

MARKETING
IN
INDIA



K. L. GOVIE

Marketing In India

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PREFACE

Marketing organization depends upon the economic organization of society. From simple barter to organized sales through central marketing boards or cartels and pools is a marvellous development. But it has been achieved gradually through evolution of market organization and practices, brought about by rapid means of transport and communications, banking facilities, grading and standardisation of products, improvements in the technique of selling and advertising.

In an expanding market of the first half of the 19th century marketing problems did not receive as much attention, as they did in the latter half, when competition grew keener and keener among the industrialised countries. The situation grew worse in this century, particularly during the inter-war period. Since 1929 when the economic depression enveloped the world, the marketing problems have come in for a good deal of criticism and consideration all over the world, including this country. The post-war boom of 1919-21 was followed by a sharp recession of prices and output which continued, more or less, up to 1924. Thereafter attempts were made by different

countries, independently and through the League of Nations, to resuscitate the international trade to its pre-war order. But it could not be achieved owing to the aggressive economic nationalism of different countries. While Asia and Africa were growing more and more conscious of their industrial backwardness and asserting to improve their lot, Europe and the United States of America were striving hard to retain their hold over these markets by effecting changes in their productive and marketing organizations and practices. For example, in the United Kingdom, a number of Committees, e.g., the Liberal Industrial Enquiry Committee, the Balfour Committee and the Macmillan Committee, were appointed to investigate into the problems of industry and trade; and marketing organization always received the most careful attention of these bodies. The Wembley Exhibition of 1924 was organized to judge the Imperial self-sufficiency and the Ottawa Conference of 1932, to retain control over the Empire markets.

Other countries were shaping their own policies and insulating themselves from the outside world by high tariffs. It seemed as if we were going back to the mercantilist period and the principles of *laissez faire* and *free competition* were bidden good-bye. National economic planning became the common cry and Russian, German, Italian, American and Japanese plans were objects of envy and emulation for other nations.

In India, too, various Commissions and Com-

mittees were appointed, in the post-War period, to make investigations into agricultural, industrial, labour and banking problems. The Royal Commission on Agriculture in India, and the Central and Provincial Banking Enquiry Committees fully stressed the need of improving our marketing organisation and practices. To give effect to the recommendation of the Agricultural Commission, the Central Government created a Department of Marketing, and appointed a Marketing Adviser to the Government of India on January 1, 1935. Provincial Governments and leading Indian States also cooperated in this mission. The Department is primarily concerned with agricultural marketing, because in the post-war depression the prices of raw materials and foodstuffs fell more than those of manufactured goods. This hit the Indian cultivator very severely who was, more and more, dispossessed of his only source of livelihood, i.e., land. Debt legislations were also passed by most of the Provincial Governments, particularly after the assumption of power by popular governments in 1937.

The War gave a fillip to some of the Indian industries—machine and cottage—and agriculture. But the quantum of trade has suffered severely and the price level has gone up considerably. Our imports have fallen more than our exports, resulting in the creation of heavy sterling balances to India's credit in the United Kingdom. The chief features of the War period trade are Government controls,

Government restrictions and Government purchases. In every trade whether it is cloth or grain, sugar or cement, bricks or iron and steel, the hand of the State is visible. In some cases the grip is tight, while in others it is yet loose. Forward business in grains, oil-seeds, bullion, cotton and securities has been forbidden by law. Even the 'hedging contracts' in cotton which are so essential to trade and industry and which have received the blessings of the Indian Central Cotton Committee, have been forbidden. Rationing has been introduced in foodgrains and cloth in selected places. The ordinary laws of supply and demand are not operating, partly because of the insufficiency of transport facilities, and partly because of restrictions of some of the provincial governments and Indian States. There is lack of unified central control in the country at present.

Another important change to note in our marketing system is the appearance of the United Kingdom Commercial Corporation which is participating in India's foreign trade to the detriment of normal trading interests. Its existence is being justified by Government on strategic grounds. At best, it may be tolerated during the period of the War, although there is no justification for it even at present. But people have grave doubts whether it will be wound up with the cessation of hostilities. This, only the future can tell.

The future tendency of marketing organization

seems to be towards increasing concentration and pooling of output on national and even international scale. There were a number of international combines and trusts before the war. The British industry has been thoroughly re-organized in the last 25 years, and to meet foreign competition marketing has been centralised. The State has encouraged common selling through marketing boards, like German cartels. Combinations which were dreaded in the 19th century have become the order of the day, and it is commonly believed that without some form of combination for fixing of prices, regulation of output and restriction of productive capacity, industry cannot be rationalized. The United States of America contemplates organizing an International Commodity Stabilisation Corporation to rid the world of trade cycles and combat the evils of colonial controls of raw materials. The Sugar Syndicate and the Cement Merger in this country are only pointers of the direction in which the wind is blowing. The cotton mill interests of Bombay have been making attempts to combine to face competition from within and without.

The present *volume* is an attempt to place, in the hands of advanced students of Economics and Commerce, and those of the general readers and State Officials who are interested in the marketing problems, a book dealing with the present-day marketing problems of this country. It deals with the principles as well as the practice of marketing, particularly in India.

There is dearth of books on this subject, especially of those illustrating Indian conditions. The first few chapters are devoted to the principles of marketing which apply equally to the manufactured goods as well as the agricultural products. A separate chapter is allotted to Advertising and Salesmanship. Agricultural marketing occupies the place of honour, partly because it gives occupation to about three-fourths of the population, and partly because marketing of agricultural products on sound lines needs greater stress and attention. Staple commodities like wheat, cotton, jute and rice have been separately dealt with. Quite a large number of senior students of Economics and Commerce are not familiar with market phraseology and they are not able to understand, much less to interpret, market reports. A chapter is, therefore, added on market terminology. The last chapter is on the Stock Exchange. Besides the technique of marketing, followed on the stock exchanges, the reader will find helpful suggestions to decide where to invest.

The author is grateful to the numerous writers from whose works he has drawn inspiration and material. He has gratefully acknowledged them in the footnotes of the book. Inadvertent omissions may be forgiven. Most of the material on agricultural marketing in India is based on Government Reports and publications. They are the best available sources at present.

October, 1943.

K. L. GOVIL.

INTRODUCTION

Broadly speaking, marketing covers those activities which relate to the creation of time, place and possession utilities. With the improved means of communication and transport, the scope of the term has very considerably widened. Now, we talk, not only, of local or national markets but of international markets, particularly in the staple commodities, e.g., cotton, wheat, bullion, etc. The prices of these and many other commodities are determined by world forces. Indian cotton is exported to Asia, America and Europe. Similarly we import American and Egyptian cotton. A critical study of the world trade should make it clear how from small beginnings the quantum of world trade has assumed such huge proportions. In fact, it would have gone further still but for the restrictions imposed by political boundaries.

Different meanings are attached to the term *Market*. It may mean the place where actual buying and selling takes place, such as village market or town mandi or Bombay Stock Exchange or Calcutta *Phatka* market, etc. It may as well connote a social institution covering a vast range of economic activities, as buying, selling, transporting, financing, grad-

ing and standardising, storing, etc., etc. All these activities and many other allied ones are included in the concept of marketing. In other words, the study of marketing is the study of distribution and exchange. Just as exchange is a wide term embracing all the commercial activities of our society, so also is market. We may, therefore, conclude that market is an important social institution that covers the activities of the middleman, the banker, the renting landlord, the transporting agent, the investor, the stock broker, the insurer and a vast army of other functionaries that are engaged in one or the other process. It is through marketing that human wants are satisfied by exchange of goods and services for some valuable consideration, usually money or its equivalent. In the olden days, when goods were exchanged with other goods, the marketing practices were of the crudest form; but with the introduction of money as the standard of value, exchanges have been considerably facilitated. The modern mechanism of organised markets is so perfect that it reacts to the changes of supply and demand in any part of the world. The equilibrium is disturbed by one set of conditions and is brought into harmony by an opposite set of factors.

We observe that marketing problems have become so important that they engage some of the best brains of the country. Not only the businessmen, but the public, the State officials and the social re-

formers try to tackle the complex problems of marketing. In our own country, a separate department has been created by the Central Government with the Marketing Adviser to the Government of India at its head and with his Assistants and Provincial Officers in the different provinces. They are carrying on marketing surveys of agricultural commodities. The Indian Central Cotton Committee and the Indian Central Jute Committee have also investigated into the problems of marketing of cotton and jute respectively. The Agricultural Commission, at whose instance all this has been attempted, and the Central and Provincial Banking Enquiry Committees have also carefully considered the problems of marketing within their respective spheres. The Co-operative Department is exhibiting a growing interest in the marketing problems. All these are the signs of the times. It is with a view to help the poor and illiterate cultivator to get a fair price for his produce and to stimulate him to improve the quality and yield of his produce. Our universities, like the sister institutions of foreign countries, have recognised the usefulness of this subject and have provided it as a branch of study of the courses in Economics and Commerce. It is a developing subject and more and more literature is being published every day, as a result of investigations into the marketing problems.

“Marketing studies have shown that marketing

takes 50 per cent or more of what the consumer pays for goods." Naturally, it must be the common desire of the producer as well as the consumer to reduce this heavy cost. It is with this end in view that multiple shops and chain stores are growing popular in America and other countries. The idea is to eliminate the middleman at as many points as possible. On the side of the consumer attempts are made to organise co-operative stores—retail as well as wholesale. Whether it is possible or even desirable to eliminate the middleman, root and branch, is a debatable question. It is a subject of study in a separate chapter in this book. For the present, we can only say that in some trades, particularly in the marketing of agricultural commodities in India, at times we come across an unnecessarily long chain of middlemen and it will be better for all concerned if some of them are persuaded to take to other vocations of life.

The marketing institutions are closely related to the organisation of trade and industry. They have developed with the progress of industry and commerce. The improvement of the means of communications and of the technique of production had a great effect on the development of marketing and marketing methods. From simple barter to organised produce exchanges is a big jump. But the forces of progress have been steadily operating resulting in the most elaborate marketing machinery with all

regulations and controls regarding prices, weights, and measures, grading, storage, banking facilities, transportation of goods, etc. The modern market with facilities for *spot* and *forward* transactions and connected with international markets telephonically and telegraphically is an institution that reacts to the slightest changes in the conditions of demand and supply. Professor Jevons' definition of market brings out the evolutionary character of the concept. He says: "Originally a market was a public place in a town where provisions and objects were exposed for sale; but the word has been generalised so as to mean anybody of persons who are in intimate business relations and carry on extensive transactions in any commodity. A great city may contain as many markets as there are important branches of trade, and these markets may or may not be localised. The central point of a market is the public exchange mart or auction rooms where the traders agree to meet and transact business. In London the Stock Market, the Corn Market, the Coal Market, the Sugar Market, and many others are distinctly localised; in Manchester the Cotton Market, the Cotton Waste Market, and others. But this distinction of locality is not necessary. The traders may be spread over a whole town, or region of country, and yet make a market if they are, by means of fairs, meetings, published price lists, the post office or otherwise, in close communication with each other." According

to Cournot, an eminent French economist, "Economists understand by the term, market, not any particular market place in which things are bought and sold, but the whole of any region in which buyers and sellers are in such free intercourse with one another that the prices of the same goods tend to equality easily and quickly." Here the crux of the problem is that the forces of demand and supply act and react in a way that the prices of the same goods tend to equality easily and quickly. The greater and freer the intercourse between the buyers and the sellers the lesser the time taken to bring about harmony between the conflicting forces.

We often talk of 'a *perfect market*.' The idea conveyed by a perfect market is that the free intercourse between the buyers and sellers of a given commodity is so well established that it leads to a single price at which the whole commodity is exchanged in that market. But it must be admitted that such markets are rarely to be found. Even the best organised Stock Exchanges of the world fall short of this conception, although they come as near to it as no other markets do. The prices of government securities dealt in on a Stock Exchange or of the listed industrial scrips are more or less the same on any of the leading Stock Exchanges of the world.

An *organised market* is said to be one the proceedings of which are formally regulated. In India, we call them *Regulated Markets*. Such markets

are either organised by the Co-operative Department as in the Central Provinces and Berar, or by various Chambers of Commerce which generally regulate forward business or speculation in their respective markets or *mandis*.

Every class of product cannot be suitably handled in an organised market. The chief conditions needed for rendering a product suitable to be handled in an organised market are (1) that it be not quickly perishable; (2) that the quantity of each thing can be expressed by number, weight or measure; (3) that its quality can be determined by tests that yield almost identical results when applied by different officials, assumed to be expert and honest; and (4) that the class is important enough to occupy large bodies of buyers and sellers.¹

In addition to these if the product is liable to considerable fluctuations in prices it will attract speculators to deal in that product because they speculate on the rise and fall of prices. The most highly speculative counter on the Bombay Stock Exchange is the Tata Deferred—a share of the face value of Rs. 30 selling at about Rs. 1,560 at present. The margin of fluctuation in prices at times is of hundreds of rupees over two settlements. Cotton and wheat among agricultural products are suitable objects of speculation. They are not easily perish-

¹ Marshall, *Industry and Trade*, Fourth Edition, (page 256).

able and the quantity can be measured and quality tested by honest and intelligent people. Further, they are important products with world-wide markets. Like the manufactured goods, they cannot be produced to order in a short time. Consequently their prices are liable to considerable fluctuations within two seasons. At present wheat is selling very dear owing to abnormal demand and cotton was fetching low prices in 1941 because of the loss of Japanese market which used to consume about 50 per cent of our exports of short-stapled cotton. The leading association that regulates speculative operations in cotton in the country is the East India Cotton Association of Bombay. For wheat the Chambers of Commerce at the ports and in the mandis of Lyallpur and Hapur are the chief agencies. They attract speculators from far and wide who make a living by speculative purchases and sales and who render a real service to the society by carrying risks that would otherwise be borne by people less fitted to bear them. It is true that when speculation is carried on by people who neither understand its technique nor are equipped with financial resources, they demoralise the market resulting in wild fluctuations of prices and heavy financial losses to the honest dealers. Such a tendency of the market should be checked by the regulating authority. It is why speculation in wheat, cotton and many other commodities is stopped during the war time.

MARKETING FUNCTIONS

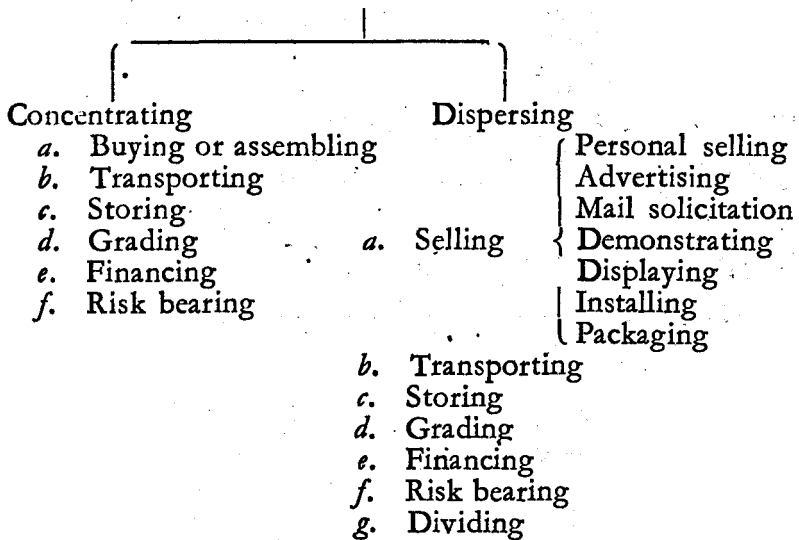
Our economic order is based on the exchange of specialised services and the problem of marketing enters into every exchange. It includes not only the direct process of sale, but the whole organisation by which the original producer and the final consumer are linked together. The ordered conduct of society is dependent on the efficient system of marketing. Before the construction of railways in India, we had numerous examples of famines in certain provinces and of bumper crops in the neighbouring ones. As the marketing machinery was not efficient owing to lack of means of transport, people suffered from starvation and scarcity of food. Now that the means of transport and communication have improved we not only transfer internally between the different provinces, but even import from outside—say wheat from Australia. Thus the nature of famines has changed from physical scarcity to unemployment.

Broadly speaking, concentration and dispersion are the major activities of the marketing process. On the one hand, through buying from the small producers the products concentrate in towns and mandis in possession of stockists or banks. On the other, the concentrated products flow from a large

reservoir in a central location towards small consumers or final users of the products. Both these activities are going on side by side. For example, the products of the farms, forests, mines and seas are collected from a number of small producers to be concentrated in central places. This involves a number of marketing functions, such as buying, transportation, storage, financing, grading and standardisation and risk-bearing.

After the assembling or collection of goods they are dispersed through wholesale dealers and retailers to the final consumers. From *khattis* and *kothas* in the mandis grain flows to the ultimate buyers. It is the same thing with the manufactured goods. Dispersion calls for one or more of the following services: selling, grading, transportation, storage, financing and risk-bearing. Most of these services are common to both the activities of the marketing process and are usually referred to by businessmen and economists as marketing functions.

THE MARKETING PROCESS¹



BUYING. (ASSEMBLY)

Buying is an important function and takes a considerable time and attention of the businessman as well as of the ultimate buyer. The businessman has to be very careful in his purchases otherwise he cannot successfully compete with his rivals because the margin of profit is cut very fine. The purchaser has to determine the needs and decide the kind of goods, their quality and quantity to be bought and the sellers from whom they are to be purchased. Then follows the fixation of price, the time of delivery and the mode of payment or arrangement of credit. In the marketing of wheat, e.g., grain elevators in the west and *khattis* and *kothas* in India perform a

¹ Pyle—Marketing Principles (First Edition), page 66.

very valuable service in assembling or concentrating wheat from a large number of firms. This concentration is necessary to enable wagon-load shipments and it also facilitates financing in the marketing of the product. From the local mandis wheat is not only exported to the ports but is also available for resale in the mofussil. This concentration is also advantageous to millers who can buy at one place and are guaranteed a uniform quality. So far our grading has not reached that level of efficiency but it is receiving increasing attention of the Marketing Section of the Council of Agricultural Research of the Government of India. Similarly cotton merchants also serve their customers by concentrating quantities of like grades at points convenient to their mills. The co-operative markets not only stock long-stapled cotton, but arrange for its ginning and pressing as well. The Japanese and Bombay mills leave their agents in the cotton area to effect purchases of cotton in season as it has proved to be more economical and convenient. Assembling is most important in the marketing of commodities which are produced on a small scale by numerous entrepreneurs scattered over the countryside. The collection of the agricultural produce of our cultivators is the best example of this kind. The village *baniya* collects ghee from hundreds of houses in every village. He takes it to the mandi in tins on ponies or camels. After proper grading it is tinned,

sealed, and labelled and then exported to the port towns or large cities where it is dispersed for consumption. Unlike this in the case of many manufactured goods, once they are ready for the market, dispersion rather than concentration takes place. The output of a factory is sold to the wholesale dealers who in their turn sell it to a large number of retailers. Sometimes the factory appoints its own agents through whom the goods are supplied to the ultimate buyers. Thus the factory output is being broken up into smaller and smaller units until it finally reaches thousands and even lacs of consumers.

The marketing of a great many commodities, particularly farm products ready for consumption, involves both concentration and dispersion. Buyers operating at local producing points—small towns or big villages—are engaged in concentrating the products of many farms. The wholesalers of the city markets and big mandis assemble the produce from many buyers in local markets. The wholesalers in turn break up these larger quantities into smaller units for the retail trade and the retailers sell in still smaller units to the consumers. Both the wholesalers and the retailers are thus engaged in dispersion. This shows that both concentration and dispersion are going on simultaneously.

A second type of concentration is the bringing together or assembling of a number of unlike goods for the convenience of buyers. Economy of effort

and expense in buying are possible only when some one assembles a variety of like and unlike merchandise to facilitate selection by buyers who can pick and choose. The purchaser finds it convenient to buy a wide variety of foodstuff groceries, cloth and sundries from a single store or shop rather than to be forced to buy from hundred and one places. This is the justification for the existence of departmental stores where one can fill in all his requirements. There is, however, a move in the opposite direction by establishing multiple shops in different localities for the same class of goods. It is based on specialisation. An attempt is made to reach the very home of the consumer.

Bases of Purchase. Goods may be purchased in any of the following ways: by *inspection*, by *sample* or *pattern*, or by *description* or *brand*. The commonest form is when the buyer visits the shop or store of the seller and after *inspection* of the quality of the goods he makes his purchases. Here the principle of *caveat emptor* will operate. A *pattern* refers chiefly to specimens of manufactured goods, such as cloth. Patterns are submitted to show the texture and shade of the cloth, the different patterns being numbered with standard numbers which are referred to when orders are placed. A *sample* is a specimen of goods particularly of raw products, foodstuffs, etc. It is submitted as a fair specimen of the bulk, and if found satisfactory, an order is placed.

on examination of the sample. When goods are sold by pattern or sample, the seller guarantees that the goods in bulk shall correspond to such pattern or sample. Goods may also be sold by *description* or *brand*. In this case they must be strictly in accordance with the description. If goods are sold by description of which sample is also shown to the buyer, the agreement will be on the basis of description, e.g., A sells 10,000 maunds of Chandausi wheat to B and shows sample of a certain class of wheat which is not Chandausi wheat. B is not bound to accept this wheat and can insist on taking delivery of the particular kind of wheat known in the market as 'Chandausi Wheat.'

Mail Orders. The post is used to a large extent in the purchase and sale of goods, and in the case of well-known commodities and advertised goods, the whole business may be carried on by correspondence. Goods are ordered by post and are paid for on delivery. This system is getting very popular. It is economical as the seller has not to maintain well-furnished show rooms in the busy quarters. He need not engage the services of expert salesmen, but must spend considerable sums on advertisements and cataloguing, etc. Sometimes it is convenient to the buyer to place orders by selecting articles from catalogues—particularly when he is assured that his price will be returned if the goods are not found to correspond to the given description or brand. But

this system suffers from certain serious limitations. There is no provision for 'look and pick', and like a local retail store or shop it cannot give facilities of credit or delivery. The element of personal salesmanship, always an effective factor, is also absent in the mail order system. Still for recognised and well-reputed brands it is an excellent system.

SELLING

Of all the marketing functions, *selling* is the most expensive and yet the most difficult function to perform. It is easy to produce goods but very difficult to sell them at a profit in these days of competition. From so many quarters we hear the cry of 'over-production.' The buyer is indifferent. He is sought after by competing firms. The seller has to create demand for his wares, find buyers, educate them in a convincing way about the usefulness of his goods, negotiate price and other terms, arrange to transfer the title and lastly make collections of his dues or allow customary credit.

For certain classes of goods, e.g., victuals, utensils and ordinary clothing, the demand is there. Only it has to be met. But for certain other classes of goods, e.g., newly patented machines or published books, the demand is to be created. The prospective customers are to be educated and convinced about the merits of the goods advertised or offered to the public for sale. The question as to 'why

the consumer is sold and not merely permitted to buy' is a most significant one. Its explanation lies in the present-day competitive system. Not only one article of food, for example, is in competition with all other articles of food, but in general, foods compete with clothing, clothing with motor cars, and motor cars with housing facilities, etc. Even the public utility services like electric supply companies and railways have to advertise to create demand because they too are not free from the effects of competition. Gas competes with electricity and motor bus with the railway system. These circumstances, therefore, compel the seller to be alert in the creation of demand for his goods. He has to convert the potential market into an actual market, and that is made possible by advertisement, salesmanship, demonstration and firm offers. At times goods are supplied to prospective buyers on approval basis without any cost to them even for transit. It makes a psychological appeal to the customers as the advertiser trusts them rather than ask them to trust him. The competition amongst sellers is of distinct advantage to the consumer. It has great educative value; he is well served and he knows where to get a particular commodity with advantage. He can make a more intelligent choice than might otherwise have been possible. In a departmental store the consumer can pick and choose while in a mail order business he can order from his desk.

General Conditions of Sale. The main factors which are to be considered in connection with the sale of goods are the quantity, quality, price, payment, packing and delivery of the goods sold.

(1) *Quantity.* The quantity of goods purchased by a customer will naturally vary with the condition of the market. It is the duty of the seller to deliver the exact amount which has been ordered, otherwise the buyer can reject the goods.

(2) *Quality.* There are infinite varieties of material all differing in quality. One of the most important points in a contract of sale is the determination of the exact quality which the buyer has in mind. The quality is usually indicated in one of the following ways:—(i) Sample or Pattern, (ii) Description, (iii) Type, and (iv) Trade Mark. The first and the second have already been explained.

Type. When goods are sold “to arrive,” their quality is determined according to type. This is a standard sample taken from the crop in the early part of the season, and the year’s growth is guaranteed to be equal to the type. Should the produce prove to be inferior, an allowance is usually made, the amount being settled by agreement or by arbitration.

Trade Mark. Goods, and specially manufactured articles of small value, tend more and more to be sold according to the trade mark which signifies the quality of the articles and facilitates the task of the purchaser.

(3) *Price*. The price is the sum agreed to be paid for goods per unit of number, volume, weight or measurement. But there are other charges subsidiary to the actual price, stipulation as to which frequently appears in contracts. The principal terms with reference to price are:

Loco is the price for goods as they stand in the seller's warehouse or wherever they may be at the time of sale, without including any charges whatever for transit or removal.

F.O.R. (Free on Rails) means that the seller will bear all the expenses of putting the goods into the railway trucks at the station named. Thus *F.O.R.* Destination will include the railway freight.

F.O.B. (Free on Board) implies that the seller will bear the expenses of conveying the goods upto and on to the vessel by which they are to be shipped. The freight is paid by the buyer.

F.A.S. (Free Alongside Ship) means that the seller will bear the expenses of conveying the goods upto the vessel by which they are to be shipped, but no further.

C. & F. (Cost and Freight) means that the price covers the cost of the goods, shipping charges and freight, that is, all charges to the destination of the vessel except marine insurance.

C.I.F. (Cost, insurance and freight) means that the price includes the cost of goods, shipping charges, freight and marine insurance.

Franco covers all expenses upto the door of the buyer.

In Bond refers to imported goods liable to customs duties, which are stored in a government warehouse until the necessary duty has been paid. *In Bond price*, therefore, means that this duty will be paid by the buyer.

Duty Paid price includes the customs duty payable.

Note. The last seven terms are used in connection with foreign trade.

(4) *Payment.* The payment of the price of goods may be made immediately or after the expiration of a fixed period of time. The following terms are usually employed in connection with payment.

Prompt means payment within two or three days from the date of delivery without any discount.

$2\frac{1}{2}\%$ *Prompt* denotes that $2\frac{1}{2}\%$ discount will be allowed on the cost of goods, if payment is made within a few days from the date of delivery.

C.O.D. (Cash on delivery) means that cash must be paid on delivery of the goods.

C.W.O. (Cash with order) means that cash is to be sent with the order.

3 Mos. Net means that payment must be made within three months from the date of delivery and that no discount will be allowed.

Cash against Documents means that the price of the goods is to be paid on delivery of the shipping

documents (Bill of Lading and Marine Insurance Policy).

Documents against Acceptance. (D/A) means that the shipping documents are not to be handed over to the buyer until he has accepted the B/E drawn in payment of the price.

Documents against Payments. (D/P) means that the buyer must pay the Bill of Exchange, called the documentary draft, before he can have the shipping documents.

Note. The last three terms are generally employed in foreign trade.

Discount is of two kinds. *Trade discount* is an allowance in reduction of the price of goods sold. It is made without regard to the time when payment may be received, and it is deducted from the price of the goods sold. No allowance is made on the charges. *Cash discount* is an allowance in reduction of the amount of an account. It is given for payment of the account on or before a fixed date, and it is better not to deduct the discount from the amount until payment is made. Trade discount is allowed for the benefit of the retailer or the middleman, whilst a cash discount is allowed to encourage prompt payment.

(5) *Packing.* In the case of small manufactured articles, packing plays an important part. Its object is not only to protect the goods from damage, but also to induce their sale. When goods are sold in

packages or cases, there are three different weights to be taken into account.

- (i) The actual weight of the goods, known as the *Net weight*.
- (ii) The combined weight of both goods and package, known as the *Gross weight*.
- (iii) The weight of the package in which the goods are enclosed, called *tare*.

Actual or Real Tare means that the package has been weighed separately from the goods before they were packed; *Average Tare* is taken where the packages are numerous, and of a similar size or shape, and only a few have been weighed to form an average for the whole; while *Customary Tare* is an established allowance made in some trades for the weight of packages which are so invariably alike, or of such uniform weight as to warrant a fixed percentage allowance being made for them.

(6) *Delivery*. The seller of the goods must allow the buyer to obtain possession of the goods bought, though he need not actually deliver them to the buyer. Anyhow the property in the goods must pass to the buyer to constitute delivery. The following are the terms used in connection with the delivery of goods.

A "*Spot*" sale means that the goods are actually on hand at the spot and can be delivered immediately. When goods are sold "*to arrive*," it means that they

are in course of transit (generally on the sea), and will be delivered on arrival of the vessel by which they are being conveyed.

Prompt Delivery means that the goods are ready, and the buyer can take delivery of them immediately; in some cases, however, a wider meaning is given to the term—that the goods will be delivered in a few days.

Forward Delivery means delivery within a stated period or at some future time.

TRANSPORTATION

Probably the most important invention of the modern period is that of the steam engine which has revolutionised transport on the land and in the seas and air. Before the revolution in transport, our markets were of limited extent only. The exchange of goods was confined to costly and light goods. Gibbon characterised the Eastern trade as 'splendid and trifling.' It was true not only in the Moghul period but even after—at least upto 1850 when the construction of railway lines was taken up in hand by the East India Company. Lord Dalhousie's Minute on Railways and the outbreak of the Mutiny accelerated the construction work and in a short time the ports were joined with the hinterland. This gave a stimulus to the foreign trade of India. Our agriculture was commercialised and we produced cotton, jute, tea, rubber, and oilseeds for foreign

markets. In exchange, we received cheap and standardised machine-made goods of the West. After the opening of the Suez Canal in 1869 the distance between India and England was reduced by about 3,000 miles. Sub-marine cables were laid between Bombay and the Suez. The result was that less valuable and bulkier articles began to pass through the Suez. More and more of wheat was exported from India to the West, as formerly owing to excessive heat it was spoiled in transit when exported round the Cape of Good Hope. The export of oilseeds also increased very much in quantity. *Inter alia*, we imported British coal and machinery for our newly established factories and railways. The railways determined the nature and direction of our trade. If India had been given a network of railways within the country, our trade would have developed on different lines. Lord Derby very correctly said: "What was wanted in India was not costly lines for rapid travelling laid down in a few parts, but a comparatively inexpensive, though slow, means of communication extended all over India". The result was that our foreign trade developed to the neglect of the internal trade. The Indian agriculturist produced for international markets and got cheap and standardised goods of the West in exchange. The telegraph and telephone provided further facilities to the trade. At present we have over 41,000 route mileage in India. Considering the size, area

and population of the country our railway system falls far short of our requirements. The road system too is not well developed and our rivers are not navigable for long distances. Therefore, one of the drawbacks in the marketing system of the country is the inadequacy of transport facilities. Transportation is the most important single factor that has brought about all this industrial progress. Distance is annihilated. We have world-wide commerce and international markets. Right from the producer to the ultimate consumer, there is transportation of goods at every stage. In fact, facilities for efficient and economical transportation determine the location of industries and markets.

STORAGE

Whilst transportation creates place utility, storage creates time utility. All the goods produced or manufactured are not consumed at the time they are produced. Most of the products of nature are produced seasonally, or in other words the supply is seasonal. We get our cane crushed from November to March. Wheat, barley and gram are *rabi* crops and produced in April and May; whilst *jwar*, *bajra* and cotton are *kharif* crops and produced in September, October and November. But the demand for these products is year-round. They are to be stored by some one. It may be the producers, the middlemen or the consumers. In the case of cotton the

spinning and weaving mills may stock raw material just as flour mills may stock wheat. But generally it is the middlemen, who stock the produce because they possess facilities of warehousing and financing and specialise in risk-taking. It is they who enter into forward business and carry on speculation in our mandis.

Unlike the natural products, the demand for some kinds of manufactured goods is seasonal, e.g., electric fans are wanted especially in 'hot spells,' in the months of May and June in India; fire works, *zardozi* and *kamdani* goods command the best sales in some of the winter and summer months when it is the marriage season among the Hindus. Toys have the biggest sales on Dewali and Id. But these goods are produced much ahead of the demand and, therefore, they are to be stored for sometime in anticipation of the demand. The consumer is generally reluctant to anticipate his need for goods and is not willing to store them in quantity. At times he is incapable of it because his means are limited. The industrial population of cities lives in one or two-roomed houses where it is impossible to store any provision. The educated class is not only indifferent but almost apathetic to the storage of goods. They demand that supplies of goods are available to them in quantities and at times to meet their current needs.

To meet these requirements, producers or middlemen must, in some way, provide for storage.

One of the important services which the retailer performs is that of assembling and storing goods for the convenience of the consumer. Similarly the retailer expects the wholesaler to keep stocks and supply him his requirements. Thousands of retailers are unwilling to buy goods direct from manufacturers because the minimum unit of sale fixed by the latter is beyond their buying capacity. It will mean heavy risks and unbearable storage costs. The retailer relies upon the more accessible stock of the wholesaler. The wholesaler relies on the manufacturer to produce and store certain kinds of merchandise. Besides the finished goods the manufacturer has to store raw materials and, at times, completed parts for ready assembly.

It may, therefore, be concluded that goods have to be stored at every step through the marketing process, and that they should be readily available to the purchasers, (middlemen or consumers) in quantities they wish to stock. Storage thus aids in making an adjustment between production, on the one hand, and demand, on the other.

Storage may be of the simplest kind, as is found in the homes of Indian cultivators for storing wheat and other grains, oil seeds, cotton and jute. The farmer stores his small produce in a *kotbi* or *kuthla* or stocks it, as in the case of jute, in a covered space. The dealer in the city stores grain in *khattis* and *kothas*, each having a capacity of several hundred

maunds. Coal is stored in yards or open spaces, and petroleum in large tanks. Improvements are being made in the storage process. *Kacbbi* or earthen *khattis* were replaced by brick *khattis*, and now, here and there we find cement works where carts can be unloaded freely. In the western countries they have elevators where huge quantities of grain are stored after grading. These elevators are found to be too costly for this country.

The scientific age has further helped the preservation of food, vegetables, eggs, etc. These things are of a perishable nature and ordinarily deteriorate in quality very soon. But now by means of refrigeration they are kept cool and wholesome. Railway companies provide refrigerating cars for perishable goods.

GRADING AND STANDARDISATION

According to the definition recommended by the Committee on definitions of the National Association of Teachers of Marketing and Advertising in U.S.A., standardisation involves the determination of basic limits or grades, an establishment of model processes and methods of producing, handling and selling goods and services. Grading, on the other hand, is the process of sorting individual specimens of a given product to the standard grades or classes to which they belong. In other words, a standard determines the quality and grading is the process of

of dividing a quantity of the same kind of goods into uniform groups according to certain standards of quality, size, shape, colour, texture, degree of cleanliness, acidity or other significant characteristics.¹ A standard carries the idea of uniformity of quality. Grading is the actual process of selection and classification of goods according to different standards fixed by trade or the State. The consumer demands goods of a particular quality and insists that they should conform to the given sample or description. In case of machine-made goods, it is comparatively easier, although here also all the output is not of uniform quality. There are some seconds (second quality) as well. The manufacturer must separate the inferior stuff from the superior wares. The purchaser is accustomed to buy according to trade mark or brand, and this can be possible only when goods are standardised.

In case of natural products uniformity of quality is impossible. We do not get all the oranges, apples, tomatoes and eggs of the same size, colour and quality. If they are sold as they are produced they will not fetch as good prices as when they are graded according to given standards. The very rich may afford to pay fancy prices for really first class goods and the poor may be charged 'what the traffic will bear' price for the last quality. Every standard or class

¹ Pyle, *Marketing Principles*, (First Edition), p. 78.

of goods will meet the demand of a certain section of buyers. Advertising and goodwill are based on the building up of confidence, not only in the quality of an article, but that the quality will always be uniform. The buyer will have the satisfaction that he is purchasing the goods for which he is making payment. There is little room for cheating in case of branded and well-advertised goods. Mail-order business implies reputation for established grades. A spinning mill will demand cotton of certain qualities according to the kinds of yarn it has to produce. It may need long-stapled or short-stapled or mixed cotton. It may give the description of the length and colour of the fibre. Grading removes the element of speculation from buying and enables the seller to secure a better price for his goods. Grading makes it possible to sell by sample and description, without the need for personal inspection, and thus widens greatly the market for a commodity. Grading renders the distribution of goods easier at all stages. Goods can be readily bought or sold on the basis of grades by telegram, telephone or letter without reference to their physical characteristics and location. They may also be sold for future delivery as easily as for cash or immediate delivery. The introduction and regular use of standard grades eventually leads to uniformity in quality of production types, and tends at least to reduce, if not eliminate, the heterogeneous number of varieties many of which

may be redundant or unsuitable for certain purposes.

A good example of the effect of grading in raising values is found in the case of eggs. Eggs are sorted by size and cleanliness into fancy and common grades, by colour into white and brown and by freshness into certified grades for fancy trades, candled or tested grades and common. The elimination of a few dirty eggs will increase the price of the lot much more than proportionately.¹

Agricultural marketing in India is of a very crude form. Little progress has been made in the grading and standardisation of the agricultural produce. Since 1935, the Agricultural Marketing Adviser to the Central Government and the Marketing Officers in the Provinces and certain Indian States have been paying attention to the grading of agricultural produce. The Agricultural Produce (Grading and Marketing) Act was passed in 1937. Experimental grading stations are operated by the Central Marketing Staff as well as by the Provincial and State Marketing Staff. An important new principle introduced and accepted by authorised packers is to affix AGMARK labels and pay for them. To ensure that the standard of quality is maintained and the reputation of the AGMARK safeguarded, the Government maintains a Central Control Laboratory Staff who

¹ Dutton, *Business Organisation and Management*, p. 394.

have been authorised to inspect graded produce in the provinces and minor administrations. The standards for different classes of cotton are established and controlled by the East India Cotton Association in Bombay and by the kindred body in Karachi. Grading as recognised in most of large wheat producing countries of the West does not exist in India. But all the same certain broad classification is made by the trading community to enter into spot and forward contracts. The State agency makes attempt to grade the following kinds of goods: fruits, vegetables, eggs, dairy produce, tobacco, coffee, hides and skins, fruit products, ata, oilseeds, vegetable oils including hydrogenated oils and vegetable fats), cotton, rice and lac. Standardisation and grading will check adulteration of food, e.g., AGMARK ghee is sold in large quantities.

Closely associated with grading is the question of *packaging*. Packaging, *inter alia*, puts articles on the market in convenient-sized lots. In the case of wholesale trade the unit is fixed partly by the custom and partly by convenience of handling or use. A wheat bag shall not contain more than two and a half maunds. A sugar bag usually contains two maunds and thirty seers of sugar. But this is the maximum weight a man may carry. Ordinarily, a sack or bundle usually runs in the neighbourhood of $1\frac{1}{2}$ to 2 maunds, a weight a man can carry. A barrel of 50 gallons of liquid is about as large as a

man can handle by rolling. The cart-load, boat-load, ass-load, pony-load, camel-load and other measures are units determined by convenience of handling.

In retail packaging, the unit of use prevails. In a society with a drift towards urban living, with smaller rooms and houses and more accessible stores, the tendency is to package in smaller units.

Packaging, besides the advantage of protection of merchandise from handling, makes it possible effectively to brand the goods, and, therefore, to build up goodwill for a brand, e.g., 'Othello pencils,' 'Panama blades,' 'Swan ink,' 'Parker pens,' etc. Often it may be difficult to brand goods. Lumber is stamped on the ends of boards, or the lower face of flooring. Fruit is branded on paper wrappers which protect it, more lately by a stamp directly on the skin of the orange or other fruits.

FINANCING

The present-day commercial structure is based on credit. Modern methods of production and marketing entail a considerable delay from the beginning the production is taken in hand to the time it reaches the final consumer. The farmer, the manufacturer, and other producers have to assemble various factors of production and pay for them before they can be reimbursed. The final consumer demands credit from the retailer, the retailer from the

wholesaler, and the wholesaler from the manufacturer. The manufacturer approaches the industrial or commercial banks for finances. At times there is an unnecessarily long chain of middlemen. Thus a wide gulf is created between the manufacturer and the consumer. Further, the goods are to be exported from one country to another. The forwarding merchant draws his bill on the importing merchant against acceptance or payment and generally discounts it with his banker who advances 70 to 75 per cent of the value of the goods against their hypothecation. The merchants store large quantities of goods for considerable times, e.g., wheat or cotton. They are financed by banks on their hypothecating the produce. Thus it is clear that at every stage in the marketing process the functionaries need credit and without proper financing facilities this elaborate mechanism cannot operate.

A word about financing of agricultural marketing in India. The tiller of the soil is invariably poor and illiterate. He is financed by the village *bania* or mahajan, *kistwala* or *rabtiwala* (in west U.P.), in Oudh (*ugahiwala*), in East U.P. (*hundiwala*). Before the crop is ready, often he takes advances from the money-lender against the standing crop. For various reasons generally he sells his produce in the village, although the tendency among the cultivators in the Punjab and the west U.P. is to sell the produce direct in the *mandi*. But where he does

not possess his own conveyance and he feels he can better utilise his time without any financial loss, he disposes of his produce in the village. *Pherivalas* or *beoparis* move about from village to village. On very small margin of profit they make purchases. Very often their purchases are not free from an element of speculation or risk. They count more on the rise in prices than on the difference between the purchase and sale prices. This class renders a useful service to the society. The *kachcha arhatiya* or the commission agent through whom sales are effected in the mandi finances the village *beoparis*. He is assured of a regular custom from them. The *kachcha arhatiya* is financed by the *pakka arhatiya* or the stockist who is generally a substantial person with valuable connections. He purchases the produce either to stock or forward it to the ports or foreign markets. Against the hypothecation of goods he receives advances from banks. He draws hundis which may either be trade bills or accommodation bills. Thus banks grant credit either by discounting hundis or on hypothecation of the produce. The Co-operative Department also finances agricultural marketing to a little extent. We discuss this subject at some length in a separate chapter.

RISK-BEARING

Risk-bearing is one of the most important functions in the marketing process. There is transfer of

property at every stage of the process and, as is well known, property always carries certain risks with it. The manufacturer has to assemble the raw materials, plant and machinery, land and building, labour and working capital. As enterpriser, he incurs risks of various kinds. For example, take the case of a miller. He stocks wheat to be converted into flour. By the time his flour is ready, say, the price of wheat has fallen in the market. The result will be that he will have to sell his flour at a reduced price. Let us take another instance. A cloth manufacturer may produce a large quantity of a particular kind of suiting cloth which is very much in demand when he works out his production schedule. But by the time these goods are put on the market the consumer has switched off his demand to some other quality or brand resulting in a great loss to the manufacturer as he can sell his stock only at reduced prices. Similarly a publisher may wrongly judge the extent of the market for his publication and get a few thousand copies printed which may never be sold away. All this will be a dead loss to him. Risks to the producer may be of other kinds too. His plant and machinery may become obsolete owing to certain new inventions or they may accidentally break. The building may be destroyed by earthquake or fire; the labour may go on strike or money may become tight in the market and be available only at very high rates of interests. 'Indian agriculture is a gamble

in monsoon.' It suffers from risks of scarcity or excess of rainfall. Other risks arise from causes such as, storms, weather changes, fire, wars, strikes, insects and diseases of farm animals, fruits and crops. Perishable goods suffer from inherent vice and deteriorate in quality very soon.

Merchants—wholesalers and retailers alike—suffer from risks too. Their resources are limited and within their means they have to purchase assorted stocks. If they do not anticipate the consumers' demand correctly, they will have unsold stocks on hand for the next season which will be shop-soiled and may probably get out of fashion. It is, therefore, on the intelligent anticipation of the demand that their success lies. Then, there are risks of bad debts, theft, fire, changes in prices and fashions, and loss of purchasing power of certain markets. Our exports of short-stapled cotton to Japan ceased after the outbreak of War with that country. Our producers and merchants thus lost a very good market. The price of cotton fell down considerably and the merchants with large stocks on hand suffered heavily.

But it must be clearly understood that whilst the risks in the making and marketing of the goods have increased owing to the international character of the present-day commerce and the wide gap between production and consumption of those goods, the society has devised means to eliminate or at least minimise those risks. In the present form of in-

dustrial organisation, 'the risks of making and marketing fall increasingly on the shoulders that are best fitted to bear them.' (Marshall). Insurance companies—a class of specialists in risk taking—assume certain types of risks under definitely specified conditions on payment of certain fees or premiums. They cover loss against fire, accident, burglary, etc. Policies can as well be obtained on shipment of goods by sea for covering marine losses. By means of the refrigeration process the risk of spoilage and deterioration of goods in the factory or in transit has very considerably diminished. Through hedging transactions producers, merchants and manufacturers are able to transfer a portion of the risk arising out of changes in prices of certain commodities to specialised dealers called speculators. The speculator, so far as he correctly anticipates the trend of the market, steadies the prices and thus renders a useful service to the society. By means of arbitrage dealings fluctuations in the prices at different places are minimised. Thus the speculator regulates the supply and demand between different markets and between different times. His specialised knowledge and resourcefulness stand him in good stead. Further, the rapid growth of the means of communication and transportation, the market surveys and researches, the progress in the technique of marketing in organised exchanges and mandis and the dissemination of information to all concerned have very considerably

reduced the risks in the making and marketing of goods.

COLLECTION AND DISSEMINATION OF MARKET INFORMATION

The collection and dissemination of market information are responsibilities shared by the consumer and all those who sell to him. The consumer receives much of his information about merchandise and their sources and prices from the personal salesmanship, advertising and displays of sellers. Fellow consumers also serve as sources of market information concerning quality, terms and prices of goods. The successful retailer must collect and interpret market information to guide his buyers. Selling, whether it takes the form of personal salesmanship or advertisement, must rest upon the information about prospective buyers. The wholesaler and the manufacturer have responsibilities since the two must condition their purchases and sales upon the market information which they have collected and interpreted. The most successful selling campaigns have been those that have been placed on careful market studies. In fact, some marketing institutions, e.g., those of brokers and resident buyers owe their existence, in a large part, to their skill in obtaining, analysing and distributing information concerning sources of supply, prices, and price trends and other market conditions. Government agencies also col-

lect information for the benefit of the consumer as well as the producer, e.g., in India we have at the top the Director of Commercial Intelligence under whom is a staff of statisticians and other experts. This Department issues weekly journals, *The Trade Journal*, and *The Review of Trade for British India* and other publications wherein prices and price trends of agricultural and manufactured commodities are given besides the quantities and directions of our import and export trade.

MARKETING ORGANISATION

The marketing organisation of a place depends upon the economic organisation of its society. In the days of barter economy marketing organisation must have been of the simplest kind. Production was on a small scale and the gap, in time and distance, between the producer and the final consumer was of an insignificant character. With the increase in the size of business unit necessitated by the revolution in the technique of production and transport, the producer has confined his activities to the improvement of production side only. The distributive and exchange functions are delegated to specialised agencies. As a result of industrialisation the urban population has increased and the standard of living of the so-called industrialised countries has very considerably improved. The agricultural countries like India and China are making strenuous efforts to follow in their footsteps and the inhabitants of these countries feel miserable when they compare their own standards of living with those of the countries that exploit them. For the satisfaction of these wants somebody must perform the services of buying, selling, storing, transporting, grading, financing and risk-bearing. It may be individuals or

associations or groups of individuals.

While it is possible for one firm to perform all the services necessary to market its products, this is an exceptional situation. So long as the producer finds it more economical to devote his major attention to producing and to delegate to the specialised marketing agencies the task of selling the goods; so long as the ultimate user finds it more convenient and economical to supply his wants by patronising the retailer, for instance, rather than by seeking out and buying from the original producer, we should expect to find the services of the so-called middlemen greatly appreciated. When production is on a small scale, by a large number of producers scattered over a wide area; when the goods are in universal demand, bought frequently and in small amounts at a low unit price, the middlemen have, generally speaking a strong economic position.¹

In the last chapter we have discussed the marketing functions. Now we propose to discuss the agencies that perform those functions. These functionaries are called by various names or designations. Generally they take their designations after the services they perform. Broadly speaking, they may be classed as functional middlemen and merchants. Functional middlemen are agencies that perform marketing functions without having title to the goods,

¹ Pyle, *Marketing Principles*, p. 86.

e.g., brokers, purchasing and selling agents, advertising agencies, common carriers, such as railway companies, shipping companies and airways, banks and insurance companies, etc., etc. For every function we have one or more kinds of functionaries. They are paid certain fees or charges for their respective services. On the other hand, merchants are the middlemen who buy the merchandise, get title to it, take risks on their purchases and effect sales with a view to make profit on their purchases. Unlike the merchant, an agent gets no title and incurs no risk, except in certain specified cases, on the goods handled by him.

