76	1976 -77	1977 -78	1978 -79	1979 -80	1980 -81
Varlaxmi	320	320	355	321	336	385	440	440	590
H-4	320	320	405	321	321	365	425	425	520
MCU-5	320	320	330	275	289	365	395	395	500
Nimbkar	245	245	335	260	273	330	380	380	490
Laxmi	245	245	335	260	273	330	370	370	485
Jarila	190	190	250	210	220	280	261	300	425
Suvin	170	170	230	210	220	253	260	275	390

Note:- Above rates are prices paid for fair Average quality grade (FAQ) per quintal of cotton.

Source:- Sahakar Setu; February, 1982; Page 108.

In the first two seasons, these prices were fixed taking into account the prevailing market conditions. But as the growers, not satisfied with the guaranteed prices fixed, took to political agitation, the scheme was suspended in January, 1974. At the resumption of the scheme in 1974 season, the guaranteed prices were raised. From 1975-76 the government fixed prices of cotton taking into consideration prices recommended by the Agricultural Prices Commission.

It will be noticed that barring the initial two years of the scheme, guaranteed prices of cotton have shown a

rising trend. Over the decade of the scheme, the prices have almost doubled on an average, though in case of some varieties they are slightly less. In spite of this, the growers are unhappy and have been demanding a minimum of Rs.700 per quintal as a cost plus price claimed to be remunerative to the growers.

(G) Recovery of Co-operative dues :

Linking of co-operative dues with cotton marketing is a noteworthy aspect of the scheme. The scheme was considered as an instrument for this purpose. Thus, right from the beginning 50 percent price of the cotton tendered was credited towards co-operative dues and this helped in recovery of co-operative loans amounting to Rs.258 crores during 1972-73 through 1980-81 as indicated in Table-6.

However, a general discontentment against this move is that, the scheme has been actually used as a vehicle for recovery of all kinds of co-operative dues, eventhough as per the guidelines given by the Korpe Committee recovery from cotton payments had to be restricted only to crop loans advanced by co-operative credit societies and commercial banks.

Table - 6

Recovery of Co-operative dues through the Scheme
of Monopoly Purchase of Cotton in Maharashtra State.

Years	Recovery (Rs.in crores)
1972-73	16.58
1973-74	4.43
1974-75	47.22
1975-76	29.53
1976-77	24.68
1977-78	5.00
1978-79	17.00
1979-80	45.43
1980-81	27.91
Total :-	257.78

Source:- Sahakar Setu; February, 1982; Page 107.

(H) Price Fluctuation Fund

Price Fluctuation Fund is established and maintained as reserve fund. Initially the state government contributed Rs.1 crore towards this Fund and then in subsequent years 25 percent of the difference between final price and guaranteed price was credited towards this Fund. It was decided to accumulate this Fund upto Rs.40 crores. This fund gives protection to growers from loss in cotton trade. If surplus develops, 25 percent of it is credited

into the Fund. The Korpse Committee was of the opinion that this contribution should be reduced to 5 percent, but so far the suggestion has not found favour with the government.

Table - 7

Progress of the Price Fluctuation Fund under the Scheme of Monopoly Purchase of Cotton in Maharashtra State.

Years	Amount credited (Rs. in crores)
1972-73	5.07
1973-74	2.75
1974-75	- 23.75
1975-76	9.89
1976-77	25.00
1977-78	0.35
1978-79	- 1.81
1979-80	2.54
1980-81	6.58
Total:	26.82

Source :- Sahakar Setu; February, 1982; Page 107.

Between 1972-73 and 1980-81 gross accumulation in the Fund has been Rs.26.82 crores. As per details in Table-7, it will be noticed that out of 9 years under reference there was addition to the Fund in 7 years, whereas the Government was required to withdraw from it on two occasions.