Merchants may be divided into two main classes—wholesalers and retailers. A wholesaler is one who purchases his stock direct from the manufacturer or importer in comparatively larger units and supplies merchandise to the retailers in comparatively smaller units. He serves as a link in the mechanism of commerce by connecting the manufacturer on the one hand and the retailer on the other. The retailer buys goods from the wholesalers, importers and others in relatively small quantities and supplies them to the ultimate consumers. He is a link between the wholesaler and the consumer.

THE WHOLESALER

The Wholesaler's Services to the Manufacturer. By placing big orders the wholesaler makes it possible

for the producer to manufacture goods on a large scale and thereby effect economies. He supplies numerous retail dealers over a wide area and thus creates a big market for the wares of the manufacturer. Individual requirements of the public are collected by the retail customers, and are passed on, in their aggregate, to the manufacturer by the wholesale merchant. This enables the manufacturer to devote his time, attention and resources to the production side only. Contrary to this, if he were to approach the retailers direct, it would have been very troublesome and expensive to him and the results in the end would not have been so satisfactory. The society as a whole would have been the loser.

Another service which he renders to the manufacturer is that of a large stockist. In the process of marketing every dealer keeps some stocks, but it is the wholesaler who forms the second-line reserve of stock. He assures the retailers of a regular and continued supply. The retailers keep small stocks of assorted goods in the hope that they will replenish their stocks when necessary. Generally, manufacturers produce goods to order. They get orders in advance, often several months before the season. In the off-season they manufacture goods for orders against which generally they receive advances from the wholesale dealers. Thus not only does the wholesale dealer provide custom to the manu-

facturer, but he also finances him and that too in the slack season. He permits the manufacturer to specialise in the kinds of goods he can produce best.

Services of the Wholesaler to the Retail Dealer. The success of a retail dealer lies in the quick turnover. He will be better off if he turns over his stock several times in the year even though at a small margin of profit rather than lock up his money in stock that may sell very slowly, although at higher rates of profit. Suppose a retailer keeps a stock of Rs. 5,000 on an average in the year. He turns it over, say, six times in the year or every two months and gets a modest profit of 6 per cent on his turnover. He will reap a profit of Rs. 1,800 in the year or 36 per cent on his investment. As against this if another retailer invests the same sum but is able to turn over his stock only 2 times a year or half-yearly, and charges as high as 12 per cent on his turnover, his total profit will only be Rs. 1,200 in the year or 24 per cent on his investment although he has charged double the rate of profit in the latter case.

The retailer has to make the best use of his limited resources. On the one hand, he has the temptation to purchase a particular commodity in a large quantity and get better rates from the supplier, on the other, he would like to invest his money in selected goods that can sell in no time although they may be had a little dearer. He has to use his discrimination and judgment. But if he is assured of a regular

and prompt supply he will always prefer to stock assorted goods because he knows that he will replenish his stock when it melts away. This service is rendered by the wholesale dealer who keeps large stocks ready at convenient places. Besides this, the wholesaler grants customary credit to the retailer who is allowed time to convert his purchases into cash if he sells for cash only. If otherwise, he should be able to realise his debts before making payment to the wholesale dealer.

Notwithstanding all that has been said above, there is a tendency on the part of manufactures, in certain trades, to eliminate the wholesale dealer and market direct to the shop-keepers or retailers. In such cases it is not that the function of the wholesale dealer ceases to be exercised, but that the manufacturer himself assumes this added responsibility. He functions as manufacturer-cum-wholesaler, or in other words, he becomes the wholesaler of his own goods. Joint stock enterprises, with facilities of finances and the benefit of limited liability in the event of the failure of the enterprise, may undertake such ventures. But generally it will be only for branded or 'trade-marked' goods that direct marketing is adopted. Such goods are extensively advertised by the manufacturer who builds up a reputation and creates a demand for them. In a way he compels the shop-keepers or retailers to buy from him. In the marketing of textiles or general merchandise,

the middleman is indispensable.

For marketing agricultural produce in India, e.g., wheat or rice, tea or fruits, raw cotton or raw wool, the growers cannot themselves singly get into direct touch with enough retailers to buy all their produce. Where the produce is perishable, like fruits, vegetables and fish, the producers cannot store it to await buyers without taking up the cold storage business in addition to their own. Ordinarily, the beopari links the village with the small mandi and the kachcha arhatia links the small mandi and the big organised market. The kachcha arhatia acts as a commission agent for all sellers in the countryside, including cultivators, village banias, beoparis and other itinerant carriers like *kumbars* and *banjaras*. The pakka arhatia or wholesaler or stockist does not deal directly with the sellers but buys through the kachcha arhatia. The pakka arhatia stocks the produce or sends it to the ports to be exported outside the country or purchases it for exporting agents. The pakka arhatias at such markets as Hapur and Lyallpur are in close touch with the foreign markets, and thus the world prices govern the prices in our organised mandis, which in their turn, govern the prices of the small market and the village. Besides exporting to the port or outside the country, the pakka arhatia sells to the retail trader as well. He is the primary distributor of agricultural produce, and so stands at the apex of the structure of Indian marketing, with

the kachcha arhatia and the dealer in the small mandi in the middle, and the village bania, beopari and cartman at its base.¹

Public opinion is invariably watchful towards and often suspicious of, the middleman. This tendency has its cause partly in the recognition of the fact that intermediaries carry none of the risks incidental to production. Crop failures or cattle plagues that may ruin the cultivator inflict no mortal hurt on the business of the middleman. Indeed, periods of agricultural depression are not uncommonly those in which distributors prosper most. In the main, distributors are tolerably secure in the enjoyment of their profit margins, merchants being, as a rule, in a position, by adjusting prices to pass on to the consumer any rise in costs, while commission agents are concerned mainly with obtaining their commission over the largest possible turnover. It is clear, however, that public opinion is not fully informed on the costs and the risks incidental to the business of distribution in modern conditions. The Royal Commission on Indian Agriculture deprecates easy generalities suggesting that every ill from which the cultivator suffers is traceable to the existence of hordes of rapacious and unnecessary middlemen. Such statements disturb confidence, while distracting attention from faults in the system of marketing

¹ *Report of the U. P. Provincial Banking Enquiry Committee*, p. 155

which are capable of being remedied or removed.¹

Attempts are being made to eliminate the middleman by establishing departmental stores or multiple shops. In the former case the store is situated in some central place and is stocked with all sorts of merchandise. Unlike this, the multiple shop system is to specialise in certain kinds of goods which are taken to the home of the consumer. Co-operative stores are also to cut the profits of the middleman. All these attempts have met with partial success only. The fact is that until producers of all kinds of goods take upon themselves the responsibility of a wholesale merchant, which is not always possible, some intermediary or middleman will be needed. And until the small manufacturer is entirely squeezed out of industry, a wholesale buyer will be a necessity to him to purchase his manufactures in convenient bulk and to convert them into cash without inconvenient delay. The middleman has been subject to just and unjust criticism. He is primarily held responsible for the difference between the consumer's price and the producer's price. His contribution to the economy of marketing has been variously assessed. To the people with no practical knowledge of the marketing practice, he has appeared as a parasite who grows fat at the cost of the producer as well as the consumer. But to others who have a real insight

¹ *Report of the Royal Commission on Agriculture*, p. 383.

into the problem and are not apt to generalise easily, he appears as an inevitable and useful link in the chain of marketing organisation. The Royal Commission on Indian Agriculture, whose opinion is shared by many other responsible committees, e.g., the Provincial and Central Banking Enquiry Committees has very ably and justly summed up the whole position as follows :

“The aim of better marketing is not necessarily to displace any unit in the existing machine but to enable that machine to function to greater advantage. We have, therefore, no suggestions which involve the elimination, root and branch, of the middleman. In the economic organisation of the modern world, he fulfils essential functions and neither in India nor elsewhere is it possible to dispense with him. Collection and distribution and the accommodation of supply to demand between locality and locality are everywhere complicated and delicate processes which would be impossible of performance without the skilled services of those who spend their lives in the business. In no country are these difficulties greater than in India, where communications are often extremely bad and where production is in the hands of a large number of petty cultivators who, for the most part, lack both the financial resources and the necessary storage to attempt any regulation of their selling in accordance with the state of the market and whose produce, as marketed, leaves much to be desired

both as regards purity and quality. The services of the middleman must be paid for and, on the whole, it cannot be said that the remuneration the distributor receives, especially in these days of increasing competition, is an unduly heavy one.”¹

THE RETAILER

The retailer occupies an important position in the marketing organisation. He is the final link in the chain of supply. He assumes the responsibility of holding stocks from which the consumer may purchase after proper selection. The word ‘retail’ has come to the English language through French, from the prefix *re* and the verb ‘*tailler*,’ meaning “to cut.” Evidently, the retail trade was viewed as one that cut off small portions from larger lumps of goods. In contrast to “retail” the term “wholesale” is used for the handling of whole, instead of broken bulk. Many a customer is unable to buy in bulk. They purchase for a week or a month at a time and no more. The retailer keeps things ready for prospective buyers, not knowing when a particular customer may need it. The retailer keeps things longer in stock than the wholesaler or the producer. Again, the retailer of personal goods not only holds his stock longer than the seller of vegetables and fruits, but he must also hold them in greater variety,

¹ *Report of the Royal Commission on Agriculture*, p. 383.

selling once in a while to one person, one article of one kind. Besides he must watch from season to season that his stocks are replenished with goods that are up-to-date. The retailer serves a particular locality only, and in that locality too, a particular class of society. We have different strata of society, viz., upper, middle and lower classes. It can be further sub-divided. He has to study the needs of the society he serves and stock goods accordingly. He is in intimate touch with his customers and fully understands their whims and idiosyncracies. He grants them usual credit and other facilities. Custom and convenience, and the attractive power of good salesmanship are relied upon to secure a regular trade; although in case of public utility services, such as telephone, electricity, water and a few other lines, the customer is served under regular contracts. In general, relationships between buyer and seller are more casual in the retail trade than in the sale of producers' goods.

On the basis of organisation, there are four major types of retailers :

1. Independent units,
2. Departmental Stores,
3. Mail-order Business Houses, and
4. Chain Stores or Multiple Shops.

Besides these, we have hawkers, or pedlars who go from village to village, with merchandise on their ponies or at times even on their backs. In big

villages or small towns once or twice a week *penths* or *hats* are organised where retailers from neighbouring mandis gather together to effect sales. This institution is quite popular. Even in cities like Cawnpore, bazar is held thrice a week in a central place. People from the neighbouring villages and the poor population of the city effect their purchases on these days.

INDEPENDENT UNIT STORE

In spite of large scale production and distribution, the independent unit store is still the commonest type of retail institution everywhere and especially so in a poor country like India where 90 per cent of the population lives in villages and where the standard of living is so low that hardly anything is available to be spent on articles of necessity, much less of convenience and luxury. The labour population of the industrial towns and cities too barely subsists. It is only the lower middle class—salaried people or members of certain professions—that constitutes the bulk of customers of these stores. An independent unit store is generally a single entrepreneur business with all its advantages and limitations. It can be organised easily with a small capital. The proprietor generally sits at the shop and directs his business. He is in personal touch with his customers who must patronise the shop if they are satisfied with the quality of goods, reasonableness of price, and above all, with the good manners of the proprietor and his staff.

Such a store has the greatest motivation because the master's eye is everywhere. The unit store, on the other hand, suffers from some well-known disadvantages too :

The management of such stores is generally inefficient, since any one with a few hundred rupees can start a store. Many people who know little or nothing about buying and selling have entered the field with the result that a large number of them come to grief in no time. They have neither the requisite amount of capital nor the required skill and training.

Another element of weakness arises from their small volume of sales. This reduces their buying power and the opportunity to use effectively newspaper advertisements. Attempts have been made in foreign countries to meet these weaknesses by forming co-operative associations for buying and selling. The independent retailers are naturally suspicious of the departmental stores, chain stores and mail-order business houses. They are beginning to realise that the large scale retailers have certain advantages over them, e.g., better management, better locations, better buying facilities, more balanced and timely stocks and lower costs of operation. The unit store has grown up in numbers because it has a definite and an important place in the marketing organisation. 'The prosperity of the independent retailer, as an individual merchant, depends upon his ability to personalise his store and his services,

to perform the functions of retailing in an efficient and satisfactory manner, to supply his clientele with the kind, quality, style, and variety of merchandise and service when, where, and in the way they want them, and at the price they are able and willing to pay.¹

DEPARTMENTAL STORE

It is a large scale retail institution organised on the departmental basis. The largest stores sell nearly everything. Each department of a store deals usually in a class of goods that none of the other departments is allowed to handle, and, as the business grows, the departments become more and more subdivided. Some of the larger stores in America and Europe are said to have more than a hundred departments with a manager for each department. They claim to carry "everything for the home" in addition to other classes of merchandise. In other words, a departmental store is a collection of shops of many kinds in one range of premises and under one proprietorship. It offers to the individual or the household the means of satisfying all ordinary wants at one place. Some of the biggest stores claim to supply from pin to car.

The chief advantages of the departmental store are its large purchasing power, central location,

¹ Pyle,—*Marketing Principles*, p. 102.

ability to advertise its goods economically, convenience of its delivery system, ability to employ experts in buying and selling, ability to take advantage of the division of labour, fresh and complete stocks, low prices on special articles, and the strong financial position.

The aim of the management is to bring people into the store and keep them there as long as possible. Bargains in certain departments may be widely advertised to attract people to the store with the expectation that they will see and buy other articles too which are not advertised. Restaurants, beauty parlours, postal and telegraph stations, rest and reading rooms, libraries and other forms of services are provided so as to make it unnecessary for the customer to leave the building until all wants are satisfied. Prompt deliveries of merchandise at customers' homes are made for their convenience. Credit is extended liberally. Goods are sent on approval, and exchanged freely. In case of dissatisfaction, the price is refunded to the customer. In brief, they follow the slogan, "The Customer is always right."

While the large size of a departmental store provides opportunities for specialisation and economies mentioned above, it suffers from certain limitations and drawbacks as compared to an independent unit store.

Owing to the large size with numerous departments, it becomes impossible for the proprietors to

maintain the personal touch found in a small scale retail store. In a large business, the owners have to depend on their staff for buying, advertising, selling and keeping records. If the personnel is efficient and honest the business may run quite successfully. But more often than not, it lacks the zeal and earnestness found in the case of a small store. The staff is very often extravagant and ill-trained. The facilities of liberal service provided by the store are abused. The result is that the operating cost mounts up without proportionate results in turnover and cheap buying.

'France is the original home of Departmental Stores and they have prospered in Britain, Germany and other countries. But their methods and their potentialities are congruous with American character and conditions, both economic and geographical; and their most notable developments belong to the New rather than the Old World.'¹ In India such stores are an exception rather than the rule. Except a few big stores in the port towns, we have only medium-sized stores in our large cities and even they are not very many. The fact is that massive retailing is the counter-part of massive production. As we lack in one we cannot have the other. So far, the independent unit store organised by an individual, or a family firm, or at best by a partner-

¹ Marshall,—*Industry and Trade* (page 296).

ship is the common feature of retailing in this country.

CHAIN STORES OR MULTIPLE SHOPS

A chain store is the American equivalent of the English system of multiple shops under one organisation. It is a movement of the last 30 years or so. Where a number of retail stores, more or less of the same size and equipment, are organised under one ownership and management, they are said to constitute a chain and the system of retailing is known by the special name of the chain store. The first principle of multiple shops or chain stores is specialisation. They specialise in a limited range of merchandise which should have a direct and popular appeal to the customers. The whole secret of success in this line of trading depends upon the selection of the goods that are to be offered for sale. A high degree of standardisation and uniformity is attained as regards the interior lay-outs, window-dressing, outside appearance of buildings, storing of merchandise, etc., etc. Purchases are effected through the central organisation and a uniform policy of sales is maintained in all the constituent stores. The ownership of such a large scale retailing institution generally vests in a public limited company. The management is delegated to a board of directors. A manager is appointed for each store and in a district all the stores are supervised by a common agency. Goods are

purchased by the central organisation on a large scale and delivered to the member stores or shops according to their requirements. Accounts and other records of all the constituent stores are kept at the centre from where instructions are issued to them. The owner of a successful store may organise a second, third, fourth or any number of stores, if they turn out to be profitable. Later on he may float a public limited company to take over these stores. That is how the chain stores have developed in foreign countries. Such a store, to be successful, must appeal to the masses in the towns. There will, no doubt, be separate stores for the very wealthy who want special qualities and independent unit stores which will cater to the demand of very poor who must buy in small quantity, get credit and perhaps purchase low quality goods.

The chief advantages and disadvantages of the chain system may be outlined as follows :

Advantages

- i. Lower operating expenses resulting from
 - (a) Efficiency from a division of labour, employment of cheaper labour, use of experts, better stock-keeping system, and higher rate of stock-turnover.
 - (b) Integration, which reduces wholesaling expenses.
 - (c) Economy methods of operation, as cash-carry operations.

2. Lower cost of goods, resulting from
 - (a) Large quantity purchases.
 - (b) Manufacturing own goods.
 - (c) Expert buyers.
3. Better stock-keeping systems, which give more complete and fresher stocks and attract customers, and make for fewer mark-downs.
4. More attractive stores—cleaner, goods better displayed, better lighted.
5. Locations selected carefully with regard to sales, volume and rental cost.
6. Advertising advantage—when a number of member stores are in a community, the cost per dollar of sales is less; also, experts plan advertising.
7. An impersonal store—customers are not urged to buy, are free to come in and look around without feeling under obligation to make a purchase.
8. Merchandise which does not sell in one store can be shifted to another.
9. Lower prices.¹

Disadvantages. One of the limitations of the chain system is its dependence upon standardisation. Large scale buying and selling leave little room for selection of merchandise. These stores can satisfy neither the very rich nor the poor classes of the society. Next, the personnel problem is hard to

¹ Converse, *Elements of Marketing*, (Revised Edition, 1935),

tackle. The proprietors have to depend on salaried people who often lack zeal and earnestness. They become parts of the machine. The human element or personal tinge which is so vital for good salesmanship is utterly lacking in case of chain stores. Some of the well-managed stores attempt to meet the personnel problem by various means, e.g., bonuses, profit sharing or co-partnership schemes, and specialised training courses. Another disadvantage is the high operating cost.

The greatest limitation, however, is the increasing alertness, aggressiveness and efficiency of the independent retailers. These merchants have learned many sound merchandising principles from the chains. They have improved the appearance of their stores and merchandise and made more effective their methods of advertising, stock control, and salesmanship. They are studying and learning the value of co-operative buying. The interest being taken in the welfare of the independent retailer by the manufacturer and the wholesaler is aiding him in securing a stronger competitive position. Although chain stores have been developed, organised, and purchased by individual merchants, manufacturers, wholesalers, and by co-operative groups, the general advantages and disadvantages are similar in all instances.¹

¹ Pyle, *Marketing Principles*, p. 120.

Like departmental stores, the chain stores are not developed in India for the same reasons as given in connection with the departmental stores.

MAIL-ORDER HOUSE

The mail-order house is a kind of large scale retailing institution where orders are received by mail instead of through personal selling or travellers, and deliveries are generally effected through parcel post. It is an attempt by the manufacturer to supply the goods direct to the customer instead of through any middleman—wholesaler or retailer. The appeal to prospective customers is made by advertising which may be through press or by circularising through the post by means of catalogues, booklets, leaflets or letters. Or, both means, press advertising and circularising, may be adopted. The goods are properly marked and numbered, and are known to the prospective buyers by well-known brands or marks. The proprietor spends little money on salesmen because orders are not secured by personal canvassing. No discounts are allowed to the trade as middlemen are not employed. A mail-order house need not select the best site or location because the buyers are not expected personally to visit the store to make purchases. Economy is, therefore, effected in several ways. The most expensive item is that of advertising through which the firm builds up goodwill for its merchandise. It is a ready-cash business,

except where the instalment system of payment is combined with it. Some of the firms go still further, e.g., The Standard Literature Company sends books on approval at their own cost and risk. They allow the alternative of paying the price in cash or by easy instalments. Many towns do not have good book shops. They avail of these facilities.

The methods of the mail-order business are, thus, to a large extent, creative—in the sense that many unsuspected and unknown markets are discovered. Useful and serviceable goods are brought to the notice of potential buyers who might otherwise never know of their existence. The customer has the advantage of making his selection at his desk from illustrated catalogues and getting delivery after a few days. He can compare catalogues of different houses at leisure before placing orders. This kind of business can be popular only amongst educated classes who can read newspapers and magazines, and can send for catalogues. The economies of buying and selling and the advantages of specialisation and standardisation of merchandise are similar in all kinds of large-scale retailing. But whereas the other kinds of stores must attract customers to the stores and depend upon display, advertising and personal salesmanship to create demand, the mail-order house relies upon advertising alone. Enquiries are filed on the card-index system and form letters are sent to the inquirers at regular intervals.

Mail-order Business vis-a-vis other forms of retailing.

1. People like to select an article, see it for themselves and take it home rather than wait for it. The merchant who carries an attractive stock affords this facility, which the mail-order business can only try to approximate by catalogue description and liberal return privileges.

2. The local dealer can offer service features, delivery, credit, adjustment, aid and advice in selection which the mail-order house renders, if at all, more clumsily. The local store also has the advantage of being able to exert personal salesmanship, always an effective factor, if rightly used, in closing the sale.

3. Less effective, but still much used, is the argument of local patriotism. The local merchant pays taxes, he helps pay for the roads, he is there on the ground, known and presumably responsible, he is a fellow citizen. Mail-order customers are apt to buy with a slight sense of guilt, but they, unfortunately for the local merchant, do buy by mail unless the merchant can offer more direct inducements in the way of service and price.¹

CO-OPERATIVE MARKETING

There are several types of co-operative marketing enterprises. But in this chapter we propose to

¹ Dutton, *Business Organisation and Management*, p. 437-38.

discuss only co-operative retailing or Consumer's Co-operation where the consumers combine and organise a store.

The co-operative movement is the organisation of the weak to help the weak. It is not based on the principle of 'survival of the fittest.' A number of consumers, generally of a particular class, e.g., labourers of a town or mill area, students of a university, or employees of a shipping company, etc., organise the store. Each member contributes a small sum to the capital of the enterprise. A manager with his subordinate staff is appointed on salary or salary plus commission basis. The control is delegated to a small committee who arrange purchasing, lay down sales policies and carry on the general administration. Each member commands one vote, whether he holds one share or more. This introduces the principle of democracy in management. The store purchases on a large scale and thus effects economy in buying. As a rule sales are made for cash and at market prices. The cost of management is comparatively low for various reasons. The staff is not so highly paid as in the case of a department or chain store. The location of the business need not be in a central place as it is expected that the members must visit the store for their purchases wherever it may be situated. There is less expenditure on salesmanship and advertising because the sales are not pushed here as in a profit-earning enterprise. There

is an *esprit de corps* and it is expected that members will be loyal to their own institution. The expenditure on the maintenance of records and accounts is low because little credit is allowed to the members. Consequently, debtors' accounts are not maintained, and dunning letters need not be issued. Loss by way of bad debts is small. It may thus be concluded that the object of the co-operative store is to eliminate the profits of the middlemen and to secure a number of economies in operation.

The profits of the enterprise are not dissipated in the form of fat dividends to shareholders. After allowing a fair return on the capital, owned or borrowed, a certain proportion is transferred to welfare fund and reserve fund, and the balance is distributed amongst the members on the basis of their respective purchases. This reduces the purchase price to the members. The system of apportionment of profits is very sound. By charging competitive prices the store ensures its success and stabilises its own position. It gets funds to do welfare work so necessary for an institution of this character. Out of the surplus, dividends are allowed on purchases pro rata which will look like a windfall to the members. Further, the temptation to get higher dividends will keep the members' loyalty in tact and they will remain attached to the store.

A co-operative store makes appeal to the workers on the following grounds :

1. It sells only genuine goods.
2. It sells at wholesale prices.
3. The cost of handling and selling goods is much less.
4. Democratic control of the enterprise—one man one vote, irrespective of the holdings.
5. The faith that competition should give place to co-operation
6. It inculcates the value of self-help and mutual help.

But there are certain weaknesses and limitations in this form of sales organisation as compared to large-sized private stores. They are: An army commanded by a committee has seldom given a good account of itself. Many decisions in the course of business require prompt action based in large part of intuition associated with reason. The time and strain involved in proving to other members of a committee that the best course is not that which appears best at first sight, are very great; and only a man who possesses the rare combination of fine and sensitive insight with a strong and even rugged character, is likely to persist and succeed in his efforts to bring a committee composed of ordinary men round to his point of view.¹

Lack of efficient management and lack of support by the members are the most important reasons for

¹ Marshall, *Industry and Trade*, p. 294.

the failure of co-operative stores. Many stores have failed because neither the members nor the managers really possessed the co-operative spirit. In the Great War (1914-18) a number of college and university stores were started but they were closed soon after. The real fact is that with the increase in the membership of the store, the co-operative spirit evaporates. The close tie is loosened and ultimately it becomes the concern only of the paid staff and one or two office bearers. At times it is the inadequacy of payment to the managers that does not secure the services of really first class men. A co-operative store can attract only mediocre intellect. Brains are cheap for any price; but they can be employed only by huge ventures. In a workers' co-operative store even moderately high salaries are grudged. If the manager is neither well-paid nor imbued with the spirit of service, the result is bound to be inefficiency in management. Co-operative enterprises lack the driving force of private initiative which impels it to compete in the open market. As against this a co-operative institution expects that its members will cross streets and make purchases only at the store although there may be less room for selection. It demands a certain amount of loyalty from its members but at times disloyalty is caused in the rank of members by competitors of co-operative associations.

The consumer's co-operative movement was

really begun by the Rochdale weavers who realised how wasteful and ill-managed were the methods of marketing goods to the working classes. The enterprise began with 28 members, each contributing a small sum of £5. Unlike the earlier co-operative societies, Rochdale weavers did not desire that all funds subscribed should at once become common property. Instead of this, the surplus, after payment of interest on capital and creation of certain funds, was distributed as dividend amongst the members on the basis of their respective purchases. This combination of idealism with practical common sense led the way to large improvements in marketing.

“England is usually studied as the place where co-operative stores have had their greatest success in competing on even terms with stores operated for private profit. There are over 6,000,000 members of co-operative stores in the United Kingdom. Over 20 per cent of the German families, from 10 to 12 per cent of the population of France and one half of the people of Denmark are members of the co-operative societies. In Russia during the decade following the communistic revolution, co-operative stores grew very rapidly as the Government discouraged private enterprises. However, more recently the Government has been favouring government stores at the expense of co-operative stores.”¹

¹ Converse, *Elements of Marketing*, p. 480.

In the United States of America, co-operative stores have comparatively achieved less success because of the individualistic character and a very high standard of living of the people. Essentially it is a movement of the weak to give protection to the weak,

INDIA

Co-operative stores have made little progress in India. Most of the existing ones either belong to Railway or mill employees. Here and there we find societies of college and university students for supply of provisions and other necessaries of life. But they are not run very successfully. They lack the spirit of co-operation. Before the year 1918-19, there were only a few co-operative stores all over the country. In all provinces, particularly Madras, a beginning has been made in the direction of distributive co-operation among the middle classes, while in Bengal and the U.P., some attention has been devoted to the starting of stores for students living in hostels attached to colleges and universities. The movement obtained popular favour in view of the increasing prices of the daily necessaries of life, and the profiteering which assumed serious proportions at the close of the War. Supply unions, store societies, and distributive departments attached to credit societies were organised in some provinces, while arrangements were contemplated for obtaining cheap

wholesale supplies for the various distributive organisations. The consumer's movement received particular attention of the railway employees and of a certain urban section in the provinces of Bombay, Madras, Bengal, Burma, and a few other provinces but with the disappearance of special conditions which generated enthusiasm in the years immediately succeeding the close of the War, stagnation set in and only a few among the numerous store societies started in these provinces have firmly established their position and continue to enjoy the loyal support of their members. The real obstacle in the development of co-operative stores is the mass illiteracy and ignorance in this country. We consider agricultural marketing under a separate heading.

It may be concluded with the remarks of Mr. E. A. Fileve who observes "Theoretically co-operative stores, either individually or organised in chains, ought to become the stores of the future." Chain stores are the most efficient kinds of stores existing at the present. If such chains could be made co-operative, so that their profits would be passed on to the consumers, and at the same time retain their buying power and efficiency of co-operation, perhaps the ideal merchandising system would be attained. As a matter of fact, however, it is exceedingly difficult to attain efficiency without the opportunity for personal profit. Therein lies the problem of co-

operation—to make people industrious and efficient without the stimulus of personal gain.¹

AGENTS

Another important group of marketing functionaries comprises agents; factors, brokers, commission firms, arhatias, advertising agencies, auctioneers and others. As a rule, most of them do not stock the goods and take risk thereon, but their main function is to bring the buyer and the seller together and effect sales. Usually they get a certain percentage on sales as consideration for their services. Agency means the relationship which subsists between two persons or firms when the acts of one of them, called the *agent*, are by law regarded as the acts of the other who is called the *principal*. Agency is based on the intention between two persons that one of them shall do certain acts for which the other shall be responsible. According to the Indian Contract Act, an *agent* is a person employed to do any act for another or to represent another in dealings with third persons. The person for whom such act is done, or who is so represented, is called the *principal*. Agents are of several classes.

A GENERAL AGENT

A general agent is a person who is employed to carry on general business of the principal, or fills the

¹ Converse, *Elements of Marketing*, p. 485.

position of a general kind, the extent of authority being determined from the nature of the position. Such an agent is generally appointed by landed estates or manufacturing houses.

A PARTICULAR AGENT

A particular agent is the person employed for a special purpose, e.g., a *kachcha arbatia* engaged to sell a cart of wheat, or an auctioneer appointed to sell the household furniture of an officer on transfer will be a particular agent. He is appointed agent for a particular transaction only.

FACTOR

Factor is a mercantile agent who, in the ordinary course of business, is entrusted with the possession of goods, or of the documents entitling him to the possession of goods, and who has the power to dispose of such goods. He may carry on business in his own name, and is personally liable on his contracts unless he contracts specially as agent.

BROKER

Broker is a person who is employed to contract about goods without having their possession. He brings together persons desirous of buying' and those willing to sell a certain commodity, and thus acts as an intermediary between the buyer and the seller. He is never personally liable unless he contracts as principal.

When a sale has been arranged, the broker sends to the buyer a document known as the Bought Note, and to the seller a similar document known as the Sold Note. If the seller appoints one broker and the buyer another, as is commonly done on the Stock Exchange, the selling broker will send a Sold Note together with a Contract Note to his client or principal. Similarly the buyer's broker will send him a Bought Note along with the Contract Note. These notes give particulars of goods bought or sold, the price, quantity, quality, terms of payment, and the amount of brokerage, etc. Brokerage costs are generally low as the brokers need no warehouses and assume no credit risks. The rate depends upon the type of product, trade custom, and the degree of competition. As the capital needed to start a firm of brokers is comparatively small, there is generally a large army of brokers in every market, and the rates of brokerage low owing to the competition.

The position of a factor vis-a-vis a broker is as follows :

A Factor

- (a) deals in his own name,
- (b) is always personally liable on his contracts unless he contracts specially as agent,
- (c) has possession of goods, and
- (d) is entrusted with the disposal of goods.

A Broker

- (a) deals in the name of the principal,
- (b) is never personally liable unless he contracts as principal,
- (c) is not entrusted with the possession of goods, but
- (d) is entrusted only with their disposal.

AUCTIONEER

Auctioneer is a person who sells goods by auction to the highest bidder and remits the proceeds, less his charges, to his principal. He must act according to the instruction of the person by whom he is employed. The lowest price fixed by the owner of the goods to start bidding is called an *upset price*. Goods may be *knocked down* to the highest bidder or a *reserve price* may be fixed below which they will not be sold.

COMMISSION AGENT

A commission agent is the person employed to buy or sell goods for the employer on the best possible terms, receiving a commission for his services. A *del credere agent* is a selling agent who, in consideration of an additional commission, undertakes to indemnify his principal against bad debts which may be caused by the default of the buyer to whom he has sold goods on credit. Such an extra remuneration is called *del credere commission*. The advantage to the owner of the goods is that he insures himself against

possible risks of bad debts by payment of a small extra commission. He is not expected to know the financial status of the buyers and legally the agent is not responsible if the debts turn out bad, except when he is specifically made responsible for them as in the cases cited above.

Selling Houses or Agents are commission agents that undertake the selling of the entire output of a plantation or factory. The rubber companies and tea plantations appoint such agents. Messrs. Andrew Yule & Co., one of the most important firms of managing agents in Calcutta, are selling agents of a number of tea companies. In the textile industry, the Indian mills generally appoint selling agents in the important distributing centres. These agents, besides pushing the sales, recommend designs, finance the production, make collections and guarantee accounts. They are substantial people with extensive connections. They may be allowed to sell the products of non-competing concerns. Generally they maintain sales offices in important cities, provide salesmen who call on wholesalers and large retailers and advertise the products. Sales are usually made on the basis of patterns or samples, and deliveries are made directly from the factories.

WAREHOUSE COMPANIES

Storage is one of the important functions in the marketing process. Certain concerns undertake to

provide storage facilities which aid in the equilisation of demand and supply. Chambers of Commerce and private individuals own godowns or khattis and kothas which they rent out to storers. Banks advance loans on hypothecation of goods which are left in its possession. There are Bonded Warehouses where the goods are left until the duty is paid on them. Specialised warehouses are needed for such agricultural products as cotton, tobacco and the grains. Cold storage warehouses are needed for perishable goods, such as meat, poultry, dairy products, potatoes and fruits.

FORWARDING AGENT

A forwarding agent is one who is employed when goods are exported to a foreign country. His duties include the receiving of goods at the docks, arranging freight, attending to the customs formalities, procuring the necessary bills of lading and effecting marine insurance on the goods. When goods are imported, the services of a *Clearing Agent* are utilised. He attends to the customs formalities, takes delivery of the goods from the steamship company and forwards them to his principal according to his instructions. The same person or firm may act both as forwarding and clearing agent.

EXPORTING AGENT

An exporting agent is the person who undertakes to purchase goods in the country for purposes

of export to foreign countries. He acts in his own name, but for the account of either of the foreign buyer or importer or on behalf of the home manufacturer or wholesale merchant. For his services he gets commission. The agent engaged in the export trade must have a special knowledge of the goods in which he deals. He must not only understand the various kinds and qualities of the articles produced but must keep in close touch with the movements of their prices, and with any alterations that take place in the process of their production. His next duty is the linking up and gradual extension of his business connection with foreign buyers, and the application of the best methods for effecting sales. The primary object of the commission agent is naturally to obtain orders or indents from foreign buyers, and then to pass them on, in his own name, to the home manufacturers, who execute these orders according to the instruction of the exporting agent. Then, he has to arrange with the forwarding agent to undergo the formalities of customs and shipping, etc. Thus, the commission agent engaged in the export trade places at the services of the two parties brought together in his own name, not only his trade organisation, experience and knowledge but also the reputation, and good name of his house. More than this he represents both parties with his capital and credit and bears many risks.

Goods may be imported from a foreign country

either by the wholesale merchant or by the importer who is a substantial person with a specialised knowledge of certain trades. On arrival of the goods or even before, the importer secures orders from wholesale merchants and makes delivery of the goods direct either from the bonded warehouse of the Government if the duty has been paid thereon or from public or private godowns.

ADVERTISING

Advertising, more or less, dates from the dawn of civilisation, but as a definite business it may more conveniently be said to have been born when merchants and manufacturers began to employ some one else to promote their sales. It is a necessary corollary of the modern form of industrial organisation. Publicity led to expansion of markets and expansion of markets led to publicity. This vicious circle has continued for sometime and the material progress, we see all around, is partly due to this factor.

In the beginning, advertising was of a very crude form. The advertiser merely announced that he was in possession of certain desirable goods which he wanted to dispose of. He merely announced the name of the goods along with the name of the firm. By association of ideas at repetition of the advertised name people became familiar with the merchandise. Newspapers of the eighteenth century in England contained advertisements that were straightforward. But "very soon exaggeration and flowery language crept into simple announcement." The manufacturers took more and more to competitive forms of advertisement and "in the early nineteenth century it had become synonymous with claptrap and mis-

representation. No body believed that mere truth would sell the goods."¹ But it was a transitional stage only. The commercial community had to realise that exaggeration and misrepresentation cannot succeed long. Ultimately honesty must pay in business as in other walks of life. The slow decay of exaggeration in the last quarter of the nineteenth century, and the gradual recognition that nothing can sell goods so quickly as telling the truth about them, mark an era of real progress. The reform came from America. "In 1888, the late George P. Rowell, an American advertising agent, founded the first technical journal of the advertising business—*Printers' Ink*. He taught.....that if advertising was to have an assured future, the vices of exaggeration and misrepresentation must go."² Legislative sanction was obtained in this century for the protection of honest advertisers and the public against dishonest and unscrupulous advertisements. A model statute, known as the *Printers' Ink* was drawn up and adopted in a number of States in the Union. Special penalties of fine and punishment were also provided in some States. Other countries gave legal recognition to advertising contracts. Thus, we observe that the moral standard of advertising has risen, and should continue to rise. The vulgarities

¹ Russell, *Commercial Advertising*, p. 3.

² *Ibid*, p. 52.

and stupidities which disfigure the columns of a great proportion of the newspaper advertisements in India at the present day are the signs of a transitional period as were discernible in England and America in the last century. The real characteristic of the best of the present-day advertising, however, is its insistence on sincerity and service.

The growing importance of advertising can easily be gauged from the fact that while advertisements were once a mere by-product of the newspaper, inserted in some odd corner, if space was available, today the newspaper itself is, in its commercial aspect, a by-product of advertising. There is hardly any paper that can exist without advertisements, which earn the major portion of its revenue. Not only merchandise, but services, such as insurance, travel, amusement, education, and other abstract things, including even religious teachings, are advertised. The profession of medicine and law which once abhorred advertising are also not free from it now, although they adopt subtle methods of propaganda. For example, they advertise through the medium of social or professional contact or they carry their publicity campaign through friends. Some of the undesirables among them engage touts even.

Advertising is the soul of modern business. No manufacturer or merchant can achieve any tangible success without proper and systematic

advertising. But advertisement can accomplish its purpose only when it is sincere and straightforward. A person may succeed for sometime by exaggeration and misrepresentation in advertisement, but he will soon be found out and nobody will place any reliance in his word or statement. The old proverb that 'you can fool all people for sometime or some people for all time, but you cannot fool all people for all time' holds true. The business edifice is built on sound reputation and sound reputation is only gained by advertisement of sound goods. Lipton's tea, Parker pen, Sunlight soap, Panama blades, etc. are on people's lips. These brands convey a sense of satisfaction, both as regards quality and price, to the consumer. Advertising standardises the quality. It furnishes a sort of guarantee to the consumer about the quality of the brand advertised. Although advertising creates a sort of monopoly for the advertised brand or mark, in fact this monopoly is used more to protect the quality than to sell the goods dearer. It creates new demand for desirable goods and utilities, which leads to larger production. The increased production will bring down the cost per unit (to a certain extent) as the overhead charges will not increase in proportion. Now he may either make more profit for himself on the increased turnover, or else charge the public less. Unless some artificial restraint enables him to charge more, competition will compel him to charge less. To

popularise his merchandise he will cut his profits as fine as possible. The value of large turnover at a small rate of profit as compared to small turnover at a large rate of profit is well understood by every modern business. It needs no explanation.

Advertisement has a great educative force. It spreads information about newly manufactured goods far and wide. Modern markets are not confined to local or national boundaries. They are international in character. Vast sums of money are, therefore, spent by first rank manufacturers on publicity. They regard advertisement as an investment and not an expense. Advertisements are made through press or by circulating letters, leaflets, catalogues and price lists, etc. In case of patented machines even demonstrations are arranged. Goods are sent on approval to likely customers free of any charge to them. The buyer is given the option of making payment on delivery or in easy instalments. To create confidence in the prospective customers the advertiser undertakes to exchange goods or the price if the goods do not give satisfaction to the buyer. It makes a psychological appeal because the advertiser trusts the public instead of asking the public to trust him.

Advertising is the great labour-saving device. Theoretically, middleman is a waste and advertising makes an attempt to eliminate the middleman. In practice, it is not always possible. But in case of

mail-order business, as discussed in a separate chapter, both wholesalers and retailers are eliminated and a direct contact is established between the producer and the consumer. In other words, it is a good substitute of travelling salesmen.

Advertising increases employment in the country, stabilises the prices of commodities and improves the standard of living of the people. It prevents waste. By means of advertising, a market is created for articles made of waste matters and residues, e.g., gas residues, meat residues, etc. Most of the modern inventions could not have been business propositions without advertising. We cannot do better than quote Mr. Conrad P. Fry of Messrs. J.S. Fry & Sons Ltd., of Bristol who expressed his considered opinion on advertising on his retirement from active business after a long, honourable, and successful business career :

“You ask for my opinion of advertising as a business policy, and what it has done for the firm of J. S. Fry & Sons, Ltd. In reply, I might well ask, what has it not done? I would describe Advertising as the chief text in the Gospel of Business. Without it we could never have given—and be giving—employment to so many thousands of workers, or have benefited so many millions of people by our manufactures. One would say as the result of practical knowledge that all forms of advertisement are good and beneficial, relatively; though in my opinion

—I give it for what it is worth—those in newspapers and magazines are probably more far-reaching in their results. From long experience, I am convinced that as Sir William Lever so well puts it: ‘The firms which have continued to advertise have benefited enormously and will continue advertising. Is it not undeniable that the success of all our great commercial concerns has been largely due to the application of this educational and dynamic principle? Of course, it can only be expected to succeed where the commodities concerned are intrinsically good and valuable in themselves and able to stand in test of time¹’ ”

Sir William Lever has rightly characterised advertising as an educational and dynamic principle. Its primary function is to educate the people and overcome their inertia. It needs a distinct shock or strong persistent pressure to move the public from its dead centre of habitual inertia. “Attention must be secured, interest aroused, confidence established, and desire induced before goods begin to move freely.”²

SOME COMMON OBJECTIONS TO ADVERTISING

1. It costs money and some one must pay for it. It is contended that the cost of advertising is added to the price of goods and the consumer is asked to pay for it.

¹ Derrick, *How to Reduce Selling Costs*, pp. 125-26

² *Ibid* p. 127.

2. 'Advertising is inseparably bound up with exaggeration, misrepresentation and over-charging.'

3. It increases the purchase of articles of luxury and comfort than of necessity.

4. It causes rapid changes in style which mean economic loss.

5. Advertising creates fictitious values.

1. *It costs money and some one must pay for it* .

The first objection is raised by people who do not understand how costs operate in business. They have no idea of mass production and mass selling. It is perfectly true that advertising costs money but it falls neither on the consumer nor on the producer. *Prima facie*, it looks absurd, but on a little thinking, the position becomes clear. Advertising creates new wants. To satisfy these wants, the manufacturer produces on a large scale. This brings down the cost of production because the overhead charges, which means a lot in manufacturing business, do not increase in the same proportions. Competition keeps the manufacturer alert and prevents him from charging an excessive price.

2. *Advertising is inseparably bound up with exaggeration, misrepresentation and over-charging*

There is some truth in this charge, but it is not very correct. Advertising by good firms of manufacturers and merchants is always based on the prin-

principles of sincerity and service and it is only such firms that can earn something by advertisement. They advertise goods which have intrinsic worth and can stand in competition, both as regards quality and price, to similar goods of other concerns. Advertisement can yield good results only when it is followed-up. The merchandise advertised will acquire a good-will in the market. But if the advertiser exaggerates, misrepresents or over-charges, he cannot build up reputation for his wares. However, we come across certain advertisements which are open to the charges indicated in this sub-heading. Generally these advertisements are of medicines prepared by quacks. They may deceive the people for some time, but very soon they are found out. As against this, first class firms of pharmacists and chemists give the ingredients of patented medicines. They secure custom by the usefulness of the article rather than by propaganda. We are, therefore, not justified in generalising that all advertisements are open to these charges and cannot condemn this useful agency of service on this ground.

3. *It increases the purchase of articles of luxury and comfort than of necessity*

For certain classes of goods the demand is only met, while for others it is created. It is the latter kind which needs advertising most. A grocer or baker need not advertise his merchandise as much as

a general merchant. The manufacturer of a new machine must not only advertise his patent through the press and by illustrated catalogues, but should send experts to demonstrate its utility to the prospective customers. Work in offices could be done without adding, subtracting and accounting machines but they are very good labour-saving devices and are of great convenience to the staff. Advertising has made articles of convenience cheaper and within the reach of ordinary persons. It may, therefore, be correct to say that advertising increases the purchase of articles of luxury and comfort than of necessity. The reason is quite apparent. After satisfying one's necessities one spends his available surplus on articles of comfort and luxury. Every improvement in the standard of living will mean additional expenditure on articles of luxury and comfort, and such articles are brought more and more to the notice of the public. With the increasing demand the articles grow cheaper and cheaper to the consumer who becomes accustomed to their use. The result is that after some time they become a necessity for him. Thus the luxury of yesterday is the necessity of today and the luxury of today will be the necessity of tomorrow. It is greatly due to advertising and its reaction on production and distribution. Should we regard this as an economic waste? If we regard it as a waste, logically we must go back to the Stone Age.

4. *It causes rapid changes in style which means economic loss.*

This objection is heard about those lines of merchandise where style changes are rather rapid, e.g., in ladies' dress. But it is not quite correct to characterise these changes as economic loss. The aristocracy or the well-to-do classes may purchase articles of the latest fashion at high prices, and the out-of-date stock will be sold to financially less fortunate classes at much reduced prices. All the stocks, old and new, will be used up by different strata of society according to their respective wants. Some of the books are published in two editions—library edition which is rather costly and popular edition which is very cheap. The library edition appeals only to a few while the popular edition is patronised by many. On social grounds, one may object to the rapid changes in styles because it often gives a false sense of dignity and superiority and leads to class conflict.

5. *Advertising creates fictitious values.*

Some goods are sold at values not justified by their intrinsic worth due to advertising which creates false sense of values. But this cannot continue long as new competitors come in the field and sell goods at reduced prices. The first advertisers will either have to reduce the prices or improve the quality of the wares commensurate with the prices charged.

Even patents are not free from competition for long periods. Therefore, advertising cannot create fictitious values for any considerable length of time.

Advertising may be classed as *combative* and *constructive*. Constructive advertising creates new wants and improves the standard of living of the society. This kind of advertising brings home to the prospective buyers the advantages and uses of the merchandise advertised. There is no economic waste. But the other kind of advertising, viz., combative, is not always free from economic waste, because much of the advertisement is meant to neutralise the effect of the established reputation or good-will of the competitors. So far as it spurs to economies in production and distribution, it is advantageous, but when it fails to achieve this object and tries to arrest custom from rival firms without conferring benefits of better quality or lower price, it is a social waste. It would have been better if the capital, labour and enterprise would have been turned to some other objects more useful to the society.

Again, if the advertiser does not properly investigate his product, market or channels of trade before launching his publicity campaign, he cannot derive proportionate return from his expenditure on advertising. There is need of an all-round planning beforehand. Or, suppose he succeeds in his advertising campaign and gets large orders for goods, but is unable to produce them on a proportionately large scale,

or fails to give satisfaction to his customers owing to inefficient or impolite manners of his staff, he will be driven out from the market by his competitors and the money spent on advertising will be wasted. But advertising is not the solitary example of waste. "A well-known French economist estimated that out of every one hundred new businesses, twenty fail almost immediately; between fifty and sixty continue on a deal level, making no profits or losses; while only ten to fifteen—a little over one-tenth succeed."¹

We can better appreciate the services and usefulness of advertising if, for a moment, we imagine what will happen if advertising is suppressed.

"If Advertising were suppressed, or had never existed, we should rise in the morning to shave without a safety-razor and fare forth to our work with no news of the world's happenings. The daily paper could not exist, for advertisements furnish its profitable revenue. We should have to resort to some place where bulletins would be erected. We should never know in any real detail the history of our times. If we wanted to go to the play we should have to send a telephone message to all the theatres, to find out what was on. If wanted a cellar of coal, we should have to send round for prices. With no advertising there would be no uniformity. Competition would

¹ Bealieu, *Leroy, Repartition des Richesses*, Chap. XI, Quoted from Haney, *Business Organisation*.

be crippled. The same would happen with the prices—the considerably increased prices—of other commodities, all of which would be almost entirely unstandardised. Every vacant piece of land in a town, awaiting the builder, would be foul with refuse and dead cats, no man having any inducement to wall—in the space with hoardings. Finance would be paralysed, because without daily papers to quote stocks, all joint stock prices would be determined by professional speculators. Properties sold by auction would fetch poor prices; for buyers could not be attracted. London would be a very quiet place, and its inhabitants very uncivilised, for a large part of the comforts and conveniences supplied by modern invention and marketed by Advertising would never have been created. When you hear the unreflecting superior person talk of the wastes of Advertising, remember these things. There is not one of us who would not be poorer and more ignorant if there were no Advertising.”¹

It may, therefore, be concluded that “the advertising of tomorrow will be decisive factor in moulding of more things than desires and in the creation of things more fundamental to our civic and economic life than in vogue. The chief reason for this is the change in the attitude of the advertiser towards his profession.” The modern advertiser believes in

¹ Thomas Russell, *Commercial Advertising*, p. 77.

truth, sincerity and service.

Unfortunately, sufficient attention has not been paid to advertising by industrialists and businessmen in this country. They probably regard it as an undesirable or at best avoidable expenditure. They have not fully appreciated its creative and dynamic force. But lately there is a change for the better, particularly in the minds of those who have come in contact with the western businessmen. We, therefore, discern that some of our manufacturers have now begun to advertise, more or less, on the same lines as their foreign contemporaries in this country, But the products of our cottage industries, for which India has been famous for centuries, are not advertised adequately. In many cases they are not advertised at all. The Provincial Governments in India have done something to popularise these products in the inland and foreign markets, but not with much success. We have an Arts and Crafts Emporium in the U. P., which collects fancy goods from all over the province and tries to secure markets for them. Our artisan is poor and ignorant. He can apply himself to hard work, copy designs, make articles to order, but he cannot market the goods. The middleman, no doubt, is better circumstanced, but he too has not grasped the principles and practice of advertising. There is thus need of a concerted action to remove this drawback.

TECHNIQUE OF ADVERTISING

There is no royal road in advertising that can be infallibly followed. There is no golden rule that will apply universally. There are, nevertheless, certain definite principles of wide application which are the outcome of accumulated experience of many business houses, but otherwise every different class of business has to adopt its methods to meet its own individual needs.

One who aspires to be a successful advertiser must possess certain qualities. He should have a knowledge of the working of human mind, must be endowed with power of imagination and a strong practical business sense. He should have an intimate knowledge of his own wares as well as of those of his competitors. He must know the distinguishing features of his merchandise and sincerely believe in their good qualities. He must possess power of expression as well as of observation. By temperament he should be an optimist. He must have power of persuasion and sweet reasonableness. He should also have a good knowledge of the technicalities of printing, colour designs, types and pictures. Besides preparing copies for the press, he may be called upon to prepare illustrated catalogues and draw up form letters.

PREPARATION OF COPY

There have been very great improvements in recent years in the technique of advertising; the pre-

paration of 'copy', selection of types, general display and originality in ideas have all shown marked advance.

A good copy-writer must have the ability to select what he considers the best selling point about the article. "Lux" may have many merits as a soap; to enumerate them all in an advertisement would not produce the same effect on the mind of the lady of the house as the simple phrase—"It won't shrink woollens." What has been described as one of the best advertisements ever written contained only three words, "Stickphast Paste Sticks."

"The artist and designer, in considering composition, knows that he has two chief purposes to fulfil. He has to arrange the elements of interest in their order of importance, and he has to arrange them with consideration of beauty of 'pattern' or design. The emphasis has to fall on a certain portion of the composition, but that emphasis must not destroy the 'stability' of the design. The eye has to be attracted by the arrangement of line or mass, to the chief feature of importance, but the emphasis upon this feature must not ruin the symmetry and balance. The story has to be told; in its telling, decorative beauty has to be employed; but the result must be logical and 'fit' for its purpose, both in construction, proportion and character."

THE COPY

The principal elements which a good copy of advertisement for the press should embrace are :

1. Attention Value;
2. Suggestive Value;
3. Memorising Value;
4. Conviction Value;
5. Value from the point of view of an appeal to sentiment;
6. Value from the standpoint of answering the demands of and creating habits;
7. Value from the standpoint of an appeal to human instincts.¹

Attention Value. The first and foremost merit of a copy is its attention or display value because if it fails to attract attention, it is useless even though it may possess all other virtues. The copy must be so well prepared that it may attract the notice of even involuntary readers. The modern man is rather busy. The advertiser has to force his advertisement on his attention. Moving figures and switch lights have irresistible effects. Window-dressing with coloured light is commonly practised. Colour plays an important role in adding to the display of an advertisement. But the mixing of colours is an art and only few are able to practise it. "Reds, yellows and blues, are lavishly applied without sense of

¹ Davar, *Business Organisation*, (Third Edition), p. 388.

emphasis or good taste, with the result that most goods are presented to the public in a bewildering mass of crude, misapplied, and competing colours, each struggling in vain for dominance."¹ Very often the copy contains a picture or two, e.g., Bata's shoes, His Master's Voice, Eno's fruit salt, Kodak's camera, Goodyear's tyres, etc. These advertisements have very relevant pictures and, therefore, appeal to the attention of the readers of newspapers.

The advertiser should pay special care and attention to the design or get-up of the advertisement. It should have, if necessary, a brief and bold headline, with space at the top as well as at the bottom. Next, the position of the advertisement, vis-a-vis other advertisements, must be studied. If it is a full-column advertisement with ample space at the top and the bottom, it must attract notice of the readers. On the other hand, if it is given in an odd corner or in the middle with advertisements on all sides, it may easily be lost sight of. Artistic borders may also be used, but they must not be too artistic, otherwise there is a danger of their distracting the attention of the readers from the advertisement. A full page advertisement with a very small matter in the centre and an artistic and novel border will have a very great attention value. In the absence of pictures and ornamental borders, an advertiser may arrange types

¹ Derrick, *How to Reduce Selling Costs*, p. 205.

in a way that they give halt to the reader's eye at every important point in the copy. He may underline small portions to draw pointed attention.

As a rule prices should not be quoted except when they are very low as in a clearance sale or special offers. Some of the firms clear away their shop-soiled or old stock at concession rates on social festivals. On such occasions, prices or discount rates may be specified. But if an appeal is made to high class customers, who care more for quality than for price, all the emphasis must be laid on the quality of the goods advertised.

Suggestive Value. The copy with its design border, picture and colours should suggest to the reader the usefulness of the article advertised. Every word of the advertisement must be telling. The advertiser acts as a hypnotist forcing his will on the readers. Sometimes he even commands his readers to do a particular thing. "Join Pelman's Institute of Memory Training." Under this sentence was given the picture of a young student with his right hand fingers placed on his forehead, indicating that he has forgotten his lessons at the time of his examination. This is a very good suggestion to the student community to receive memory training from the Pelman's Institute. At times, advertising slogans are invaluable when they are apt, clever, and tend to fix an indelible impression on the mind. Indeed, the test of a good slogan is the memory test; if it succeeds

in that respect, the slogan has enabled the public to visualise what the product is; it symbolises in a little way the qualities and uses of the article. Below are given a few examples of advertisement slogans :

Glaxo is intimately associated in the mind with
 "Builds Bonnie Babies"

Dunlop tyres are thought to be of proved strength. A lion is shown tearing away the tyre unsuccessfully.

"Fit Dunlop and be satisfied"

Kodak Camera gives an idea of service and satisfaction

"You press the Button, We do the rest"

Memorising Value. The above slogans possess a very great memorising value too. They can be easily memorised. Repetition is a great aid in this respect. When the same advertisement appears every day in the press, it is bound to be taken notice of even by unwilling and indifferent persons. Follow-up letters written in forceful and personal style create impression on the mind of readers. Printed matter is generally thrown into waste paper basket by busy persons. To ensure perusal, typed letters are sent out to prospective customers.

Conviction Value. The prospective buyers are to be convinced about the accuracy and truth of the statements made in the advertisement. They should believe that the article advertised is the right thing they want. There should be no exaggeration or mis-

representation. Sincere and plain statements of facts convince the reader better than flowery language. With this end in view chemists give ingredients of patented medicines and publishers, contents of their publications. A great deal of modern salesmanship by advertisement includes the money-back system and the approval system. These devices make psychological appeal to the public and convince them of the bona fides of the advertiser who trusts the public instead of asking the public to trust him.

Sentiments. Sentiment plays a very important rôle in advertising, particularly in the case of food articles. Certain communities have certain prejudices. It is the duty of the advertiser to respect the susceptibilities and prejudices of his customers. The advertiser should show regard for local habits and customs, likes and dislikes. What may be quite suitable in one locality may not be so suitable in another. Particular care should be taken about neatness and tidiness. Proper packaging of sweets, fruits and other eatables is very desirable. To ensure neatness, some of the firms state that the food articles are not touched by human hand.

Answering Demand and Creating Habits. The advertisement must possess educative value. It should not only meet the existing demand but must create a new market for the goods. The advertiser should study the habits of the people and by systematic and well-thought out advertising campaign so

mould their habits that they get accustomed to use his goods; and once the habit is acquired, it becomes a second nature of man.

Appeal to Human Instincts. Most of the human actions are guided by instincts and inclinations rather than by dry logic or reasoning. A successful advertiser must appeal to the right instinct at proper occasions. The mother is anxious for the health of her children and the father to make provision for education or marriage. The producers in the former case and insurance companies in the latter appeal to the parental instincts. Probably the self-preservation instinct is one of the strongest instincts in the animal kingdom, including the human race. We make all attempts, consciously or unconsciously, to preserve health and resources. The advertiser appeals to this instinct very forcibly. All the food and cloth merchants, druggists and chemists, banks and insurance companies, appeal to this instinct. Dr. Scott made reference of a mouse which was found in possession of hundred and one articles—all curios—in its hole.

The copy-writer has to bear all these points in view, while preparing his copy for the press. Sir Sydney Skimmer, Chairman of John Barker & Co., Ltd. has said: "Buying advertising space, or publicity in any form, he, the advertiser, is buying something very much in the air, and may be, clutching at a shadow. More than in any business advertising

calls for intuitive gift and knowledge what to do from an inside knowledge that must rarely err. Experience is a great help, but it cannot alone suffice. It is a commonplace that experience can be acquired; but while it is true that experience is everything in advertising, everything in advertising is not experience."

THE SELECTION OF MEDIA

The selection of appropriate media for advertisements is not always an easy matter. At times the problem is almost baffling. Large concerns are found employing every kind of advertising medium—from the press to the posters, from the tramcar and motor buses to electrically illuminated sky signs. Such ventures may afford to employ every form, but for an ordinary concern with limited resources the task is still more difficult.

The media commonly used by advertisers are: the Press—newspapers and magazines, Posters, Booklets and Pamphlets, Circular Letters, Tramcar and Bus advertisements, advertisements on the Screen, Window-dressing, etc.

The Press. The medium chosen for advertisement will depend on whether the article advertised will appeal to the particular class of people who buy the paper. The medium selected must be a medium to fit the product and the particular public to which the product appeals. The advertiser has to decide

whether he should buy a small space in a largely circulated paper, or large space in a paper with small circulation, because the charges of a paper with large circulation must be much more than of a paper with small circulation. This decision should rest on the fact whether he has to make an appeal to the numerous readers of a largely circulated paper or to the smaller number of another paper. Next, he must decide whether he should buy space in a daily, weekly or monthly. The merit of circulation is to be weighed with the quality and kind of readers. Again, the front page advertisement is more costly than inside pages. "The front page of the *Daily Mail* costs £1,400 for a single issue with a circulation of 1,800,000 copies."

Posters. Posters have only a limited field; but they may be used to reinforce Press advertising. The essential of the poster is an arresting picture, and brevity in verbal description. It is not suitable for lengthy explanation or detailed argument, but is eminently suited for driving home some particular point, or creating a first impression. A good poster is designed to instil an idea, or convey a suggestion to the mind. Simple designs in contrasting colours are very effective and forceful. The size of a poster should at least be 120 inches by 80 inches otherwise it may not be taken notice of by the public. It should be "blanked," that is surrounded by a white or neutral tint border to separate it from others. The

poster advertisement must be made to "stand out;" if it does not, it will never be able to declare its message. It must get itself noticed even if no colour work or illustration is used.

Booklets and Circulars. Like press advertising, it must be made with circumspection and knowledge; the best means and the best methods to employ are matters of individual experience and choice. The essential thing in the preparation of all advertising matter of this description is very much the same as for press advertisements. But, in the case of better class booklets and pamphlets, the advertiser has more scope as he is not restricted as regards space in which to tell his story, nor in the use of illustrations, nor in the quality of paper and printing.

Circular Letters. Circular letters are form letters designed to reach hundreds and even thousands of prospective customers. Often they are cyclo-styled to give them an appearance of ordinary letters instead of the look of printed matter. They should be written in a forceful and effective style because often they have to arrest the attention of an unwilling reader. They must move the feelings and occupy the mind of the reader, otherwise they fail in their object. A simple, direct, homely and intimate style will best appeal to the reader. He should be convinced of the sincerity and reliability of the advertiser, and a straightforward and simple style is taken to imply reliability, dignity and even social standing. No

form of jargon can inspire confidence in the reader. He suspects a catch somewhere, or else a stereotyped phrase is so often repeated that it must seem mechanical and insincere.

Simple language is always better than flowery and loquacious sentences. Simple language is always the most forceful; the good phrase is the simple, clear-cut phrase. The reader should at once understand the full significance of the circular at a glance without wasting any time over reading it a second time. Every statement made therein must be plain, straightforward and convincing. The circular should be interesting, useful and attractive. Above all, the writer should be courteous in tone but by no means servile.

As regards other forms of advertising, e.g., by means of trams, buses, screens, etc., more or less the same principles hold good, as in the case of posters. They are to attract attention and make suggestion in a convincing way about the goodness of the articles advertised. As these advertisements receive scanty attention, they must possess the greatest display or attention value. Not only does a good advertisement arrest attention at a glance but it holds attention by reason of its subject matter. There is an air of quality about some advertisements that one can almost feel, just as there is an air of shoddiness about others which we instinctively shun.

TRADE MARK

Trade mark or trade name is an important element in advertising. It gives a distinctive name to the article and the consumer at once understands all about its quality and price. The reader has different conceptions in his mind while he sees the following trade marks—all about soaps :

‘501’; ‘Sunlight’; ‘Pears’; ‘Lux’

Every mark has its own characteristic feature, and they are readily known to the public by the distinctive trade mark or trade name, which is registered with the Government under the Law of the land. Persons may have the same name, but not the same goods.

In accordance with the Trade Marks Act of India, 1940, a “Mark” includes a device, brand, heading, label, ticket, name, signature, word, letter, or numeral or any combination thereof; and a “trade mark” is a mark used or proposed to be used in relation to goods for the purpose of indicating a connection in the course of trade between the goods and some person having the right to use the mark.

Sometime before, the manufacturer was entirely at the mercy of the wholesaler and he had no control over his market. He saw that it was more important to please the user than the seller, but the user had no means of knowing who made the merchandise he used or why one kind of cloth was fine and another coarse. So the manufacturer gave his article a

name, symbol or design and expected the user to remember it and ask for it while making purchases. Having done that he advertised his goods to the public putting forth the reasons for their superiority and thus enticing the customer to demand this particular brand from the retailer who, in order to satisfy his customers, was forced to buy from the wholesaler and the wholesaler from the manufacturer who made the popular goods. Thus the manufacturer became, in a way, independent of the wholesaler for popularising his goods.

Trade Mark is an act of faith and a means of identification. It has done more than anything to standardise the quality of the goods, that are so branded and to develop the market inside as well as outside the country in which they are made. Branded and widely advertised goods must be reliable; for the symbol calls wide attention to faults as easily as it wins recognition for merits.

AGRICULTURAL MARKETING IN INDIA

INTRODUCTION

We have discussed so far the principles of marketing which apply both to the marketing of manufactured goods as well as to the marketing of agricultural produce. We have observed that improvements in the marketing of manufactured goods followed the improvement in the technique of production of these goods. At first the European countries were producing for the expanding markets of Asia, Africa and Americas and this process continued, more or less, upto 1850 by which time America as well as Germany and France had developed their production organisations. After this the manufacturers had to consider ways and means of selling goods in competition to the goods of other manufacturers. Credit facilities were granted, agencies were established, tariff legislations were passed, the art of salesmanship and advertising was improved upon, and above all, colonisation schemes were pushed forward with the sole end in view—viz., the preservation of those colonies or markets for the products of the mother country. For example, the East India Company was asked by the mother country to pursue the same policy. Its

avowed policy during this period was to encourage plantations in this country so that India might export raw materials and food-stuffs to the United Kingdom and import manufactured articles from that country. Every country tried to improve its selling organisation with the result that marketing problems came to the forefront and at present they engage the attention of the State, the economist, the manufacturer, the middleman and the consumer alike. With the growth of marketing mechanism, an army of middlemen sprang up like a fungus growth. Then there was reaction and as a remedy against this the consumer's co-operative movement was started. This movement made sufficient progress. Very big stores were established by co-operative societies with a certain amount of success. These stores may not have acquired the success which was thought of, but they serve as pioneers of large-scale retailing. Multiple shops and Departmental Stores were organised by companies to eliminate the profits of the middleman. Thus we observe a concerted attempt on the part of the manufacturer to eliminate the middleman and approach the consumer as near as possible. The same tendencies are discernible in the marketing of agricultural produce.

Agriculture was in a self-sufficing stage practically in every country in the beginning of the last century. There were no problems of marketing agricultural produce. With the development of

enormous agricultural areas in the 19th century and the surplus produce in certain countries, there arose the necessity of organised markets where buyers and sellers from all parts of the world could freely meet and transact business. This was greatly facilitated by modern means of transport, scientific knowledge of business organisation, elevators and warehouses, and banking development. Convenience and promptness now became essential. Uniformity of usages, high standards of conduct, detailed organisation of every branch of trade, and efficiency in the operation of the business became highly desirable. And so, about the middle of the last century numerous Exchanges, sometimes also called bourses, boards of trade and Chambers of Commerce were organised.

Indian agriculture got a fillip by the introduction of rapid means of communication and transport after 1850. The Suez Canal was opened in 1869 and this shortened the distance between India and Europe by thousands of miles, besides affording the advantages of weather and safety. Wheat used to be spoilt when exported round the Cape of Good Hope by the damp and hot climate to which it was subjected for long periods. The State policy has always been to encourage agriculture even at the cost of industrialisation of the country. The result was that our cultivator began to produce for the market and did no longer live on subsistence econo-

my. Indian agriculture, so to say, was commercialised and the produce of our cultivators reached distant markets of Europe and America. The State began to show interest in our agricultural problems for various reasons. Firstly, agriculture is an important source of revenue; secondly, it is the occupation of about three-fourths of the population and thirdly, British industrialists' interest demanded the development of Indian agriculture. The State aid to agriculture has been of different kinds, e.g., improvement of seeds, irrigation facilities, co-operative credit, debt legislation, cattle breeding, scientific research, consolidation of holdings, improvement of quality of soil, supply of manures and implements and only very lately of assisting the agriculturist in the marketing of his produce. On analysis, we find that all the measures adopted by the Government were either to improve production, or to save the cultivator from the clutches of the moneylender. It is only after the recommendations of the Agricultural Commission in 1928 and the economic depression that set in in 1929, resulting in abnormal fall in the prices of agricultural commodities, that the State took a lively interest in agricultural marketing in India; otherwise the poor cultivator was left to his own resources and skill to dispose of his produce. Exception may, however, be made in case of cotton where, due to the activities of the Indian Central Cotton Committee, established by the Government of India,

in March 1921, regulated markets were established in Berar, C. P. and Khandesh and useful legislation like the Cotton Transport Act was passed to prevent adulteration of bad quality cotton with superior quality cotton. On the recommendation of the Agricultural Commission, a Marketing Adviser to the Government of India was appointed in 1935 with Provincial Marketing Officers and other subordinate staffs. Quite a number of States have co-operated in this work. Marketing surveys have been conducted; societies for marketing agricultural produce have been established, legislation for grading and marking of agricultural produce has been passed; Standards of Weights Act has been put on the statute and propaganda is carried on through 'Agmark' label for selling ghee and other articles. All this shows that the State is alive to the interest of the cultivator and is showing a genuine concern in marketing problems.

Agriculture gives occupation, directly and indirectly, to the vast majority of the population of India. The census returns of 1921 showed that the proportion of the population directly engaged in, or dependent on, agriculture and pastoral pursuits in British India was 73.9 per cent. This percentage came down to 67 in 1931 and in the census records of 1941 for which figures are not yet available it stands at about the same level. This shows the preponderant importance of agriculture in the Indian economy.

Another important feature in our economic and social life is that from times immemorial, the bulk of the population has lived in small villages with mud houses. At the beginning of the nineteenth century about 10 per cent of our population lived in towns—a higher percentage than even in France and Russia. A larger proportion of the population lived on industries than at present. Industrial population lived in villages as well. These were economically self-sufficient, producing their own food, clothing, and other necessities of life. They had very little to do with the outside world. It cannot be said that the village is as isolated today as it was a century back. In spite of the western impact, towns are few and great cities rare; most of the 500,000 villages have not yet been touched by metalled road or railway; post offices are many miles apart, telegraph offices still more distant from each other. Except in a few irrigated tracts, the whole country is dependent on the monsoon and all major agricultural operations are fixed and timed by this phenomenon. Indian agriculture is, therefore, called 'a gamble in monsoon.'

The Indian cultivator is poor and ignorant. According to the Census Report of 1941, a little over 12 per cent of the people are literate. They include persons who can only sign their names. This colossal ignorance, even after 150 years of British rule, is responsible for the abject poverty and social evils of

the country. Our national income has been estimated variously by various investigators. Dadabhai Naoroji estimated it at about Rs. 20 in 1870; Sir David Barbour at Rs. 27 in 1882; Lord Curzon at Rs. 30 in 1901; Mr. E. M. Cook at Rs. 50 in 1911; Wadia and Joshi at Rs. 44-5-6 in 1913-14; Findlay Shirras at Rs. 116 in 1922. The latest estimate of national income of British India is that of Dr. V.R.R. V. Rao for the year 1931-32. According to him the figures are :

	Millions of rupees		
The value of agricultural output	5,927
Live Stock products	2,683
Fishing and hunting	120
Forest products	92
Total Primary products	Rs. 8,822

The writer estimates the aggregate wealth produced in British India in 1931-32 at Rs. 1,689 crores, with a margin of 6 per cent on either side. Primary production thus contributes a little over 52 per cent of the total national income of British India. Dr. Rao estimates the per capita income at Rs. 65 with a margin of error of 6 per cent on either side per year. Prof. K.T. Shah estimated the distribution of the national wealth to be such that, if we had Rs. 100 of this wealth to distribute among 100 individuals, Rs. 33 will go to 1 member of the capitalist and landlord class; Rs. 33 will go to 33 middle-class men; and the balance of Rs. 34 will go to 66 working-

men. Thus, two-thirds of the community get per head half the average income; while 1 per cent. enjoy more than a third of the national income.

Our problem is, therefore, both of insufficient production and faulty distribution. In comparing these results, we must not forget that they relate to different periods, and the area covered by the computations is not the same in every case. The level of prices at different dates and the spirit and purpose of each investigation were also different. Yet, in spite of all these discrepancies, one thing is certain, viz., the abject poverty of the teeming millions of the Indian population. It becomes all the more glaring when we study our estimates vis-a-vis the estimates of other countries. Professor Findlay Shirras in his book *Poverty and Kindred Economic Problems in India* has given the following table.¹

Country	Year	per capita income
British India	1931	£5
United Kingdom	1931	76
Australia	1924	98
United States	1932	89
France	1928	41
Denmark	1927	55
Germany	1925	39
Italy	1927	24
Egypt	1928	21
Japan	1925	14
Bulgaria	1932	9
U.S.S.R. (Russia)	1925	10

¹ Third edition, pp. 44-5.

Naturally, the question arises: Is our poverty due to maldistribution or want of production? The fact is that our problem is not as much of maldistribution as of insufficient production. As estimated by Dr. Rao about 50 per cent of the total national income of British India is derived from primary production, viz., agriculture, live-stock industries, fishing and hunting, and forest products. All this production is in the hands of small producers where the question of concentration of wealth does not arise except in the case of big landlords or a few capitalists. Some of the captains of industry and a few big talukdars, no doubt, are very rich in the country, but their number is so small that it can be counted on one's fingers' tips.

Out of a population of about 25 crores of British India in 1939 only about $3\frac{1}{2}$ lakhs paid income-tax and although the exemption of agricultural income from income-tax may partly account for the low figure of assessees, the main reason is that the vast majority of persons in India have an income which is only a small fraction of even the exemption limit. Of the $3\frac{1}{2}$ lakhs of persons liable to assessment, over 2 lakhs had incomes below Rs. 8,000 and only 4,000 persons had incomes above Rs. 32,000.¹

Our artisans are as poor as our cultivators. Industrial labour too has a very low standard of living.

¹ *Times of India Publication.*

and agricultural labour is the most poorly paid. Among the professions, barring the top-most men, most of the doctors, lawyers and teachers are hardly able to make their two ends meet. We may, therefore, conclude that the general standard of living of the people is miserably low. Efforts should be made to increase the national dividend, always bearing in mind the pitfalls and shortcomings of the modern industrial organisation which should not be slavishly copied, but should be adapted according to the natural phenomena of the country. Capitalism has failed miserably on the distribution side. In this system side by side we witness the dizzy heights of opulence and extreme depths of poverty. We must attempt to save our society from these faults of the economic system. This can be possible only when there is proper planning of our economic resources.

For centuries India has been one of the principal grain producing countries of the world. Out of the total world production of food grains (excluding Russia) of 245,225,000 tons in 1936, India contributed 55,481,000 tons or approximately 22.6 per cent of the total yield. India's population being nearly one-fifth of the world population, she contributed a little more than her required share. Agriculture is, therefore, a very important part of her economy and no economic planning of the country can be complete without a thorough investigation of her agricultural problems and needs. The total area

of cultivable land in India, excluding the forest area of 89 million acres, is about 435 million acres. The total gross cropped area, sown annually, approximates to 298 million acres. Of the total area, about 80 per cent is under food crops and the rest under non-food crops, such as cotton, jute, oil-seeds, indigo, fodder crops, tobacco, opium, etc. The principal food grains are rice, wheat, jowar, bajra, gram, barley, maize, pulses, etc.

The following table gives the estimated acreage and yield of the principal crops in India for the year 1939-40 :—

	Acreage	Yield	
Rice	73,199,000	25,364,000	(tons)
Wheat	34,014,000	10,752,000	"
Sugarcane	3,623,000	4,590,000	"
Tea	833,200	452,596,300	(lbs.)
Cotton.. .. .	21,351,000	4,909,000	(bales of 400 lbs. each)
Jute	3,161,000	9,738,000	"
Linseed	3,713,000	466,000	(tons)
Rape and Mustard	6,113,000	1,120,000	"
Sesamum	4,050,000	416,000	"
Castor Seed	1,004,000	97,000	"
Groundnut	8,198,000	3,148,000	"
Coffee ¹	181,200	40,110,600	(lbs.)
Rubber	134,000	31,390,700	"

¹ Coffee figures are for 1938-39.

(Taken from the Estimates of Area and Yield of Principal Crops in India, 1939-40).

CHIEF CHARACTERISTICS OF INDIAN AGRICULTURE

The first thing to note is that the standard of production of our cultivators is very low as compared to that of other countries. Taking only two of the many commodities, we observe that whilst U.S.A. produces 200 lbs. and Egypt 450 lbs., India produces only 85 lbs. of ginned cotton per acre. For sugar, the Indian Sugar Committee stated that India's out-turn of sugar per acre was less than one-third of Cuba's, one-sixth of Java's and one-seventh of Hawaii's. There is no doubt that the sugar industry of this country has made marvellous progress since 1931 after the imposition of protective tariff and the estimates of the Sugar Committee do not hold good at present. But it is undeniably correct that our producer is still far behind the producers of these island countries. In India, the agricultural holding is very small, the cultivator is poor and illiterate; he is unable to make use of the modern implements and manures; the irrigation facilities are not as good as in foreign countries; and the lack of means of transportation leads to dryage of juice contents of the sugarcane. As against these disabilities in India, the factories in foreign countries own the neighbouring

land and cultivate it on the most modern lines. They have all facilities of manuring, irrigation, good seeds and transportation. Naturally, the result must be better. However, the Indian Sugar Committee and the Indian Central Cotton Committee have done useful research work and under their guidance the Indian cultivator has learnt a good deal and improved the quality as well as the output of his produce.

Capitalist farming in India is an exception, and small scattered holdings are a common feature. This evil is of the most serious type. There is not enough work even for the poor equipment and scanty resources of the Indian cultivator. The average holding of most of the Indian peasants is between 1 to 3 acres only. This is hardly enough for an average family of 5 persons in India. The evil is two-fold. On the one hand, by transfer or transmission the land goes on being divided, and on the other hand, at every transfer or transmission of land, the holding becomes more and more scattered and fragmented. Thus, the peasant not only does not own an economic holding, but even that small holding is scattered on all sides of the village. This means a lot of worry and expense, besides waste of time in going from field to field. Unless the laws of inheritance are changed amongst the Hindus and the Moslems¹ and

¹ Amongst the Muslims even the daughters share.

unless a large proportion of the population is diverted from land to other occupations, thus relieving the pressure of population on land, nothing substantial can be done in this direction. The Provinces of the Punjab, the U.P., Bombay and C.P. have achieved some success in bringing about compact blocks through co-operative agencies and permissive legislation. Yet the fact is that hardly the fringe of the problem has been touched. This evil alone is largely responsible for the low production and yield of the Indian cultivator who cannot effect improvements on his holding. However, in the absence of other avenues of employment in professions and industries, it provides at least something to fall back upon. It also acts as a sort of insurance against the vagaries of seasons in a land where monsoon is so uncertain and agriculture is so dependent on this single factor alone.

Another important feature is that "under the prevailing system of tillage, the small holdings do not provide occupation for more than half the time of the cultivator."¹ The agriculturist has, therefore, ample leisure to pursue one or other of the small industries and thereby substantially add to his income from agriculture. The Royal Commission on Agriculture have expressed themselves at another place in the following words: "A prominent feature of

¹ *Report of the Royal Commission on Agriculture*, p. 5

Indian agriculture is the amount of spare time which it leaves to the cultivator. This varies very greatly according to the local agricultural conditions, but it may be assumed as a broad generalisation that by far the greater number of cultivators have at least from two to four months of absolute leisure in the year.”¹ The Central Banking Enquiry Committee and the Provincial Banking Enquiry Committees have agreed with this view and all these bodies have unanimously recommended the introduction of cottage industries in the country-side. The greatest justification for the adoption of Mahatma Gandhi’s charkha is the utilisation of the idle time of the Indian peasantry. After food, clothing is the most pressing necessity of human life. At present millions of our country-folk go naked. If this elementary want could be even partially met by hand-spinning and hand-weaving, it will immensely add to human welfare. Besides spinning and weaving, other small industries like dairy farming, rope-making, bee-keeping, silk-rearing, gur-making, oil-pressing, furniture making, etc., etc. can be introduced in the village-side without much expense and inconvenience. We can go a step further. In the regions of hydro-electric power, even the medium-sized industry can be well established. This disintegration of industry will have many advantages. Instead of herding large

¹ *Ibid.*

populations in dingy and smoky cities like Cawnpore and Ahmedabad, it will be much better if the medium-sized plants are spread over the country-side. Besides giving more employment to the village-folk, it will considerably improve the health of the factory workers and our economy shall decidedly be more balanced.

The third feature to note about the Indian cultivator is his chronic indebtedness. 'He is born in debt, lives in debt and dies in debt.' The question of marketing of agricultural produce is very closely related to the indebtedness of the agriculturists. The various committees and commissions have investigated into this question from time to time. The Famine Commissions, the Maclagan Committee on Co-operation, the Royal Commission on agriculture, the Central and Provincial Banking Enquiry Committees have closely studied the causes and suggested remedies. They have variously estimated the extent of the rural indebtedness. The Central Banking Enquiry Committee says: "The Provincial Banking Enquiry Committees have attempted an estimate of rural indebtedness in their respective provinces. For the reasons mentioned in the provincial reports, estimates of rural indebtedness cannot be accurate. A total of about Rs. 900 crores made up of the figures for different provinces given in the provincial reports may, however, be taken as a very rough estimate of the total rural indebtedness

of India.”¹ Nobody can be dogmatic about the accuracy of indebtedness figures because there has been no systematic and thorough investigation of this problem. The Reserve Bank of India has a rural credit department which devotes its activities to the problems of rural finance.

The problem of agricultural indebtedness became more acute after the economic depression that started in 1929 and continued, more or less, upto the outbreak of the present World War. The difficulty in repayment owing to the fall in prices led to the transfer of lands to the money-lenders. ‘The large increase in the number of suits and forced sales of land at very low prices held out the grim prospect of the emergence of a dispossessed peasantry which constituted a permanent threat to the social stability and social peace in the country.’ No Government could witness this spectacle without anxiety. Therefore, nearly every Provincial Government in India introduced legislation of some form or other to give relief to the agriculturists. The movement got further impetus by the coming into power of popular ministries after the Indian Constitutional Reforms of 1935.

“Broadly, the entire mass of Debt Relief Legislation can be classified under two heads: (A) short-term legislation, and (B) long-term legislation, according to the nature of the objectives which the

¹ *Central Banking Enquiry Committee Report*, p. 55.

legislation was intended to fulfil. The main objectives of the Provincial Debt Relief Legislation can be briefly summarised as follows:

(a) Provision of relief to the cultivators by scaling down and lightening the crushing burden of the standing debt;

(b) Regulation of the money-lending business and creation of systematised rural financial agencies; and

(c) Provision of safeguards for the protection of the person and the property of the debtor against undue exploitation by the creditors."¹

The Debt Legislation did give relief to the agriculturists and petty zemindars, but it has also crippled rural finance. The money-lender is very much reluctant to grant credit to the cultivator who has little to offer as security against his loan. In its Statutory Report the Reserve Bank of India states: "Apart from the special risks involved in agricultural finance, the main difficulty arises from the fact that in India as in several other agricultural countries the majority of the agricultural population consists of small peasant proprietors and tenants with whom agriculture is not so much a profession as a mode of living. The handicap is not merely the lack of substantial assets which could serve as security but also, and possibly to a greater extent, the uncertainty of the profits from agriculture as it is generally carried on²."

¹ Abhyankar, *Provincial Debt Legislation*, p. 3

² *Statutory Report of the Reserve Bank of India*, p. 5

The Government has, no doubt, destroyed the existing agency of rural finance which was certainly bad in some respects, but not as contemptible as some of the theoretical economists maintain; it has not yet supplanted it by a better form. Co-operation is a panacea for this as well as many other ills from which the Indian cultivator suffers, but so far not much has been done and it must also be confessed that this movement too is not free from defects at present. The problem of rural finance can best be solved, if indigenous money-lending is regulated and linked to joint stock banking rather than put an end to. The attempts of the Agricultural Credit Department of the Reserve Bank of India are to be watched with interest in this connection.

ORGANISATION OF AGRICULTURAL MARKETS

At present our rural markets are organised in the form of mandis, fairs, haths and penths. In the rural areas pedlars are found exchanging wares for money or grain. Small towns or big villages observe one or two market days in the week when the buyers and sellers meet in a particular locality. The simple requirements of the village-folk are met on such occasions. Generally, the villagers bring grain or any other produce with them which they sell in the market, and with the money obtained they purchase cloth, shoes, implements of cultivation, kerosene,

match boxes, etc., etc. At important places, even several thousand people gather together. The *bath* is organised by a zemindar, or a local body and every shop-keeper has to pay some rent for the space he occupies. Higglings are a common feature of these markets. One does not know whether he is getting a square deal. No doubt, there is competition between the sellers, but the difficulty is that the articles are not standardised. For example, one shoe-maker might demand Rs. 2/- for his pair, whilst the other Rs. 1/4 only. If a shoe-maker wants to sell a pair for Rs. 1/4, he will start somewhere at Rs. 2/8. A good deal of time and energy are wasted in higgling. Each party wants to bluff the other in bargaining.

The village pedlars generally supply cloth, ornaments of cheap metals, kitchen utensils, and cheap general merchandise. Here the village bania acts as the middleman or arhatia and it is his duty to see that his customer is not cheated by the pedlar. For his services the bania gets generally one pice per rupee as his commission from the seller. All sales are for cash excepting utensils and cheap ornaments where the shopkeeper accepts even old wares in exchange at about half the rate for new ones. These pedlars visit the villages more frequently during the crop seasons when they are able to get better custom.

Fairs have been a common feature in India for centuries. Generally these fairs are held on religious festivals, as Magh Mela at Allahabad, *Kartiki-Snan*

at Garh Mukteshwar and others. Of late, Swadeshi exhibitions are getting popular. In the U. P., the District Boards hold exhibitions, horse shows etc. For some years when the boycott movement was strong, these institutions did not fare well, but they are again reviving. The industrial exhibition in important commercial centres organised by Government or private agencies are really giving an impetus both to the commerce and industry of the country. It has been observed at these exhibitions that India is doing fairly well in the manufacture of toilet accessories, cloths, boots and shoes, prints, pencil-making, paper-making, etc. She is also reviving her old cottage arts of spinning of silk and wool, embroidery, zardosi, etc. What she lacks most is the establishment of heavy industries. We need more and more of engineering works. But there is certainly a revolution in thought. Here one does not have to higggle. There is a fair amount of competition and both the customers and sellers are of better morale. They are mostly educated and comparatively well-to-do people.

Mandis are the best forms of organised markets in India for the sale of agricultural produce. Some of these mandis, particularly in the West U, P., such as Hapur, Ghaziabad, Hathras, Khurja and Agra, and in the Punjab, such as Lyallpur, Amritsar and Lahore, can compare favourably with produce exchanges of foreign countries. They have ample

facilities of storage and banking, and are well served by roads and railways. The control of a mandi generally vests in a Chamber of Commerce which is fully representative of all business interests. These Chambers of Commerce, besides exercising general supervision over the market, regulate speculative transactions which are recorded in the office of the Chamber and each party to the bargain has to make a deposit to ensure fulfilment of the contract. In the mandi there are shops of kachcha arhatias and pucca arhatias. The kachcha arhatias are really brokers of the sellers and the pucca arhatias are either buyers on their own account or commission agents of firms that do exporting business. In the Central Provinces and Bombay, agents of cotton mills at Bombay and Ahmedabad and of Japanese firms are found making purchases. Similarly, Ralli brothers appoint agents in the grain markets of the U. P. and the Punjab to effect purchases. Further, the pucca arhatia is a man of means and substance who stocks produce on his own account with his own capital or with borrowed capital from the joint stock banks or the Chambers of Commerce of the town. Generally the practice is that he invests about 30 per cent of the value of the net produce and the balance is advanced by banks on its hypothecation.

As a rule the agriculturist does not like to sell his produce himself in the market. Not so much because he is indebted, but because it costs him more

to transport and undertake risks of fluctuations in prices that he likes to sell his produce at home. He is also not quite familiar with the market technique and, therefore, cannot bargain as well as the professional beopari. Of late, the tendency is for the cultivator to cart his own produce in the market, particularly where the roads are good and where he has his own cart or other means of conveyance. The cultivator is not so simple-minded or ignorant as he is often depicted to be. He knows his interests fairly well. The U. P. Provincial Banking Enquiry Committee observed: "It is not, however, true that the mahajan or beopari can always get the cultivator into his grip or that he abuses his advantage. The cultivators are shrewd enough to ascertain the mandi prices and to calculate their transport and other charges; and the solvent among them often dispose of their produce not to the beopari but directly at the mandi."¹ Further, there is so much competition amongst the beoparis in the season for purchase of village produce that the margin of the middleman's profit is cut very fine. Next, the cultivator gets ready cash for his produce the moment it is sold to the beopari who has at times to submit to some of the unreasonableness of the cultivator because there is strength of the numbers behind him. It is wrong

¹ *The U. P. Provincial Banking Enquiry Committee Report*, p. 154 (para 252).

to say that the cultivator loses much in price. "The beopari takes upon himself all trade risks, while his margin of profit, especially in the face of competition, is always small, sometimes little more than enough to cover the expense of transport and marketing. His profits depend mostly upon fluctuations of prices and upon certain economies which the cultivator, dealing in small quantities, cannot secure. By the intervention of the beopari the cultivator avoids all trouble and risks mostly resulting from his own ignorance.....In short, in the present unorganised system of credit and marketing the itinerant beopari is a necessity."¹

This view of the U. P. Provincial Banking Enquiry Committee is shared by most of the other Provincial Committees. To cite only two of them, the Bombay Committee observed in para 127 of their report: "There are several reasons why the cultivators prefer to sell the cotton at the village. Many of them have only limited quantities to sell which may be too small for a cart-load. Sometimes they have no cart of their own and the charges for transport during the marketing season are heavy. If the cotton is taken to the marketing centre, the producer has often to undergo considerable inconvenience, trouble and loss in the unregulated market. It is also found that in the cotton areas, owing to

¹ *Ibid.*

keen competition amongst the buyers, the prices in the village are generally not unfavourable, if an allowance is made for transport and other charges." And the Central Provinces Committee remark in para 1046 of their report: "Our enquiries show that the prices in rural areas are of necessity somewhat lower than those in the wholesale markets; but the difference in prices obtained on the spot by the cultivator does not, as a rule, exceed the expenses of transport and the remuneration of the petty dealer for his services."

The Central Banking Enquiry Committee conclude: "After studying the position as presented in the reports of the various Provincial Banking Enquiry Committees, we have come to the following conclusion:

"The popular belief that the middlemen and the small merchants perform no useful function is erroneous. Most of the Provincial Committees have found that the charges made by them are not exorbitant."¹

We have already given at some length the opinion of the Royal Commission on Agriculture which is also to the same effect.

As explained above kachcha arhatia is a link between the village seller—cultivator beopari—and the buyer who may be a pucca arhatia or any other person. He is an agent of the seller and is expected to look after his interests. It is generally alleged

¹ *The Central Banking Enquiry Committee Report*, p. 221 (Para 279).

that he favours the buyers who are mostly pucca arhatias or towns-people. It may be true in some cases but it cannot be a general rule because there is so much competition amongst the kachcha arhatias that they cannot afford to displease their clients.

Before the seller actually reaches the market he is often accosted on the road or at the terminal tax or octroi posts on the border of the municipal area by touts employed by the kachcha arhatias. They may be specially employed for the purpose or are more frequently regular employees of the kachcha arhatias. Every inducement is held out to a newcomer to secure his patronage and in Delhi it is quite common for the arhatiyas' agents to pay the terminal tax, to be adjusted later, on behalf of the cultivator and relieve him of as much trouble as possible with the terminal tax officials in order to secure or retain his custom. The same procedure is followed throughout the length and breadth of the country.¹ On arrival in the town, the seller is housed in a big compound with shelter for bullocks and a well. The arhatia provides ordinary comforts of tobacco smoking and water supply. In the morning the carts are taken to the mandi where the produce is sold by inspection or auction. The kachcha arhatia represents the seller and with his consent sells the produce to the buyer. In some of the mandis, e.g.,

¹ *Report of the Marketing of Wheat in India*, p. 147.

Cawnpore, carts are sent to the place of the buyer for delivery. The arhatia sends his weighman. At times the buyer rejects the goods in the course of weighing of the produce on the ground of inferior quality or admixture. The arhatia has to intervene and settle the dispute. In case of cotton, carts are taken to the ginneries where they are weighed and unloaded. As soon as the carts have been weighed the seller is paid cash by the kachcha arhatia who settles account with the buyer—pucca arhatia—in the evening. All this shows that the kachcha arhatia renders a really useful service to the cultivator who is ignorant of the market technique.

But all this does not mean that the arhatia is always honest and straightforward in his dealings or that there are no defects in the marketing organisation. The very fact that there is a cut-throat competition among the arhatias which reduces their remuneration to the minimum induces the dishonest among them to resort to undesirable practices, such as wrong weighing, secret profits, over-charges, etc. Most of them are poorly paid and carry on the work as a profession, as the Indian cultivator carries on agriculture as a profession whether it is profitable or not.

DEFECTS AND WEAKNESSES OF THE MARKET

The main defects and weaknesses in the marketing of agricultural produce in this country are:

Defects:

- (a) The use of a variety of local weights and measures;
- (b) False weighments;
- (c) The levy of a number of incidental charges and imposts;
- (d) The absence of grading;
- (e) Admixture of inferior quality with superior quality produce; and
- (f) Secret-settlement of prices.

Weaknesses:

- (a) Lack of good means of transportation and communication;
- (b) Absence of regulated markets;
- (c) Insufficient number and weak organisation of co-operative sale societies;
- (d) Lack of research work in marketing;
- (e) Inadequate storage facilities; and
- (f) Insufficiency and inadequacy of financial facilities.

Let us briefly discuss each item *seriatim*.

Weights and Measures. Diversity of weights and measures is not a new characteristic in this country. It was equally so in Akbar's time who took a more modern view, and prescribed the principal units of weights, length and surface measure. He introduced the *Ilahi Gaz*, measuring $30\frac{3}{4}$ inches but it was popular near about his capital only. It is a pity that

this diversity is not only regional but commodity-wise as well. In sixteen markets of the East Khandesh district of the Bombay Presidency, the maund has thirteen different values ranging from $21\frac{1}{2}$ seers at Bodwad to 80 seers at Pachora. In the Jhelum district of Punjab six different measures by which grain is bought and sold are found within an area of sixty square miles. In the U.P., at some places we have a standard maund but at other places a maund of 50 seers. In Bihar the seer ranges from 50 to 100 tolas except where the standard weight has been imposed from above. In the Bombay Presidency, the standard unit of speculation in cotton is *Khandi* which is equal to 784 lbs. of lint cotton; but in Khandesh it varies from 160 to 250 lbs., and in the Southern parts of the province the unit is a *Nag* of 336 lbs. In the Madras Presidency, *Khandi* weighs 500 lbs. only and in the area where "Western" cotton is grown the unit is a *Nag* of 312 lbs. In the Central Provinces the measures, '*Mani*', '*Kino*' and '*Khandi*' have each a different significance in different areas with great variations in weight. In Assam and Burma, rice is measured by baskets of different sizes. All this diversity creates confusion and is a serious obstacle in the development of trade and commerce. It affords great opportunities for cheating the cultivator of which unscrupulous dealers can easily take advantage. Further, it becomes well-nigh impossible for the poor and illiterate cultivator to interpret

local prices in terms of standard weights and measures.

Besides diversity of weights and measures another serious defect is the common practice of short weighing, particularly in small mandis. Some of the shop-keepers maintain two sets of weights—one, the over-weight for purchasing and the other, the under-weight for selling purposes. Quite a number of traders keep stone-weights which are mostly inaccurate. Again, in some places the practice is for the money-lender to take more than 40 seers for each maund of the produce of the cultivator. It is done with the consent of the producer. The fact is that in the season the cultivator does not grudge any payment whether reasonable or excessive. This tradition has been in force for decades, but now under the stress of keen competition and great pressure on the means of subsistence the cultivator has become conscious of all these undue impositions and, therefore, he tries more and more to market his produce in the mandi and not sell it to the village money-lender as his forefathers used to do. "The enquiry into the weights used in Mandis of the Punjab held in 1928 by the Punjab Board of Economic Enquiry have revealed that only 50.8 per cent of the stamped and 12 per cent of the unstamped weights were correct."¹ This evil can only be checked when the

¹ Mukherjee, *Agricultural Marketing in India*, p. 123 .

Government and market committees take strong action against the wrong-doers. Every mandi must be provided with a standard set and all other sets in the market must be inspected, verified and corrected periodically. It is an expensive thing even for the Government because according to the report of the Punjab Banking Enquiry Committee the mint price of a set of standard weights is Rs. 534-1-0. The chowdhry of the mandi should bear business as well as social pressure to check this evil.

Although the Government of India accepted the decimal system and the standard seer and maund as early as 1870, no effective action was really taken to reduce the diversity of weights and measures until October 1913, when a Committee was appointed to investigate into this question. The Committee reported in 1915 and made a number of recommendations, the most important of which was the declaration of the maund of $82 \frac{2}{7}$ pounds as the standard weight of India. The Government of India approved the principles of the Report and left the Provincial Governments to take necessary action, but they passed more detailed orders in January, 1922, to the same effect. Besides this pious declaration no action was taken by the Government to give effect to the recommendations of the Committee and the position remained, more or less, the same as it was before the Committee was appointed. After this the question was discussed by the Royal Commission on Agricul-

ture who, while recommending a re-examination of the position, fully realised the obstacles to all-India legislation presented by the force of local trade custom and of local tradition which are probably more powerful in this than in almost any other respect. The Commission recommended that the question should be tackled province-wise bearing in mind that no legislation should be undertaken by any province that might embarrass an adjacent province, or render all-India legislation impracticable at some subsequent stage. The Berar and Bombay market legislation provided for the introduction of standard weights and measures in the regulated markets of cotton but nothing substantial was achieved in this direction.