Withdrawal in 1974-75 was of Rs.23.75 crores. Had such a substantial loss been avoided through judicious planning of the trade, the Price Fluctuation Fund would have grown to the tune of Rs.50 crores. Another noticeable feature is that 1974-75 was the year of maximum withdrawal from the Fund and 1976-77 was the year of maximum credit to the Fund. Credit of this year recouped the depletion of the Fund in the earlier year. Happily, after 1974-75 there were no occasions of large-scale withdrawals from the Fund comparable to the size of 1974-75. Consequently, the aggregate amount in the Fund could rise to the level of Rs.26 crores by the end of 1980-81.

IV

PROBLEMS IN THE SCHEME

As the scheme has been devised principally for the benefit of the growers, much attention has to be given to the reactions of this class of people. In the process of implementation of the scheme, certain basic difficulties are being faced by the growers. A brief description of the same follows.

(1) Grading of cotton is the most delicate and complicated job in the marketing of cotton. This activity has a great impact on the sale proceeds ~~of~~ the farmer is likely to get. Graders at the collection centres are mostly ignorant about the grading process as they are

neither experts nor specially trained persons for the purpose. Consequently, grade fixation is arbitrary, subjective and often influenced by corrupt practices. As the grader's decision is final, the grader-seller has many a times to lose if his produce is graded low in spite of the fact that it has a better quality. Loser in this game is obviously the small producer. Big ones usually do not lose, actually they gain as they are in a strong financial position and can very well get their produce branded as of higher quality than what it is by using their financial strength. Grower-sellers are treated indecently on many occasions. Regarding grade fixation, decision of the primary grader is supposed to be the final one. Any appeal to the senior grader is mostly turned down as changing the decision of the junior grader is considered to be a matter of prestige for the latter. Though every case of grading does not involve wrong decision and/or malpractice more often the grower-sellers are confronted with such situations.

(2) The growers do not get full amount of their sale proceeds immediately after the sale. They get only a small part of payments and the balance of the amount is received during the remaining period of the season. In Phaltan area, the cotton season ends in December, whereas the cotton season in the rest of the State ends in June as stipulated by the State Marketing Federation. After the completion of the cotton season in the State the

subplus amount if distributed among the cultivators. If the government declares enhanced rates for the different varieties of cotton, the amount of difference is paid thereafter. Because of this sort of spreadover of the payments, the cotton growers face financial difficulties at times.

(3) Green card is given to the cultivator by Co-operative Credit Societies for identification purpose. It contains grower's name, village, total area under cotton cultivation, loan received from the primary Co-operative Credit Society, name of the collection centre, etc. All these particulars should be recorded well in time, otherwise difficulties crop up in selling the produce and getting payment. Green Card is the most important document which prevents false tendering of cotton by those who purchase cotton from others at low price. But in practice, non-agriculturists also tender cotton by producing false green cards and by other methods.

(4) As per the provisions of the Market Act and the rules thereunder, every Market Committee has to constitute a Disputes Committee to resolve the disputes arising in the market yard in course of selling of agricultural produce. It is a general complaint that, on many occasions, particularly, at the time of dispute between the grower-seller and the grader on fixation of proper grade, the Committee will not be available for immediate settlement of the dispute.

Consequently, a grower-seller is compelled either to submit himself to the decision of the grader or to wait for the Disputes Committee for a day or two. If a grower decides even to wait, he is not sure that justice would be done to him as the common experience is that the cases of only big cultivators are adjudged in their favour by the Disputes Committee.

(5) Lack of co-ordination among the Sale Purchase Union, Agricultural Produce Market Committee and the Marketing Federation has resulted into inefficiency and overall delay in various operations such as grading, weighment and payment.

In order to tide over such problems in the implementation of the scheme, since December, 1978, some modifications in the working have been introduced. Major ones are as under :

(1) Cotton is purchased by the Federation at a price 8 to 15 percent above the prices recommended by the Agricultural Prices Commission.

(2) Full payment of the sale proceeds is done to the cultivators on the same day after the delivery of goods.

(3) Agricultural graduates are employed as graders.

(4) Reorganisation of Disputes Committee is done by the Market Committees by giving representation to the growers also.

(5) Additional grades are introduced in order to reduce the grade gaps and make the grade fixation more accurate.

These improvements have resulted into better business in cotton procurement activity.

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