Among the Provincial Governments Bombay has taken lead in tackling the problem in a comprehensive manner. In 1932, the Bombay Weights and Measures Act was passed to standardise the weights and measures used in trade in the Presidency. This legislation came into force on 1st August, 1935. At first the merchants were rather unwilling to incur initial expenses on obtaining verified and stamped weights and weighing instruments, or to pay the recurring cost of verification and stamping but with the lapse of time they have understood the advantages which result from standard weights.

Under the present constitution laid down in the Government of India Act of 1935, the question of

standards is a Federal subject. More and more attention has been paid to marketing problems, including that of weights and measures, since the appointment of the Agricultural Marketing Adviser to the Government of India on January 1, 1935. On the recommendation of the Ministers' Marketing Conference, a Standards of Weight Bill was introduced by the Government of India and passed by the Central Legislature. It received the assent of the Governor General on the 28th of March, 1939. The preparation of the Central Government Rules under the Act had not been completed by the end of 1940. The Mint Master, Bombay had, however, under preparation certain sets of standard weights for the use of the Central, Provincial and State Governments and it is proposed to bring the Act and Rules into operation as soon as these are ready.

The constitutional position, created by the exit of the Congress Ministries in 1939, delayed action in this regard in Madras, the United Provinces, Bihar and Orissa. The question of introducing standard weights has been under active consideration in certain Indian States as well. In Kashmir, a Bill was drafted and in Patiala a Standard of Weights Act was passed on the All-India basis and a foundry established to manufacture weights in accordance with the Act. All this indicates that the Government is alive to the necessity of introducing standard weights in the country, but as yet, has not achieved substantial

success in this respect, partly because of the old traditions and customs and partly because of the war and the resignation of Congress Ministries. We hope we shall have standard weights in British India as well as the Indian States. The Railway Companies have adopted the standard maund of 82 $\frac{2}{7}$ pounds and the merchants and the general public alike freely send their consignments by rail, in spite of local diversity of weights. The reform is really overdue.

Incidental Charges. In most markets there is a large variety of incidental marketing charges. These charges differ from mandi to mandi. Some of them are for the services rendered, e.g., *tulai* (weighment), filling charges, *palladari*, brokerage, etc., while others are for charity or octroi duty. In the bigger mandis arhatias, as a rule, levy uniform charges, but here also at times concessions are shown to regular beoparis who provide continued custom. Besides these charges in money, little quantities of grain, called *dana*, are given to sweeper, waterman and even to one or two beggars. Beggary is so common in this country that unless legislation is passed, it cannot be checked. The market functionaries do render service to the seller whether he is a cultivator or a beopari and they must be remunerated. It cannot be said that these charges are exorbitant in bigger mandis. The *taula* and the *palladar* get work in seasons only and the remuneration paid for their specialised skill is not out of proportion. In certain

mandis, it is the buyer who pays *tulai* (weightment charges). There seems to be no justification for charging *palledari* from the seller and in fact in Hapur and Ghaziabad mandis no charge is made from the seller on this account. This service is clearly rendered to the buyer who must arrange to remove the produce purchased by him from the place of delivery.

Objections can also be raised for certain deductions made for charitable purposes from the price paid to the seller in the mandi. The objects for which deductions are made may be laudable, e.g., dispensary, *gaushala*, pathshala, etc., but the contributors are not consulted and they are least interested in those institutions. Some of them may have objection on religious grounds. The persons who benefit by them are mostly the town-dwellers and it is only fair that this contribution should be made voluntary and must not be forced on unwilling hands.

The total charges for produce worth Rs. 100, as reported by the U.P. Provincial Banking Enquiry Committee, in the important markets of the United Provinces are: Hapur Rs. 2-9-0; Ghaziabad Rs. 4-3-0; Hathras Rs. 4-13-0; Agra Rs. 5-1-9 and in a country market in Partabgarh it was Rs. 2-13. Below is a detailed statement¹ of these charges and deductions:

¹ Report of the United Provinces Provincial Banking Enquiry Committee, 1929-30, Vol. I, p. 161.

Item	Hapur			Ghaziabad			Hathras			Agra			A country market in Par- tabgarh
	Rs.	a.	p.	Rs.	a.	p.	Rs.	a.	p.	Rs.	a.	p.	
<i>Taulai</i> (weighment) ..	1	9	0	1	4	0	1	11	0	1	9	0	
<i>Dan</i> (charity)	0	10	0	0	10	0	..	..	..	..	..	..
Wages	0	2	6	..	..	..	..	..	..	..	..	..
Filling Charges	0	0	6	..	..	..	..	..	..	..	..	..
Bag allowances	0	3	0	0	8	0	..	..	..	..	..	..
<i>Karda</i> (dust, dirt, etc.) ..	0	5	0	0	5	0	..	..	..	..	..	..
Octroi .. ..	..	..	..	0	8	0	0	9	0	1	5	0	
Charity .. ..	..	..	..	0	1	0	..	..	..	..	..	..
Extra weight .. ..	..	..	..	0	10	0	..	..	..	..	..	..
<i>Palladari</i> (Porterage) ..	..	..	..	..	..	..	1	4	0	1	4	0	
Brokerage .. ..	..	..	..	..	..	..	0	5	0	0	5	0	
<i>Shahgirdi</i> (religious deduc- tion) .. ..	..	..	..	..	..	..	0	4	0	..	..	..
<i>Goshala</i> .. ..	..	..	..	..	..	..	0	1	0	..	..	..
<i>Ramlila</i> .. ..	..	..	..	..	..	..	..	..	..	0	0	3	
Miscellaneous .. ..	..	..	..	..	..	..	0	1	0	0	0	6	
Arath .. ..	..	..	..	..	..	..	0	10	0	0	10	0	

	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	
Jhari (zamindar's tax)	6 chhattaks in 3 maunds
Weighmen's charges	3 pies per rupee.
For weighmen in kind	1 to 1½ seer in 4 maunds.
<i>Dharamshala</i>	2 chhattaks.
<i>Pian</i> (water charges)	1 chhattak.
Sweeper	Ditto
Total ..	2 9 0	4 3 0	4 13 0	5 1 9	The above charges for a load worth Rs. 100 a- mount to Rs. 2-13-0.

Octroi. Included in the list of incidental charges is the octroi duty imposed by certain municipalities on the entry of the produce into the town. It is one of the important sources of revenue to the local bodies, but this form of indirect taxation is highly unjust and was seriously condemned by the Indian Taxation Enquiry Committee who recommended its abolition in all forms because it discourages cultivators from marketing their own produce in the mandis. It is highly vexatious. Petty clerks on octroi posts harass the poor and illiterate cultivators who are at places helped by the agents of the kachcha arhatias. Tipping, known as *baq* (rightful claim) has been a common feature in this country for small services of the state and our octroi clerks are no exception to this rule. Another thing to note about this duty is that there is no uniformity of charging between one mandi and another. For example, there is no duty on wheat in Hapur, but Ghaziabad, not far off, charges a small duty on wheat. As against this, the rate is rather high at Agra. Hathras, not far away from Agra, charges less than half the duty charged at Agra. Again, some of the municipalities charge according to conveyance. They disregard both the quantity as well as value. For example, a cart may contain cow-dung cakes or wheat, or the weight may be 20 maunds or one maund only, the charge in every case will be the same. This form

of charging is highly inequitable and must be put an end to.

Grading. Another defect of a serious type is that of absence of grading and standardising agricultural produce. We do not have standardised qualities on the basis of which bargains can be made although efforts have been made in this direction in the last few years. Rehmat's cartload of wheat contains 5 seers of barley, 1 seer of peas, half a seer of small seeds and one seer of dust per maund, whilst, Kallu's cartload contains quite different proportions of the admixtures. It is very rare to have many cartloads of absolutely unmixed wheat in the mandi on a particular day. Then there are so many kinds of wheat and they are all mixed up. During the last decade some improvement has been made due to the activities of the Agricultural Department. Government Seed Stores supply pure seed to the cultivators and the Department of Agriculture is expected to keep a watch on the progress of cultivation resulting from improved seeds. Satisfactory results have been obtained in the case of sugar due to the efforts of the Research Institute at Coimbatore under the guidance of the Imperial Council of Agricultural Research. The Indian Central Cotton Committee have also been trying hard since 1923 and they have succeeded in introducing long-stapled cotton in C.P. and Berar, Bombay, Sindh, Madras and in some other tracts in other provinces. Some success has also been achieved

in case of tobacco, jute and wheat, but, on the whole, it can be said even today that the result is far from satisfactory. Much more active propaganda is necessary to educate the cultivator. He is slow to accept new seeds and new forms of cultivation, but once he is convinced of their soundness, he carries on the new experiment. The fact is that his means are so narrow and limited that he cannot speculate. Unfortunately, the Demonstration Farms of the Agricultural Department have no bearing on the actual conditions found in the village. The best forms of propaganda would be when young educated persons settle in the village and share the sorrows and joys of the people. If these people can show better results with similar facilities as are enjoyed by the village cultivator he will be thoroughly convinced of the beneficent results and will adopt the new forms without any preaching or propaganda. It is a sad commentary that in spite of all facilities of irrigation, manuring, good seeds and implements, the Government Farms either run at a loss or show scanty profits because of the overhead charges.

The Imperial Council of Agricultural Research is devoting considerable attention to this subject and Central Committees on the lines of the Indian Central Cotton Committee have been formed for jute, sugar and lac. At the instance of the Central Marketing Department, Agricultural Produce (Grading and Marking) Act was passed in 1937 and since then

experimental grading stations have been operated by the Central Marketing Staff as well as the Provincial and State Marketing Staffs. The Government have issued specifications for standards of quality and rule for grading and marking. Besides Government experimental grading stations, private firms are recognised by the Marketing Department in each province to grade specified produce.

Adulteration of produce has been common in this country for long and the reputation of Indian agricultural produce was very low a decade before. Dr. D. Clouston, who was deputed by the Imperial Council of Agricultural Research to the British Industrial Fair, reported his impression to the Council in 1930 in the following words:

“The reputation of Indian agricultural products in the world’s markets is low. The price paid by consumers in Europe for these products is based very largely on that reputation and this reacts unfavourably upon the price received by these cultivators who have improved the quality of their produce.”¹ It leaves hardly any incentive to improve the quality of the produce if it does not fetch a better price. “The tendency all the world over is for local buyers to pay a flat rate for good and poor quality alike. Adequate recognition for quality is everywhere difficult to secure. The position has been aptly

¹ *Report of the Central Banking Enquiry Committee*, p. 208.

summed up by an authority on English marketing conditions in the statement that produce of high grade quality subsidises low grade supplies and that, for many commodities, there is little or no incentive to raise the quality level of the produced article. This statement, though made with special reference to marketing conditions in England, is equally true of India.”¹ In spite of all efforts made by the Indian Central Cotton Committee and the Cotton Trade Associations, adulterations, mixing and damping still prevail to an undesirable extent.

The problem is full of difficulties and no practical remedies have been found out in spite of all efforts for the last so many years. Cotton is watered to make pressing easier and to increase weight. Short-stapled cotton, if admixed with long-stapled quality, will fetch a better price than it would if the two qualities are sold separately. There is a definite demand for mixed ‘Punjab-American’ cotton from Japan and even from Lancashire. This provides an incentive to admix. The Royal Commission on Agriculture recommended that auction sales by the agricultural departments provide a useful means of securing to the cultivator a new variety grown under their supervision. Particularly is this the case in the early stages when the quantity available is small and the trade is without an organisation to enable it to

¹ *Royal Commission on Agriculture*, p. 398.

be taken up at its intrinsic value. It should, no doubt, be a temporary expedient only.

Complaints of mixing earth with wheat are often heard but the practice is growing uncommon with the organisation of trade associations in the markets. The following statement¹ shows the proportions of dirt, oilseeds and non-food grains in wheat:

PROPORTIONS OF DIRT, OILSEEDS AND NON-FOOD
GRAINS IN WHEAT

							Average %
Punjab—							
Canal colonies .. .. .	..	..	..	..	..	..	1.00
East and south east .. .. .	..	..	..	..	..	..	1.01
South and south west .. .. .	..	..	..	..	..	..	1.02
North .. .. .	..	..	..	..	..	..	1.34
United Provinces—							
Western .. .. .	..	..	..	..	..	..	1.28
Central .. .. .	..	..	..	..	..	..	1.49
Eastern .. .. .	..	..	..	..	..	..	2.07
Central Provinces .. .. .	..	..	..	..	..	..	2.57
Bombay .. .. .	..	..	..	..	..	..	1.39
Sind .. .. .	..	..	..	..	..	..	2.11
Bihar .. .. .	..	..	..	..	..	..	2.19
North-West Frontier Province .. .. .	..	..	..	..	..	..	2.74
Bengal .. .. .	..	..	..	..	..	..	1.09
Rajputana .. .. .	..	..	..	..	..	..	2.54
Central India .. .. .	..	..	..	..	..	..	1.34
Hyderabad (Deccan) .. .. .	..	..	..	..	..	..	1.88

¹ Report on the Marketing of wheat in India, p. 178.

Barley and other grains are also mixed with wheat and in certain mandis it is difficult to get pure wheat. Partly it may be due to bad seed and partly to carelessness in threshing. There might be cases of admixture too, but here it does not pay the cultivator to adulterate the quality of wheat. Again red wheats are mixed up with white wheat. All this needs scrupulous care on the part of the cultivator in the selection and preservation of seed and in the threshing of the crop when it is ready. In certain mandis a fixed percentage is deducted from the weight for impure contents, known as *kbad* or refraction. While it is deduction for the impure contents in the produce, there seems to be no justification why the seller should be charged for *karda* as a tax when his produce is pure and unadulterated. In cases when the produce of a particular seller contains less impurities than the refraction fixed by the trade, he would be inclined to admix earth or inferior quality grains. In other mandis the amount of refraction is fixed after settlement between the *kachcha arhatiya* and the buyer. At times when the goods have been partly weighed, the buyer or his representative demands *karda* or an allowance on the ground of bad quality. It is unfair to the seller that after the bargain is completed and the cart is taken to the place of the buyer to be weighed, the buyer finds defects in the produce and demands an allowance over the settled price. In most cases he takes advantage of the helpless position of the

seller. Suppose a cultivator has a cart-load of *kapas* (unginned cotton) which he takes to the ginning press of the buyer, or a cart-load of wheat which he takes to unload into the *khatti* of the buyer. When everything is settled, the buyer demands *karda* (allowance). The cultivator has neither the staying power owing to financial demands of the landlord and the money-lender, nor storing facilities which he can avail of. Consequently he has to submit even to the unreasonable demands of the buyer. It must be said, however, that where the *kachcha arhatiya* is a man of influence, he will not allow such deductions. In fairness to the buyer, it must be said that some of the *beoparis* and cultivators do admix inferior qualities in the middle or bottom of the cart which may not be detected on sampling of the produce. In such cases the buyer is thoroughly justified in demanding an allowance. An arbitration committee consisting of the representatives of the buyer and the seller with an independent chairman (say a *kachcha arhatiya*) is the right body to deal with such cases.

MARKETING FINANCE

Marketing finance may be considered under the following sub-heads :—

1. Financing of the village cultivator.
2. Financing of the intermediaries, and
3. Financing of the *pucca arhatia* or large stockists of agricultural produce.

1. Marketing finance begins when the produce is ready for sale. But sometimes the cultivator hypothecates the standing crop with the *mabajan* or beopari against an advance which may be 75 to 80 per cent of its value. Generally no interest is demanded on the advance but the cultivator is pledged to sell his produce only to the *mabajan* or the beopari and that too at the agreed rate which is lower than the market-rate. This practice is common all over the country and practically for every kind of important produce. For example, under the *kbandsali* system the khandsali (person who advances loans) advances loans to the cane growers many months before the cane crop is ready, on the understanding that the cane grower will supply juice to the khandsali at a forward rate which is usually very much lower than the prevailing market-rate when the crop is ready. The cost of crushing cane including the rent for the machine (*kolbu*) is borne by the cultivator himself. Similar transactions are effected in case of cotton, wheat, oil-seeds, jute, milk and milk products, flowers, etc. The arhatias lend money to the village *ghee* dealers, who in turn, advance small amounts to cultivators. The price paid for ghee in advance is usually 25 to 30 per cent lower than the market-rate. But we must set against this the risk and occasional loss undertaken by the dealer when the cultivator's buffalo goes dry or dies and he is unable to pay the full amount. It is very common

to have claims for small amounts against the cultivators which are never met. Forward agreements against the hypothecation of the produce to arrive are very common in every part of the country.

The second method of marketing finance in the village is by the *sowkar* on the *sawai* system. The *sowkar* or *mahajan* charges 25 per cent interest with half-yearly rests. The accounts are settled every half year after the harvesting of rabi and kharif crops and the rates are settled by a village panchayat consisting of *sowkars* and village cultivators who are their constituents. For six months the *mahajan* makes advances in cash and kind for seeds, implements, bullocks, and other expenses. When the produce is ready a substantial portion of it is sent to the money-lender without any account. After some time when the rates have been fixed, accounts are settled. If a cultivator is unable to repay sufficient sums he gives some of his animals like bullocks, cows or buffaloes to his creditor. This is called *lagana* in West U. P. Under this system the creditor and his debtor, known as *asami*, were closely connected. The *sowkar*, being an expert, made all arrangements, say, at the time of his client's daughter's or son's marriage. It was a great relief to the cultivator to find his *sowkar* by his side. But this system is breaking under its own weight and many evils have crept into it which cannot be discussed here.

The third method of financing the village produce

is by the itinerant beopari in the season. He goes from village to village making advances to the cultivators against their produce. The rates may or may not be settled in advance. The beopari is anxious to be sure of the supplies and the cultivator needs short accommodation to pay his landlord or *kistwala* at the appointed time.

2. *Financing of Intermediaries.* The beopari is financed by the *kachcha arhatia* in the mandi on stipulation that he will collect the village produce and bring it to his shop to sell. To ensure continued custom he finances the itinerant dealer who goes from village to village in the season. The *kachcha arhatia* is financed by the *pucca arhatia* who is a substantial person with good resources. He is a large stockist and exporter of the produce to the ports as well as inland mills. Generally these advances are made on personal security of the beopari or *kachcha arhati* and are simply recorded in the *bahis* (account-books).

3. A *pucca arhatia* needs finances for advances to the *kachcha arhatias* or *beoparis*, for storage on his own account or that of his clients or for moving the crop from the mandi to the ports, mills or other mandis. Generally, he keeps an account with a *Saraaf* or commercial bank from whom he borrows on promissory note on his own signature or with a second signature that serves as a guarantor. Commercial banks are more particular about two signa-

tures because they are not so well acquainted with the financial standing and integrity of the parties as the local Saraafs. There is an air of officialdom about banks. In my visit to the leading markets of the West U. P. before the inauguration of the Reserve Bank, I was informed at several places that the staff of the Imperial Bank, in particular, behaved like officers of a Government department. The other form of borrowing is to advance against Hundis which may be *darshani* (on demand), or *Muddati* (21 to 61 days after). These hundis (equivalent of B/E) are discounted by Saraafs with commercial banks. It is a common form of creating credit in the market.

Another form of market finance is the deposit system under which widows, orphans and even salaried persons deposit their savings with good firms of pucca arhatias. The customary rate of interest is 6 per cent. People have more confidence in old family firms than in limited concerns run by modern men. This money is used by the arhatia for business purposes.

Large sums of money are needed in season by arhatias for storing produce like wheat, oil seeds, barley, ginned cotton, etc. Loans are granted by banks and Saraafs against hypothecation of goods. The banks advance 65 to 70 per cent of the value of the produce as shown in the *beejak* (invoice) prepared by the original purchaser who guarantees the quality and quantity of the stored produce. Let us take the

financing of wheat storage. Wheat is stored in khattis, kothas or godowns. The arhatia will prepare a beejak for the produce and will hold himself responsible for the stipulations in the beejak. He will approach a bank for advance against mortgage of the granary. The bank will not advance more than 65 to 70 per cent of the value of the produce. It means the arhatia must find 30 to 35 per cent of the value himself. This serves as a margin for the bank against fluctuations of prices. The bank will put its own lock if it is a godown or *kotba*, or stone if it is a *khatti*. *Khattis* or *kothas* that are mortgaged with a bank will be supervised and watched by the bank-staff. The bank will have a first lien for its money in case of sale of the produce. If the price goes down and the margin of safety is reduced, the bank will demand further cover, failing which, it is entitled to sell the produce in the market at the best obtainable price and realise its loan with interest which has already been agreed upon. The balance will be returned to the mortgagor. Some of the reputed firms of arhatias do not like to borrow from banks on bank conditions. They think it derogatory to have the bank stones affixed on their khattis. Besides, loss of prestige they lose credit in the market. For these reasons they prefer to borrow, if possible, from Saraafs who are satisfied with less margin and do not put their own locks or stones like the banks. Some of the important Chambers of commerce, like the Hapur

Chamber of Commerce, advance loans on security of khattis and kothas. They charge a lesser rate of interest than banks. In the Punjab a special class of investors has come into existence, particularly for financing the wheat trade. Their *modus operandi* is similar to that of banks with the difference that they charge lower rates of interest and are satisfied with lesser margins than the banks. Loan offices are a special feature of Bengal.

A khatti changes title many a time before it is finally sold and delivered. The intermediary purchasers rely on the *beejak* (invoice) prepared by the storer who holds himself liable for any discrepancy in quality or quantity. The last purchaser is entitled to claim rebate in case of any shortage in weight, etc. But it is extremely rare that a *beejak* may be fraudulently prepared.

Finance is also needed by the arhatia for storage on account of his clients who generally deposit 25 per cent of the value of the produce. The balance is found by the arhatia who charges interest on the advance, besides rent for the khatti, his commission and other charges.

The arhatia sends out the produce to the ports or mills or consuming centres by rail. It may be sent on consignment basis or to order. In either case finances are needed to move the produce. In the case of consignments the consignee advances about 75 per cent of the value of the goods. This payment is made

by means of hundis. In case of purchases by mills or merchants at the ports about 80 to 90 per cent of the value of the produce is paid by the buyer or his agent direct, or, more commonly the seller will draw on the purchaser for the funds. The sale price is generally dependent on the quality. It is why a margin of 10 per cent or so is kept by the buyer against discrepancies. Adjustment is made after delivery. In case of dispute the matter is referred to an arbitration board.

STORAGE

We have already discussed storage along with other functions of marketing. Here it may be added that the facilities of storage available to the cultivator are very inadequate. It is the unanimous recommendation of the various committees and commissions that have made investigations into marketing problems. The village producer is forced to sell his produce as soon as it is ready, partly because he has no staying capacity owing to his financial weakness and partly because, he cannot properly store his produce for long. The existing methods of storage are primitive. As regards grain, the cultivator keeps whatever he can store for his consumption during the year in the *kothis* or *kuthlas*, a sort of earthen cylinders. The grain is kept above ground and is protected from damp. The prosperous peasants or village money-lenders stock grain in *khattis* which are underground pits. In the mandis these pits are bricked and in places even cemented. At Muzaffarnagar in the West

U. P., the Chamber of Commerce has constructed rectangular cemented underground pits where carts can be unloaded freely. They are free from moisture. Merchants and peasants alike suffer a certain loss from insects, rats, or damp in case of *kachchi kbattis* or *kothas*.

The same conditions hold good in case of other products. As regards cotton, the Bombay Provincial Banking Enquiry Committee observes: "The difficulties pointed out above are accentuated by the absence of sufficient storage facilities in most of the marketing centres of the Province. In a few places there is a number of godowns kept by commission agents, but generally the accommodation available is quite insufficient." As regards jute, the Bengal Provincial Banking Enquiry Committee says, "Among the obstacles which at present stand in the way of the cultivators holding up their crops for better prices, several witnesses have referred to the want of proper storing accommodation." In the same connection, the Indian Central Jute Committee observe in their report on the 'Marketing and Transport of Jute in India': "Again, many growers were compelled to sell early owing to their inability to provide adequate storage accommodation for jute." It is the same tale to tell if we express the opinion of other sister committees. As a remedy against this deficiency, the Central Banking Enquiry Committee recommended the establishment of warehouses and godowns. The

Provincial Governments are advised to advance long-term loans at concessional rates of interest to co-operative societies to build godowns in centres which provide good markets. The Madras Government has tried this experiment and granted loans for this purpose upto a limit of half the amount spent by the societies, not exceeding Rs. 2,500 in each case. The scheme has not been very popular and only a few godowns have been constructed because, on the one hand, the rate of interest charged by the Government for the loan is high and on the other, the charges for storage accommodation are high owing to the expensiveness of the construction and its utilisation for only a few months in the year. The same Committee recommended the construction of cheap godowns consistent with safety.

The main difficulties in connection with large-scale storage and warehousing would be grading and mixing of stocks of different parties, though it is possible that this difficulty may not arise in the case of warehouses used by the larger merchants. The Punjab Banking Enquiry Committee reported that the cultivator has a rooted objection to the pooling of produce and that this objection alone is a serious obstacle to the scheme of warehouses. In spite of it, the Central Banking Enquiry Committee recommended that experiments should be made at selected centres, and that the benefits of standardisation, grading and pooling should be brought home to the

agriculturist by this means and by propaganda and education, as the warehouse receipts could be welcomed by the banks as a readily acceptable security as is done in other countries. Even at present, banks do not hesitate to grant loans on the security of warehouse receipts issued by Port Trusts. Railway receipts are also, subject to certain limitations, accepted by banks as collateral security for advances, but they are not freely accepted. In case of foreign trade, when goods are sent out by sea, bills of lading afford the necessary security for advances from banks. It is treated as a quasi-negotiable instrument. Railway Receipts should also be treated likewise.

We agree with the Bombay Committee that the establishment of such warehouses would benefit agriculture, trade and commerce, but the success of the scheme will depend on three things: firstly, upon the honesty and efficiency of management of the warehouses: secondly, on the strictness of supervision and inspection exercised by some outside authority preferably Government, and thirdly, upon the reasonableness of the charges for services rendered. The first two conditions are of vital importance to secure confidence of banks. As a definite scheme, the Central Committee agreed with the U. P. Committee that provision should be made in any future legislation regarding warehouses to the effect that the warehouseman should not be permitted to deal in, or lend money, or goods of any kind which

he receives in his warehouse, either in his own account, or that of others; to buy or sell others' goods on credit or to act as a guarantor of such business. The object of this provision is to remove any temptation in the way of the warehouseman to tamper with the goods in his custody or to exercise undue influence on the depositor to sell his goods to him. The Provincial Governments should seek assistance in technical matters from the Imperial Council of Agricultural Research, but the responsibility of providing warehouses and the provision of capital for their construction must be of the Provincial Government only.

Another system of warehousing grain is by constructing elevators on the lines of the Canadian or American system. We should require smaller elevators for the primary markets, terminal elevators for larger stations and consuming centres and elevators at the ports. The advantages claimed for the system are two-fold. From the point of view of railways it is urged that the system would lead to economies in working owing to the introduction of transport in bulk, the quicker turn-round of wagons and possibly a more even distribution of traffic throughout the year. From the point of view of the cultivator, it is argued that he would be freed from exploitation and would benefit from the better prices he would receive from the sale of properly cleaned and graded produce. He would further benefit from

the economies effected by bulk-handling and the elimination of disputes in regard to weight and quality.

The advocates of the system forget that our exports of wheat, the principal grain of export for which elevators are recommended to be constructed, are negligible. The average Indian exports of wheat in the quinquennium 1909-10 to 1913-14 was 1,308,000 tons. It fell down to 807,000 tons in 1914-15 to 1918-19 and to 237,000 tons in 1919-20 to 1923-24. Excepting in one or two years, the export trade in wheat has been steadily declining and at present we export wheat only to the Middle East. Even before the war, no appreciable quantity was ever exported from our shores. Under these circumstances, there seems to be no wisdom in expending huge sums on the construction of elevators at the ports. Further, the demand for Indian wheat is only seasonal. It is most active in June and July when it fills a gap between supplies from other countries. As regards the elevators for the primary producers, we must not forget that the conditions obtaining in Canada and India are materially different. The Royal Commission on Agriculture remark: "We have grave doubts whether the difficulties have been sufficiently appreciated of dealing with multitude of small and for the most part, uneducated cultivators whose individual contributions are very much smaller than are those of farmers in countries in which the system has been successfully

worked. The difficulties of persuading the cultivator to accept a system of pooling at the primary elevator involving, as this must, the loss of identity for the individual parcel and the holding by the cultivator of a certificate bearing on its face the quantity of the parcel marketed and its grade as assessed by the staff of the elevator, must be formidable. Again, the question of the training and control of the large subordinate staff which would be required to operate the elevators and the opportunities for malpractices offered by any system of grading and pooling at the primary elevators, present added difficulties. The large number of grades required to meet the needs of the internal trade is a further complication.”¹

We are of opinion that for the village producers the co-operative societies should construct cheap godowns where their produce can be pooled and graded. They may be issued godown receipts which should be accepted as collateral security for advances from the co-operative banks or even joint stock banks on low rates of interest. In the larger mandis the present arrangement is not far from satisfactory. Only the *kachchi khattis* or *kothas* should be replaced by cemented *khattis* of the Muzaffarnagar type which protect the produce against dampness and insects. There is no need of any elevator for storage at the

¹ *Report of the Royal Commission on Agriculture*, p. 406.

ports. The Railways may have their own warehouses at selected centres, but generally the railway stations are at some distance from the mandis and, therefore, these warehouses will not be very convenient to the traders. However, railway companies can assist by providing private sidings to the public warehouses. It will be a move in the right direction.

REGULATED MARKETS

Absence of regulated markets is another weakness in the organisation of agricultural marketing in India and unless properly regulated markets are established in the country, the cultivator shall continue to suffer from the various disabilities discussed already.

The first attempt at regulation of markets began in India with the Berar Cotton and Grain Markets Act of 1897 to purge marketing of many of its abuses. The law provided for the notification of markets and bazaars and their control by representative committees. Rules were framed to regulate the constitution and powers of the managing committees, the levy, collection and disposal of fees, the conditions under which licences might be issued to brokers, weighmen and measurers, the places for weighing and measuring, the scales, weights and measures to be used and their inspection, verification and correction, and so on. Although the Act was applicable to grain markets as well, yet in actual

practice only regulated markets for cotton were established under this Act. It was certainly an improvement over the existing conditions, but the attempt was only a partial success. The cultivating classes had little representation on the executive committees of these markets, because the constitution laid down that "no person is eligible for appointment to the committee who has not resided within the limits or within five miles from the limits of the town in which the market is situated for at least three months prior to the date on which the list of persons eligible for appointment to the committee is prepared."¹ This meant the exclusion of the cultivating classes from management which was prejudicial to their interests. The personnel of the committees consisted of either large buyers or general commission agents who could not afford to displease their own class. Therefore, the cultivating classes could not get adequate protection and the object of the legislation was mostly frustrated.

The next attempt at regulation of marketing was made in the Bombay Province by passing the Bombay Cotton Markets Act of 1927, under which the Government can, after consulting local authorities, notify cotton markets and appoint committees to manage them. The one good feature about these committees is that at least half the members of such

¹ *Royal Commission on Agriculture*, p. 328.

committees must be elected by cotton growers. It meant a great improvement on the Berar Cotton and Grain Markets Act of 1897, where the personnel of the committees comprised exclusively of commercial interests of the mandi. No unauthorised deductions or trade allowances can be permitted in a regulated market. Only authorised weights and scales can be used in a regulated market. The contents of carts are properly weighed and accounted for. In a central place Bombay prices are posted on a notice board every day and attempts at grading, particularly of the long-stapled cotton, are made. Damping of cotton and admixture of sand are discouraged. Rules have been framed under the Act which regulate the constitution and powers of the managing committee, and prescribe the conditions of granting licences to the various marketing functionaries. The Act prohibits the establishment of a cotton market within prescribed distances of a 'regulated market.' The rules also provide for the appointment of a disputes sub-committee which settles all market disputes and permits open bargains only. In spite of much advocacy of the open bargain system, it has not proved very successful.

On the recommendation of the Central Provinces Banking Enquiry Committee, the C. P. Cotton Market Act of 1932 was passed which was based mostly on the Bombay Act. It was a distinct improvement on the Berar Act. But it was applicable

to cotton markets only. Under the Act, on the market committees "not less than half shall be persons elected by cotton growers of such area as the Local Government may prescribe." Rules are framed, more or less, on the same model as for regulated markets in Bombay. The fee collected from licencees, is spent on repair of buildings, maintenance of market and payment of establishment charges, etc. Deductions on charitable account are prohibited on penalty of fine which may extend to fifty rupees for each offence. 'The staff of an average committee consists of the Daroga, two clerks, watchman, conservancy man, fire-enginemen and gardeners.'

So far regulated markets have been established only for cotton in Khandesh (Bombay), Central Provinces, Hyderabad, Indore, Dhar, Baroda, Sangli and Tirupur. The credit should really go to the Indian Central Cotton Committee at whose instance regulated markets have been established in India. But we fail to understand why we cannot have similar markets country-wide for all our agricultural produce. The lot of the poor cultivator will considerably improve if regulated markets are established in important centres.

TRANSPORTATION

'The division of labour is limited by the extent of the market,' and the market, *inter alia*, depends upon the means of communication and transporta-

tion. Thus, transportation is an integral part of marketing. It annihilates distance and brings distant markets into close contact. It enables the transfer of surplus produce from places of plenty to those of scarcity. The modern commercial development tends everywhere to enhance the value and importance of good communications. To the cultivator it is of vital importance. Unless he is able to carry his produce to the market he cannot get a good price for it. This is possible only when his village is linked with the mandi by good roads. The facility of good means of communication and transport will provide alternate markets to the village producer. Better roads will mean less strain on his bullocks—country-made carts being the chief vehicle—ponies and other draught animals. It will take less time to transport the produce to the market and time is an essential factor in the determination of prices. In case of perishable goods automobiles can be employed with advantage, and merchandise transported in a shorter time and fresher condition which must fetch better prices to the producer. In brief, transportation has revolutionised the modern industrial organisation. The Industrial Revolution in England would not have been completed without radical improvements in the means of communications.

The credit of inaugurating railways in this country goes to Lord Dalhousie (1848-56) who in his memorable Minute to the Court of Directors of

the East India Company stressed the advantages of the railway system to the undeveloped tracts of the country. He wrote thus: "Great tracts are teeming with produce they cannot dispose of. Others are scantily bearing what they would carry in abundance if only it could be conveyed where it is needed. Every increase of facilities for trade has been attended with an increased demand for articles of European produce in the most distant markets of India. Ships from every part of the world crowd our ports in search of produce which we have, or could produce in the interior, but which at present we cannot profitably fetch to them." It was a prophetic statement of an exceptionally able administrator and the future events have well justified his advocacy. Though the laying of railways in India began in 1850, yet till 1857 only 300 miles of railway was open for traffic. The construction of railway lines was vigorously taken up in hand after the Mutiny of 1857 for strategic reasons. Though built primarily for moving the army, they were used for commercial purposes as well. The cotton crisis in Lancashire between 1861 to 1865, due to the American Civil War, gave a further impetus to extend the railway net and connect the port of Bombay with the cotton growing districts of C. P. and Berar. The first railway lines, viz., E. I. R. and G. I. P., were meant to connect the ports with the hinterland. This encouraged the foreign trade of India—exports of raw materials

principally to the United Kingdom and other countries of Europe and the imports of cheap, standardised machine-made goods of the West—even at the cost of internal trade. Lord Derby very rightly remarked: “What was wanted in India was not costly lines for rapid travelling laid down in a few parts, but a comparatively inexpensive, though slow, means of communication extended all over India.” As a result of the railway policy, the nature of India’s trade, agriculture and industries changed. In fact, the whole internal economy was thrown out of gear and the people could not soon adapt themselves to the new order of things. Indian agriculture was commercialised, and the cultivator began to produce money crops, like cotton, jute, oilseeds, and tobacco for the international markets. Between 1850 and 1869 the total imports and exports of India increased considerably. This progress was accelerated with the opening of the Suez Canal in 1869. The exports of raw cotton doubled and the imports of merchandise increased more than two-and-a-half times by the end of the Century. Bulky raw produce, such as cotton, food-grains, and oilseeds took the place of artistic and partly manufactured products of the previous century in the exports of the country.

Railways have made for the unification of India, and for the maintenance of a strong central government which is so essential for the economic development of the country. Besides creating markets for

the agricultural produce, railways have been instrumental in educating the village-folk by social intercourse. They have changed the nature of famines. Food can now be imported, not only from the neighbouring provinces with bumper crops, but even from outside the country. Famine now consists in the lack of employment and so of purchasing power, but not in the lack of available food, or in other words, now-a-days famines are work famines and not food famines as before. Railways have encouraged the building of roads, harbours, engineering works, post and telegraph offices. The present-day industrialisation in the country could not have been possible without the railway system. In brief, they have a great educative and civilising value.

The advantages, both moral and material, derived from the railway system are too numerous to mention. But it must be understood that in spite of 90 years of development of railways in India we have now less than 42,000 miles of railway lines. This is far too small for the agricultural and industrial requirements of the country. So many places in British India, to say nothing of Indian States, are 20 miles or more distant from railway stations. They are served neither by railways nor by metalled roads. The country needs a network of railways and roads to bring about its industrial and agricultural development. According to the Acworth Committee of 1921 and the Royal Commission on Agriculture,

India occupies a very 'humble position' if a comparison is made between the mileage of railway per head of population or on the basis of area in this and other countries. The following table¹ shows the relative position of various important agricultural countries in this respect :

Countries	Mileage		Miles of line per 100 sq. miles	Inhabitants per mile of line
	State Railways	Total Railways		
United States of America .. .. .	..	249,398	8.42	469
Canada	20,596	40,351	1.0	222
India	27,264	38,579	2.2	7,894
Russia in Europe ..	24,509	35,528	1.5	3,709
Australia and New Zealand	28,277	28,748	0.9	238
Argentine	3,985	23,429	2.0	376
Union of South Africa	11,478	12,481	2.4	605

Roads are even more essential for the Indian cultivator. There are three stages in the movement of agricultural produce within the country. (1) It is taken from the village to the small mandi or market; (2) it is moved from the small mandi to the large mandi; and (3) it is carried from the large mandi to the port for export to foreign countries or to the consuming centres. These are the processes of

¹ *Royal Commission on Agriculture in India Report*, p. 369.

concentration and dispersion of the agricultural produce. Dispersion begins to take place after the produce has reached the large mandi. It may move back to the small mandi and from there to the village again. A substantial portion of the produce is stored in large mandis for some time before it is distributed to the consuming centres. For long hauls, as in the case of the movement of produce from the small mandi to the large mandi or vice versa, or from the large mandi to the harbours, goods are sent by rail, but for short hauls, viz., from the village to the small mandi or at the terminal point, the merchandise is sent by roads. The cultivator is directly concerned with the roads for the movement of his produce and it is here that the transportation system is most deficient.

“Roads, bridges, ferries, tunnels, ropeways, causeways and other means of communication,” except such as have been declared by the Governor General-in-Council to be of military importance, are transferred subjects in all the major provinces. The extent to which local governments have delegated to local authorities the responsibility for the construction and maintenance of roads varies greatly from province to province, as does the measure of financial assistance given by the Government. Decentralisation has been carried to its furthest point in Bengal. In that province, the total road mileage

maintained by the district boards is 35,200 as compared with 1,615 miles maintained by the Public Works Department outside Calcutta. The entire cost of construction and repair of the district board roads is met from the road and public works cesses and the Government give no direct subsidy towards it. With the exception of a few hill roads and of roads in the Agency tracts of Madras, the roads in that province are also entirely in charge of the local authorities but they receive very substantial financial assistance from provincial revenues. In other provinces, except the Punjab, roads fall into two main classes, those of provincial importance which are maintained by the Public Works Department and local roads which are maintained by local bodies. Except in the United Provinces, where grants are given only in special cases, the expenditure incurred by local bodies on local roads is met in part by subsidies from provincial revenues. Some provincial roads in the Central Provinces have been handed over to district boards and the whole estimated cost of construction and maintenance of these roads is met by a grant from provincial revenues.”¹

Local distribution of commodities has been facilitated by the construction of a road system of which the more important ones are, for the most part, metalled and bridged. But other roads and paths are far

¹ *Royal Commission on Agriculture in India Report*, pp. 370-1.

from satisfactory and good markets are of little avail to the cultivator if he cannot transport his produce cheaply and promptly to the nearest local market. The weakest link in the chain of our road system consists of the roads that connect villages all over the country. They are ruts made in the alluvial soil. For several months in the rainy season some of them are under water; others too are not quite usable. This means a great hindrance to the movement of the produce. These tracts or paths connecting villages are not maintained by any official agency. Unfortunately the old Panchayat Organisation that could command village labour for social works has disintegrated leaving a void in the social organisation. The local boards or the Rural Development Department should inspire the village people to repair these tracts and make generous grants to the people who offer their co-operation. There is no doubt that, "the provision of excellent main roads adequate in all respects for every form of transport is of little benefit to the cultivator if his access to them is hampered by the condition of the road which connects his village with them. What matters most to him is the state of the road between his village and the main road and his market."¹

Bullock Cart vis-a-vis Motor Transport. Bullock cart is the most commonly used vehicle of transport

¹ *Royal Commission on Agriculture in India*, p. 373.

in the Indian village. It has been in use for thousands of years and owing to its simplicity and cheapness, it suits the Indian conditions. The roads connecting the villages with the metalled roads and mandis are mostly kachcha ruts which are impassable for several months in the rainy season. Motor transport has developed considerably in the last 20 years, but it is mostly confined to passenger traffic that moves on metalled roads. In the last decade it has been increasingly used for transporting merchandise between mandis, very often, in competition with the railways. But it has hardly been used for moving agricultural produce from the village to the mandi or vice versa, for which bullock cart is the principal vehicle of transport. Besides its cheapness, it can be repaired in the village. The cultivator uses it all the year round. It means no extra expense to him in carriage because his bullocks can be spared from agricultural operations. Further, the load of individual cultivator is too small to engage a lorry and it is difficult to engage it on the co-operative basis. Then, the lorry may not be able to reach the village owing to bad means of communication. It will mean heavy expense to first load the produce in the carts or pack animals and then to unload it in a lorry at the connecting road. For all these reasons the cart must continue to be the most popular vehicle of the Indian village. At places motor buses are used near the cities for transporting milk, milk-products

and other perishable commodities. The total number of all classes of motor vehicles running in the different provinces of British India at the end of March, 1939 is given in the following table.¹

¹ *Review of the Trade of India, 1938-39*, p. 101.

Provinces	Motor cars including taxi cabs	Motor cycles including scooters and autowheels	Heavy vehicles (lorries, buses, etc.)	Total
	No.	No.	No.	No
Bengal (excluding Calcutta and Howrah Town)	4,459	282	2,343	7,084
Calcutta including Howrah Town	16,864	785	3,484	21,133
Bombay	25,126	1,840	7,772	31,738
Madras City	5,244	410	878	6,532
Madras Province (excluding Mad- ras City)	9,131	909	4,980	15,020
United Provinces	12,921	945	3,550	17,416
Punjab	10,022	1,857	8,353	20,232
Bihar	5,491	573	1,174	7,238
Orissa	683	114	314	1,111
Central Provinces and Berar ..	4,208	820	2,095	7,123
Sind	2,713	472	978	4,163
Delhi Province	1,601	388	219	2,208
North-West Frontier Province ..	5,685	1,707	4,506	11,898
Ajmer Merwara	668	82	188	938
Assam	3,140	183	2,088	5,411
Total ..	107,956	11,367	39,922	159,245

Considering the size of the country this number (159,245) does not compare favourably with the number of automobiles in some other countries, but we must not forget that we have no automobile manufacturing factory in the country and all these buses and cars are imported, and that our road system is far from satisfactory. It must, therefore, be confessed that even this number has meant a very great strain on our already bad and deficient road system. The roads have been finding faults with the automobiles and the automobiles with the roads. It is really a vicious circle. The Government of India appointed a Road Development Committee in November, 1927 with Mr. M. R. Jayakar, as its Chairman. Their recommendations with regard to finance were incorporated in the resolution of the Central Legislative Assembly of September 11, 1929. The principal features of the convention embodied in the above resolution are as follows:

(i) To ensure some continuity in road programmes, the increased duties on motor spirit shall be maintained for a period of five years in the first instance.

(ii) The proceeds of the additional duty during the same period shall be allotted as a block grant for expenditure on road development to be credited to a separate road development account, the unexpended balances of which shall not lapse at the end of the financial year.

(iii) The annual grant shall be divided as follows:

(a) The Government of India shall retain ten per cent as reserve for two years ending 31st March 1931, and the position shall be reviewed thereafter. From this reserve special grants may be made, where for some reasons there is need for special aid, for example, for projects beyond the resources of local Governments or those that concern more than one province or State, or a bridge over a river on a provincial or State boundary.

(b) Out of the remainder (1) an apportionment shall be made among the provinces in the ratio which the consumption of petrol in each province bears to the total consumption in India in the preceding calendar year; (2) the balance representing the consumption of petrol in minor provinces, administrations and Indian States shall be allotted as a lump sum to the Government of India.

(iv) Grants shall be made to each province for expenditure on such schemes as are approved by the Governor-General-in-Council with the advice of the Standing Committee for Roads.

(v) A Standing Committee for Roads shall be constituted every year, consisting of certain elected

and nominated members of both the Houses of the Indian Legislature, under the Chairmanship of the Member of the Governor-General's Executive Council in charge of the department that deals with roads. This Committee shall advise the Governor-General-in-Council on all matters relating to roads including central research on roads, and any action to be taken by the Government of India on the proceedings of the periodical road conferences.

(vi) All proposals for expenditure from the annual grant or its accumulated balance shall be submitted for approval to the Finance Subcommittee, consisting of the Chairman of the Standing Committee for Roads and of its members who are also members of the Legislative Assembly.

This Convention was adopted by the Assembly at the Delhi Session (February-March, 1930) for a period of five years.

It meant some improvement of roads and consequent progress of automobiles in the country, so much so that our railways felt the pinch of road competition. The Government of India appointed a Committee of two officers, Mr. K. G. Mitchell, Road Engineer with the Government of India and Mr. L. H. Kirkness, officer on Special Duty with the Railway Board, to enquire into the existing railway and road competition and make recommendations to co-ordinate the two systems. Their recommendations were considered by a Conference and certain

measures were adopted to minimise the competition.

In fact the rail-road controversy was world-wide in the period of economic depression and its intensity was more keenly felt in the industrialised and better developed countries of the West. The Government of India revised its programme in 1934 and again in 1937 with a view to bring about more co-ordination between the road and the railway. But the feeling in the country has been that the Government has been rather prejudiced against the road service in the interest of the railways. It has failed to weigh the balance evenly.

On a critical examination of the whole problem of rail-road controversy, it is clear that our problem is not so much of competition as of deficiency of both roads and railways. India needs increasing mileage of both of these systems in the interest of her agriculture and industries. Instead of having horizontal roads, we should have them perpendicular to the railway system. They will serve as feeders to the railways. Each system has more or less, its respective field and there is enough scope for the development of both the systems. The position is very ably summed up by the Royal Commission on Agriculture in the following words: "In the development of communications generally, railways and roads should be regarded as complementary each to the other. The road system links up the cultivator's holding with the local markets and the nearest railway station,

while the railway provides the connecting links between the area of production and consumers at a distance, and between the manufacturer in the town and the cultivator who purchases his ploughs, fertilisers, or his cloth. Without good and sufficient roads, no railway can collect for transport enough produce to render its operations profitable, while the best of roads cannot place the producer of crops destined for markets overseas or in distant parts of the sub-continent in touch with the consumer.”¹

Freight Rates. A good deal of criticism was levelled against the railway rates policy of the Government when the Acworth Committee met in 1921. A number of witnesses made allegations of undue preference in rates against the controlling authority. The ‘Block System’ was highly condemned and the merchants believed that the rates policy was designed to encourage the export of raw materials and imports of finished and manufactured goods of the West. The rates from the ports to the interior were lower than from an inland manufacturing centre to an equal distance. The result was the concentration of industry in the port towns. The railway companies derived another strategy of retaining traffic on their own lines by what are known as “block rates.” A block rate is defined as a high rate quoted with the object of retaining traffic on the line on

¹ *Royal Commission of Agriculture in India*, p. 377.

which it originates and preventing, or "blocking it from passing off, after only a short lead, on to a rival route."

To end this controversy, the Acworth Committee recommended the establishment of a Rates Tribunal, on the English model, consisting of an experienced lawyer as chairman and two members, one, representing the railways and the other, the commercial interests, with power, in any case deemed of sufficient importance, to add two additional members, one on each side. Instead of granting a Railway Rates Tribunal with mandatory powers, the Government appointed a Railway Rates Advisory Committee in 1926 to investigate into complaints and make recommendations thereon to the Government. It was, in a way, a compromise between the old position and the one recommended by the Acworth Committee on the English line. The system did not work quite satisfactorily, but certainly it meant an improvement over the old conditions. On the recommendation of the Wedgwood Committee the procedure of the Railway Rates Advisory Committee has been simplified and made more expeditious since 1940.

As regards the effects of railway rates on agricultural produce, the Royal Commission on Agriculture observed that "freight rates are ordinarily the heaviest single addition to the prime cost of produce exported by rail from the area of production.

In a competitive market, they amount to a heavy charge on the gross price ultimately paid for the produce and to the cultivator who is selling his commodity at a distance, they amount to a substantial proportion of the price he receives at the place of sale." In particular they suggested concession in rates on the transport of fertilisers, fuel, fodder and milch cattle, etc. They also recommended that freight rates of agricultural machinery and implements should be re-examined and, where possible, concessions should be given. The Commission further urged that the railway authorities should take active steps to encourage the development of traffic in fruits and milk for which refrigerator-vans, rapid transit and cold storage depots at suitable centres were required. To bring about all these improvements in agriculture, a closer co-operation between the railway and agricultural departments was thought to be absolutely essential. The Government of India accepted some of the recommendations of the Commission, particularly with regard to agricultural implements and livestock, but it needs a thorough examination of the rates policy before anything substantial can be achieved in this direction.

Water Transport. India was famous for her water transport, river as well as sea, in the Hindu period (about 6th century A.D.) as well as the Moslem period. She carried on extensive trade with the Far East, the African Coast and as far as Arabia and

further west. Transport by river was also common. A good deal of traffic was moved in country boats of different sizes. But in the modern period transport by rivers and canals got a set-back owing to the advent of railways which carried merchandise with greater speed. Further, the railways got state patronage. They launched unfair competition with waterways to crush inland or coastal water transport. The Indian Industrial Commission recommended to the Government the necessity of improving the existing waterways as they thought that the vested interests of railways had prevented waterways in India from receiving the attention that had been given to them in other large countries with such satisfactory results (para. 279). Soon after, the Acworth Committee (1921) agreed with this view and in support they cited several instances of unfair competition, particularly those of the Broach port near Bombay (para. 153) and of Buckingham Canal in Madras (para. 155). The Government of India being a partner in the revenues of the railways condoned all this unfairness on the part of railways towards water transport.

Broadly speaking, the rivers in Northern India, such as the Indus with its tributaries, the Sutlej, and Chenab, the Ganges and the Brahmaputra are navigable for long distances above their mouths all the year round. But the rivers in the Southern peninsula are not navigable owing to the physical

features of the country. A number of canals, like the Ganges Canal in the United Provinces and the Buckingham Canal in Madras are also navigable. But most of the canals are designed with the exclusive purpose of irrigation and they do not suit for transport purposes. There is no doubt that river transport can considerably improve if sufficient interest is taken in its development by the State. The Communication Department of the Government of India should co-ordinate all forms of transport as the country is so meagrely provided with transport facilities that it can ill-afford any agency of transport. We need more and more railways, roads and water transport to move our agricultural produce as well as manufactured goods. They should all be co-ordinated with the sole object of revolutionising agricultural and industrial production of the country.

CO-OPERATIVE MARKETING

As late as 1889, Dr. J. A. Voelcker of the Royal Agricultural Society, who was sent out to make a study of Indian agricultural conditions, expressed the belief that Indian agriculture was neither backward nor primitive, and that, where agriculture was manifestly inferior, it was more generally the result of absence of facilities than of inherently bad system of cultivation. Again, the Famine Commission of 1901 observed in a forceful language: "We, indeed, far from thinking that the Indian cultivator is ignorant of agriculture, in the mere practice of cultivation, believe that Agricultural Departments have probably much to learn from the cultivator. But in the utilisation of his hereditary skill, in the economy of the means of production, and in the practice of organised self-help, the Indian cultivator is generally ignorant and backward." This is a very correct estimate of the strong as well as the weak points of the Indian cultivator. While he is well conversant with the practice of cultivation, his means are narrow and facilities few. His ignorance is a hindrance in his way for organised self-help which is so common a feature in the West.

Credit goes to Lord Curzon for introducing the

Co-operative Societies Act in 1904; but for long the activities of the Department were confined to the grant of cheap and facile credit only. Even in this sphere, the movement did not achieve much success. It was expected that the co-operative credit societies would supplant the 'notorious' and much accursed village money-lender, but so far it has proved only a dream of the people who are not in touch with realities.

The Act of 1904 was very rigid and inelastic, and the new legislation was essentially the act of a Government anxious to ameliorate the condition of the people. There was no demand from the people for such a movement. The Government supplied the staff, and endeavoured to teach the people the advantages of organised thrift, self-help and mutual help. Consequently the movement made little progress by 1912 when the capital reached the figure of Rs. 75 lakhs only. The Act of 1912 was more liberal. It made provision not only for the formation of central credit societies, that is, regional as well as provincial co-operative credit organisations, but also for the formation of co-operative institutions of almost all types and for all purposes. In 1915 the Maclagan Committee reviewed the activities of the movement and made numerous recommendations, including those relating to the organisation of non-credit societies. By the Government of India Act of 1919, Co-operation became a transferred subject

and the Provincial Governments were given the option to have separate Acts for the co-operative organisations in their respective provinces. Some of the provinces have exercised this option while others are still governed by the Co-operative Societies Act, 1912. But all this meant considerable improvement in the activities of the Department.

For some years past increasing attention has been directed to other forms of co-operation for the benefit of the rural population, e.g., irrigation, consolidation of holdings, improved sanitation, fencing, cattle insurance, dairying and supply of agricultural requisites, and above all, the marketing of agricultural produce. The agricultural non-credit societies in India¹ on the 30th June, 1941 were 19,649 distributed as under :

¹ Compiled from *Statistical Statements Relating to the Co-operative Movement in India for the year 1940-41*, Reserve Bank of India, p. 10.

NON-CREDIT AGRICULTURAL SOCIETIES, 1940-41

Province	Purchase and purchase and Sale	Production	Production and Sale	Other forms of co-operation	Total
Madras	205	..	115	426	746
Bombay	63	18	111	192	384
Sind	3	..	15	6	24
Bengal	78	1,070	684	73	1,905
Bihar	33	..	1,388	1	1,422
Orissa	11	..	6	..	17
United Provinces	21	..	1,601	6,229	7,851
Punjab	16	662	2,185	227	3,090
Central Provinces and Berar ..	60	19	4	..	83
Assam	14	..	3	..	17
North-West Frontier Province	..	9	79	..	88
Ajmer-Merwara .. .. .	..	3	..	30	33
Delhi .. .. .	..	9	31	..	40
Mysore	35	..	22	32	89
Baroda	7	24	46	77	154
Hyderabad Deccan .. .. .	..	3,482	..	..	3,482
Other areas	1	2	213	8	224
Total ..	547	5,298	6,503	7,301	19,649

Controversy is raging round whether we should have one village one society, viz., multiple-purpose society or separate organisation for separate objects. The Royal Commission on Agriculture was of opinion that "where the secondary object is of minor importance, such as the distribution of seed once or twice a year, or where the work involved is too slight to justify the establishment of a separate society, the credit society has usually undertaken the additional duty. But, where the new object is of such a different character that it appeals to a different membership, separate societies are usually formed. The fact that, under the law, rural credit societies must have unlimited liability is recognised as an impediment to their undertaking business for which limited liability is more suitable, and, where societies with unlimited liability are undertaking other functions, it is usual to keep separate accounts for the latter. We found that, on the whole, the single purpose idea met general acceptance, and that, where exceptions occurred these were based on reasonable grounds. The multi-purpose society is nowhere advocated on grounds of policy; it is usual to describe the objects of a society in the by-laws in such a general way as to permit of secondary functions being performed without a breach of the law, but this is for convenience only and has not led to societies attempting to combine incompatible activities or risking their unlimited liability in transactions for

which it is entirely unsuitable.”¹

While we admit that functional organisation of societies must lead to greater efficiency, it must not be forgotten that it is too much to expect the illiterate people to show allegiance to more than one society. The objection of the Royal Commission that whilst credit societies are based on the principle of unlimited liability, the non-credit societies must be organised on the limited liability principle can be met if the multiple-purpose society is organised on the principle of limited liability. There is dearth of really suitable persons who can organise and manage these societies and this demand becomes greater if we have separate organisations for separate purposes. Further, a financing society can compel its members to sell their products through the society only. It may, in fact, be one of the conditions for granting credit to a member. The society can exercise influence on its members and compel allegiance from them. In view of the illiteracy and poverty of our cultivators, we think the multi-purpose society should prove more beneficial to them than the functional societies.

The principle of co-operative marketing as applied to agriculture is of recent origin. It has shown wonderful results in Denmark, Germany, and some other European countries, as well as in Canada and the United States of America. In India

¹ pp. 467-68.

hardly any thing substantial has been done so far except sporadic attempts in the last decade or so. Mr. Smith Gordon, who has made a special study of the subject, expresses the principle of co-operative marketing very ably in the following words: "Unlike the manufacturer, the farmer buys his raw materials at retail price and sells his final product at wholesale price. This because the farmer has not business experience or the facilities in getting in touch, on the one hand, with the sources of supply and, on the other, with his markets. Consequently, he has to bring a series of middlemen to bring him the raw materials and another series of middlemen to convey his produce to its ultimate destination. If he undertakes himself any of these functions, to that extent he is effecting an economy. A good farmer cannot be at the same time a good businessman, i.e., he cannot do that as effectively as a professional middleman. The remedy surely lies in the combination of a number of farmers, who will be able to provide themselves with services of men whose business intelligence will equal that of the middleman, while they work in the interest of farmers and not against them. Such a combination may be formed on the basis of voluntary association.¹

The Indian cultivator labours under very serious difficulties in the selling of his produce in the market.

¹ *Mysore Economic Journal*—February, 1937, p. 43.

We have recommended regulated markets in another context, but without co-operative effort even the regulated markets may not materially help him. His poverty and ignorance are a great hindrance in bargaining settlement. Co-operative marketing will give strength to the poor cultivators. They will pool their resources and get better prices for their individual produce. Pooling for "merchandising" is being actually done in South Gujerat by co-operative cotton sale societies. It is estimated that the cotton pooled by the above mentioned societies in the year 1928-29 amounted to 16 per cent.¹ The society can finance them against the produce and wait for a better market which the individual cannot do at present. It can encourage standardisation and grading of produce. Better seeds can be supplied by co-operative marketing society to its members leading to better yield. The village marketing society may be a link in a bigger and stronger chain and, therefore, by bulk handling the societies can negotiate better terms for the cultivator. They assist the organisation of markets by methods which reduce the costs of distribution to a minimum.

Group marketing must be more efficient than marketing by individuals, especially in conditions such as those which exist in India where the individual

¹ *Bombay Provincial Banking Enquiry Committee Report*, para. 148.

producer is such a small unit. The ideal to be aimed at is, therefore, co-operative sale societies which will educate the cultivator in the production and preparation for market of his produce, will provide a sufficient volume of produce to make efficient grading possible and will bring the Indian producer into direct touch with the export market and with the large consumers in this country such as the cotton and jute mills.

In Europe and America considerable successes have been achieved in marketing agricultural produce. In Europe the place of pride goes to Denmark as far as co-operative organisations, particularly of the marketing type, are concerned. The State has helped in the building of this organisation. Unlike India sale and supply societies predominate, although credit societies also function where necessary. "Primary societies are grouped into Commodity Associations which are in their turn federated into the Central Co-operative Council. These Commodity Associations have no share capital but are on the principle of unlimited liability. Every member has to enter into a contract for marketing his entire produce through the Association for a fairly long period and the produce is pooled before marketing. Grading and testing of the produce is performed with great care and this accounts for the ready demand which the Danish co-operative produce meets with

in foreign markets.”¹

The Danish model can suit our conditions well for developing the co-operative sales organisation. For supplying credit, we have village societies at the base, District Co-operative Banks in the middle and Provincial Bank at the apex. In marketing we should organise our societies on the commodity basis. Primary societies should be federated into Central Societies and Central Societies into Provincial Sales Union. The Provincial Union should issue instructions for grading and standardisation of produce. It can negotiate with mills—say in case of cotton and jute—and other large buyers. Facilities for storage and financing are absolutely indispensable. The Provincial Union can arrange for finances from the Provincial Bank. Cheap and serviceable store houses should be constructed in the mandis and at terminal points. The primary society should not purchase the produce of the members, but store it for a favourable market. It should finance the cultivator against his produce, but should not take risks of fluctuation of prices. The jute societies in Bengal made this mistake of outright purchases of produce of the members. With fall in prices, it resulted in heavy losses and ultimate collapse of the societies.

The success of a sales society depends upon the quantity of the produce marketed through it and

¹ Mukerji, *Agricultural Marketing in India*, pp. 211-12.

upon the efficiency of its staff and managing committee. To achieve these ends, it is necessary to have the loyalty of its members. In some foreign countries, a member of a sales society is compelled to sell all his produce through the society. In the Bombay Presidency, some societies are empowered to levy a fine if a member fails to send his produce to the society for sale. It must be remembered that the question of sale is closely connected with the question of finance during cultivation, and unless the co-operative organisation is in a position to meet all the needs of its members adequately and promptly, it would not be fair to insist on compulsion. At present the cultivator has to look up to the village moneylender for loan on many occasions. Therefore, his allegiance is divided. If the sales societies get a fair percentage of the produce coming into the market, they can compete with other buyers and get better terms for their members. Pooling is, therefore, of vital importance for the success of a sale society. Without pooling, the sale societies cannot avoid the chain of middlemen. There will, therefore, remain the lurking danger of local boycotts. The incidental charges of a co-operative sale society are much more than of a private shop and the society can be a paying proposition only if the produce of cultivators is pooled. Then and then alone can it be a potent force in the market. But unfortunately our cultivator has a rooted objection to pooling as was observed by

the Punjab Provincial Banking Enquiry Committee and some other Committees. However, experiments should be made and the benefits of standardisation, grading and pooling should be brought home to the agriculturist by propaganda and education. There can be no pooling without proper facilities of warehousing and of grading and standardisation of the produce. All this needs the services of really expert and honest staff. The Central Banking Enquiry Committee¹ made the following useful suggestions in connection with the warehousing of the agricultural produce in licensed warehouses which includes grading and pooling of the agricultural produce :

“(i) Any person who is licensed as a warehouseman should be of recognised integrity and should have business ability to run a warehouse. There should be a licensing board in each province for the grant of licences, which would consist of one Government officer and a number of representatives of local business interests, including agriculture, especially for up-country areas. Small local licensing boards may have to be appointed for some divisions of the provinces, e.g., Gujerat, Deccan, etc.

“(ii) The warehouseman should have a reasonably substantial capital. If on the other hand he hires the warehouse, he should deposit with Govern-

¹ *The Indian Central Banking Enquiry Committee Report*, pp. 222-23.

ment a substantial amount, in cash or securities. The security deposit should, however, not be so exorbitant as to drive out private enterprise.

“(iii) In areas where grading of produce is done, it is necessary that there should be representatives of the growers on the licensing board. In such cases, Government should ensure the availability of trained and certified graders and the warehouseman will be required to employ only such graders.

“(iv) All produce stored in the warehouse should be insured against fire and other accidents.

“(v) The licensing authority should be empowered to decide among other things the following matters :

“(a) Classification of commodities into perishable and non-perishable articles, articles deteriorating with lapse of time and non-deteriorating articles, and the apportionment of the risk of damage between the warehouseman and the owner of the produce in regard to the class of articles.

“(b) The apportionment of risk between the warehouseman and the owner of produce of any damage arising from riots and civil commotion.”

The establishment of co-operative marketing societies dates as far back as 1917, but they have made little progress in spite of their existence for a quarter of a century. Of all the crops, cotton seems to

be the most favoured field of co-operative marketing, especially in the provinces of Bombay and Madras. The Hubli market where the earliest cotton sale society was started, commands about 42 per cent of the cotton grown in the Karnatak Division. The Society started with a modest beginning, as a seed store and, with the assistance of the Department of Agriculture, gradually improved the variety of cotton. The Indian Central Cotton Committee has very considerably helped the improvement of the quality of cotton. The society arranged sales of ordinary cotton on the basis of samples, but long-stapled and superior varieties of cotton were sold by auction. One of the main difficulties in case of superior qualities is to create a market for them and in the early stages this can be possible only with the assistance of the Government. The Royal Commission on Agriculture observed: "We consider that auction sales by the agricultural departments provide a useful means of securing to the cultivator an adequate premium for the superior quality of a new variety grown under their supervision. Particularly is this the case in the early stages, when the quantity available is small and the trade is without an organisation to enable it to be taken up at its intrinsic value..... As soon as their object had been achieved the auctions were discontinued in the Punjab and in South Gujerat and, in the Southern Maratha country, they were taken over by co-operative sale

societies.”¹ It means that the co-operative sale societies should take over the good work started by the Government to encourage production of superior varieties. In the early stages ginning was exclusively done in the factories of the buyers who were agents or contractors of the Bombay firms or independent merchants, but later on the societies undertook to gin members’ cotton with a view to supply ginned cotton direct to the mills. Members’ cotton is deposited in the godowns of the societies against which the society grants advances not exceeding 60 per cent of its market price.

In Bombay, there are two types of sale societies which deal mainly in cotton. The first type is the small society consisting of agriculturists of a few neighbouring villages growing the same variety of cotton, who pool their cotton and sell it jointly, as in the case of the Hubli Society in Karnatak organised in 1915 and which has a membership of several thousand agriculturists. In the second type, the area of operation is much larger and the membership is composed of both individuals and societies as in the case of the Gadag Sale Society (Karnatak) which was started in 1917 with 191 members only. It has a large number of rural credit societies as its members which grant short term loans to their respective members on condition that they sell their produce

¹ *Report of the Royal Commission on Agriculture*, pp. 403-04.

through the Gadag Sale Society. The Sale Society also grants advances against deposits of produce in its godowns but care is taken that the advances of the credit society and the sale society together do not exceed 75 per cent of the market value. The cotton is graded by officers of the Agricultural Department whose services are lent to the society for the purpose, and is then sold in lots at auction sales held periodically. There are other societies too, but they belong to any of these two types discussed above.

The second stage in co-operative marketing was reached in 1934 with the establishment of the co-operative Ginning and Pressing Society at Surat. This Society arranged for starting presses at suitable centres where the cotton brought by members to the societies is ginned, graded and pooled before it is sold to large buyers in big lots. The co-operative presses have broken the monopoly of the proprietary ginning factories and, therefore, the charges are considerably reduced. The final phase in the evolution of co-operative marketing was the organisation of a Sales Union which affiliated cotton sales societies and ginning factories as its members. Thus the Union is at the apex and organises new sales societies. It introduces better types of seeds and looks after grading of the quality. It secures large buyers for the pooled produce of the societies. The Union is, therefore, a source of great strength to the cultivating classes. Unlike the cotton societies, other

kinds of agricultural produce in the Bombay Province is sold through sale societies composed of individual members, or through purchase and sale unions, which are unions of credit societies, or through shops and depots run by central banks. The organisations work on a commission basis and take no financial responsibility.

The Punjab co-operative commission shops are the next in importance, both as regards their organisation as well as the value of the sales effected through them. According to the Punjab Provincial Banking Enquiry Committee there were 25 co-operative commission shops and sale societies in different parts of the province, the first of which was started at Lyallpur in 1919. In this district about 30 per cent of the agricultural produce is marketed co-operatively. These shops have more succeeded in the canal colonies where the peasant is comparatively better off than in other parts of the province. In 1928-29 they sold produce of the value of 58 lakhs of rupees, of which the sale society at Okara was responsible for 11 lakhs. The following table¹ gives the present position of the marketing activities of these commission shops:

¹ *Year Book and Directory of Indian Co-operation*, 1942, p. 463.

Year	Number of Shops	Produce sold in Maunds	Produce sold (Value in lakhs)
			Rs.
1930	24	10,07,284	41.0
1931	25	12,14,221	30.0
1932	25	8,98,995	24.0
1933	23	5,45,625	18.61
1934	22	6,95,497	18.96
1935	22	7,00,833	22.50
1936	21	7,09,694	26.11
1937	21	5,76,632	25.49
1938	20	6,50,409	19.05
1939	20	8,25,630	26.65
1940	20	8,17,955	33.59

The membership of shops is drawn from individuals as well as co-operative societies. The shops serve as kachcha arhatiya. They make advances upto 75 per cent of the value at interest ranging from 9 to 12 per cent. So far little advantage is taken of the storage facilities provided by the shops and, therefore, grading and pooling of the produce are out of question. The only saving that can be effected is in commission charges or exemption from certain market deductions for charity, etc. These shops make little appeal to the small holders particularly those who are living at a distance from the shops. They are indebted to the local money-lender whom they sell their produce against account when it is ready. They have no means of transport to carry their produce to the shops that are situated in mandis.

Another drawback is the dearth of reliable and suitable managers and, therefore, embezzlements are not infrequent. The incidental expenses of a co-operative shop are much higher than of a private shop and the former can succeed only when cultivators unite. At places the co-operative shops have been boycotted for very flimsy reasons. This difficulty can be overcome when there is a sales union affiliating co-operative shops as its members. These shops should encourage storage which will facilitate grading and pooling of the produce to some extent, in spite of the rooted objection of the cultivator, if right sort of propaganda is carried on and the members are convinced of the advantages of grading and pooling. To reduce diversity of qualities, improved seeds should be supplied by the co-operative societies. If the Co-operative Department imparts proper training and is able to get suitable personnel, much of the prejudice against pooling can be overcome.

The third place in co-operative marketing may be assigned to the cane societies of the United Provinces which have shown a remarkable progress in so short a time. The Indian sugar industry has developed by leaps and bounds since the grant of protection in 1932. From 32 factories in 1931-32 the number increased to 148 in 1940-41. Of this number, 71 factories were in the U. P., and 32 in Bihar as against 14 and 12 respectively in 1931-32. The total amount of cane crushed in India in 1939-40

was 13,131,700 tons of which the share of this province was 7,034,100 tons and that of Bihar 3,466,100. The total production of sugar in India for the same year amounted to 1,241,700 tons of which U. P. produced 659,500 tons and Bihar 322,100 tons. All this clearly shows the concentration of the sugar industry in the provinces of U. P. and Bihar, and the foremost position of this province which produces more than 50 per cent of sugar in the country.

The rapid expansion of the sugar industry in the first few years of the grant of protection has given rise to a number of problems, such as, zoning of cane areas, regulation of cane supplies to factories, development of the quality of cane, fixation of the minimum price of cane, licensing of factories and contractors, supervision of weighments and payments, improvement of transport facilities for carrying cane to factories, and protection of the factory labour, etc. The Government became vigilant, particularly in the provinces of U. P. and Bihar and has taken a growing interest in the welfare of the cultivators.

In fact, it is the most controlled industry in the country—particularly in these two provinces. In the first few years of the grant of protection, mills after mills were floated without proper regard to their location. The cultivator was paid from 3 to 4 annas a maund only for his cane against the estimate of 8 annas made by the Tariff Board of 1931, recommending protection to the industry. Complaints

of wrong weighments and delays in weighing of carts were too common. This early chaos led to considerable agitation. The Government of India passed the Sugar Cane Act of 1934, enabling Provincial Governments to frame rules to control prices of cane and other matters relating to weighment and purchase of cane. The two provinces of U. P. and Bihar made rules fixing the minimum prices on a sliding scale and appointed cane inspectors to administer the rules intended to remove the abuses. But no steps were taken to zone out areas or factories till the enactment of the Sugar Factories Control Act of 1938.

Barring a few co-operative primary societies and unions for supply of cane at Ghughli (Gorakhpur District), Deoria (Gorakhpur District), Dehradun, Muzaffarnagar, Sitapur and Meerut, there was no organised attempt to tackle the problem until 1935 when a small grant of about a lakh of rupees was made to the U. P. Government from the Central Sugar Excise Fund "for the improvement of cane cultivation with a view to its co-operative marketing." The Government offered the factories a scheme for the improvement of cane and regulation of supplies on the contributory basis. Each factory was required to pay an annual contribution of Rs. 3,000 to the Government and to make purchases of cane through the co-operative society organised in the home area of the factory paying a commission on

supplies at the rate of 3 pies per maund. Each unit was to consist of one Assistant Cane Development Officer, three Supervisors and nine Kamdars who were expected to improve and develop an area of about 2,000-2,500 acres of cane in four years. The annual cost of a unit was estimated at Rs. 9,000 of which the Government was to pay Rs. 6,000 and the factory Rs. 3,000. Twenty-two factories joined the scheme at the very outset and by the end of 1937-38 as many as 30 units were under operation.¹

With the coming of the Congress Government in 1937, problems affecting the welfare of cultivators, including those relating to cane supplies, received their immediate attention. The U. P. Sugar Factories Control Act was passed in 1938. The main provisions of the Act relate to:

- (a) the licensing of sugar factories;
- (b) the regulation of sugar cane supplies to factories;
- (c) the minimum price for sugar cane;
- (d) the establishment of a Sugar Control Board and Advisory Committees; and
- (e) a cess on the sale of sugar cane intended for use in factories.

Under the Rules framed by the Provincial Government, co-operative societies were given special consideration. A factory is bound to purchase cane

¹ *Indian Co-operative Review*, October-December, 1941.

through the society from its members. It cannot deal directly with members. There is still a weakness in the present organisation. A factory may encourage cultivators to resign their membership of the society to deal directly with them. The U. P. Agricultural Marketing Bill which was on the legislative anvil when the Congress Government resigned in 1939 provided against this shortcoming, to the effect that if the majority of cultivators in a particular area join a co-operative marketing organisation, others must compulsorily market their produce through that organisation.

The administrative and legislative measures of the Government, particularly after 1938, gave the much-needed stimulus to the co-operative organisation. New societies were established in the areas of factories regardless of the fact whether the factories concerned offered co-operation or opposition. The following table¹ clearly shows the phenomenal progress made by the co-operative organisation:

¹ *The Indian Co-operative Review*, October-December, 1941, P. 539

	1936—37	1937—38	1938—39	1939—40
1. Number of zones	22	86	114	136
2. Developed areas (in acres)	26,500	74,600	1,90,000	4,74,000
3. Number of villages, under development	1,000	2,000	9,594	13,800
4. No. of Co-op. Cane Supply Unions ..	23	28	42	81
5. No. of factories to which cane is supplied	23	30	49	61
6. No. of members of Co-op. Societies ..	25,000	63,000	3,71,000	4,61,000
7. Quantity of cane supplied through Co-op. Societies in lakh maunds	127 lakhs	134 lakhs	476 lakhs	1,277 lakhs
8. Cane-seed distributed in lakh maunds	6 lakhs	19 lakhs	35 lakhs	32 lakhs
9. Fertilisers distributed in maunds ..	48,000	61,000	1,54,000	2,03,000

Roughly speaking there are two types of cane societies—those organised by the Co-operative Department before the inauguration of the Agricultural-cum-Co-operative scheme, which were meant for big areas (usually districtwise), and those organised by the Cane Department as a part of the cane development scheme. In theory, both have similar objects and constitutions. But in practice the earlier societies were meant only for cane supply whilst the latter undertook the task of agricultural development as well. For the successful working of the scheme the province is divided into three ranges—Western, Central and Eastern. These ranges are in charge of three Cane Development Officers who are assisted by subordinate staff.

The objects of marketing are to ensure proper price and correct weighment to the growers, to regulate supplies and above all to organise growers so that they may learn to adopt better agricultural practices and arrange for the cheap supply of credit. The usual procedure is that an elaborate surveying of the cane available with members of societies is made before the crushing season and on the basis of it roasters for the supply of cane are prepared. Requisition slips are issued to members two days ahead of the date of supply and at the weighbridge the societies' representatives and clerks watch weighments and maintain records of supplies. Supervision is also exercised at the time of payment of price. The

total quantity of cane supplied by the Unions during the year was 12.77 crore maunds, i.e., 70 per cent of the cane crushed by the factories in the province. In the Western range, the societies supplied as much as 88 per cent of the cane crushed by the factories.¹

The relations between the co-operative societies and the cane factories have not always been happy. The Manufacturers' Associations have protested against the alleged failure of the co-operative societies to supply cane of the right quality in the required quantities. They claim a share of control in the running of co-operative societies and want to be relieved of the commission they are charged as they suggest that the societies should be financed by grants from the proceeds of the sugar cess charged by Government.

All this is a very big achievement for any organisation of such a short duration. But it must not be forgotten that it is a State organisation and there is very little of that spontaneous growth which is essential for a co-operative movement. It is functioning like a State department. These societies have also taken up village welfare work in a number of centres. Of these, the most important is the improvement of village roads.

As regards marketing of agricultural produce in U.P., nothing substantial had been done before 1938-39

¹ *Year-Book and Directory of Indian Co-operation*, 1942, p. 532

beyond a few haphazard experiments. The first serious attempt was the Grain Scheme of the Moradabad District Bank which worked for 8 years from 1931 to 1938 and improved its collections from 22 per cent in the first year to 99 per cent in the last. The Congress Government formed its five years' plan of marketing in 1938-39 which was put into operation in March, 1939. It aims at organising marketing unions at important mandis (grain markets) in the Province. All the societies working in a certain area become members of the Union. To put the scheme into operation the Government provided for the recruitment of a large number of marketing supervisors, auditors and inspectors every year for a period of five years. The commodities selected for marketing are generally wheat, gram, arhar and oil-seeds, etc. The Assistant Registrar in charge of a circle has full discretion in adopting any method of sale according to the conditions and circumstances of the place. The Scheme was tried at 96 centres in the Province in 1938-39 and during 1939-40 the number of centres rose to 152. In the Western districts of U. P. the members sell their produce through an approved commission agent or a co-operative commission shop occasionally obtaining an advance upto 70 per cent of the value of the produce deposited. The outright purchase system is popular in the Eastern U. P., where the society or the marketing union purchases the produce, pays for it in cash and

takes upon itself the entire risk. The total quantity of grain handled by societies was 2.28 lakh maunds in 1938-39 and 2.97 lakh maunds in 1939-40 of the approximate value of Rs. 7 lakhs and Rs. 8½ lakhs respectively. The societies supplied large quantities of grains to the central jails in the Province and the outbreak of the present War took away the whole enthusiasm from the movement.

Besides the grain societies and unions, we have Ghee Societies, Milk Societies, and Weavers' Societies in the Province. The Ghee Societies are gaining increasing popularity and at present we have 657 ghee societies with a membership of about 9,000 in the Province. The sales of ghee amounted to Rs. 2,15,387 yielding a profit of Rs. 50,361 during 1939-40. To prevent adulteration, suitable measures for the testing of ghee have been adopted and ghee grading is undertaken at several centres under the Agmark grading scheme. The Provincial Government sanctioned a three years' scheme for the testing and grading of ghee in the province and provided the necessary funds to run the scheme. Besides making grants to private firms in ghee producing tracts to assist them in opening their own grading stations, a model ghee testing and grading station is established at Shikohabad, district Mainpuri, under the direct control and supervision of the Marketing Section, and is fitted with a model ghee refinery. The object of this station is to provide

facilities for the refining, testing and grading of ghee of small producers, merchants and ghee societies who cannot afford to have their own laboratories.

Jute. Jute is a monopoly of Bengal which includes the neighbouring provinces of Bihar and Orissa and Assam, and the Nepal State. The growth of the international trade and the specialisation of European countries in manufactures with their dependence on Asia and America for raw materials and foodstuffs necessitated cheap and strong packing. Jute cloth and bags served the purpose of packing eminently and the industry established in India on the banks of the Hoogly near Calcutta with foreign enterprise and capital. Most of the raw jute is either brought to the Calcutta mills or exported out of the country. The jute grower is very poor and unorganised. He has no transport facilities. In Bengal, and specially eastern Bengal, there are no roads but mostly weather tracks. Due to excessive rainfall practically all the villages are joined with the markets by water and jute is carried in boats. According to the Indian Central Jute Committee, about 68 per cent of the surplus jute in Eastern Bengal is marketed between July and October. Another factor leading to speedy disposal of the produce is the absence of storage facilities for the cultivating classes. They make hurry to sell their produce before it is spoiled by exposure to sun and rain.

Some time back, the Government of Bengal

approved of a scheme to sell jute on co-operative lines. Stray sales societies could not succeed. Therefore, several societies, called Central Co-operative Sale and Supply Societies, were organised with the object of collecting or buying the jute produced by members or others and selling it in the best market. One society was registered in 1925, 10 in 1926 and 5 more in 1929. The Bengal Wholesale Co-operative Society was started at Calcutta in 1926 to serve as a clearing centre for others. All societies, however, were closed down by September, 1930, involving a loss of over Rs. 20 lakhs. This meant a rude shock to the co-operative marketing. The societies made the initial mistake of making outright purchases and undertaking all risks of fluctuations in prices, instead of selling members' produce on the commission basis. Unfortunately, the steady fall in the price of raw jute synchronised with the development of jute societies. The result was that a large portion of their finances was locked up in raw jute. The overhead charges proved crushing in view of the falling prices and this led to the liquidation of societies.

AVERAGE ANNUAL PRICE OF JUTE (CALCUTTA)

	Bales of 400 lbs					Rs. a. p.			
1925	111	9	9
1926	98	11	6
1927	76	6	0
1928	75	0	11
1929	74	4	0
1930	50	4	9
1931	37	5	6

We agree with the opinion of the Bengal Jute Enquiry Committee that co-operative societies would serve little useful purpose unless they could, by pooling the resources of individual growers, give them the capacity to hold the stock against a favourable market and to sell at the best market. The salvation of the Indian cultivator lies in group selling. Individually he is no match to the middleman. Even the co-operative societies find him a tough fighter because the personnel of the societies is not always efficient and honest. The staff possesses neither the requisite technical qualifications nor the enthusiasm to get the best bargain and effect all sorts of economies in management which a private dealer does. To achieve success, it is necessary to build up a Provincial Union which will be in touch with the jute mills and outside markets and shall secure the best price for the produce. The village societies will purchase jute from small cultivators. They will forward it to wholesale societies in the mandis (markets) where it should be pooled, graded and pressed into bales. These wholesale societies must have their own presses as in Bombay for cotton. They should be affiliated to the Provincial Union, whose main function will be to secure the best price for the produce, besides supervising quality and grading, etc.

CONCLUSION

Sale societies may be either production and sale, as Weavers' Societies, Milkmen's Societies, or purchase and sale Societies, as Societies for supplying implements or manure, etc., or loan and sale societies. Of all these types, loan and sale societies are the most predominant. They receive the produce on a deposit system, grant advances, arrange its storage and sell it in the best market. For their services, they charge certain commission. At places, the produce is pooled and graded before it is disposed of. In the Bombay Province, facilities of ginning and pressing of cotton are also provided.

The movement has not made very rapid progress for various reasons. The ignorance and indebtedness of the peasant, bad means of communication and high transport charges, want of adequate storage facilities, lack of pooling and grading arrangements, general dearth of business talent in the personnel of committees of management of sale societies and lack of trained businessmen even amongst paid employees of such societies, want of loyalty on the part of members to their societies, lack of contact between sale societies and big consuming centres and general ignorance about internal and external markets are some of the important causes responsible for the slow progress of the movement. The Madras Committee on Co-operation made the following recommendations to improve market-

ing: (1) organisation of producers' societies and linking them with consumers' stores; (2) increased transport facilities and reduction in freights; (3) regulation of market conditions and practices by the establishment of regulated markets; (4) standardisation of weights and measures; (5) standardisation of grades in the several commodities and (6) dissemination of market intelligence, etc.

More or less the same recommendations were made by the Royal Commission on Agriculture and the various Banking Enquiry Committees. It means that the disease has been correctly diagnosed by a number of competent doctors. Only the prescribed medicine is to be given in proper dozes and with care as the ailment is of a chronic nature which needs long nursing.

THE STAPLE COMMODITIES

WHEAT

Wheat appears to have been cultivated in India from times immemorial. The excavations of grains from the old ruins of Mohenjo-Daro in the Indus Valley which are estimated to be 3000 to 4000 years old, are identified to the types grown even to this day in the dry districts of the south-west Punjab. It is a staple food of a large population inhabiting the north and north-west of India. About 96 per cent of the total wheat crop is found north and west of a line drawn across the peninsula from Bombay to Calcutta. The areas of concentrated production are the provinces of the Punjab, the United Provinces, Sind, the Central Provinces and Berar, and the neighbouring Indian States. The following table compiled from the "Estimates of Area and Yield of Principal Crops in India, 1939-40" show the average acreage and yield of wheat for ten years from 1930-31 to 1939-40.

AVERAGE OF TEN YEARS FROM 1930-31 TO 1939-40

Provinces and States	Acreage		Yield	
	Thousand Acres	Percentage of total acreage in India	Thousand Tons	Percentage of total production in India.
<i>British India</i>				
Punjab	9,350.5	27.3	3,169.8	32.5
United Provinces	7,800.5	22.8	2,667.6	27.3
Central Provinces and Berar	3,358.2	9.8	664.1	6.8
*Bombay	1,739.0	5.1	311.7	3.2
*Sind	1,148.0	3.4	315.1	3.2
Other Provinces	2,364.2	6.9	720.8	7.4
Total British India	25,760.4	75.2	7,849.1	80.4
<i>Indian States</i>				
Central India States	2,130.0	6.2	371.1	3.8
Gwalior	1,491.8	4.4	341.3	3.5
Hyderabad	1,254.2	3.7	161.4	1.7
Punjab States	1,434.2	4.2	453.9	4.7
Other States	2,177.8	6.4	578.1	5.9
	8,488.0	24.8	1,905.8	19.6
Grand Total India	34,248.4	100.0	9,754.9	100.0

*Average for 7 years, from 1933-34 to 1939-40.

About 50 per cent of the acreage and 60 per cent of the production of wheat are found in the two provinces of the Punjab and the United Provinces. They are the best wheat producing areas of the country. The acreage yield per acre of ten years from 1930-31 to 1939-40 for these two provinces amounts to 759 lbs. and 767 lbs. respectively. For comparative purposes the following statement, taken from the 'Report on the Marketing of Wheat in India', gives the estimated average yields of wheat per acre in the main wheat producing countries:¹

APPROXIMATE YIELDS IN CERTAIN COUNTRIES

(Lb. per acre)

Name of the country	Average 1924-1933	Average 1909-1913
United States	846	852
Canada	972	1,188
Australia	714	708
Argentina	780	594
Europe	1,146	1,110
Russia	636	612
India	636	724

Wheat is an alternative crop to sugar cane and cotton in many places. The acreage of wheat in the United Provinces and Sind has increased considerably in the last few years. It is expected that more and more land will be taken away from the cultivation of cotton and sugar and devoted to wheat because

¹p. 13

we have large quantities of orphan cotton as well as surplus sugar on hand which can neither be exported nor consumed in the country. On 1st September, 1942, we had a record figure of 29 lakh bales of 400 lbs. each of cotton in India. As regards sugar, the two seasons of 1940-41 and 1941-42 have been of curtailed output based on restricted quotas in the two provinces of U. P. and Bihar that produce about 80 per cent of sugar in the country. The Government of India is at present carrying on 'grow more food campaign' and it is expected that with the phenomenal rise in the prices of wheat, the acreage of wheat cultivation should improve considerably.

The methods of estimating the yield per acre and consequently of the total production in the country are far from satisfactory. Practically every committee has found fault with the method of estimating the out-turn. Of the three factors necessary for framing an estimate of production, namely, the area, the standard normal out-turn per acre and the fraction representing the relation of the crop reported to the normal crop per acre, there are correct statistics only about the acreage. The other two factors are not measured with sufficient accuracy and consequently not much reliance can be placed on government estimates of the yield. "The bulk of available evidence seems to indicate that official estimates continuously understate the amount of production. Little allowance seems to have been made for the

extensive cultivation of improved varieties and the larger areas under irrigation in recent years.”¹

Supply. The supplies of wheat actually put on the market show a very wide fluctuation in the course of the season. It is estimated that between 50 and 60 per cent of the produce is sold in the two or three months immediately following the harvest, viz., from the middle of April to the middle of July. The producer has to pay to the *zamindar* and the money-lender at this time. Consequently, he is forced to sell a substantial proportion of his produce in the months of May and June when the crop is ready. Another factor to stimulate sales in this period is that roads and ways are dry and, therefore, transportation of produce from the village to the mandi is comparatively easier. Later, during the monsoon months—from July to September—the supplies fall off and business is practically at a standstill in many of our up-country markets. Village roads that are no better than tracks are impassable at places. There is also the danger of deterioration of the produce if it is exposed to rains which fall in torrents in this season. By the end of September the monsoon is practically over and soon our cultivators get busy in the preparation of their lands for the *rabi* sowings, viz., wheat, barley, gram, peas, etc., and also in the harvesting of the *Kharif* crops like jwar, bajra and pulses. Cotton is

¹ Report on the Marketing of Wheat in India, p. 9.

also an important *Kharif* crop in certain areas. In the early winter months—October and November—arrivals of wheat in the mandis improve but it is dependent on the condition and size of *kharif* crop and the prospects of the next *rabi* crop. The movement of wheat from the mandis to the consuming centres, like flour mills, steadies in the early months of winter. The following observations made in the Report on wheat marketing in India indicate the movements of wheat from the Hapur market. “At Hapur, for example, a typical storing centre in the Western United Provinces, an examination of monthly rail exports for three years (1932-33 to 1934-35) indicates that the period May to August has practically no export worthy of note. In September there is a sudden jump to about 1,000 tons. In October this figure is almost doubled and during the ensuing five months from November to March exports rise steadily to a peak in February in which month the quantities exported during 1932-33, 1933-34, 1934-35 were roughly 6,000, 10,300 and 6,100 tons respectively. In March despatches begin to tail off until they drop back in April almost to the previous September figures.” This shows that from May to August wheat arrives in the mandi and is stored in Khattis and Kothas by stockists. Dispersion by rail begins from September and continues upto the arrival of the next *rabi* crop in April.

Qualities. There is a confusing multiplicity of

trade names and descriptions of wheat throughout India so much so that buyers and sellers using the same term may often mean something entirely different. The more commonly understood descriptions of wheat are '*sharbati*' for hard-white wheat and '*pissi*' for soft-white wheat, '*dara*' approximates to "fair average quality" in different districts and '*bansi*,' '*jalalia*' and '*Khandwa*' refer to hard wheat of Central India. Contrary to the common usage, the term *sharbati* is applied to soft wheat in the Hyderabad State. Of all the varieties of wheat, *sharbati* is the most important and is grown in the Punjab, U. P., Sind and Central Provinces.

The total area under improved wheats in India is estimated at about 6.5 million acres representing less than 19 per cent of the total wheat acreage. The great majority of the wheats are hard or semi-hard. The most important varieties now under cultivation are Punjab 8-A, 9-D, Pusa 4 and Pusa 12 but soft wheats such as Pusa 52 and Pusa 54 are also of considerable importance in Bihar and the United Provinces. More than one-third of the wheat acreage in the Punjab is under improved types, of which *Sharbati* is the commonest.

Foreign Trade. Except in 1921-22 when our imports exceeded the exports by 350 thousand tons, on balance India had been an exporting country upto 1927-28. Her exports had been much more than her imports. But the tables were turned against

this country by 1928-29. The production of wheat in Australia, Canada, Russia, the United States of America and other countries increased considerably owing to scientific methods of agriculture, while Indian production remained practically unaffected by scientific improvements. The price of wheat fell abnormally and for three years, viz., 1928-29, 1929-30 and 1930-31 our imports of wheat were of considerable quantities. The collapse of the foreign wheat market owing to over-production and world economic depression led to the rapid depreciation of prices in our mandis. To check this inflow, the Government of India imposed from April 1931 a "non-protective special duty" of Rs. 2 per cwt. on all imports of wheat grown abroad and wheat flour was charged at Rs. 2-8-0 per cwt. This measure proved effective in checking the imports. From 1933 the duty was classed as protective and on April 1, 1935 it was lowered to Rs. 1-8-0 per cwt. on wheat and wheat flour. In 1936 it was further reduced to Re. 1 per cwt. for both commodities and was finally abolished in 1937. Thus we observe that from being an exporting country, India became an importer of wheat, from 1928-29. In spite of a preference of 2 shillings per quarter (480 lbs.) under the Ottawa Agreement of 1932, Indian wheat could not compete in price with Australian, Canadian or Argentina wheats in the United Kingdom markets although it had been liked in Europe, more particularly in the United Kingdom,

for its dry nature and for its suitability for blending. United Kingdom has been the best market for Indian wheat and our imports have come principally from Australia.

India regained her position in the export trade in 1936-37 and continued to have favourable balance for three years, i.e., upto 1938-39. But the Second World War that broke out in September, 1939 again disturbed the economic equilibrium. Owing to shipping difficulties, risks in transit and state control of supplies, the normal channels of trade are not functioning at present.

The following table prepared from Government publications gives the exports and imports of wheat from 1921-22 to 1940-41 in thousand tons :—

<i>Year</i>		<i>Exports</i>	<i>Imports</i>	<i>Net Exports</i>
1921-22	.. ..	81	440	— 359
1922-23	.. ..	220	19	+ 201
1923-24	.. ..	638	12	+ 626
1924-25	.. ..	1,112	4	+ 1,108
1925-26	.. ..	212	35	+ 177
1926-27	.. ..	176	40	+ 136
1927-28	.. ..	300	69	+ 231
1928-29	.. ..	115	562	— 447
1929-30	.. ..	13	357	— 344
1930-31	.. ..	197	232	— 35
1931-32	.. ..	20	111	— 91
1932-33	.. ..	2	33	— 31
1933-34	.. ..	2	18	— 16
1934-35	.. ..	11	7	+ 4
1935-36	.. ..	10	13	— 3
1936-37	.. ..	235	2	+ 233
1937-38	.. ..	460	22	+ 438
1938-39	.. ..	279	159	+ 120
1939-40	.. ..	8	85	— 77
1940-41	.. ..	45	19	+ 26

Consumption. As a rule, the Indian cultivator lives on cheaper and coarser grains, like barley, peas and gram. Except what he has to part with in payment for harvest wages, rents, village mamuls, etc. he tries to market the major part of his produce either locally or in a neighbouring mandi. He eats wheat on ceremonial occasions only. The Punjab peasantry is comparatively better off and, therefore, the peasants in that province consume more wheat than their fellow brethren in other provinces. Wheat is the staple food of the inhabitants in the towns of the Punjab, the United Provinces, the Central Provinces and the Central India States. The per capita consumption of wheat in some of the towns in the Punjab and the West U. P. is as high as 300 to 350 lbs. per year. As against this, in Assam and the Madras Presidency, it is as low as 4 lbs. a year only. In the East and South of India the main diet is rice, although it is supplemented by wheat as well.

The following table compiled from the Reviews of Trade of India indicates the production, net imports and exports and the balance available for consumption in the country in any particular year:

Year	Production of previous crop year (Tons)	Net Imports (+) or net export (-) during the year (Tons)	Balance available for consumption during the year (Tons)
1935-36	9,729,000	-58,000	9,671,000
1936-37	9,434,000	-304,000	9,130,000
1937-38	9,752,000	-547,000	9,205,000
1938-39	10,764,000	-207,000	10,557,000
1939-40	9,963,000	+6,000	9,969,000
1940-41	10,767,000	-121,000	10,646,000
1941-42	10,005,000	-26,000	9,979,000

About 10 million tons of wheat is available for consumption in the country. Of this about 3 million tons are disposed of locally in the villages by way of payments in kind, barter and land dues, etc. The cultivator has to retain wheat for seed for which there are no statistics. This leaves between 5 and 6 million tons to be put on the market. Consumption of wheat is in various forms but it is mostly consumed as *ata*, (whole-meal). *Maida*, *suji* and *rawa* are other products, though of lesser importance. Soft wheat is also used in the manufacture of starch for sizing in textile mills.

Marketing Process. The market process begins with the assembling of produce from the field. Every country has its special features. In India, a country of small holders, with uneconomic holdings, the assembling process is of particular significance and value. Unlike Canada, Australia or United States of America, the wheat producer in India is a man of no substance.

His produce is small and the marketable surplus still less. Except in certain parts of the Punjab and the West United Provinces, the means of communication and transportation are far from satisfactory. Collection of produce in the markets or mandis from numerous producers scattered over wide areas without facilities of transportation is a difficult task. But certain castes and trades have specialised in marketing the village produce in the mandis and they carry it on as a profession even though it may not be sufficiently remunerative. In most cases agriculture carried on by Indian cultivators is not a paying proposition. But in the absence of anything better they engage themselves in it although most of them are living on the starvation level. Similarly, the beopari and village baniya are occupied in assembling the village produce, very often on the possibility of a rise in market prices. Owing to cut-throat competition, the margin of profit left to them is little. Where the cultivator is a simpleton, they supplement their income by corrupt practices of overweighing or false accounting. But it is wrong to imagine that the Indian cultivator is a fool. There is a growing consciousness among the cultivating classes in India. They are in touch with market prices, particularly in the crop season. Every day some of them visit the neighbouring mandis and in the evening they sit at a common place, generally at a *choupal*, and there, the market rates of

the day are known to all. The village baniya and beopari are also in constant touch with the market conditions and prices. Competition keeps them alert and in their anxiety to get business they try to outbid each other.

Following are the chief agencies in India for assembling wheat from the growers :—

1. Growers, landlords or cultivators who bring their own wheat for disposal to the market.
2. Cultivators who collect the produce of other growers.
3. Landlords collecting the produce of their tenants.
4. Village banyas (shop-keepers).
5. Itinerant dealers and petty merchants who move from village to village (beoparis).
6. Kachcha arhatiyas or small commission agents in the primary or assembling markets.
7. Co-operative commission shops or sale societies.
8. Pakka arhatiyas or large commission agents and wholesale merchants and mills.

Unlike the past, there is a growing tendency amongst the cultivators to market their produce direct in the mandi without the intervention of a beopari or baniya. But for certain reasons he is prevented from doing so. In some cases he may have to repay his loan to the money-lender in kind, or he might have borrowed wheat for seed or for the

marriage of his daughter on the *sawai system* (twenty-five per cent more than lent out) or he may like to pay rent to the landlord in kind as it became so common in the United Provinces during the period of the economic depression from 1929 to 1933, owing to serious fall in the prices of agricultural commodities. Further, every cultivator does not possess his own cart and draught animals. Agricultural operations are also a determining factor. For instance, in the irrigated tracts of the West U. P. the cultivator gets himself busy in the sowing of cotton and fodder crops like *jwar* and *gwar*.¹ He manures his fields at this time of the year and ploughs his land to enable it to get more sun and rain. He finds an army of itinerant dealers and petty merchants in his village to market his little produce at competitive rates which are hardly more than the cost of transportation and the *mandi* charges. He is well apprised of the daily market fluctuations in prices, and if he thinks he can better utilise his time on his farm, he will dispose of his produce in the village. The *beopari* generally pays cash after the produce has been weighed by the village weighman or *taula*.

According to the enquiries of the Board of Economic Enquiry, Punjab, and the Report on the Marketing of Wheat in India, about four-fifths of the wheat crop of the districts of Jullandar, Ludhiana and Montgomery, where means of communication

¹ *Gwar* is a Kharif fodder crop.

and transport are well developed and the marketable surpluses considerable, are sold by the zamindars or cultivators directly in the assembling markets. As against this, in the Attock district in Northern Punjab where opposite conditions exist, the proportion falls to an insignificant level. In the West of the United Provinces the wheat growing area of the province, about one-third of the produce is directly marketed by the cultivators. In the east of the United Provinces where rice is the main crop, the marketable surplus of wheat is very small. Partly because of it and partly because of the lack of means of transport, the proportion of the produce directly marketed by the cultivator is much less. In the Central Provinces about two-thirds of the crop is directly marketed by the cultivators in the mandis.

The second class of agency, viz., cultivators who collect the produce of other growers, is not important. It is found in the Punjab, the United Provinces and the Central Provinces. It is generally the small cultivator who is free from his harvest earlier than other cultivators and who is fortunate enough to possess his own cart and bullocks. By frequent visits to the mandi, he gets familiar with market practices. If nothing else, he gets at least hire for his transport, and this profitably occupies himself and his animals in spare time.

The third agency, namely, that of the landlords, is of some importance in the chief wheat producing

provinces of the Punjab, the United Provinces and the Central Provinces. At places the landlord combines the function of money-lending as well. Landlord-cum-moneylender is a dangerous person to the peasants. What he collects as rent from his tenant is credited to his loan account and for non-payment of rent he files a suit which may lead to the tenant's ejection from his land. He is, therefore, in a much stronger position to realise his debts than an ordinary money-lender who is required to have recourse to the civil courts for recovery of his debts. In the period of the world economic depression that set in in 1929, when the prices of foodstuffs and other agricultural commodities fell to very low levels, the landlords realised their rents in kind. In a rising market, as in these days, the cultivator does not like to part with his produce, but in a falling market he forces his produce on his creditors (the zamindar and the money-lender) who must have it if they are anxious to realise their dues. The landlord markets the produce of his tenant along with his own, generally in the mandi.

The baniya is an important functionary of the village. He is a shop-keeper, money-lender, stockist and a trader. If a brass-ware merchant comes to the village to retail his wares, the baniya acts as a broker. He weighs the produce of the village, whosoever may buy. He is the financial adviser of the village folk at all times. He collects the produce at his shop

as well as receives it in repayment of his loans. At times he makes purchases for cash even, particularly when he wants to store it for future consumption or resale. The Wheat Marketing Report estimated that not less than one and probably not more than two-fifths of the total Indian crop passes through the hands of the village baniya on its way to the larger assembling centres. In the Punjab, however, owing largely to the better facilities for communications and marketing, the proportion of sales in the markets by the baniya was found to be about one-fourth only as against four-fifths in Bihar and Orissa and about two-fifths in the Central Provinces. This proportion tends to increase where the village is at some considerable distance from a market.

The itinerant dealer or beopari or *pheriwala* is a petty merchant who goes from village to village collecting wheat and transporting it to the nearby mandi, in hired bullock-carts or on asses, ponies and camels. He is in touch with the trend of prices obtaining, not only in the nearest mandi, but even in the distant wholesale markets within the province or even outside. A large number of beoparis visits the countryside in the harvest season. This leads to keen competition among them. Besides the petty merchants, *kumhars* (potters), *telis* (oilmen), and *banjaras* (a nomad caste) who possess asses or bullocks of their own, carry on this trade. Some of them prove cleverer than the baniya even: '*bawan budh baniya*

trepan budh teli which means, while a baniya knows of 52 tricks, the teli knows of 53. By constant visits to the mandis, they get familiar with the market practices and its functionaries. They get the same privileges and favours from the arhatiyas as the village shop-keeper or baniya. Generally, the beopari pays cash on delivery except when he is well known to the seller or the intermediary in which case, he is permitted to pay soon after the sale of the produce in the mandi. The proportion of the produce carried by the beopari to the mandi differs so considerably in different parts of the country that an estimate will simply be misleading.

There are two kinds of arhatiyas or adityas as they are called in Bombay and the Central Provinces—the kachcha arhatiya and the pucca arhatiya. The kachcha arhatiya acts as a commission agent between the seller or producer and the buyer in large mandis. Generally they do not purchase on their own account although there is nothing to prevent them from so doing. In small mandis, kachcha arhatiyas purchase on their own account more freely. In the large mandis there is a distinct class of dalals who go about securing orders on the basis of samples from large dealers or exporting firms. As a rule carts are unloaded on the pavement in front of the arhatiya's shop. The prospective buyers visit these shops and make their offers. The bargain is always struck after some higgling between the

buyer and the kachcha arhatiya. In the Bombay Province and Hyderabad (Deccan) the kachcha arhatiya finances the producer and the beopari to ensure steady custom from them.

The co-operative commission shops or sale societies for grains are not very popular in India except in the Canal Colony districts of the Punjab. Their functions are similar to those of kachcha arhatiyas or commission agents. In 1935, there were twenty-one co-operative shops in the Punjab of which as many as seventeen were in the Canal Colony districts. These shops are registered under the Co-operative Societies Act, 1912. The members of these shops consist of landlords, cultivators, mortgagees or lessees of lands, or registered co-operative societies. According to the Wheat Marketing Report, there were 3,313 individuals and 1,100 societies affiliated to these 21 commission shops in 1935, but the extent to which they availed themselves of the facilities offered was almost infinitesimal. Except one society at Arifwala which has got its own building, all of them occupy rented shops. The capital of these societies is raised by issue of shares to the members or by raising loans from members or non-members. The management is vested in a committee with a small directorate elected every year. The day-to-day business is, however, conducted by a manager who is generally a paid employee of the society. To stimulate him to work better, he is given a share of profit at some places.

According to the same Report, the total quantity and value of produce sold through all the co-operative shops in the Punjab during 1932-33 and 1933-34 are as follows :

	<i>Tons of Produce sold</i>	<i>Value in Rs.</i>
1932-33	21,900	18,61,154
1933-34	25,550	18,95,289

The Report makes a special mention of "The Okara Zemindars' Co-operative Sale Society, Ltd." From the points of view of membership as well as capital and the business transacted at the society, it is by far the most important institution of the Province. 'Its membership consists of one credit sale society, three Government farms and twenty-nine large landlords. It serves a radius of about 12 miles round the important market town of Okara. It is claimed that about 14 per cent of the total wheat produced in the area served by the Okara market passed through the Society's hands in 1935.'

The Congress Ministry in the United Provinces encouraged co-operative shops for the sale of agricultural produce, but not much has been done so far in this province. So far, the co-operative societies have done little in the marketing of agricultural produce. Even in the Punjab where the number of shops is the largest, only about 15,000 or 16,000 tons of wheat or about half per cent of the average wheat

crop of the province is marketed by these societies. The marketing charges at these shops are smaller than at the shops of kachcha arhatiyas. We must also not ignore the fact that the co-operative shops have forced down the market charges of other arhatiyas as well by their competition. There is a considerable scope for development of marketing societies in this country.

Pucca arhatiyas are at the apex of the marketing organisation, and village baniyas or beoparis at the base. They are generally firms of substantial means and long standing. Many of them have branches in several of the leading mandis of the country. They purchase for the mills and exporting agencies. They finance the kachcha arhatiyas who are a link between the producer or beopari on the one hand and the pucca arhatiya on the other. Pucca arhatiyas are the chief stockists in mandis and assist in the assembling as well as the distribution of the agricultural produce. They act as agents for purchase of wheat for outside flour mills. In the producing centres, they collect wheat and store it against future demand whilst in the consuming centres they distribute to the retailers as they are the chief wholesale dealers in grain.

Markets. Wheat markets may be classified into the following four groups :

(1) *Primary village markets.* They are generally held periodically and include *penth*s, *bats*, *ghandis* and fairs. They function as primary assembling

centres of the produce of the neighbouring villages as well as final retail distribution markets. The days of pents or hats are so arranged that itinerant dealers can visit the neighbouring markets. They come in direct contact with the village producer who brings his produce very often to barter with cloth, utensils, ornaments of cheap metals, kerosene oil, etc.

(2) *Secondary Markets.* They are held daily and in the season, there are good arrivals of produce in them. In the Punjab and the Western districts of the United Provinces a number of fairly-good mandis exist practically in every district. Kandla and Shamli (Muzaffarnagar), Deoband (Saharanpur), Khatauli, Baraut (Meerut), Sikandrabad, Dankaur, Khurja (Bulandshahr), are some of the important secondary markets in the West U. P., where, in each one of them, thousands of maunds of wheat is collected every day. Their organisation is similar to that of the principal mandis or markets which we consider below. Wheat is stored in khattis and kothas in every one of these mandis. At some of these places, we find Pay Offices of the Imperial Bank of India or the Allahabad Bank, Ltd. These mandis collect the produce from the primary mandis as well as from the villages generally within a radius of 12 to 15 miles. Most of the produce assembled is transported by rail or road to the principal mandis. Some of these mandis have their Chambers of Com-

merce which regulate speculation and lay down rules and regulations for the conduct of business in the mandis.

(3) *Principal Markets or Mandis* are the large wholesale markets in every province. In the season wheat flows to them not only from the neighbouring mandis but even from distant markets. For example, large consignments of wheat arrive in the Hapur mandi, not only from the U. P. markets, but even from the Punjab. Amritsar, Lyallpur, and Lahore in the Punjab and Hapur, Ghaziabad, Muzaffarnagar, Chandausi and Cawnpore in the U. P. are some of the leading principal markets of wheat in Northern India. In fact, there is no clear-cut division between the secondary markets and the principal markets. Quite a large number of secondary mandis store large amounts of wheat and transact future business. Some of them have their own Chambers of Commerce or trade associations. For all practical purposes, the principal markets, and some of the secondary mandis too, can be characterised as regulated markets. The local associations or panchayats regulate business in these mandis. As a result of these organisations, the market charges and practices have been standardised. Although there is no representation of producers on these committees, it must be said to their credit that the charges have been brought down and the malpractices are minimised.

(4) *Terminal Markets.* These are the markets

at the ports of Karachi, Bombay and Calcutta which are concerned with the export trade as well as with the internal distribution. On arrival at the ports, wheat is stored temporarily in large godowns or sheds or warehouses owned by the port authorities in close proximity to the docks before it is removed to private godowns or railway sheds for distribution. The shops and offices of the merchants at Karachi are located in the neighbourhood of Bunder Road, while their stocks are usually at the Thola Produce Yard about a mile away, or at Kiamari, three miles off. The Karachi Indian Merchants' Association possesses a commodious hall for the conduct of spot and forward transactions. Still, more business is transacted on the telephone than by personal contact.

In Bombay there are five markets instead of a centralised one as at Karachi in which grain and oilseeds are traded. The spot market is concentrated round Dara Bunder. The Grain Merchants' Association, one of the oldest institutions of its kind in India, the Marwadi Chamber of Commerce and the Grain and Seeds Brokers' Association are leading trade associations for organising "futures" trade in wheat.

In Calcutta large stocks of wheat are stored at Kidderpore. At Howrah the Railway Company has provided a shed where brokers meet to transact business on the basis of samples. They are permitted to draw from the consignments of wheat at the

station. The hours of business in this market are from 4 p.m. to 5.30 p.m. The Calcutta Grain, Rice and Seeds Association, and the Indian Produce Association are the leading trade associations in this produce exchange.

Marketing Practices. In the majority of cases market practices are governed by mercantile usages and traditions. Except in details, there are no broad differences either in marketing charges or practices between one mandi and another. The same systems prevail practically in every province and every State except where the markets are regulated by law as in the Central Provinces and Berar or the Hyderabad State, or are standardised owing to the activities of the Chambers of Commerce or Trade Associations. One finds the same functionaries and the same practices and charges practically in every mandi except that the charges in bigger mandis are smaller and malpractices fewer owing to the keen vigilance of market committees. But in most of our mandis the same old and ill-defined customs and usages prevail.

In the marketing season the kachcha arhatiyas send out their touts or servants to receive the sellers outside the town and assist them at the octroi office. In some places like Delhi, the arhatiya's man pays the toll or octroi on behalf of the seller, to be adjusted in his accounts after the sale of his produce. The terminal tax at some places is very vexatious and

inequitable. For example, at Bulandshahr in U.P., they charge according to conveyance—say one anna for a man's load, four annas for a pony load and one rupee for a cart load. Now, this load may be of anything, say wheat or cotton or even cowdung. Further, whether the cart may contain four maunds or forty maunds, the duty will be the same. It is simply absurd, and cannot be justified on the ground of convenience in collection. In most cases the owner of the produce has to pay *baq* or *mamuli* to the octroi staff.

As a rule, business hours in the Indian mandis commence a little after the sunrise. By noon the sales and deliveries are completed and the afternoons are devoted to the settlement of accounts.

Methods of sale. Sales of wheat are effected in one of the three following ways:

1. Under cover or cloth ;
2. By auction ; and
3. By private treaty or agreement.

The first system prevails practically throughout the country and at many of the largest markets in Northern India, such as Lyallpur and Amritsar in the Punjab and Hathras in the United Provinces. It is also the normal method of effecting sales in Indore and certain districts of the Central Provinces. The rates under the *pardah* system may be settled either by a single bid as in some of the Central Provinces

markets or by repeated bids as in the Punjab and some other places.

In the auction system the arhatiya or broker invites bids for the produce and the highest offer is accepted as in other auctions. This system prevails in the South of India generally, in the large markets of the Western United Provinces, e.g., Hapur, Muzaffarnagar, etc., and in some of the east and central districts of the Punjab, such as Ferozepore, Moga, etc. This practice is also found in the C. P., Rajputana and Central India. In some of the markets, e.g., Drug and Rajnandgaon, in the eastern parts of the Central Provinces, there are two auctions, the first carried out by a market official—representative of the municipality—who auctions each heap to the dalals and brokers. When all the heaps have been sold in this manner, a second auction takes place; this time each broker auctions his own purchases to other buyers.¹

Under the open bid system, individual buyers may come at any time convenient to them and make their individual offers. The kachcha arhatiya may or may not accept any one of them. This practice is common in Delhi, in northern parts of the Punjab, at Muzaffarnagar, Agra, Cawnpore, Benares, Lucknow and most of the other consuming centres in the United Provinces and in the smaller markets of the

¹ *Report on the Marketing of Wheat in India*, p. 149.

Central India, Rajputana, Bihar and Sind. In Hyderabad (Deccan) the last two systems are common.

It is difficult to say which of the systems indicated above is the best. Each system has its own merits and defects. The advocates of the cover system claim that the buyers who do not know each others' bids offer the maximum rates to which they can go. As against this, in the auction system they know each others' bids and only gradually improve offers. But if the arhatiya is dishonest he can cheat the seller who is ignorant of the bids under cover. Generally, it does not so happen. In the larger wheat markets of the Punjab the cover system is the most common. This system would be found reasonably satisfactory if the final rates are openly announced at once, as is the practice in some of the Central Provinces markets.

Besides the above systems, where sales are made of individual lots there is the practice of "*dara* sales" for wheat and other grains in the canal colony markets of the Punjab and in some of the principal mandis of the United Provinces, e.g., Hapur, Ghaziabad and Muzaffarnagar. It saves time and botheration of the arhatiyas as well as the large buyers who store wheat in khattis and kothas, but it definitely discourages the production of good quality. The arhatiyas, as a rule, fail to make adequate distinction between the best and the worst qualities.

They can also favour special clients secretly.

The basis of sale in the case of wheat sold in the market may be subject to :—

- (a) the removal of dirt and large impurities by *rulai*, i.e. cleaned wheat;
- (b) fixed deductions (*karda*) for dirt, according to usage which may be made either before or after price fixation;
- (c) variable deductions settled after the goods have been visually examined for refraction and general appearance; and
- (d) dhaltā or *dane* (weighing allowance). It varies from $\frac{1}{4}$ seer per maund to $\frac{1}{2}$ seer per maund. Mostly it is $\frac{1}{4}$ seer per maund except in Bihar where it is $\frac{1}{2}$ seer per maund.¹

We have already discussed the market functionaries and market charges under agricultural marketing. It should suffice here to give the following summary taken from the Report on the Marketing of Wheat in India to have a comparative idea of the market charges in the various parts of the country.

“The general position in regard to the total market charges per Rs. 100 as shown in Appendices XXIII to XXX may be summarised as follows:²

¹ Wheat Marketing Report, p. 151

² Ibid, p. 165

	Minimum	Maximum	Average
	Rs. a. p.	Rs. a. p.	Rs. a. p.
1. Punjab—			
(a) Colony Markets	2 1 3	3 12 3	2 15 1
(b) Non-Colony Markets	2 4 6	5 6 3	3 11 5
2. United Provinces—			
(a) Western Markets	2 7 0	4 12 3	3 8 0
(b) Central and Eastern Markets ..	4 14 3	7 13 0	6 12 11
3. Central Provinces ..	1 11 6	7 7 1	4 10 8
4. Bihar & Orissa ..	2 4 0	5 11 6	3 8 7
5. Bombay	3 15 9	6 5 4	5 2 10
6. Sind	3 9 9	6 0 3	4 13 0
7. Hyderabad—			
(a) Regulated Markets	2 3 6	3 2 4	2 11 6
(b) Unregulated Markets	1 15 1	5 1 8	3 3 0

Prices. Wheat is a commodity which is widely produced and widely consumed. It has an international market. For such a commodity, in theory, there should be "world price" to which the prices of wheat everywhere should be related after allowing for quality, cost of transportation and the time factor. In actual practice, it is not so. There are so many factors, like restrictions on imports and exports, tariffs, quotas, etc. that a world price is an impossibility these days. Even the internal prices at the same place show serious differences when one compares the official and trade

prices. Little reliance can be placed on official prices. 'In one Tahsil the work of collection of prices was entrusted to a menial.' The official class regards this kind of work with contempt and, therefore, pays scanty attention to it.

Seasonal variations of prices are a common feature. It is due partly to geographical factors and partly to the economic laws of supply and demand. There is a steady fall of prices from January-February to April-May. This fall is estimated to be about 19 per cent in some of the leading markets as the harvest reaches its height in April or May. Then the prices recover a little upto August—the period of monsoons. Again there is a general drop between August and September, to be followed by steady rise in the last three months of the year. The fall from January to April is due to the selling pressure of the stockists who are anxious to clear their stocks of khattis and kothas before the arrival of the new crop. In April and May the cultivator puts large stocks of wheat on the market and consequently this further sags down the market. During the monsoon months arrivals of wheat in the mandis drop down to the minimum owing to bad and inadequate means of transportation and risk of damage to the produce by rain. Prices, therefore, recover partly during these months. 'The general fall in September appears to be due to the reopening of village communications and to the tendency in

large assembling centres to release stocks which in many instances have been hedged in the September position in the markets of one or other of the various "futures" trading associations.' The improvement in the last three months of the year is due to increased consumption of wheat and wheat products. If proper facilities of storage and finance are provided to the cultivator through co-operative societies he will not be forced to sell his stock immediately after the crop is harvested. Again, transport difficulties during the monsoon also compel the cultivator to sell his produce before the rains commence.

Variations in prices may as well be due to differences in quality and type. White wheats, for example, command a premium of about two annas per maund over red wheats almost everywhere in the country except in certain parts of Rajputana and the neighbouring country. Again, soft wheats are at a discount of about 5 per cent over hard (*sharbati*) wheat. Durums (*kathia*), the hardest type, enjoy a premium of 8 to 12 annas a maund over other wheats in Central and Southern India. In Northern India *Sharbati* wheat is liked most and commands a premium over all other qualities. Calcutta importers prefer *Chandausi* wheat which is very much in demand in the United Provinces as well.

In the organised markets prices are closely related and they move up or down simultaneously or in sympathy with one another. The prices, ruling in

the terminal markets at the ports of Karachi, Calcutta and Bombay and at Lyallpur in the Punjab and Hapur in the United Provinces, the two large assembling markets, react together and move one way or the other simultaneously. It is because they have good facilities of transport, communication, storage, financing and above all, of adequate facilities of speculation and futures trading. By arbitrage dealings prices can be brought in harmony in different markets. Prices in the secondary mandis follow the trend of prices in the principal mandis and ultimately this reflects in the village prices. But in the case of unorganised markets prices vary considerably which is not justified by transit charges and time element. This indicates the need for a better system of market intelligence.

Market Information. It is desirable that the grower should be kept well informed of the course of market prices. In this connection, first it is necessary to collect proper and correct information and then to pass it over to the grower. At present he depends on the baniya or hearsay reports. Recent developments in the way of broadcasting market prices through village radio sets have been found useful. The official prices are of no value to the grower or even to the trade. Firstly, they are unreliable and secondly, they are generally issued long after the events recorded have actually taken place. They are, therefore, of historical and academic interest

rather than of practical value to the trade or large growers. The Indian Trade Journal, published by the Department of Commercial Intelligence and Statistics every week, gives a wide range of commodity quotations as well as trade movements. These prices are obtained from Chambers of Commerce or from market reports that appear from time to time in trade periodicals. The Journal also publishes the all-India crop forecasts in detail by provinces and States, as well as weather and crop reports. The five all-India forecasts of wheat issued from Calcutta by the same Department are published on or about the 31st January, 15th March, 20th April, 30th May and the 10th August every year. Besides this weekly Journal, the Government publishes monthly 'Rail and River-borne Trade of India' and 'Sea-borne Trade of India.'

Another agency is the daily press or weekly journals like 'Commerce' from Bombay and 'Capital' from Calcutta. Prices published in the trade press are not quite intelligible to the ordinary reader who may be unaware of the weight of the unit quoted, or of the quality or grade, or the amount of refraction on which the quotation is based. Again, there is a good deal of confusion in price quotations in different markets. For example, in Karachi wholesale prices are quoted in terms of rupees per candy (656 lbs.), in Bombay per cwt. (112 lbs.), in other places in maunds which may be of $82 \frac{2}{7}$ lbs. or may

not be that much. In Calcutta the bazaar maund is of 82 $\frac{2}{15}$ lbs., and the Imperial or Railway maund is of 82 $\frac{2}{7}$ lbs. In Chandausi, an important mandi of wheat in the United Provinces, the maund is of 50 seers in contrast with the 40 seers of the Imperial or railway maund quoted at other centres. In the retail trade, price is generally quoted in terms of seers (2.057 lbs.) per rupee, but the buying seer in some cases may be heavier than the selling seer. This gives the retailer scope for charging the poor consumer a little higher by manipulation of the rates. Something must be done to put price quotations in all markets on a comparable basis as the existing system of price quotations is simply confusing. It can be achieved by standardising the system of quotation.

Quality. Quality is an important factor in determining prices. As regards wheat, the most important factors are (a) impurity content, known as *kbad*, or refraction; (b) bushel and kernel weight; (c) nature and structure of the kernel; (d) moisture content; and (e) protein and gluten content. Merchants in India lay the greatest emphasis on *Kbad* or refraction and the general appearance of the grain which is often subject to wide interpretation by the contracting parties.

Refraction or *kbad* is a term applicable to the impurity contents of the produce under sale. It may include one or more of the following:

- (i) Dirt, stones, lumps of earth or any other kind of foreign matter, including oil-seeds and non-food grains;
- (ii) Barley or other food grains like grams or peas;
- (iii) Damaged or 'touched' grains;
- (iv) Shrivelled or immature grains;
- (v) Weevilled grains ;
- (vi) Mixtures of red wheat in white.

The following table¹ gives the total average proportion of all kinds of refraction found in the wheats of the various provinces and States in India :—

	%		%
Punjab—		Sind	6.14
Canal Colonies ..	6.51	Bihar & Orissa ..	6.68
East and South		North West Fron-	
east	8.79	tier Provinces ..	10.06
South and South		Bengal	8.27
west	8.18	Rajputana	10.98
North	7.15	Central India ..	2.71
United Provinces—		Hyderabad Deccan ..	14.11
Western	7.61		
Central	6.56		
Eastern	6.61		
Central Provinces ..	10.34		
Bombay	3.90		

Grading. Sufficient attention has not yet been paid by the State or the trade to the grading of wheat as to the grading of cotton. Since the passing of the

¹ Report on the Marketing of Wheat in India, p. 181.

Agricultural Produce (Grading and Marking) Act of 1937, something has been done by various Provincial and State governments, but mostly their activities have been confined to the grading of ghee, eggs, rice, hides and skins, etc. Wheat is not properly graded anywhere in India as it is done, say, in Canada or Argentina. Wheat may be graded with respect either to quality and type of the grain proper or to the quantity and quality of the *karda* or *kbad* or refraction mixed up with the main cereal. The farmer separates the improved variety from the inferior ones and so does the retailer. But the wholesaler and the stockist encourage *dara* or fair average quality. The following rough and ready system of classification is adopted by the wholesale and retail trades in the Bombay Presidency.¹

Quality Factor	Grade No. 1	Grade No. 2	Grade No. 3
Colour and lustre ...	Good and lustrous.	Dull ...	Dull
Uniformity of kernel size.	All grains uniform and bold.	All grains uniform.	Grains not uniform
Presence of mottled grains of uneven structure.	Negligible	50%	75%
Refraction, e.g., dirt, chaff and other impurities	1 to 2 per cent.	2 to 3 per cent.	4 to 5 per cent.

¹ Wheat Marketing Report, p. 184.

Standard-Contracts. In markets possessing registered Trading Associations transactions are effected on a standard basis. These associations provide all particulars of sales, viz., the quality, the unit of sale, the term of delivery and of payment, etc. In case of deviation from quality, they provide rates of discount and premium in case of mutual or reciprocal contracts, but it is not always so, e.g., the contracts in vogue at the mandis of Ludhiana, Chandausi, Muzaffarnagar and Calcutta are of non-reciprocal nature, meaning thereby that the seller will not get any premium if the refraction in the grain supplied by him falls below the tolerance limit. There is no uniformity in these contracts as regards basis of refraction, free tolerances, months of delivery, units of sale, cover or margin money, settlement dates and conditions regarding delivery, payment and arbitration, etc. Sales on the basis of standard contract are of two kinds, (a) Ready and (b) Forward.

Ready sales on the basis of standard contract are confined to places where wheat is stored in khattis or kothas, e.g., Hapur, Ghaziabad, Chandausi and Muzaffarnagar in the United Provinces, and Amritsar, Lyallpur, Gojra and Sargodha in the Punjab. Hapur was the first market to form a Chamber of Commerce in the United Provinces for this purpose. Under its rules, every khatti, when filled, is required to be registered at the Chamber,

giving full address or location of the khatti, its weight and serial number according to the account books of the filler together with the number assigned to it by the bank, if it is pledged.

After verification, the Chamber fixes its seal on the form of sale, called *langot*, which signifies that the particulars given on the form are correct. On the basis of this form or *langot*, the khatti is sold to the intending buyer, and full particulars of the sale including the price are entered on the form which is now passed over to the purchaser in token of the transfer of ownership. The purchaser has the option to pay 25 per cent of the price, and interest on the balance at the rate of 9 per cent till the final settlement, or pay the full price. In either case, he is entitled to resell the khatti and the new purchaser acquires the same rights. This process can go on *ad infinitum*. Whosoever ultimately possesses the form of sale can claim delivery of the khatti. During the process of sale and resale, the khatti remains in possession of the original seller who is responsible for any damage to it by water entering from the bottom or sides. But the purchaser will suffer the loss due to *bhagar* (infected or stained wheat). He has, however, the option to demand delivery any time. The contents of the pits in all these transactions are taken to be standard according to the rules of the Chamber. No party to the sale or resale

examines them before delivery. If at the time of the delivery, the contents are found to be above or below the standard of the Chamber, premium or discount is payable. Contracts entered into by the mills or by exporters at the port with sellers in the organised mandis are also based on standard contracts. A short description of each one of them is given below.

Mills' Contracts. These are the contracts between the trade and the milling companies. They are similar in essentials but differ here and there in details. The terms of the contract cover the quality of the deliverable goods, the quantity, the price and the source of origin of the produce. They also include the kind of bagging, the method of delivery and payment and the amount of refraction which may be tolerated by the buyer. Provision is also made for arbitration to settle disputes, generally according to the rules agreed upon between the parties. In case of non-delivery, the buyer is given the following options :

- (a) to cancel the contract in so far as it is unfulfilled;
- (b) to repurchase in the local market or elsewhere, at current market rates, such quantities as were undeliverable, the seller being responsible for any loss suffered by the buyer;
- (c) to charge, the seller with the difference

- between the current and the agreed rates,
or
(d) to grant an extension for the completion
of the contract.

Generally the buyer advances 80 per cent of the invoice price against a clean Railway Receipt, although a number of mills advance upto 90 per cent even.

Export Contracts. Like the Mills' Contracts, these contracts also give particulars of quality, quantity, price, delivery, payment and mode of packing, etc. A special feature of the contract is the acceptance by the seller of the buyer's weight and analysis of the goods railed by him to the shipper at the port of loading in consideration of which he may generally have received an advance of 80 to 90 per cent of the value of the consignment either from the shipper or from his up-country agent. The balance is paid after the goods have been weighed, analysed and approved by the buyer. Wheat for export is usually packed in brand-new B-twill gunnies of $2\frac{1}{2}$ lbs. each measuring $44'' \times 26\frac{1}{2}''$. The limit of free tolerance is laid down in the contract and in case of the admixture being in excess of the amount of free tolerance, the buyer is given the option to accept the goods with extra allowances, or get them recleaned at seller's expense or reject them and claim loss from the seller. In case of the refraction being less than the free

tolerance limit, the seller is entitled to no premium. In other words, the contract is of a non-mutual character, which is not desirable as it discourages the incentive on the part of the seller to supply clean produce. The seller must pay if the amount of refraction is found more than the tolerance limit. But he must also get premium for the cleanliness of the produce. The contract also lays down the options resting with the buyer in the event of failure to deliver or of short delivery or of rejection. These options are, more or less, like those given above under Mills' Contracts. Goods are despatched at sellers' expense and risk, in wagon-loads and the Railway Receipt is made out in the name of the buyer, both as consignor and consignee. Under contract buyers have the right to weigh the whole lot or be content with the customary average weighing. Goods are guaranteed to be delivered in dry, sound, and merchantable condition, free from damaged and touched grains. In case of any dispute, reference may be made to two arbitrators to be appointed one by each party from amongst the members of a specified Chamber of Commerce at the port concerned.

Forward Sales or Badni Ka Satta. It is not possible to give the procedure of forward sales followed in every wheat market. We select Hapur, one of the leading inland wheat mandis for illustration and give a detailed account of the procedure followed in this market. The deals or *saudas* are negotiated by bro-

kers or dalals. On the settlement of the bargain, the parties sign the Forward Contract Agreement form in the books of the broker. The standard unit of sales is 25 tons (average capacity of a *khatti*). Every deal is registered at the office of the Chamber which demands Rs. 150 per unit of transaction from each of the parties, i.e., the purchaser and the seller. This amount is meant to cover the loss in case any of the parties to the contract backs out. If the price fluctuates by two annas per maund or more, the Chamber demands a fresh cover from the party liable to pay. In case, however, the price returns to the original level, the sum is returned to the party concerned, but the initial deposit of Rs. 150 from each party remains with the Chamber upto the final settlement. If a party that has sold 100 units bargains to purchase 100 units in the same month, the Chamber will not demand fresh cover on the new deal because the second transaction serves as a kind of hedging and minimises the risk very considerably. In fact the parts can withdraw the deposit money.

The months of delivery vary from association to association. At the ports, the merchants follow the calendar year, but in the up-country towns, *Vikrami Samvat* (a Hindu calendar) is invariably used. The months of delivery vary from two in the case of Calcutta to eight at Karachi. As a rule, the majority of the up-country exchanges have adopted six months of delivery although there are a few with

four, as for example Hapur and Chandausi, and five as at Lyallpur. Apart from other disabilities, this forms an obstacle to the dissemination of market information.' The months of delivery in the Hapur market for *Badni ka satta* are:

- (i) *Jeth* (May-June).
- (ii) *Bhadon* (August-September).
- (iii) *Mangsir* (November-December).
- (iv) *Magh* (January-February).

The final date of settlement is the last date of the Hindu month. Although both parties to a deal have the option to press delivery in kind, usually the contracts terminate by settlement of accounts. The seller can serve a notice on the purchaser between the 1st and the 25th, while the purchaser can similarly give notice to the seller between the 16th and the 27th of the month of delivery. These notices are served through the Chamber. In case none of the parties has desired delivery in kind, the Chamber closes the accounts on the last date of the month. The gaining party is paid its profit by the Chamber out of the deposit of the other party and the balance is returned to the losing party. The price on the last date of the month is fixed by the Chamber in a meeting of its members on that day.

The Chamber registers contracts of its members only. Outsiders can only deal through members who are arhatias in the mandi. Like the Chamber, these member-arhatias take an advance of Rs. 150

per unit from each customer-buyer or seller; but they deposit advance with the Chamber only for the balance. For example, an arhatia sells 20 units and purchases 25 units on account of his customers. He will receive advance for 45 units, i.e., $45 \times 150 =$ Rs. 6,750 from his customers, but he will deposit only Rs. 750 with the Chamber, i.e., the cover merely for 5 units. He can utilise Rs. 6,000 in trade or on interest as it suits his convenience. Besides the advance, a dealer is required to pay the following charges on each unit of 25 tons :

	Rs.	a.	p.
Commission to the Arhatia	5	0	0
Commission to the broker	1	0	0
Commission to the Chamber	0	1	0
Charitable Dispensary	0	0	3
A. K. Pathshala	0	0	3*
Goshala	0	0	6
	<hr/>		
	Rs.	6	2 0

The *Mahavir Vyapar Mandal, Ltd.*, is another association, similar to the Hapur Chamber of Commerce. Here the unit of transaction is of 200 maunds, otherwise the rules are, more or less, alike.

Besides acting as bull (*tejiwala*) or bear (*Mandewala*) when the speculators take full risk of the fluctuations in prices in a given period, sometimes they deal in options only. An option is a right to buy or sell certain goods within a fixed time at a price settled at

the time the option is given. The giver or seller of an option (called option dealer) receives from the purchaser of the option a fixed amount by way of premium (known as option money).

There are two kinds of single option—the call option and the put option. The ‘call option’ gives the right to buy or not, at the choice of the option-holder, at an agreed future date a certain commodity at an agreed price, which is known as the ‘striking price.’ The ‘put option’ gives the right to sell or not, at the choice of the option-holder, at an agreed future date a certain commodity at an agreed price. There is also the double option (‘put and call option’) which gives the right either to buy or to sell, at the choice of the option-holder, a certain commodity at an agreed future date at an agreed price. In Indian market language option dealings are known as ‘*Teji-Mandi* transactions.’ *Teji-ka-sauda* is the equivalent of call option, and to buy a ‘call option’ is known as ‘*Teji lagana*’, and to buy a ‘put option’ is ‘*Mandi lagana*.’ The double option is known as ‘*Nazrana ka sauda*’ and to purchase *nazrana* is called ‘*Nazrana lagana*.’ The person who buys an option is called ‘*Teji, Mandi or Nazrana laganewala*’; while the option dealer is known as ‘*Teji, Mandi or Nazrana kbanewala*.’ This terminology is used not only in the wheat markets, but in all the grain and other markets in India. In option deals, the risk is limited to the option money. All these contracts are based on standard contracts.

As a result of discussions at an informal conference that took place at Delhi in 1936 between the representatives of trade and the Central Marketing Staff a contract was drawn up as a compromise between various standards now in vogue in this country, a summary of which is given in the following table:—

Summary of suggested standard contract terms¹

- I. Dirt, including non-food grains or other extraneous matter:—
 - Basis $1\frac{1}{2}\%$ Mutual allowances at contract price up to 3%
 - Over 3%.. Double allowance plus cleaning charges.
- II. Barley, Pulse and/or other food grains—
 - Basis 2% Mutual allowances at half the contract price upto 4%
 - Over 4% and upto 10%: To be allowed for by seller at full contract price.
 - Over 10% .. Buyer's option to reject.
- III. Damaged and slightly damaged ("touched" and discoloured) grains—
 - (a) Damaged (*i.e.*, grains internally discoloured):—
 - Basis 1% .. Mutual—below 1% the buyer (in respect of all damaged grain present) and the seller in respect of the difference

¹ Report of the Marketing of Wheat in India, pp. 194-95.

between the basis and the actual content of damaged grain may claim allowances at half contract price.

Over 1% .. To be allowed for by seller at full contract price.

(b) Slightly damaged (*i.e.*, grains externally discoloured)—

Basis 1% .. Free—No allowance.

Over 1% .. To be paid for by buyer at $\frac{3}{4}$ ths of the contract price.

IV. Shrivelled—

Basis 1% .. Free—No allowance.

Over 1% .. To be paid for by buyer at $\frac{3}{4}$ ths of the contract price.

V. Weevilled—

	Basis	Buyer's option to reject
April to July ..	Nil	Over 2%
August to		
September ..	$\frac{1}{2}$ %	Over $2\frac{1}{2}$ %
October ..	1%	Over 3%
November ..	$1\frac{1}{2}$ %	Over $3\frac{1}{2}$ %
December to		
March ..	2%	Over 5%

Free tolerance—no allowances—up to basis percentages—differences between the basis and

the rejection limit to be paid for at half the contract price of sound wheat.

VI. Red Wheat—

Basis 10% .. Mutual.

Excess or deficiency to be allowed for by seller or buyer respectively at 1 pie per cent per unit.

VII. Tenderable Wheat—

The wheat tendered shall be any white wheat produced in India other than *durum* or white *seoni* as grown in the Central Provinces or derived from stations in the United Provinces south of Lucknow and Cawnpore. It shall be the current season (specified) crop. The wheat shall be sound, plump, clean, matured, dry and in merchantable condition weighing not less than 60 lb. per bushel. Wheat which contains injurious or poisonous seeds and has a musty or sour odour shall be liable to rejection.

VIII. Unit of Weight—

Prices shall be quoted in terms of the Imperial Maund of 82-2/7 lb. (82,2857 lb.)

Additional terms for "futures" contracts

(1) Minimum weight unit of each contract 500 mds.

(2) Delivery months	..	..	May
		..	July
		..	September
		..	November
		..	January
		..	March

The date of delivery in each contract month in up-country exchanges to be 15 days ahead of the corresponding date in port Exchanges.

COTTON

Cotton is one of the most important commercial crops of India. Among the list of exports of raw materials, it has always occupied the place of honour, except since 1940-41 when tea surpassed it owing to its abnormal demand for the army and the loss of some of the important markets, like Japan and Central Europe, for exports of cotton. Japan has been India's best market for short-staple cotton. With the freezing of her assets in August, 1941 and her declaration of war against the British Empire in December of the same year, there was a complete stoppage of our exports to that country. Luckily for the cotton grower, the consumption of Indian mills has increased considerably, but it could not compensate for the loss of foreign markets. The carry-over on September 1, 1941 was estimated at 1,750,000 bales of 400 lbs. each. To help the grower the Government created a special fund out of an additional duty of one anna per lb. on imported cotton. In case of abnormal fall in prices, the Government promised to enter the market to purchase surplus stocks. Further, specifications relating to war orders were so modified as to increase the domestic consumption of short-staple varieties. A food drive

campaign was vigorously initiated by the Central Government to take away land from cotton cultivation and devote it to the production of food grains. Transport facilities were denied to the movement of short-staple cotton. Above all, the introduction of the new Indian Cotton Contract has encouraged the growth of medium and long-staple cottons to the detriment of the short-staple varieties by denying them hedging facilities. The cumulative effects of these measures have been quite encouraging as, according to the report of the Indian Central Cotton Committee, there was a reduction of 43 per cent or about 4 million acres of land under short-staple cotton in the year 1942-43, as against a reduction of 18 per cent in the acreage under cotton in the same year. In the opinion of the Committee, the position of short-staple variety has improved considerably since its output has come down to the level of internal consumption and possible exports. Still the wise policy would be to discourage an increase in the total acreage or at least in the growth of short-staple varieties.

The following table, compiled from 'The Estimates of Area and Yield of Principal Crops in India, (1939-40), and the 'Reviews of Trade of India,' shows the position of this important crop for a decade from 1930-31 to 1939-40 as regards area, yield, exports and mill consumption :

(ooo) Omitted

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	1930-31	1931-32	1932-33	1933-34	1934-35	1935-36	1936-37	1937-38	1938-39	1939-40
Area (acres) ..	23,439	23,494	22,151	23,692	23,515	25,444	24,759	25,746	23,490	21,351
Yield (in bales of 400 lbs. each)	5,192	4,003	4,618	5,057	4,797	5,867	6,234	5,722	5,051	4,909
Exports (in bales) ..	3,926	2,369	2,062	2,729	3,490	3,396	4,140	2,732	2,703	2,948
Mill consump- tion (in bales)	2,266	2,342	2,379	2,290	2,553	2,609	2,612	2,867	3,122	3,040

COTTON

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Cotton is grown in all the British Provinces and in most of the Indian States. But the chief cotton growing areas are the Provinces of Bombay, Central Provinces and Berar, Madras, Punjab, Sind and the United Provinces. Among the States, Hyderabad, Gwalior, Baroda, Bombay States and Central India States are the areas of concentrated growth of cotton. Two crops of cotton—early and late—are grown in India. Early cotton grows mainly in Central and Northern India and late cotton in Southern and Western India. Taking both the crops together, the sowing season extends from March to August and the harvesting season from September to April. In parts of Southern India, sowings continue till December and harvesting till July.

The acreage under cotton in India is almost as much as in the United States of America, but the yield is far less here. In 1940-41 Indian acreage under cotton was 23,286,000, and the yield for the same year was estimated at 5,903,000 bales of 400 lbs. each. As against this, the acreage of the United States of America for 1940 was 23,861,000 and the yield for the same period 15,707,000 bales.¹ This shows the glaring difference in yield between the two countries, because while the acreage is more or less equal, the yield is much less than half of the American produce.

¹ *Estimates of Area and Yield of Principal Crops in India (1940-41)*.

India is the second largest producer of cotton in the world at present. From an average yield of 2,296,000 bales at the commencement of this century (average of 1895-96 to 1899-1900), it has increased to 5,903,000 bales in 1940-41, and for the corresponding periods, the area has increased from 13,803,000 acres to 23,286,000 acres. While production of cotton has been increasing in the last forty years or so in India, Russia, China, Egypt, Brazil and some other countries which now grow nearly 17 million bales of cotton, as compared to 6½ million bales they grew in 1902, American production has shown a declining tendency as is clear from the following table, taken from the *Indian Textile Journal* :—

IN MILLION BALES OF 400 lbs.

Year.	Production		Consumption		Carry-over		Price	
	American	Out-side growth	American	Out-side growth	American	Out-side growth	American	Out-side growth
1914-15	16½	12.0	14.0	8½	6½	4½	cents. 7.94	Rs. 220
1940-41	12½	17½	11½	16.0	13½	9	15½	255

Ever since the commencement of cotton industry in the United Kingdom in the last quarter of the eighteenth century, efforts have been made to improve

the quality of Indian cotton but nothing substantial could be achieved upto the establishment of the Indian Central Cotton Committee in March, 1921. The Lancashire merchants wanted to be independent of American supplies and with that end in view the British Government encouraged the cultivation of cotton in the Empire countries, including India. In 1917, the Government of India appointed a Cotton Committee to enquire into the possibilities of growing long-staple cotton in this country. Its findings were by no means very encouraging but as a result of its recommendations the Government of India constituted the Indian Central Cotton Committee in 1921, which has done valuable work in improving the quality as well as the yield of cotton in this country. Briefly speaking, the chief functions of the Committee have been to advise the Central and Local Governments on all questions on cotton referred to it and to suggest suitable measures for the improvement of the industry, and secondly to finance and direct research work on the problems connected with the improvement of Indian cotton. It has been instrumental in the passing of useful legislation concerning cotton, e.g., the Cotton Transport Act and the Cotton Ginning and Pressing Factories Act which have helped in preventing adulteration and spoiling of the quality of improved varieties of cotton. The Committee has established regulated markets for cotton in Khandesh, Central

Provinces, Hyderabad, Indore, Dhar, Baroda and several other places. It maintains a technological laboratory at Matuṅga for carrying on research on cotton. To finance its activities, the Indian Cotton Cess Act was passed in 1923 by which a duty of two annas per bale is imposed on all Indian cotton exported or consumed by Indian mills, which are required to submit monthly returns to the Government. Since the outbreak of the present War, in 1939, and the consequent loss of foreign markets for Indian cotton, the Committee has concentrated its attention on substituting short-staple by long-staple cotton and on devising ways and means for absorption of the large stocks of short-stapled cotton on hand.

Absence of regulated markets in most parts of the country, except in the Central Provinces and Berar and in certain parts of Bombay and Madras, is the general feature of cotton marketing in India. There is no uniform practice that can be taken as truly representative. It depends on local customs and commercial usages. The middleman, rightly or wrongly, is criticised in the cotton trade as vehemently as in other agricultural trades. We have discussed his position at some length in an earlier chapter and there is nothing new to add in connection with the cotton trade as regards the services of the middleman. The Indian Cotton Committee of 1919 believed that the cultivator is heavily handicapped in securing adequate price because of

a large number of middlemen. As against this, the Royal Commission on Agriculture (1928), the Central Banking Enquiry Committee and many of the Provincial Committees have paid tribute to their services and have observed that the remuneration paid to them is not excessive in view of the services and risks undertaken by them.

Representatives of big firms, Indian and foreign, reach the village and make direct purchases, eliminating the services of the itinerant dealer and the commission agent. They are well informed of market fluctuations and it is they who regulate the village price. Owing to cut-throat competition, the middleman very often does not get even his bare sustenance and, therefore, resorts to dishonest practices. He lives on hope than on profits—hope of getting better prices for his purchases. He relies more on chance than on his critical study of the price fluctuations. Further, it is estimated that the local merchant purchases only about 25 per cent of the total arrivals of *kapas* (unginned cotton) in a season, while the agents of the Bombay mills or of the foreign companies purchase the remaining 75 per cent. Therefore, the middleman cannot possibly injure the interests of cultivators to any appreciable extent. In fact, he is guided by the prices of Bombay agents.

The Indian Central Cotton Committee have

given the following figures¹ regarding the percentage of sales in the village and the mandis :

	Percentage of the amount sold	
	<i>In Village</i>	<i>In Market</i>
Berar	32.0	68.0
Khandesh	81.4	18.6
Middle Gujerat	51.0	49.0
Sind	79.0	21.0
The Punjab	80.5	19.5
Madras	87.0	13.0

On a scrutiny of the above table, it is evident that Berar is the only exception where less than one-third of the sales are effected in the village. The reason is not far to seek. It is because of the regulated markets of cotton in that province that such a large percentage of sales are made in the market. We can also understand that if the markets were well organised and regulated and adequate provisions were made for storing, grading and pooling of the produce, it will need no advocacy to persuade the cultivators to bring their cotton to the market for sale. At present for various reasons, he prefers to sell his cotton in the village. Many of them have only limited quantities to sell which may be too small for a cart-load. A large number of the cultivators in a village do not possess their own carts and

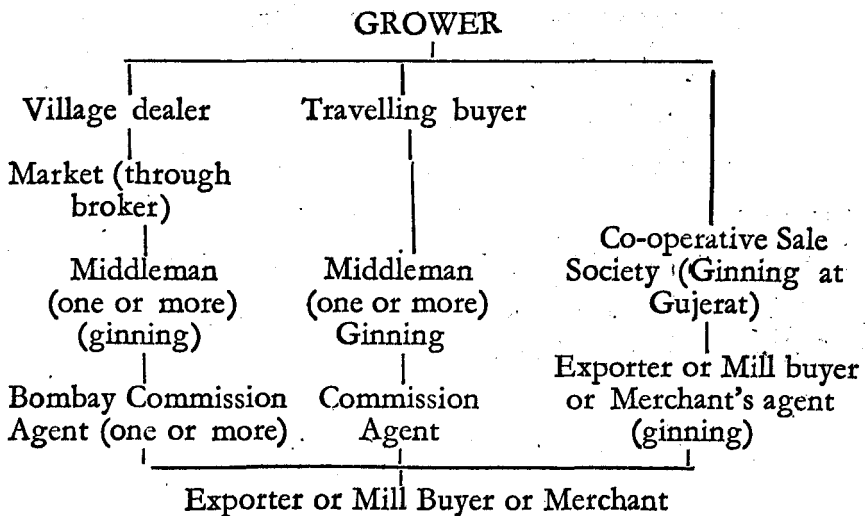
¹ Dantwala—*Marketing of Raw Cotton in India*, p. 37.

the transport charges during the season are heavy. The cultivator is not well acquainted with the market technique and its functionaries. He has, therefore, to undergo considerable inconvenience and loss in an unregulated market. It is also found that in the cotton areas, owing to keen competition amongst the buyers, the prices in the villages are not unfavourable. They are guided by agents of Bombay firms. In the village the cultivator can wait for sometime, but if he takes his produce to the town, he will have to sell it as he cannot stay in the town and there are no storing facilities for his produce. Further, disputes about prices, inferior quality, admixture, etc., so common in the marketing centres, are rare in the village. It is because the cultivators are in a majority and the beoparis cannot afford to incur their displeasure.

MARKETING PROCESS

Like wheat and other agricultural products, the marketing of cotton begins from the time the produce is ready in the hands of the cultivator for disposal. At times it begins even earlier when the standing crop is hedged or sold against future delivery. In case of such forward sales, the price is either fixed at the time of the contract or is left to be fixed on delivery, according to the quality of the produce. In Central Gujerat, the gin-owners enter into forward agreements with the cultivators, at the beginning of

the harvesting season, to purchase their produce at given prices according to samples. At times the farmer takes an advance from the money-lender and hypothecates his *kapas* (unginned cotton). The rate, in such cases, is generally lower than the market price in the season. During the season the cultivator sells his produce in the village to the *sowcar*, the village dealer, the itinerant beopari, or the agent of a mill or exporting firm. If he takes his cotton to the market, he has to sell it through an *arhatiya* who charges his commission. The following diagram, taken from the Bombay Provincial Banking Enquiry Committee, indicates the channels through which cotton usually passes from the grower to the mill-buyer or the exporter. There may be numerous variations here and there and the number of middlemen too, may be larger at times. But it is a fairly representative diagram.



The marketing procedure in the mandis is, more or less, the same as in the case of other agricultural produce. Carts and pack animals are taken to the ginneries or to the compounds of arhatiyas where the loads are opened and inspected by the agent of the ginneries or other purchasers. The price is fixed, under cover or openly, according to the custom of the market. The kachcha arhatiya acts as the middleman between the seller who may be a farmer or beopari and the purchaser. Allowances are frequently claimed by the purchaser after weighing has begun on the ground that cotton is adulterated or damp or is inferior in quality to the sample shown from the top or has a low ginning percentage. In the absence of facilities for storage and financing, the farmer has to agree even to the unreasonable claims of the purchaser. The arhatiya is responsible for the payment to the cultivator who generally gets it soon after his cotton has been weighed and delivered to the buyer. In the regulated markets of the Central Provinces and Berar, there are executive committees representative of all interests. Weights and scales are occasionally inspected and tested and every effort is made to ensure a square deal to the seller.

The next process after the sale of cotton is its ginning and pressing. Indian farmer is a man of no means. In the present era he cannot undertake to have his own ginning and pressing machines. He sells unginced cotton to the merchants, ginneries or

agents of big firms, who arrange its ginning and pressing. The gin-owners in India are of different types. At places, like Khandesh, Bombay and C. P. and Berar, they do not gin their own cotton, but undertake to gin and press their customers' cotton at a fixed rate. In Gujerat and North India they are cotton merchants who buy and stock cotton on their own account. They purchase kapas and sell bales, generally of 400 lbs. each, to the agents of Indian mills or exporting firms. Some of the Bombay mills and foreign firms have recently established their own factories in the cotton areas. The co-operative societies have also started their own ginning factories at suitable centres in the cotton growing areas near about Surat in Bombay, where the cotton brought by members is ginned, graded and pooled before it is sold to large buyers in big lots. The co-operative presses have broken the monopoly of the proprietary ginning factories and their charges have been considerably brought down.

MALPRACTICES AND DEFECTS

The first defect in the marketing of cotton is with regard to the picking of cotton from the field. As a rule, the pickers are paid in kind a certain proportion of their collection of kapas (unginned cotton). In the northern parts of the country, it is generally one-sixteenth. These pickers are not very careful in the performance of their job. Dirt and dry leaves

are allowed to freely mix up with cotton, partly because of the climatic conditions and partly because of want of care on the part of the pickers. To increase the quantity of their collection, the pickers, who are mostly women and small boys, pick up ripe and unripe bolls indiscriminately, resulting in the deterioration of the quality of cotton. Efforts should be made to improve the methods of picking. It encourages the picking of unripe bolls. Next, every picker should be supplied two bags—one for good cotton and the other for bad quality. In making payment regard should be had for the quality of cotton picked as well. Deliberate mixing of earth or small pieces of stone must be severely dealt with, and the necessity of clean picking must be fully impressed on the mind of every producer. But the best propaganda in this respect can be to encourage the cultivator, by paying him a little more than his expense in slow picking and the loss due to a slightly lower yield of kapas per acre.

The second defect complained of is with regard to the 'mixing' of different grades of cotton—long-stapled cotton is adulterated by mixing short-stapled cotton, particularly in the Punjab. The Cotton Transport Act of 1923 enables any local Government, with the consent of its legislature, to notify definite areas of cotton into which the importation of cotton from outside areas may be prohibited, except under licence. The enactment is designed to prevent the

adulteration of long-stapled cotton in protected areas. The Act is now applied to the most important staple cotton areas of the Bombay and Madras Presidencies, and the Central Provinces and of a number of Indian States. The work of the Indian Central Cotton Committee is commendable in this respect. Still it cannot be said that our cotton is free from adulteration. Numerous complaints are received from importers, particularly from Lancashire spinners, about adulteration of Indian cotton. It is said, "If staples of different lengths could be kept separate it would tend to improve the value of each staple and ultimately the farmer would reap a greater reward, where his care succeeded in promoting a better staple." It is based on the principle of grading. But we forget that there is a definite demand for 'mixed' cotton both from Japan as well as the United Kingdom. If it were not for this, adulteration must have been stopped by now. "It is found that if, for example, Punjab-Desi sells at Rs. 150 and Punjab-American pure at Rs. 250, the mixture (say 50-50) sells, not at Rs. 200 or less but at Rs. 225 or more. The buyer wants the mixed cotton, as it presumably serves a definite purpose, say, for a count lower than the counts which he spun from the longer staple cotton. The seller, *i.e.*, exporter, the middleman, the factory owner and the farmer—all along the line—gives the mixture because it pays him

better to do so.”¹ In the long run mixing of different varieties of cotton will be injurious to the national interests, as it will deteriorate the quality of the produce but the real remedy lies in creating a market for long-stapled cotton. It will encourage the cultivator to grow more and more of quality cotton if he gets a better price for it.

Another complaint of a serious character against the cotton trade is in regard to excessive ‘damping’ of cotton. Whilst a certain amount of moisture is necessary for pressing cotton, excessive watering, as it is practised, particularly in the Central Provinces and Berar, cannot be justified. Egyptian cotton is moistured before it is pressed, but it is done according to the specified standards and not merely to increase the weight of the bale. To exercise control over ginning and pressing the Government passed The Cotton Ginning and Pressing Factories Act in 1925. It provides for the marking of all bales of cotton pressed with a press mark and serial number which enables to trace the owner of the bale and assign the responsibility in case of any malpractice. The owner of the press is required to maintain a record of the cotton ginned and pressed at his factory.

In the same connection, it may be added that

¹ R. G. Saraiya’s article on ‘Cotton Marketing in India’ in the *Indian Journal of Economics*, Vol. XVI, pp. 69-70.

complaints are heard of the high density of Indian cotton. Egyptian cotton is pressed to a still higher density. It saves space and as freight is charged by volume it is economical.

All the defects need careful attention of the producer, the trade and the State. The development of the co-operative societies on proper lines, and the regulation of the cotton markets, on the Berar model, should improve the position:

COTTON TRADE

Cotton is a commodity for which there is international market at present. But before the starting of the steamship, this trade was very much restricted as it was carried on in sailing vessels. There were no cables and consequently the news reached the same time as the goods. The means of communication, as well as of transportation, were slow. The first steamship service, the Cunard Line between England and America—commenced in 1840. Immediately the news regarding consignments of goods could be sent by steamship and the cargo by sailing vessels. As the latter took longer time than the steamship, it introduced new factors in the market. The discrepancy between the time of arrival of the news of the cargo and the cargo itself led to speculation. Later on samples were sent by steamship and agreements were entered into on the basis of samples for the goods to 'arrive.' In 1866

the trans-Atlantic cable was laid down. Now news could be communicated by cable but not the sample. Therefore, this created new complications because by the time the samples reached the Lancashire market, new factors controlled the market. Again, this discrepancy of time between communication and transport made the cotton trade risky and speculative. Gradually the trade evolved grades. Names or terms, expressive of different qualities became familiar and came to be increasingly used in bargains. Samples were no longer necessary as bases of contracts. Thus we observe three stages in the evolution of the technique of cotton trade—first is the sale by inspection of cargo, second sale by sample and lastly sale by grade or name or description. Improvements continued to be made in the form of agreement, because when contracts were made on the basis of grades for goods 'to arrive,' the buyer could reject the goods in case of little variation between the description and the cargo. This put the seller to heavy losses at times. To remove this defect, a further change was effected. Without specifying any particular grade, the contract laid down that it would be "basis middling, nothing below low middling." The lowest limit of quality was fixed and the seller was allowed some period to complete his contract. All this could be possible only with proper grading of the produce which began to be

done officially guaranteeing both the accuracy and honesty in the specification of grades.

Grading of cotton depends, *inter alia*, on its staple (the length of the fibre), colour, cleanliness and strength of the fibre, etc. At first it used to be graded by various agencies of trade at different places, but in 1925 the Department of Agriculture of the United States of America laid down certain standards which were sanctioned by law and generally accepted by trade in other countries as well. They are: 'Middling Fair, Strict Good Middling, Good Middling, Strict Middling, Middling, Strict Low Middling, and so on.'¹ The basis of contracts in futures is 'Middling' and the prices of other grades are fixed in relation to it, as so many points 'on' or 'off' the price of the 'middling.'

Ready and Forward Business. The business transacted in an organised commodity market usually consists of contracts in "spots" and "futures." Spot contracts are entered into on the basis of samples or by inspection of the goods which are generally lying on the spot in the godown or at the spot of the seller or his arhatiya. Occasionally delivery may be postponed in case of spot business. But a contract in 'futures' is a basic contract. The price is fixed on the basis of certain recognised grades, e.g., cotton futures in Bombay cotton market, upto the time of the

¹ Dantwala, *Marketing of Raw Cotton in India*, p. 143.

adoption of the new Indian Cotton Contract on the 14th of July, 1942, existed in three varieties of cotton, viz., Broach (Fully Good), Oomra (Fine) and Bengal (Fully Good). In New York basic grade is "middling." "Futures" contract has been defined by the Federal Trade Commission on the Grain Trade (U. S. A.) as "an agreement on the part of the seller to deliver, and on the part of the buyer to receive and to pay a certain price for a certain kind and quantity of commodity, at some specified future time, under conditions prescribed by an exchange or understood in the trade."

Bombay is the most important cotton market in India and before 1917 the cotton trade of the city was in the hands of seven bodies, viz., The Bombay Cotton Trade Association, Ltd., The Bombay Cotton Exchange, Ltd., The Bombay Millowners' Association, The Bombay Cotton Brokers' Association, Ltd., The Marwari Chamber of Commerce, The Bombay Cotton Merchants' and Muccadums' Association, Ltd., and the Japanese Cotton Shippers' Association. Of these, the Bombay Cotton Trade Association, Ltd., and the Bombay Cotton Exchange, Ltd., were the most important. The former, namely, The Bombay Cotton Trade Association, was organised in 1875 by European firms engaged in the cotton trade in Bombay. It was owned and controlled practically by the Europeans. Later on they admitted some Indians and one Japanese to its

membership, but primarily it remained a monopoly of the European merchants of Bombay. Owing to grave dissatisfaction amongst leading millowners and merchants, The Bombay Cotton Exchange, Ltd., was organised and registered in 1893. These two rival organisations divided control of most of the cotton trade, ready as well as forward, from 1893 to about 1918.

The Government of India appointed a committee, called the Cotton Contracts Committee, in 1918 which took over the regulation of the cotton trade in Bombay under Defence of India Rules. This Committee was replaced in 1919 by the Cotton Contracts Board, constituted under the Bombay Cotton Contracts Act, 1919, which continued to function until May 1922; when the Act under which the Board worked was repealed and its functions were carried on by the East India Cotton Association under Bombay Act, No. XIV of 1922. At present the Association is functioning under the Bombay Cotton Contracts Act of 1932.

Whilst the East India Cotton Association was organising the cotton trade of Bombay, small speculators, whose activities were more of a gambling character, organised an association known as the *Khandi Bazar* where the dealings were not in bales but in *khandis* (one Khandi is equal to two bales). This was later on reconstituted under the title of Shri Mahajan Association which adopted, as nearly

as possible, some of the rules of the East India Cotton Association and started transactions in Broach cotton, the chief hedge contract of the East India Cotton Association. The unit of trade adopted by the Association was of five bales only and, therefore, it could induce small operators. One of the complaints of the cotton trade against the Mahajan Association was that it kept no record of the bargains effected and of the differences paid one way or the other. Consequently, the operators on the Mahajan Association escaped income-tax. In 1932, a third body started functioning under the name of Indian Cotton Exchange, but it could not flourish.

In the year 1930 the Government of Bombay appointed a Committee under the chairmanship of Sir Gilbert Wiles to examine and report on the best method of organising forward trade in cotton in Bombay. Some of the more important recommendations of the Committee were as follows :

That a single association be given control of dealings in cotton and that the passing of contracts contravening the by-laws drawn up by the Association and sanctioned by Government be made an offence punishable with fine; that all forward business be done through members of the Association and that the Act should prevent the formation of other associations for the control of forward business.

That forward trading be for single months throughout the year.

That the unit of tender be 50 bales.

That blind surveys be introduced at once.

That the Association should take power to establish bonded warehouses one year after the system of blind surveys has been introduced.

That there should be fixed trading hours for forward business.

That fixing of differences between standard growths and between different grades be done by the Board themselves on the first day of each delivery period.

That fluctuations in prices in the forward market be regularly registered and published.

That Teji Mandi dealings be brought under control by the enforcement of cash premia and regular payment of differences through the Clearing House.

That steps should be taken for the reduction of handling charges.

With the passing of the Bombay Cotton Contracts Act, 1932, the representation of growers was enlarged and at present there are on the Board five such representatives, three nominated by the Indian Central Cotton Committee and two by the Government of Bombay. One of the qualifications of an agricultural representative on the Board is that he should not have dealings in forward contracts and must be a grower of cotton, preferably as a worker on the field, if possible.

Another change in the cotton contract came in July 1942 when the East India Cotton Association of Bombay adopted the new Indian Cotton Contract as the basis of hedge contracts in Bombay. During the past twenty years or so, the basic grade was "Fully Good M G. Broach" for contracts in futures, entered into by members of the East India Cotton Association, Bombay. During the present war, the situation was reviewed for several reasons. While on the one hand the export of short staple-cotton to Europe and later on to the Far East almost stopped, the consumption of Bombay mills increased considerably. There was a growing demand for long staples and, therefore, to make the hedge contracts conform to the conditions created by the war, the basis of contract was changed from Broach which was about $3/4$ " staple to "Fine/M.G. Jarilla" which is $3/4$ " minimum and up to $7/8$ " at current premia. Other kindred varieties are also tenderable, provided they have a minimum staple length of $3/4$." It is to stimulate the production of quality cotton in India, particularly in Bombay, C. P. and Berar and the neighbouring States.

Provision has also been made in the new contract to check wild manipulations of the market by bear rates or bull campaigns or corners. If a requisition is made, signed by at least fifty members of the Association, stating therein that a corner or 'squeeze' exists, the general body shall meet within three days

of the date of the réquisition and if it is satisfied that a state of emergency exists, it shall devise ways and means to control manipulations of the market.

Another new feature of the contract is that a *bona fide* seller may give delivery at a centre in the interior, if it is not possible for him to bring cotton to Bombay owing to shortage of wagon supply. The penalty for default in delivery in such cases has been reduced from Rs. 25 to Rs. 7/8 per candy. The buyer can demand delivery in the interior and if the seller is unable to give delivery at an up-country centre, he becomes liable to a penalty of Rs. 25 per candy. The new contract is a war-time measure and will be reviewed in the light of its working after the hostilities cease, but it seems probable that the Association will not go back to the old basis of 'Broach' cotton of short or fair staple.

FORWARD BUSINESS

Bombay is the largest cotton market for forward business in Asia and about half the Indian cotton crop is marketed through this city. Besides spot transactions, a good deal of business is done in futures, the success of which primarily depends on proper grading of the produce and facilities of option dealings. Certain recognised grades of cotton, like Broach, Bengals and Oomaras, have been freely dealt in at the East India Cotton Association and the extent of the forward business transacted through the

Association can be understood from the following table, taken from a well-informed article of the Chairman of the East India Cotton Association, Sir Purshottam Das Thakurdas, that appeared in the Jubilee Number of the *Indian Textile Journal*¹ :—

Year	Amount	Year	Amount
1918-19	14,40,57,653	1929-30	4,46,63,180
1919-20	10,79,44,433	1930-31	3,60,80,817
1920-21	4,72,10,683	1931-32	4,89,12,122
1921-22	12,98,94,566	1932-33	4,48,33,077
1922-23	7,69,37,399	1933-34	4,25,28,389
1923-24	9,16,95,270	1934-35	5,44,96,538
1924-25	3,18,59,196	1935-36	4,63,50,359
1925-26	3,54,99,096	1936-37	4,59,89,206
1926-27	7,66,70,923	1937-38	7,93,80,063
1927-28	9,44,42,459	1938-39	4,31,79,602
1928-29	4,30,99,448	1939-40	13,84,71,834

Like wheat, option business in cotton is carried on, more or less, on the same lines. The speculator may act as a bull (*Tejiwala*) or bear (*Mandiwala*). He may purchase the option to purchase or sell specified units on payment of certain premium. There are specialists on the exchange who *eat Teji-mandi* and allow operators to deal in the market with limited resources. A *Teji* or call option is the option to buy and a *Mandi* or put option is the right to sell and a *Teji-Mandi* or double option is the right to purchase or sell, as it suits the convenience of the

¹ *The Indian Textile Journal, Jubilee Souvenir, p. 293.*

operator. In this case, he will pay double the premium. A buyer of an option is known as the "*applier*" and the seller of an option the "*eater*."

Various attempts have been made by the Government of Bombay, the Indian Central Cotton Committee and other organisations to regulate speculation in cotton trade but not much success has been achieved so far. However, on the outbreak of War in September, 1939, the Government of Bombay considered it essential to bring about uniform control of the trade and they proposed to vest such control in the East India Cotton Association. The Ministry, however, resigned in November 1939 and since then the legislature has not met. The only change effected was in 1942 when the new Indian Cotton Contract, which has been explained above, replaced the old Cotton Contract. At present forward contracts have been forbidden by law. Even the hedge contracts are not allowed although the Indian Central Cotton Committee have recommended their revival in the interest of trade and industry.

JUTE

Marketing stands prominently among the various activities of the producer. It enfolds all the processes through which any commodity passes on its way from the producer to the consumer. In a developed and organised marketing lies the solution of very many difficulties of the producer. This aspect of economic activities has been increasing in importance with the widening of the economic activities of men. This phase of the industrial activity has been studied thoroughly and scientifically by private individuals of high intelligence and the states elsewhere, while in India it caught the imagination of the people only recently when the Royal Commission on Agriculture devoted a part of its investigations to this side as well in 1928. They stressed the need for a thorough survey of the marketing conditions prevailing in India, with regard to different agricultural commodities, as agriculture is the backbone of the Indian economic life. Since then all the provinces have been devoting a part of their staff and finances to the study and reformation of the prevailing marketing conditions and Bengal deserves a special mention in this respect.

The province enjoys the world monopoly

of jute which, we can safely say, is the pivot of the whole economic structure of the province. It supports an overwhelmingly large proportion of its population. The marketing of jute has attracted a great deal of attention of the Government and the public alike since the economic depression which set in in 1929, threatening a collapse of the economic life of the province. Marketing surveys were undertaken by the Provincial Banking Enquiry Committee in 1931 as also by two other committees appointed specially for the purpose by the Bengal Government in 1933 and 1939. *Inter alia*, they studied the marketing problems of the cultivator and made useful suggestions, but their recommendations remained practically a dead letter till the conditions became alarmingly precarious in 1939 when the Government of India had to intervene in national interests, and directed the Indian Central Jute Committee to undertake marketing surveys in the jute producing areas and to chalk out a plan of reforms. The Committee published its First Report on the marketing and transport of jute in India in 1940 after a thorough and careful survey.

It will not be out of place here to give a brief sketch of the essential factors controlling the production of jute in India. Jute by its nature, depends largely upon the vagaries of the monsoon as regards its quality, yield and time of harvesting. Different varieties have different times of harvesting, e.g.,

Capsularis, being sown earlier, matures earlier than Olitorius. The quality of jute, apart from the quality of seed, depends upon retting, steeping, stripping, and washing, etc. The cleaner the water, the better the quality. The cost of harvesting of jute is higher than that of other commodities due to the following reasons :

1. The different processes in the preparation of jute are very technical and complicated and can be performed by skilled labour only.

2. The harvesting season of jute coincides with that of 'aus' paddy and with the transportation period of 'aman' paddy, thus creating a heavy demand for labour from all quarters.

3. The climate is very malarious in jute areas and specially during the harvesting season which comes at the end of the monsoon with clogged water everywhere.

4. Delay in the performance of any of the processes affects the quality adversely, and thus increases the intensity of demand for labour.

5. Jute being a bulky crop, the number of labourers required per unit is larger and hence it is not possible for each cultivator to perform the processes individually.

The methods of payment to labourers differ widely in different areas. The labourer generally works ten hours a day, and the average wage works out at six annas per day per labourer. This rate

also differs widely being—/2/6 in Orissa and—/11/ in Nowgong. According to piece wage the cost comes to—/3/6 per *kori*.

When jute is ready for sale the growers generally hold it for 4 or 5 weeks to watch the trend of the market prices but it has been found on enquiry that about 90% of the jute is marketed within 3 months of the harvest time. Thus all of a sudden large quantities of jute are brought to the market, which depress the market prices. This naturally leads us to enquire into the causes of such a tendency on the part of the growers. They are common to most of the agricultural commodities in this country. They may be discussed under the following heads :

1. Time of harvesting.
2. Transport conditions.
3. Financial position of the growers.
4. Absence of Storage accommodation in villages.

1. Generally all varieties of jute are harvested by the beginning of October, and their sales are effected as soon as possible, that is to say, within four or five weeks of harvesting.

It is the transport facilities available to the cultivators that play a dominating part in the early marketing of jute. In Bengal and specially Eastern Bengal, there are no roads but mostly weather tracks; due to heaviness of the rains during the monsoon season which begins about the middle of June, all the

bheels and *kbais*, etc. are filled up by July. With the progress of the monsoon the *bheels*, etc. overflow and thus practically all villages are joined with the markets by water. With the end of the monsoon, the water begins to recede and thus again making communications very difficult due to muddy tracks, etc. and so the cultivators hurry to avail themselves of the natural transport facilities and thus it has been noticed that in Eastern Bengal 68% of the surplus jute is marketed between July and October. (Figures adapted from the Report of the I.C.J.C.)

In Assam the Monsoon factor is not the predominating one in the early sale of jute as the rains are not so very heavy here and secondly road facilities are also available as is indicated by the fact that 45% of the saleable jute reaches the secondary markets by carts, etc. (I.C.J.C.)

In North Bengal again most of the jute is sold during Sept. and Oct. due to bad condition of roads during monsoon season.

In West Bengal the monsoon conditions do not play any important part in transport facilities as roads are largely available there and 90. % of jute is transported by roads. The main reason for early sale here is the financial weakness of the growers and lack of storage facilities.

The financial position of the growers plays an important part in causing early sale of jute in India. The Enquiry conducted by the Marketing Staff of

the Indian Central Jute Committee reveals that nearly 35% of the growers took loans for cultivation of jute. The figures are only approximate as the growers are found to be very reluctant to answer questions regarding their financial condition. An enquiry into Bengal growers' indebtedness was undertaken by the Bengal Board of Economic Enquiry in 1935 when the total indebtedness was estimated at 97 crores and 77% of the agricultural population was found to be under debt. The conditions for such loans which are generally advanced by the peripatetic dealers, going about from village to village assembling the jute, or by the village money-lenders who also deal in this commodity, imply a mortgage of the crop with the creditors who insist on an early sale to realise their interest charges as also a part of the capital.

The enquiries, conducted by the first Provincial Jute Enquiry Committee in 1933, revealed that the income and expenditure of the average family in Bengal had dropped by 48 and 37 p.c. respectively in 1933 as compared to those of 1928, and that the average indebtedness had increased by 67%. It is to meet his various monetary obligations, viz., interest on borrowings, repayment of capital, rent to landlord and money for domestic purposes and for rabi crop that the cultivator, poor as he is, is pressed hard to realise his crops as soon as possible.

Storage Accommodation. Next in importance to financial position of growers is the storage accommodation available to the cultivator in villages. Average houses consist of 2 or 3 rooms which are hardly sufficient to give them shelter against sun and rain as also to provide sufficient accommodation for 'aman' paddy which is harvested in Nov. and Dec. The cultivators store a sufficient quantity of it to last till 'aus' paddy is available in July. Having no storage facilities, the cultivators are pressed to make hurry to transfer their produce to the buyers before it is spoiled by exposure to the sun and rain.

The jute crop, before reaching the terminal markets where it is finally disposed of, passes through three distinct stages:

1. From villages to Primary assembling markets.
2. From primary markets to baling centres, both kutchha and pucca. Only a small proportion of growers bring their produce to these markets. These markets represent the final limits within the reach of the growers and small dealers.
3. From baling centres to loose jute markets of Calcutta, press houses of pucca balers and mills, and ships for export at Chittagong and Calcutta.

There are a host of intermediaries coming in between the growers and the final consumers. In

the first two stages we find different sorts of intermediaries with different activities and functions.

First of all come the *Farias*, *Paikars* and *Beparis* who form the first link between the growers and the jute markets. They generally operate with their own capital. Many of them are of cultivator class, going from village to village and door to door, purchasing small lots of jute from growers. About 40% of the marketable surplus of jute is handled by them in Bengal, the rest being brought to the primary markets by (i) other beparis who either operate with money advanced to them by various buyers and are employed by large aratdars and balers on a commission basis, or (ii) by salaried men of buyers. They perform the functions of transporting the jute purchased from growers to primary markets and hats.

In the secondary markets we also find dalals or brokers who bring the buyers and sellers together in exchange for commission. They are more interested in the buyers and often neglect the interests of the sellers. Their commission is generally deducted by the buyer from the sale proceeds of the seller.

Aratdars form the most important agency between the sellers and peripatetic dealers, on the one hand and the balers, etc. on the other. They finance the growers and the peripatetic dealers and undertake storage in Primary markets for the balers. They are divided into 4 classes:

1. Merchants: predominating in most grow-

ing areas, e.g., Mymensingh, Murshidabad, etc. They deal on their own account and own 'golas' to store the produce.

2. Agents of outside buyers who are unable to establish their own offices in the producing areas. They pay commission at the rate of six pies to one anna per maund inclusive of commission and storage charges.

3. The agents of local buyers who generally always purchase through dalals or aratdars or both, to meet the difficulty of purchasing in small lots and to avoid direct dealings with the beparis, etc. who demand advances to finance themselves.

4. Agents of sellers having long relations with beparis, farias, etc. who are financed by them. These agents provide the small dealers with storage facilities in case prices are unfavourable. The sellers in return pay one to two annas per maund as commission inclusive of storage.

The final link between the upcountry dealers and the terminal markets is that of the kutchha balers who undertake the functions of sorting, cleaning, and transportation to terminal markets for final disposal. They press jute in bales of uniform sizes for sale in the loose jute markets at Calcutta. They are either of local importance having no branches or are agents or branches of large European and Indian baling firms having their head offices in Calcutta. Some of them are representatives of the mills them-

selves. Practically all the jute from the East and North Bengal and Bihar passes through their hands. In case of *daissee* jute there are no such arrangements and being very near to the terminal markets, it is brought direct to Calcutta and is purchased by pucca balers. The pucca balers have their establishments in important markets like Narayanganj, Chandpur, etc. They operate on a larger scale and press the jute by hydraulic presses for purposes of export to foreign countries.

In the terminal markets at Calcutta we again find aratdars who act as commission agents of *kutch* balers of up-country, and store their jute for sale. They own or hire store houses for the season. In terminal markets the final consumers of jute, viz., mills and exporters purchase 98% of the total arrivals in Calcutta.

An important feature in the marketing of jute in India is that the growers sell about seventy five per cent of the jute in the villages to peripatetic dealers. This overwhelmingly large proportion of sales in villages can be due to the circumstances prevailing in the jute growing areas.

Firstly the means of communication are very unsatisfactory as already revealed and the individual growers generally hesitate to undertake the risks which are very great due to the uncertainty of weather conditions, and the smallness of their marketable quantity of jute, as an average grower

grows only about 22 mds. of the fibre. Moreover all jute is not ready at any one time and so he has only small quantities at hand to sell and it is not, therefore, his worthwhile to undertake journeys to and from markets for such small quantities and specially so under such a bad state of communications.

Secondly, as pointed already he is mostly indebted and under conditions of loans has to sell his produce to the creditor who is generally a peripatetic dealer in jute.

Thirdly, there is a very great divergence between the weights of different villages and the illiterate growers are reluctant to take the risk of being cheated by cunning buyers who generally, purchase according to one standard and pay according to the other.

Lastly, they prefer to sell at their own doors as they very much grudge the arbitrary charges exacted from them by the intermediaries and the buyers in the primary or secondary markets.

Absence of storage facilities for the growers in the primary or secondary markets also prevents them from carrying their produce to these places. The growers do not want to put themselves at the mercy of the buyers over there in case the prices are unfavourable. The kutchra balers in the secondary markets take advantage of their position. As the sellers are unwilling to take back their produce,

they bid lower prices.

According to the Marketing Enquiry Committee, beparis and farias are the principal buyers in the villages, but in some cases kutchra balers also send their own agents. The proportion between these various agencies is estimated by the Committee as follows :

From villages to secondary markets	
	through growers 5.2%
	„ beparis 44.9%
	„ agents 10.3%

The charges in the different markets differ very widely. These charges are both in cash and kind. In villages there are no other charges but '*dhalta*'—deduction to insure against loss in weight during assortment and baling and transport, etc. In the primary markets and hats as well, other charges are nominal. But these charges form a large proportion of the sale proceeds of the sellers in secondary markets. For instance, the sellers have to pay in kind '*dhalta*,' '*bucchat*,' '*namuna*,' '*pasgi*,' etc. and have to pay in cash zamindar's toll, aratdari, *dalali*, *koyali*, office expenses of kutchra balers, *jachbandari* for assorting and *britti* for charity. These charges are exorbitant and are also not uniform in all the markets. They are either according to the weight of the produce sold or according to the value of the produce depending upon the choice of the buyer.

The assembling operations of the beparis and farias, etc., are generally financed by aratdars and

kutchra balers. The credit facilities available to the growers are most inadequate. With the passing of the Bengal Agriculturists Debt Relief Act they experience all the more difficulty in obtaining finance. The Joint Stock Banks do not at all help them in this respect as they have no scheduled securities to offer. The co-operative organisations are increasing in importance in the provinces as they can easily finance their members through long-term and short term loans. But the co-operative movement received a set-back from 1929 to 1934 due to heavy fall in prices of jute and the consequent inability of the growers to meet their obligations punctually. Sale societies were also tried to solve the problems of marketing in Bengal but they failed due to unsound policies and mismanagement, and so now there are again practically only the beparis, farias, and paikars, to whom the growers take resort for finance and sale of their produce.

During the assembling of the fibre it has to be weighed, loaded and transported to the markets. It is noticed that in the villages and the primary markets and hats the fibre is generally weighed by the sellers themselves in the presence of the buyers. In the secondary markets the kutchra balers employ permanent weighmen on a salary basis which varies from place to place. Some times these weighmen are employed only for the season on a commission

basis. Their charges are recovered as already stated from the sellers.

The kutchra balers employ skilled coolies to perform the grading and baling of the fibre. The greatest care is taken to ensure accuracy as on this depends their reputation. These coolies are called '*Jaobandars*.' In many cases balers enter into contracts for the supply of trained selectors, baling hands and carrying coolies, and pay a flat rate per bale or per 100 bales which covers all operations. It has been observed that the balers have generally to pay for the loading of their exports in railway wagons, when this is the case. The balers have also to bear the standing charges which cover the maintenance of building, launches and boats. The kutchra balers who have their establishments at Calcutta, increase their expenses on this account to that extent. In short, it has been estimated that the handling operations cost in total, in the secondary markets about -/1/9 per md. when the fibre comes direct from villages and -/2/- when it comes through hats.

Conveyances. Transportation plays an important role in all the operations of jute movements. Specially in the jute producing areas we notice that permanent and easily accessible means of communications are scarce, and the weather tracks are available only for a few months after the monsoon, causing early sale of jute, as already pointed out elsewhere. The

surface conditions in jute areas are such that none but primitive modes of transport can be used.

In the rural areas the growers generally own small uncovered boats to carry small quantities of fibre from their homes to primary markets and hats. The beparis use strongly built covered boats with capacity varying from 50 to 500 mds. to carry jute from primary markets to secondary markets. In some important centres big balers employ large barges with a capacity upto 1000 mds. The charges on these barges vary according to distance and are generally between 1.1 pies and 2.5 pies per mile, per md.

Carts come next in importance to boats and they are the mainstay of rural transport in North and West Bengal, Bihar, and Orissa, etc. They can draw 12 to 14 mds. at a time and are used only for short distances. The charges depend upon distance, weather conditions and the supply of carts. The cost is highest in East Bengal where it is about 3.5 pies per mile and lowest in W. Bengal being 2.4 pies per mile, per md.

Pack animals and headloads are also used but only to a restricted extent. Carts and boats are the principal means of conveyance of goods in the jute growing areas. They are the only means which can be used in the existing conditions. Their charges may be regarded excessive as compared to modern means of communication but they are

justifiable considering the very trying conditions under which they render service.

From the secondary markets to terminal markets we find regular means of conveyance in the form of big water transport vessels and railways. Eastern Bengal and Assam afford natural waterways in the rivers, Ganges and Brahmaputra, and as revealed by the statistics collected by the Indian Central Jute Committee, 55% of the total jute arrivals in Calcutta are by water transport which is well organised in the shape of established Navigation Companies. These companies enter into contracts with the Indian Jute Mills Association and render service to the member mills at charges previously agreed upon. These charges are higher during the busy season and lower during the slack season to attract more traffic during that season so that the burden on the vessels may be uniform throughout the year. But how far they have been successful in regulating the jute transport is debatable and doubtful.

The railways largely serve the markets of North and West Bengal, Bihar and Orissa and parts of East Bengal and Assam. Many districts producing *daissee* jute are linked with Calcutta both by railways and metalled roads. Recently motor lorries are replacing bullock carts and handle greater part of road traffic.

On the average, according to the statistics collected by the Committee, the proportion of jute imports into Calcutta as contributed by these diffe-

rent agencies was :

Steamer Services 52% of total jute arrivals.

Railways 43% " " " "

Country boats 3% " " " "

Balance—by road
(carts, etc.) 2% " " " "

(the above figures are on the average of 1934-35 to 1938-39).

Water transport seems to be the best means of transport so far. The navigation companies have huge flats and barges with a capacity varying from 7,000 to 28,000 mds.; the charges are also lower than those of the railways. The only advantage which the Railways can claim over them is in the matter of speed, but this is not a very important factor in jute crop, as it is not a perishable crop. The barges, etc., are very well covered and offer the fullest possible protection to the fibre against the sun and rain. They command another advantage over railways in that they reach the very doors of the factories which are usually situated along the river bank.

The competition between railways and lorries is confined to daisee districts where the lorries are decidedly the quicker and more advantageous means of transport from all points of view. As regards carts and railways both have separate fields. The competition between the railways and steamers is, however, very keen in areas where both the facilities are available. Railways are preferred where quickness

is the chief consideration.

There has been a complaint that railway and steamer rates have remained unchanged during the depression period even though it has been recommended by the Committee that these should be revised periodically with a view to adjust them to the ability of the trade to pay. A healthy competition between the transporting agencies is in public interest. The trade should be able to obtain most favourable rates for transport and the desirability of continuing the carriage agreements should be carefully considered. The conference companies, that is, companies holding contracts with the Indian Jute Mills Association, should not take any advantage of their position and contracts, but should provide the same facilities and advantages as the non-member companies allow, so as to place their customers on the same level as other mills which are not under any obligation through the contracts made by the Indian Jute Mills Association.

Like cotton, jute is also a fibrous crop, and the quality of the fibre matters a great deal in fixing the price of a particular lot. There are two botanical varieties of jute, viz., *Corchorus Capsularis* and *Corchorus Olitorius*, the latter is grown in the neighbourhood of Calcutta and is called the daisee jute. The variety of jute depends upon weather conditions, soil, type of retting, and subsequent operations. As a matter of fact jute has been recognised to be of

a particular grade according to the district in which it is grown. Thus we find that generally jute is named after the name of the district from which it comes. It is essential for the production of entirely good quality that reasonable care be taken throughout the cultivation and preparation period, which is very seldom, and consequently much of the fibre produced falls short of the 'good spinning quality.' During the years between 1930-31 and 1937-38 the quality of jute deteriorated on the whole due to fall in prices, and the inability of the farmers to be very particular about the quality rather than quantity. This deterioration is also due to improvement in machinery and methods of manufacture which can easily employ the low variety and hence an increased demand for the low quality jute.

GRADING

As far as grading goes, the farmer knows and does little about it. The beparis purchase from him on the system of estimation of grade outturn. The kutchā balers also purchase from the beparis on the same basis. In this system, there is a grave danger of under-estimation of grade outturn by the buyers which is very frequent. It is the kutchā baler who first grades the fibre into different grades for purposes of baling and export to Calcutta for final disposal. Owing to his ignorance of the principles of grading, the grower is very much exposed to

cheating by peripatetic dealers who become conversant with these principles with their constant touch with kutcha balers. The cultivator should improve the quality of jute and learn the art of the grading so that he may stand on an equal footing with other dealers. Commercially jute is classified into three standards : 1. Long clean jute of good colour and light root known as 'Top' 2. Sound fibre of good colour and light root graded as 'Middle' and 3. Bottom.

MALPRACTICES

The common malpractices in this trade are two, viz., watering of jute and adulteration of qualities.

The watering of jute is all the more facilitated as there is no suitable method to detect excess moisture in the fibre. The sun is injurious to the manufacturing properties of the fibre. It has been asserted by the Indian Central Jute Committee that the growers are generally not responsible for this mischief. It is the beparis, farias and aratdars, who water it either by spraying water over it or exposing the fibre in the night. The kutcha balers argue that they have no alternative but to purchase wet jute in order to fulfil their contracts at due dates. There are frequent claims by mills for excess moisture. It has been noticed by experiment that when buyers resolved to buy only dry jute, this malpractice automatically disappeared. The practice has at present assumed alarming proportions, and a strict resolution

on the part of buyers is urgently recommended and legislation on the lines of Cotton Acts is required to stop this practice.

The other malpractice, that of adulteration is commonly resorted to by balers, who mix low grade fibre with 'Jat' jute and mark their bales as the latter and pass it on to mills as such. Another practice generally found to be prevailing among the balers of the districts outside Bengal, or in the districts which produce inferior quality of fibre, is to send their fibre to a place known for better qualities and from there to send it to terminal markets marked as the produce of the better locality. Thus there is going on cheating on a large scale. There is no scientific research till now to establish comparative spinning and manufacturing quality of jute of different classes exactly. The Technological Research Laboratory of I. C. J. C. has taken up this task. Legislation on the lines of Cotton Transport Act of 1923 will greatly help to remedy the evil.

The standards and marks under which all trading in loose jute is done are agreed upon by the Indian Jute Mills Association in consultation with the Calcutta Jute Dealers Association. All mills in India adopt the same standards. Each kutch baler has a number of distinctive marks by which the various grades, he bales, may be recognised. It may be pointed out that daisee jute is not sold under mills' classification of standards. It reaches Calcutta

in unassorted condition and is purchased wholly by pucca balers for export, the price being mutually settled. Prior to the commencement of Jute Year a joint committee of I. J. M. A. and Calcutta Jute Dealers Association is held at which the working of the previous season's standards is reviewed, the principal point for discussion is the extent to which the guarantee or standards originally set were adhered to by kutchha balers and whether any alteration is called for. In 1935-36 the standards were based on 'warp yarn system'. In 1937-38 the system was changed due to departures of balers from the established system. The necessity for setting quality standards which would not be subject to alteration from year to year was fully realised by all sections of the trade and an attempt was made to arrive at a basis, more generally acceptable and more easily capable of being adhered to by balers. It was decided to introduce a guarantee of fibre with specified percentages of cutting. In 1937-38 there were 5 grades, viz., 3's, 4's, R's, T.J. and S. But early in that season a number of balers who had sold R's could not get the heavily rooted fibre fit for inclusion in that grade. In order to meet their commitments they tendered 4's instead. This had the effect of raising the standards and as the season advanced 3's disappeared from the list of sales and 4's were seldom quoted; thus for all practical purposes R's became top mark.

It was realised that these changes were a disturbing factor and with a view to make the grades permanent it was decided to standardise the bottom grade in a manner which would leave no room for alteration. Consequently in August 1938 three grades, viz., top, middle and bottom were fixed which proved satisfactory, but the specifications for the respective grades even now do not indicate clearly the various factors which affect the spinning quality of jute. The terms 'good fibre' and 'good colour of the district' are open to different interpretations and may lead to arbitrary assessment of quality. Moreover, the percentage of cutting may serve only to indicate the proportion of fibre fit for yarns other than sacking weft and not as an index to any of the quality factor.

In view of the weaknesses in the present methods of grading, it seems desirable, as pointed out by the Indian Central Jute Committee that the position regarding the basis of loose jute standards should be examined thoroughly to see if these cannot be set in a more technical manner which would be acceptable to all branches of trade.

As regards the various claims arising due to quality, weight, moisture, etc., they are amicably settled between buyers and sellers, but in case of dispute the matter is referred to the Tribunal of Arbitration of the Bengal Chamber of Commerce, whose decision and award are final and binding.

Nearly 100 to 200 arbitrations are held yearly.

If any changes are intended in future in the method of fixing and maintaining loose jute standards a system of settling claims by entirely impartial methods should also be introduced.

STORAGE FACILITIES

Now coming to the conservation of jute fibre by the different parties, it is observed that the growers generally do not play any important part in this respect, as their individual production is on an extremely small scale, as is evident by the following table :

PRODUCTION BY INDIVIDUAL GROWERS¹ (1937-38)

Province	Percentage of growers producing				
	0-5 mds.	5-10 mds.	10-20 mds.	20-30 mds.	above 30 mds
Bengal—					
East ..	14.3	22.4	26.3	15.5	21.5
West ..	32.7	33.4	28.3	9.0	6.6
North ..	20.8	27.5	26.8	12.3	12.6
Bihar ..	23.8	21.1	27.9	13.2	14.0
Assam ..	33.0	20.0	24.7	11.0	11.3
Orissa ..	28.0	20.8	24.0	16.0	12.0

The table shows that nearly 37% in East Bengal, and 50% in other jute areas have an average outturn of 10 mds. or less. Such a small outturn per head

¹ I. C. J. C. p. 186.

does not call for storing facilities to be maintained by each grower.

The beparis in their turn do not store the fibre for long periods due to lack of storage facilities at their disposal and also because they are financed by the aratdars of kutchra balers on the condition that they will sell the jute purchased by them to the creditor at the earliest opportunity.

The aratdars store jute for better prices. Some of them store it only for their principals who are generally kutchra balers, but there are some who store it on their own account in godowns owned by them or hired for the season.

The kutchra balers are the most important storers of jute fibre. They store jute in baled form for better prices, and whenever they want to sell their stock they have ready markets for sale in Calcutta at all times.

METHODS OF STORAGE

Any study of the marketing conditions prevailing in any area with regard to any commodity cannot be complete without a reference to the storage facilities available at the different stages through which the commodity passes before reaching the final consumer. In case of jute a discussion on storage facilities would imply the facilities available in villages, primary markets, secondary markets and the terminal markets.

In villages the methods and conditions are very primitive. They spread sticks on the floor on which

they place the bundles of jute. The houses have generally bamboo walls and thatched or corrugated iron-sheet roofs. Well-to-do growers construct platforms of bamboos about two feet high, called the '*machas*', inside the room meant for storing, in order to avoid waste by mice, damp, etc. The same methods are practised by beparis.

In the primary markets one finds godowns having corrugated iron sheet roofs with walls of the same material or of bamboos. The floors are generally of hand-beaten earth; when stored for small periods—(one to two months)—it is piled on bare floor, but for long periods it is put on planks or bamboo-made '*machas*', nine to eighteen inches above the floor. Most of them are owned by dealers, while some are rented for the season. The rent for such godowns depends upon the location and importance of the market, storage capacity, and type of the building. The rent here varies from 25 to 50 rupees per annum for a godown of approximately 1000 mds. capacity. In addition to the dealers aratdars also own godowns in primary markets for storing their own and also of farias' and beparis' products and arrange for its sale at favourable prices. They also store jute purchased on account of balers on which they get commission. These godowns are seldom insured.

In the secondary markets, substantially built structures affording good protection from weather are found. In the important baling centres they are

of solid brick construction throughout with asphalt flooring, and a large number of them have corrugated iron sheet walls and roofs. These godowns have capacity of 5,000 to 10,000 mds., while godowns having the capacity to store upto 50,000 mds: are also not uncommon. They are available on hire. The Indian balers do not insure either the stocks or the godown while European merchants insure both. Aratdars who are not agents allow the beparis to keep their jute on their premises on the understanding that they will sell through them. The balers having long and close connections with beparis also give them the same facility. They are allowed to store their goods in balers' sheds for about a fortnight or a month free of charge as they generally expect the jute to be sold to them. In some of the markets specially in Purnea district in Bihar, the sellers are allowed to store jute from one hat day to another, either free of charge or on payment of 3 pies per md.

In the terminal markets, specially at the more important ones, viz., Shambazar and Hatkhola loose jute markets, fine buildings of brick with corrugated iron sheet walls and roofs, with asphalt flooring, are available on hire. In Cossipore, however, there are no godowns as jute is sold while lying in railway sheds. If not sold within a day or two it is removed to a neighbouring godown hired for the purpose. The mills and pucca balers maintain their own godowns made of solid brick and cement construction

which are water tight having capacity of 20,000 to 50,000 mds.

Insurance of the godowns is not common here as well. But the insurance of the stocks particularly during the hot season is more common. A fire brigade tax is levied by the municipality on all godowns.

Proper storage is very essential to the quality of jute. Though no exact data are available as to the percentage of loss in weight, colour, spinning properties, etc., through faulty storage, it is an admitted fact that a high percentage of moisture combined with heat encourages fermentation and so the fibre must be stored in a dry place. Jute packed during monsoon season loses more weight after the monsoon than that packed in post-monsoon period. The trade has recognised it and allows 12% on jute packed during July to September and 10% thereafter. The mills take a free short weight allowance of 2% on jute stored for them for 6 months or more at the time of delivery. The fibre loses about 3½% in weight during the hot weather and regains 1 to 1½% during the rainy season in corrugated iron godowns.

The tendency to deteriorate in colour and strength is not uniform with all the varieties of jute, e.g., 'Jat' deteriorates much less than other kinds of jute such as Dowrah, 'Northern', etc. The causes responsible for this state of affairs should be investigated by the Technological section of the Indian Central Jute Committee.

PRICE

The prices paid to the producer of raw jute in the village and those charged from the consumer are not at all comparable as in villages the jute is sold in unassorted condition, while in Calcutta it is sold in well-defined grades, and secondly because the transactions of a kutchra baler are speculative, that is to say, he may sell a particular lot at a loss which he may cover by selling the other lot at a higher price. However, the basic prices prevailing in the mofussil are largely governed by those which are offered by the consumers in the loose jute markets. The European merchants regard the prices quoted in the open loose jute markets as the correct index of the trend of prices, while the Indian merchants are guided by the Futures Markets and many aratdars and beparis follow their example. But as a matter of fact there is seldom any wide difference between these two prices. Other things being equal, the price depends upon the variety, class, and quality characteristics of the fibre. In the mofussil the prices are generally fixed on the buyer's estimation of the grade outturn in a particular lot and it is finally settled by open bargaining. In some of the large baling centres prices for the three grades are agreed upon and then the total fibre is graded according to quality. No secrecy is observed about the prices at these places. In Calcutta Loose Jute Markets prices are settled after buyers have inspected the goods

and strict secrecy is maintained about the prices offered or paid.

Owing to insufficient data no trend of prices can be established in upcountry markets. Before the War the prices of raw jute were falling very much owing to enormous crops for several years. The whole structure of the economic life of Bengal was threatened by the depression in jute prices. The Government of Bengal, after a long controversy about the restriction of jute acreage, brought forth a plan of restriction of jute acreage in 1940 through allotment of quotas to farmers. It was with a view to avoid a total collapse in jute prices. The scheme has partially succeeded.

It is desirable that permanent arrangements should be made for recording prices in a number of representative villages, hats, primary markets and baling centres throughout the year, so that the Government and others interested, may be in constant touch with the economic condition of the province and take early steps to avert any possible crisis by being able to know it better and beforehand. The information should be obtained from reliable sources and be supplemented with figures of weekly or monthly arrivals and grade outturn for the corresponding periods.

There is no independent marketing intelligence agency for growers who have to depend largely on peripatetic dealers who get information from aratdars and kutchra balers. Newspapers are of little avail to

illiterate growers, while government publications contain information only of academic interest. Thus it is quite probable that growers' ignorance, in this respect, is exploited.

There is an urgent need for dissemination of Calcutta price information in jute growing areas. The price dissemination scheme of the I. C. J. C. had encouraging results and it may, therefore, be extended without loss of time to all areas, particularly to those with heavy jute cultivation. Wireless has immense potentialities in this respect. As in the Punjab and C. P., radio sets may be adopted successfully in Bengal, Bihar, Orissa and Assam for conveying price information.

STANDARDS AND UNITS OF WEIGHTS

There is a great diversity in the standards and units of weights in force throughout the jute growing provinces which is very confusing to the seller who comes from some remote village. Comparison between the two is often a difficult process to the illiterate grower and it generally gives a chance of swindling to the buyers' weighmen. The practice of weighing with one standard and paying with the other is very deplorable. The standards range between 60 to 120 tolas per seer. The balers and merchants in Terminal markets, however, use only standard seer and maund.

As regards scales almost all types of them are

used according to requirements and facilities of the buyer. These scales are generally incorrect in the primary markets and the secondary markets as well. The buyers encourage over-weighing by their weighmen. Weighing is, however, generally done by buyers but sometimes sellers insist on weighing out their own fibre; when the quantity offered is large, a few bundles are weighed and an average struck out, the bundles are then counted and weight calculated. In the secondary markets all jute is invariably weighed.

There being no official checking of the correctness of the weights, the buyers generally use faulty and wrong weights. Though most of the provincial governments have passed legislation to punish the users of wrong and faulty weights no steps have been taken to enforce them effectively. It is suggested that there should be a proper and strict control in this respect.

Seed. The quality of the fibre has been steadily deteriorating for the last few years due mostly to bad seeds. It has been found on enquiry that most of the growers produce their own seed and often in excess of the individual requirements. On an average 4% of the total jute area was retained for this purpose in 1937-38. The growers sell the surplus seed to fellow villagers or to beparis, etc., who in turn sell them to growers elsewhere. The plants retained for seed purposes are stunted and the seed is not properly preserved. According to the figures supplied by the I. C. J. C., 99%

of the total area under jute is sown with seed grown by growers and only 1% with seed supplied by Government agency. There is need for propaganda to impress upon the growers to retain good plants for seed purposes and at the same time attempts should be made to popularise better methods of seed preservation.

The Department of Agriculture of the Bengal Government has introduced several varieties of seed. The Government has appointed an agent, at Narayanganj, to produce and distribute improved varieties of seed, with government control over the quantity and quality of the produce. The charges of the Government seed are very high, being -/12/- per seer of Capsularis and 1/- per seer of Olitorius as compared with -/1/6 and -/2/- per seer respectively for bazar seed. There is need for investigation into the possibilities of large scale production of seed by government on the high lands of North and West Bengal at a lower cost.

Since 1939 the Agricultural Research Laboratory of the I. C. J. C. have undertaken research on the various aspects of jute cultivation, specially to improve the quality and yield of the jute fibre. A sum of Rs. 50,000 has been allotted for this purpose only.

Consumption. Between 1929-30 and 1938-39 about 57 per cent of the total jute produced in India was utilised by mills in the country, 3 per cent was con-

sumed in the villages and 40 per cent was exported. Therefore, jute is exclusively a money crop. It is not retained like so many other agricultural commodities for home consumption.

The type of jute goods manufactured in India are hessians, sackings, tarpaulins, canvas, etc. The consumption in villages is confined to rope making.

United Kingdom and Germany, have upto 1939 been the most important buyers of our jute. Germany has been excluded from our list of customers since the outbreak of the present war and the demand of trade for jute has considerably reduced now, though to some extent it is made up by large war orders of the Government of India, United Kingdom and U. S. A.

In conclusion it may be remarked that a comprehensive and well-chalked out plan to reform the marketing conditions prevailing at present on the lines suggested above, and a well-managed policy of restriction schemes of the Bengal Government and others would go a long way to solve most of the problems of the jute crop and the jute grower in India.

RICE

India occupies a position of prestige in the production of rice in the world. During 1936 and 1937 she contributed 25.7 and 30.9 million tons out of the total world production of 89.9 and 99.9 million tons respectively—representing an average of about 31 p. c.

In India herself rice is by far the largest single crop grown. It occupies, on an average for the decade 1927-28 to 1936-37, 76.26 million acres representing about 18 p. c. of the total area under cultivation and 36% of that under food crops. The latest statistics available with regard to area and yield are the following:—

	1938-39	1939-40	1940-41
Area in acres	73,398,000	74,278,000	73,063,000
Yield in tons	23,962,000	25,734,000	22,191,000

(Taken from the Estimates of Area and Yield of Principal Crops in India, 1940-41).

Rice occupies a position of unique importance in Bengal, Madras, Bihar, Orissa, C. P. and Assam. It is the most important food crop in south India, while in

other provinces also it is second only to wheat. Among these provinces Bengal is the largest rice growing unit with 21.03 million acres out of the whole lot. Next in importance come Madras and Bihar having 11.04 and 10.26 million acres respectively. But in spite of India being an important country in the world in rice production, the yield per acre compares unfavourably with that of other countries as shown in the following table:—

(Yield of Rice per acre in lb.)

Country	Average 1926-27 to 1930-31	Average of 1931-32 to 1935-36	1937-38	1938-39
India (including Burma)	851	829	826	728
Burma ..	887	845	813	959
U. S. A. ..	1,333	1,413	1,471	1,469
Italy ..	2,797	2,963	3,258	2,903
Japan ..	2,124	2,053	2,305	2,276
Egypt ..	1,845	1,799	2,001	2,153

Supply for the market. A considerable proportion of rice grown in the country is retained and consumed in villages themselves in the following ways:

- (i) Paying hired labour in kind.
- (ii) Exchanging rice for other commodities.
- (iii) For seed and stock feeding purposes.
- (iv) For the household consumption of the growers.

The report on the Marketing of Rice in India and Burma estimates the marketable surplus of Indian produce of rice at 40.5% of the total crop while the rest is retained in the villages for one or more of the above purposes. This 40.5% left for the market represents roughly 11.5 million tons only. The amount of retention varies in different places. In Assam where rice is the staple crop it amounts to as much as 94% of the total production.

The marketing season begins just after threshings are over as the cultivator needs funds to meet the various current financial obligations and to liquidate the previous borrowings.

Normal Periods of Sowing, harvesting and marketing of rice in some provinces:—¹

Province	Type of crop	Sowing Period	Harvesting Period	Marketing Period
Assam	Winter	June	Nov. to Jan.	Dec. to May
	Autumn	April	July to Aug.	Aug. to Nov.
	Summer	January	April to May	July to Aug.
Bengal	Winter	May to June	Nov. to Dec.	End of Dec. to June
	Autumn	April	Aug. to Sept.	Oct. to Dec.
	Summer	November	Feb. to March	April to May
Bihar	Winter	June to July	Nov. to Dec.	Jan. to June
	Autumn	June	Sept. to Oct.	Nov. to Dec.
	Summer	Oct. to Nov.	Feb. to March	April to May
U. P.	Winter	June	Nov. to Dec.	Jan. to May
	Autumn	June to July	September	Oct. to Dec.
	Summer	December	May	Retained in villages.

¹ Rice Report, pp. 28-29.

The supplies to the market are seasonal. Rice being very susceptible to natural influences, specially rain, the rush of the supplies falls down as soon as rains start. It is also due to defective means of communication connecting the villages with the markets.

Besides producing large quantities, India had to import about $1\frac{1}{2}$ million tons of paddy and rice annually from other countries, principally from Burma to meet her total requirements, of which about 250,000 tons was re-exported. Thus the total net available supplies of rice in India may be stated as follows for 1937-38:¹

Total production	..	..	29,530,000 tons.
Imports	..	..	1,398,000 „
			<hr/>
			30,928,000 „
Less Exports	..	..	250,000 „
			<hr/>
Net available supplies	..	..	30,678,000 „

This gives us an approximate per capita consumption of 181 lb. The highest rate is in Bengal with a per capita consumption of 344 lbs. The most important fact regarding the demand of rice is its inelasticity. It is not easily influenced by the changes in the prices of other cereals.

There has been a definite swing from hand-pounded rice to milled rice as shown by the rapid increase in

¹ Report on Rice (page 84)

the number of the hulling mills. But still in the growing areas the villagers consume hand-pounded rice and among the educated and professional classes too it is finding increasing favour.

Besides domestic consumption, the demand for rice is constituted of seed requirements, and stock feeding. There is very little influence of season on this demand. It may fairly be called constant.

An important characteristic about the marketing of rice in India is that 'there is no such thing as average price of rice¹ due to:

- (a) Enormous varieties produced.
- (b) Complexities of consumer's preferences.
- (c) Localisation of production types.
- (d) Localised nature of demand.
- (e) Non-existence of any representative type or standards of quality.

But still the chief factors influencing prices are:

- (a) Conformation or grain size (fine, medium, and bold),
- (b) Raw or parboiled,
- (c) Machine-milled or hand-pounded,
- (d) Variations in grade or quality,
- (e) Age or maturity, and
- (f) Colour artificially applied.

¹ Rice Report (page 202).

But all these factors are determined by visual inspection which is often inaccurate. However, some specific grades have been laid down under the provisions of the Agricultural Produce (Grading and Marking) Act, 1937. The prices of the different varieties in different markets show no sympathy with each other.

A considerable scope exists for the improvement of Market Information in this respect. It is of paramount importance to increase the return to the growers. The official prices show no conformity to the principle of utility. They lack in accuracy and are generally in unintelligible form.

In the daily and Commercial Press the units of weights and measures used and the basis of quotation are different in different markets which makes it impossible to arrive at any conclusion concerning the relationship of prices in different markets, while the prices of paddy are rarely found there.

The radio has considerable potentialities as a medium for the dissemination of market information in rural areas and to make the broadcasts useful, up-to-date price quotations should be obtained from reliable sources, which may be organised privately or by the government.

MARKETING PROCESS

When the crop is harvested, threshed and winnowed and has, in some cases, undergone further pro-

cess of dehusking by hand-pounding or power-driven machinery it is assembled by one or more of the following agencies:

- (a) Cultivators.
- (b) Growers who collect the produce of others.
- (c) Landlords or zamindars.
- (d) Village merchants or banias.
- (e) Itinerant merchants or *paikars* or *farias*.
- (f) Wholesale merchants.
- (g) Professional dehuskers.
- (h) Rice Mills' Agents.
- (j) Cooperative organisations.

It is a notable factor that about 61 p.c. of the total Indian marketable surplus is assembled as paddy and 39% as rice. The Punjab, Bombay, Madras, Assam, Hyderabad, Mysore and Travancore contribute paddy in larger quantities, and Bengal, Bihar & Orissa, U. P. and C. P. rice.

Though the cultivators always like to market their produce directly, they are handicapped by fear of excessive deductions, and poor communications. Their creditors are also interested in acquiring their produce at first hand. Therefore, in fairly normal conditions about 17.4 of the total marketable surplus is sold by cultivators directly to consumers in villages and in the assembling markets. This percentage differs in different provinces and in different parts of the same province. In the Punjab the percentage is

35, while in Travancore it is only 3. In western districts of U. P., viz., Saharanpur, Kashipur and Haldwani at least 50% of the total arrivals are brought in by growers while in some eastern districts only about 8% is contributed by them.

The second agency is responsible only for about 2% or 242,000 tons of the total marketable surplus. They are only found in Assam, U. P., C. P. and Madras. They purchase the produce of small cultivators in cash obtained from village bania or arhatia in the assembling market.

The landlord is not a factor of any great significance in any major rice-growing tracts except Madras and Sind where his share comes to about 15% of the total provincial surplus. It is mostly in the form of paddy and hand-pounded rice.

Village merchants and banias are the most important assembling agencies. Their share comes to about 15.2% of the total Indian marketable surplus. It is due to their influence and position in the village economy. This 15.2% comprises half of paddy and a little less than half of hand-pounded rice and the rest of machine-milled rice.

The itinerant merchants, known as farias and beoparis in Bengal, Bihar and Orissa and ghumars in the Punjab, are still more important agencies responsible for about 2 million tons or 19% of the total Indian marketable surplus. They function with their own money or with that of large arhatias of the assembling

and distributing markets. Their operations are most pronounced in Bengal, Bihar, Orissa and Madras.

Professional dehuskers are another important assembling agency. They purchase paddy directly from the growers, get it dehusked by their womenfolk by hand-pounding and sell it in nearby wholesale market or directly to consumers. Different castes are engaged in this profession, e.g., *malis*, *banjaras*, *kutanbaras*, etc. They are very important in U. P., accounting for about 16% of the provincial surplus. In India, as a whole, they account for about 6 p. c only.

The mills send their agents to the main rice-growing areas to purchase their requirements directly from growers. Sometimes advances are also made, binding the growers to deliver their produce to the mill. This agency accounts for about 13.1% of the total Indian marketable surplus.

The Cooperative movement plays a very insignificant and inefficient part in the assembling of paddy and rice, claiming only 0.1% of the total surplus.

Table showing the share of each agency in assembling.¹

Agency	In (ooo) tons	Percentage of total surplus
Growers	1,564	13.6
Landlords	782	6.8
Village merchants	1,748	15.2
Cultivators	242	2.1

¹ Rice Report (page 256).

Itinerant merchants ..	1,771	15.4
Professional dehuskers ..	380	3.3
Wholesale merchants ..	2,207	19.2
Rice Mills	1,497	13.1
Coop. Societies	20	0.1
Direct distribution in villages	1,288	11.2

The price received by the growers in the villages is always less and sometimes appreciably less than that ruling in the assembling markets. The loss thus sustained by them varies between $6\frac{1}{2}$ and $12\frac{1}{2}$ p.c. of the price obtainable at assembling centres. It is partly due to the cost of other charges and partly to the middleman's profit.

Markets : As in other cases paddy and rice pass through primary and secondary markets to terminal markets. There is no speciality about the nature of these markets so far as rice and paddy are concerned and hence the general description as given in wheat and other reports is applicable here also and need not be repeated.

In Madras, Berar, Bombay and Hyderabad, Acts have been passed to regulate the markets but none of these Acts except that of Hyderabad passed in 1929-30, applies to rice. However, measures are being taken to extend the provisions of the various acts so as to cover rice and paddy as well.

Rice is generally brought packed in gunny bags while paddy is brought in bulk. The sellers come early in the morning to the arhatia's shop. In many cases the arhatia is their creditor while in others they

are brought to him by his 'touts'. The arhatia acts as an agent of the seller. Bids may be offered in any one of the three ways depending on local customs:

(i) Under cover : It is common in many country markets and notably in Bombay, C. P. and Madras.

(ii) *By auction* : It is common in some of the markets in Bombay, Hyderabad, Mysore and in Northern India.

(iii) *Private agreement* : It is common in a number of markets in Madras, Bombay, C. P., U. P., Hyderabad and Mysore. The buyers come to the seller's agent at any time convenient to them and make their offers.

The basis of sale is subject to deductions on account of impurity content, milling quality, and moisture, etc. In some cases it is assessed on visual inspection for each lot, while in others such deductions are fixed by custom, irrespective of the actual quality of the produce. At the time of delivery even further deductions are sometimes claimed by buyers on frivolous grounds.

The price payable to the seller is subject to various other charges. The most important of these are *arbat* and *dalali*. At some places they are payable by the seller as in Bengal at Daspara, Chetla, etc., and at others by the buyers as in Madras. The rate differs widely between 5 as. per cent (Rs. 100) as in some Bengal markets and Rs. 5-2 as. as in the case of Basmati rice in Dehradun. Of these, the seller pays 12 annas and the buyer Rs. 4-6 as. Handling charges in respect of

cleaning, loading and unloading, weighing and stitching of bags, etc., are also charged to the seller. They vary between 3 as. 9 p. per cent at Balasore in Orissa and 13 as. 10 p. in Kumbakaon in Madras. Charities or *dharmadas* are payable both by the seller and buyer in Madras, U. P., Bengal, while in Bihar, Orissa, C. P., and the Punjab, etc., they are payable only by the sellers. The rates differ between 1 a. 2 p. per cent in U. P. and 15 as. 10 p. in Hyderabad. The money accumulated under this head is not unusually used for trade purposes. A number of deductions for arhatia's servants, sweepers, etc., are also imposed upon the poor sellers. Added to these are taxes levied by urban administration, local bodies and market committees or owners, as the case may be. Besides these charges, the seller has to tip the employees of these bodies to avoid inconvenience and delay.

Financing. The village bania is the chief agency, although landlords and itinerant dealers sometimes also share in the financing of the growers. Loans are generally advanced in cash and kind for the grower's current needs and seed requirements respectively. In the former case no interest is payable if loan is repaid in kind, the rate for which is fixed in advance, or if the grower agrees to sell his produce to the creditor at 3 to 4 annas per md. less than the market rate. In other cases interest at the rate of half anna to 1 anna per rupee per month is charged. Loans

in kind are invariably repayable in kind—the *sawai* (125 per cent.) system is the most common system in this respect.

The village merchant finances the itinerant dealer at lower rates due to less risk involved. The wholesale merchants and commission agents make advances to village merchants and beoparis at rates varying from 9 to 12 p. c. In return the debtors sell their collections to or through their creditors. Sometimes the village merchants take advances on the security of the produce brought to the market in case the price ruling in the market is unfavourable at rates ranging between 6 to 9 p.c.

In their turn the wholesale merchants are financed by *sbroffs* by *muddati* hundis at 4 to 12 p.c. The banks also advance from 66% to 75% of the value of the produce against pledge, but their facilities are not widely availed of. The banks should consider to give more liberal facilities in view of the comparative immunity of paddy from deterioration and the customary seasonal rise in prices.

The Cooperative movement has made little headway in the marketing of rice. However, the grain 'golas' of Bihar and Orissa have certainly been operating successfully and indicate the possibility of their extension in other places.

The system of revenue collection also compels the growers to sell their produce just after harvest when prices are at their lowest. In this connection, reference

may be made to Kashmir Valley Food Control Department. This department collects 1/8th of the crop of the cultivator and pays him in cash, free of interest, in two instalments, to meet revenue and his other needs. This system is working well in 1,556 villages. There are 25 collecting and 36 distributing centres.

Classification, Grading and Standardisation: Innumerable varieties of rice grown in India have so far prevented the laying down of well-defined standards and grades. Hence the great bulk of internal trade is done on the basis of samples and the comparative values are determined by visual examination only. However, certain well-known qualities of imported rice from Burma are sold on the basis of trade description. Consequent on confused conditions in the internal trade no allowances or deductions for impurities or inferior quality are recognised—the disputes being settled after considerable higgling. Grading by millers and merchants in India is, however, done but on individualistic lines.

Adulteration with cheaper and inferior types is known to occur to a considerable extent as in other agricultural commodities. However, differences in the different grains is made on the following lines:

- (i) Fine, medium or bold.
- (ii) Raw or parboiled.
- (iii) Machine-milled or hand-pounded.
- (iv) Adulteration of broken rice.
- (v) Age.

Measures have been taken under the Agricultural Produce (Grading and Marking) Act, 1937 to draw up standard grade specifications in respect of a number of well-known commercial descriptions according to the various quality factors which include:

(a) foreign matter other than rice, (b) broken rice, (c) fragments, (d) other rices including red grains, (e) damaged or discoloured grains, (f) weeviled grains, (g) chalky grains, (h) 1,000 kernel weight, (i) conformation of grain as measured by its length and breadth ratio. The scheme is entirely voluntary but it is steadily gaining popularity.

It needs examination how far the export trade in rice can be expanded under the Agmark Grading Scheme.

Conservation. In villages the cultivators retain part of their produce for seed purposes and for domestic requirements. Well-to-do growers also store to mature the paddy and to sell it at favourable prices. The landlords store considerable quantities of paddy for various purposes. The methods of storage in rural areas are always crude, cheap and simple. The receptacles are mostly made of plaited straw, split bamboos, mud or brick work, or of wood. The persons concerned take as much care as possible to save their little possession in this form from loss. These receptacles are generally made of a platform and are of different capacities suited to the individual requirements. They

are in different shapes, rectangular or conical, and are known by different names in the different provinces, e.g., *Morais* in Bengal, C. P. and Behar, *Pattarais* in Madras, *Kothis* in U. P., *Gundis* in Sind, *Panats* in Karnatak and so on. Somewhere only pits lined with straw are used to store the grain.

In the Markets: As about half of the surplus is carried to the markets within 4 months of the harvest time, the merchants maintain permanent storage facilities made of brick work with cemented or flag-stone floor of different capacities. *Kothas* of U. P. and *Gadi* and *Dhanyappa Kottus* of Madras are typical examples of the names given to them in these provinces. In Kashmir we find huge granaries built of local wood and maintained by the State. The experiments can well be tried in other parts of the country as well.

In the mills there are always adequate storing facilities. Paddy is stored in bulk both at the markets and the mills while rice is invariably stored in bags in the mills, and both in bulk and bags in markets. At the ports the port authorities maintain adequate storage facilities.

Chemical preservatives or insecticides are rarely used. Some indigenous substances such as ashes, lime powder and bran are certainly used when rice is stored for a year or so.

The cost of storage in villages in respect of recep-

tacles made of interwoven bamboos, stalks, etc., averages at about Rs. 5 per 100 mds. capacity. The life of such a receptacle depends upon the care taken of it.

The storage costs in town markets depend on 3 factors :

(i) Godown rent, (ii) Handling charges and (iii) Interest.

On an average the monthly cost works out to be between 3.36 and 7.77 pies per md. for paddy and between 5.02 and 14.68 pies per md. for rice which is stored in bags. In case of mills they have got their own godowns, but if for any reason they have to hire outside accommodation, the cost ranges between 1 pie to 3 pies per md. per month.

Loss in Storage: Paddy and rice like other grains undergo certain change due to atmospheric influences. In case of paddy which is harvested in semi-mature condition, there is a great loss of weight as the moisture dries up. Weevil also accounts for a heavy loss. Paddy suffers much less loss on this account than rice. Such loss is estimated at about 95,000 to 100,000 tons annually. Dampness causes further loss, particularly in case of kachcha floors, which is estimated at about 10,000 tons of paddy and 10,000 tons of rice approximately. There is further loss due to rats, mice and vermins. It accounts for about 110,000 tons of paddy and rice together. The total loss due to these factors comes

to about 317,000 tons of rice and paddy annually of a value of about 302 lakhs of rupees. 48 per cent of this loss takes place in paddy storage and the rest in rice.

A peculiar fact as regards paddy and rice is that there is an improvement in their quality, as they mature. Though no optimum length of storage is possible to be given, yet trade has formed a rough and ready classification regarding storage in different provinces. A premium is paid on old rice. But one thing is certain that when rice is stored in the form of paddy there is less loss due to weevil attack and atmospheric changes and the quality improves to the similar extent.

There are no centres where future trading is carried on in rice on an extensive scale as in the case of wheat or cotton. It is due to the following causes:—

(i) Innumerable varieties necessitating sale by sample, (ii) no large and organised mandis for rice, (iii) small carry-overs—rapid movement of the crop for consumption, (iv) bulk of rice remains with growers in the form of paddy till purchased by mills and professional dehuskers, and (v) absolute lack of relationship between prices in the different markets.

The storage cost of rice prevents its storage in anticipation of rise in prices after the post-harvest depression, as it generally exceeds the difference in the two prices except in Bengal, C. P. and U. P.

However, in case of paddy in Bengal, Madras and Bihar there are greater chances of gain for growers by co-operating to store their paddy for sometime as the difference in prices more than compensates the carrying charges. No useful information is available to trade as regards statistics regarding stocks of rice and paddy.

The storage accommodation in India is very elastic as storage is not localised in any special area or confined to structures exclusively designed for the purpose, as is found in Europe, America and Australia, etc. The dispersion of storage over wide areas increases cost of handling and also increases loss due to dampness and weevil and other insects. However, at ports we find proportionately small space being allocated to rice imports which causes some inconvenience.

Handling and Transportation: Paddy is generally handled in bulk till it reaches the mills to be converted into rice, while rice dehusked by hand-pounding is handled both in bulk and in bags. The means of communication employed by growers to carry their produce to a primary market are bullock carts lined with strong cloth of cotton, hemp or wool and pack animals which carry the produce in saddle bags. The cost of weighing, loading, unloading, and carrying, etc. varies between 3 and 9 pies per md. per mile.

At the markets the handling charges consist of

carrying the produce to the mill for milling or to the railway station for despatch to other centres. Such charges vary only between 3 and 5 pies per md. After reaching the market both paddy and rice are handled in bags, the former usually in fillings of 1 md. 24 srs. and 1 md. 30 srs., and the latter in a wide range of bags varying between 2 mds. and 2 mds. 30 srs. capacity.

By Rail. The cost of loading and unloading is borne by the railway concerned. The goods are allowed to remain in goods shed free of charge for 72 hours after which wharfage is charged at 6 pies per md.

Despite prohibition, the coolies use hooks in loading and unloading which causes damage to bags and loss due to leakage. Though not required by railway companies the consignors and consignees generally pay extra sums to the railway staff. About 10 lakhs of rupees change hands in this way every year on $3\frac{1}{2}$ million tons of paddy and rice carried by railways annually.

Rice and paddy are classified in class I of the Tariff Schedule. There are also Schedule rates and special rates between specified stations. Rates are not calculated on the through distance between the station of origin and destination if the two lie on two different railway lines but separately for different railways concerned. Paddy and rice are generally booked on railway risk unless packed in old and defective bags. Covered wagons are used for

them and covered accommodation is adequately provided for the produce waiting for despatch or delivery. The share of railways in the rice trade is estimated at $3\frac{1}{2}$ million tons of which 800,000 tons are paddy and 2,700,000 tons rice.

By Rivers: Transportation of rice by internal waterways is a common feature in many low-lying rice producing areas, e.g., Bengal, Assam, Bihar, Orissa, Mádras, Travancore and Cochin and to some extent in U.P. on the Ganges. The exact figures of transport by this means are not available but it can hardly fall short of 1 million tons—in fact it may be much more.

Paddy and rice are carried in bulk on the boats but on the steamer bags are generally used. In the country boats the produce is always open to the vagaries of nature. The rates of transport are open to negotiation but are generally cheaper than those of rail or road transport. But the time taken is longer. The boatmen are also known to tamper with the goods in transit. The rates differ in different provinces for different distances varying between 11 pie per md. per mile in some parts in Bengal and 40 pies in Bihar and Sind, etc.

By Road: Road transport is generally employed between producing tracts and assembling centres in the interior. They are mostly kutchra roads and become impassable during the rainy season. Two wheeled-bullock carts, pack animals and headloads are the prin-

cipal vehicles employed. The carts have a capacity of 12 to 40 mds. each. From the assembling markets further transportation of paddy and rice may take place in lorries, two wheeled carts, four wheeled thelas and camel carts (*sikrams*).

The road transport is economical since goods are taken from the consignor's door and delivered at the consignee's godown, thus saving cartage and handling charges. For long distances on road lorries are employed while carts are used only upto 30 miles. The cost of road transport varies enormously—it is relatively cheaper on long hauls but is doubled during monsoon generally.

By Sea: Annually about 93,528 tons comprising of 32,140 tons of paddy and 61,388 tons of rice are recorded as having been shipped from maritime provinces to coastal ports in India. Shipments of paddy are the largest from the Orissa coast which accounted for 63 per cent of such volume between 1934-35 and 1938-39. Bombay comes next with 33 per cent and Madras with 3 per cent. Bombay contributes 36, Sind 27 and Bengal 23 per cent of the total coastal trade in rice. Besides the recorded trade about an equal amount must be passing unrecorded between coastal villages and towns having no customs offices. Therefore, the total trade in rice and paddy by sea amounts to about 200,000 tons a year.

The steamship lines engaged in the trade operate under a conference which fixes the rates. A rebate

of 10 per cent is given to those shippers who have exclusively patronised conference lines during a certain period. On the outbreak of the war, rates were enhanced by 35 per cent.

Wholesale Distribution: Out of the total marketable surplus, of 11.5 million tons about 89 per cent enters the normal channels of wholesale trade and the rest is distributed by cultivators, village merchants, itinerant dealers, etc. in the villages or periodical markets. The supplies reaching wholesale markets consist both of paddy and hand-pounded rice. This paddy is converted into rice by power-driven rice mills. Of the total quantity milled about 0.48 million tons is got milled on hire by growers, village merchants, etc. The rest is got milled by wholesale merchants on hire or by rice mills on their own account. The relative shares handled by these two agencies vary considerably in different provinces. In Bengal, Madras, Bombay, Sind and Mysore, mills are the most important buyers and millers of paddy and the share of traders is comparatively less.

The instances of growers, village merchants, landlords, and itinerant merchants entering the wholesale trade are at best very rare and their consignments are estimated in the aggregate at only 11 per cent. The bulk of the produce is handled by wholesale merchants, commission agents, and rice mills.

The wholesale merchants and commission agents overlap each other's functions so much that they can

be classed as one and the same agency. Roughly about 80% of the produce passes through their hands. They are firms of long commercial experience and wide business relations which play a considerable part in financing the trade. Most of the foreign trade is handled by these wholesale merchants and commission agents.

In Madras these merchants get the paddy milled on hire and distribute rice. The mills milling on their own account distribute either directly through their own branches or through commission agents, the latter practice being more popular among them.

Purchases may be made by merchants in consuming centres on the basis of samples usually sent by post, the price being settled by correspondence. In case of established qualities of proved reputation orders may be placed direct without prior examination of samples even.

The role of co-operative societies in this direction has been rather insignificant. The operations of several purchase and sale societies are primitive and do not generally extend beyond the assembling stage. A few of the societies have attained a certain measure of success, e. g., Parbatipur Paddy Sale Society in Bengal, Provincial Co-operative Marketing Society in Madras and Dehra Basmati Rice Producers' Co-operative marketing Society at Dehradun.

The distribution of rice from assembling centres to those of consumption is financed by wholesale

merchants and commission agents. The funds are, however, supplied by shroffs and modern joint stock banks. The shroffs advance against hundis and Promisory Notes while banks advance against hypothecation of produce. Banks also buy and discount hundis but their part is relatively much less in relation to that of shroffs. The chief means of remittance is also hundi, particularly *Darshani Hundi*. They are much cheaper than bank drafts, the charges amounting to only about 1 anna per cent.

The cost of distribution is negligible when rice, or paddy is distributed by growers, village merchants, etc., directly in the villages.

In case of wholesale distribution the cost includes handling and cartage charges to buyer's premises plus market charges, if any, in case of local sales and consignments to other places :

- (i) Handling, cartage to station and station expenses.
- (ii) Railway freight or boat hire.
- (iii) Handling, cartage, octroi, market charges, godown rent, charity, etc. at the destination.

The buyer is responsible for all these charges unless otherwise agreed.

Trade Associations. There are few associations interested exclusively in the rice trade. The Bombay Rice Merchants' Association is the only important one in this respect. It used to do 'Futures' business

in some imported Burma varieties only. There are two other Associations of some importance, viz. the Calcutta Rice Merchants Association and the Calcutta Grain, Rice and Oilseeds Association. Their objects include a wide range of functions, e.g., protection of all aspects of the rice industry, promotion of co-operative spirit among persons engaged in it, collection and circulation of relevant statistics, settlement of disputes among members, establishment of just and equitable principle in trade, subscription towards religious, charitable or other public purposes. Besides these big associations there are a number of smaller ones of local importance only, e.g., panchayats of local milling industry at Larkhana and Jacobabad in Sind. Sometimes more than one association operate in the same market which is rather unnecessary and unhealthy.

Retail Trade. In the village, the village bania is the most important retailer, although the cultivators also take a small part in this respect. In the urban areas the retailer of rice also deals in other articles of food as well. As regards his margin of profit it was found that costly rice yields larger margin to the retailer than the cheaper varieties which give him a rapid turnover. Costly rice is often adulterated with cheap rice bearing some resemblance in size and shape to the former and sold as such. A lot of bargaining and higgling goes on in arriving at the final price between the customer and the retailer. Consumers' Co-opera-

tive Stores play an insignificant role in the retail distribution of rice, because they are far away from each other. The co-operative movement in this sphere can improve the tone of the market and can assure the consumers of pure qualities and the producers of a better price.

As regards the share received by the producer out of the price paid by the consumer, it is very difficult to arrive at a correct figure in case of rice because his share differs widely according to the conditions under which the crop has been marketed. But the following circumstances generally indicate his comparative share in different cases.

(1) Produce marketed by the producer directly fetches a higher return to him than that sold to an assembling middleman.

(2) The price realised by the grower is higher at assembling milling centres than if the goods are consigned to other centres.

(3) His share is higher if he sells his paddy after converting it into rice.

Taking all these factors into consideration the grower's average net share in respect of rice which passes through the wholesale markets comes to about 8 as. 3 p. in the rupee paid by the consumer or about 51.5%—a figure which is much lower than can be justified. He can get much better return if he could have a proper system of financing and a more direct participation in the marketing process.

The diversity of weights and measures is very well known. No steps have so far been taken to enforce the provisions of the Weights and Measures Act, 1939 in any province except Bombay, where periodical checking of weights and measures is obligatory. There is apparently no reason why the same should not be practicable in other provinces.

MARKET TERMINOLOGY

A commodity market may be defined as a permanent and organised place where persons meet for the purpose of doing business in a commodity which may be (a) a natural product of the soil such as jute, cotton, wheat, gram, linseed, tea, etc., or (b) a mining product such as gold, silver, lead, copper, tin, etc., or (c) a manufactured article, such as jute fabrics, cotton textiles, sugar, etc. The term 'produce exchange,' on the other hand, is confined to a market for raw produce only.

The principal commodity markets in India are: Jute market of Calcutta; Cotton markets of Bombay, Karachi and Indore; Wheat markets of Bombay, Karachi, Hapur, Lyallpur, Amritsar, Okara, Chandausi and Calcutta; Cotton piece-goods markets of Bombay, Ahmedabad, Calcutta, Delhi, Cawnpore and Amritsar; Linseed markets of Bombay and Calcutta; Sugar markets of Bombay, Calcutta, Cawnpore and Muzaffarnagar; Bullion markets of Bombay, Calcutta, Delhi and Amritsar; Hide and skin markets of Madras and Cawnpore; Tea market of Calcutta; Seeds market of Bombay; and Rice market of Calcutta and Rangoon.

Only those commodities which are capable of

being graded or otherwise accurately described and being sold in large quantities are suited for sale in an organised market. The essential characteristics of an organised market are:—(a) A large number of competing buyers and sellers; (b) A large quantity of the commodity dealt in; (c) The organisation by which all persons interested in the commodity can quickly communicate with one another; (d) The collection and frequent publication of statistical and other information relating to the present and the probable future supply of commodities; (e) The actual buyers and sellers do not transact business in person; they get it done through brokers; and (f) The supply and demand are concentrated.

One essential feature of an organised market is the quick dissemination of commercial news. This has been made possible by the development of rapid means of communication such as telegraph, telephone and wireless. The principal radio stations of the world broadcast commercial news every day.

Every organised commodity market has a standard form of contract specifying the grade, and the conditions for payment, for delivery and for the settlement of disputes by arbitration. It has usually a futures Clearing House, (known as Chamber of Commerce in several Indian exchanges), by means of which the purchases and sales of dealers can be offset and the settlement of contracts easily made.

In most markets business can be done only through members of the exchange.

Ready and Forward Sections. The business transacted in a commodity market usually consists of (a) ready business, *i.e.*, goods sold for immediate delivery, or (b) forward business, *i.e.*, sales for future delivery.

Ready Business. This is purchase and sale of goods for ready or spot delivery. Ready business is also known as *trading in actuals*. The supply of goods for the ready business comes from the existing stocks or accumulations held by merchants and from fresh arrivals. Agricultural produce reaches the market throughout the year, sometimes (particularly at the harvest time) in large quantities and sometimes in small. The demand for ready goods arises from the trade, stockists, millers, jobbers, dealers, consumers and speculators.

Forward Business. Contracts for forward delivery are called '*futures*.' They are basic contracts. The creation of futures in an organised commodity market is often very useful to genuine traders for hedging purposes. There are persons who wish to purchase goods now and to take their delivery in future when they will actually need them. A manufacturer, for example, may find it useful to make contracts now for the future supplies of his raw material, and may thus be able to give his whole attention to the manufacturing side of his business.

Futures are available in all important commodi-

ties and in all the principal markets. Futures are described by the name of the month in which delivery is due, and the months of delivery are different for different commodities and in different markets. In some markets the delivery months are the calendar months and in others Samvat months. For example, wheat futures in the Bombay Seeds and Produce Market are May, September, January and March, while at Hapur they are Jeth, Bhadon, Mangsir and Mah. The May future in Bombay and the Jeth future at Hapur are also known as new crop contracts. When a person buys a future, he will say that he has purchased so much September wheat at such and such price.

Forward transactions are also referred to as *future contracts or future positions*, e.g., one may say that he has purchased or sold so much of May future or May contract or May position. Where two or more futures of the same commodity are running at the same time in the same market, they are distinguished by the names of the delivery months or as near and distant positions according to the time of their respective deliveries. For example, now (April 1941) two different future wheat contracts—May and September—are available in the Bombay market. The May future may be called as the near contract and the September future as the distant contract.

Basis of future prices. Future prices are as much influenced by economic factors of supply and demand

as spot prices. For example, in the case of farm produce the conditions of crop in all the producing countries, the acreage planted, last year's balance carried over to this year, the condition of the monsoon, the actual and potential supplies in the market will all affect the supply side. As against this the traders have to balance the demand of importing centres and that of the domestic mills and other consumers. Other factors affecting the price are war, weather, industrial and financial situation. In India astrology also plays a part in affecting prices. It means that prices reflect not only the actual conditions of supply and demand, but also the opinions, beliefs, hopes and fears of changes in supply and demand entertained by the speculators. Future prices are very sensitive to facts, news and rumours. In a busy market they change from hour to hour and even from minute to minute.

SPECULATION

Speculation takes place in futures; it cannot exist in ready business. If a person buys or sells a commodity for forward delivery and means to take or give delivery at the due date, such a transaction is a genuine trade transaction. But if a person buys or sells a future not with the object of taking or giving delivery but for the purpose of settling it before the due date in order to make a profit on the transaction, such a dealing is called speculation.

Speculation is commonly looked down upon by the general public who regard it as pure gambling. But that is not always true. Speculation is a science by which one attempts to make an intelligent forecast of the future course of prices of a certain commodity. The difference between speculation and gambling may be summed up in these words: "Speculation begins where foresight enters and gambling begins where foresight leaves." There is, of course, an element of chance in both speculation and gambling, and speculation is looked down upon with contempt because it is risky. The consequences of rash speculation are very often disastrous. When there is too much speculation in any commodity, it is said to be *hectic, wild, frenzied* or *unbridled* speculation.

Speculators may be professionals or amateurs. A professional speculator is one who devotes his whole time and attention to this business and who studies closely all the available information on the subject. An amateur speculator, on the other hand, is a person who does speculation as a side job and who very often does not possess any information about the commodity in which he speculates. He simply goes on hearsay. Amateur speculators, with rare exceptions, invariably lose. Speculators are either bulls or bears.

BULLS

A speculator who *buys* forward with the object of selling at a profit before the date of delivery is known as a *bull*, a *long* or a *bull operator*. The phrase '*to go long*' means to act as a bull, that is, to buy a future in the hope that its price will rise. '*The long side of the market*' is another phrase commonly employed, which also means acting as a bull.

Stale Bull. When the forecast of a bull goes wrong because the market falls instead of rising, and in spite of his waiting for a long period the prices do not move in his favour, then he is called a *stale bull*, a *tired bull*, a *disappointed bull* or a *disgruntled bull*. If he cannot wait any more he will have to unload his purchases at a loss.

Staunch Bull. He is a speculator who always acts as a bull, and never as a bear.

Bull Support. The word support in market language means to buy. Bull support simply means purchases made by bulls. *Bull activity* is another phrase used in the same sense.

Bull Factor. Any factor which is likely to raise the price of a commodity is known as a bull or bullish factor.

Bullish Outburst. Heavy purchases made by bulls in a rising market are referred to as bullish outburst.

Bullish Sentiment. An idea amongst speculators that prices will go up is known as a bullish sentiment.

Bull Liquidation. Sales made by bulls in order to settle their previous commitments are termed as bull liquidation or unloading by bulls. To *unload* means to sell, particularly when one has to sell at a loss. A person has a sense of relief when he unloads a heavy burden from his head; similarly a bull selling his purchases at a loss is said to unload them.

Bull Account. When the speculative purchases of a certain commodity exceed its speculative sales, there is said to be a bull account or an overbought position in that commodity, or the technical position of that commodity is said to be bullish.

Bull Campaign. When a big bull account or an over-bought position exists in any commodity, and the bulls try to bring about an artificial rise in its price by circulating in the market bullish news about it, such tactics on the part of the bulls are known as a bull campaign.

BEARS

A speculator who *sells* forward in the hope that before the date of delivery he will be able to purchase at a lower rate and thus make a profit on the difference is called a *bear*, a *short* or a *bear operator*. The phrase '*to go short*' means to act as a bear, that is, to sell a future in the hope that its price will go down. '*The short side of the market*' is another phrase which means selling a future.

Bear Sale. A forward sale made by a bear who

does not possess the goods at the time of selling but who hopes to buy them (if necessary) before the due date of delivery is called a *bear sale* or a *blank sale* or a *short sale*. In practice the question of giving delivery does not arise, because the bears usually get out of their commitments before the due date of delivery by purchasing futures which they sold and thus squaring their transactions.

Bear Covering. A bear sells a future in the expectation of a fall in its price, so that he may purchase it again before the date of delivery in order to fulfil his promise. If his calculations go wrong, and the price begins to rise instead of falling, he will be compelled to start buying. Such a purchase made by a bear is known as '*bear covering*,' the general effect of which is a rise in prices.

Bear Factor. Any factor which is likely to bring prices down is called a bear or bearish factor.

Bear Sentiment. An idea amongst speculators that prices will go down is known as a bearish sentiment.

Bear Account. When the speculative sales of a certain commodity exceed its speculative purchases, there is said to be a bear account or an oversold position in that commodity, or the technical position of that commodity is said to be bearish.

A bear account is called '*open*' or '*uncovered*' when bear speculators have sold what they do not possess and what they have not yet acquired by pur-

chase. An open bear account suggests that bear covering will follow leading to a rise in prices.

Bear Raid. When there is a bear account in any commodity and the bears attempt to depress its price by spreading bearish news about it, in the market such an action on the part of bears is called '*bear raid*' or '*bear tactics*.'

Bear Squeeze. Sometimes the heavy sales of a certain commodity made by bears pass into the hands of persons who know that there is a bear account in that commodity. The latter, therefore, secure as much supply as they can, and then demand a very high price before the settlement period. The bears under such circumstances are forced to cover themselves at whatever price they can, otherwise they cannot give delivery on the due date. Whenever the bears are landed in such a difficult position, there is said to be a '*bear squeeze*' or simply a '*squeeze*.'

Tenders. The quantity of a certain commodity offered to be delivered by the bears on account of their forward sales is known as '*tenders*', and the goods which are available in a market for the purpose of being delivered in respect of forward contracts are called '*tenderable stock*.'

Note—Bulls and bears are speculators; they are also called market operators. A sort of a tug-of-war (known as a '*speculative bout*') goes on between bulls and bears. In a rising market the bulls have the upper hand; but when prices begin to fall the market is

seized by the bears. The majority of professional speculators are bears, while amateurs, being largely optimists, usually act as bulls. Both bulls and bears use their own tactics in order to bring round the market in their favour. Very often an ounce of activity on the part of the bulls is answered by a ton of tactics on the part of the bears.

OTHER FORMS OF SPECULATION

1. *Options.* An option is a right to buy or sell certain goods within a fixed time at a price settled at the time the option is given. The giver or seller of an option (called *option dealer*) receives from the purchaser of the option a fixed amount by way of premium (known as option money). If the price fluctuates in such a way as to make it profitable for the option-holder to exercise it, he will do so; if not, he will simply lose the money he paid for the option. The method of speculating by means of purchasing an option limits the amount of loss to the amount paid as option money.

There are two kinds of single option,—the call option and the put option. The '*call option*' gives the right to buy or not, at the choice of the option-holder, at an agreed future date a certain commodity at an agreed price, which is known as the '*striking price*.' The '*put option*' gives the right to sell or not, at the choice of the option-holder, at an agreed future date a certain commodity at an agreed price.

There is also the double option (*'Put and call option'*), which gives the right either to buy or to sell, at the choice of the option-holder, a certain commodity at an agreed future date and at an agreed price.

In Indian market language option dealings are known as *'Teji-Mandi ka sauda.'* *'Teji option'* is the equivalent of call option, and to buy a call option is known as *'Teji lagana.'* *'Mandi option'* is the same thing as a put option, and to buy a *Mandi* option is *'Mandi lagana.'* The double option is known as *'Najrana option,'* and to purchase a najrana option is called *'Najrana lagana'*. The person who buys an option is called *'Teji Mandi or Najrana laganewala'*; while the option dealer is known as *'Teji, Mandi or Najrana khanewala.'*

The price of an option, *i.e.*, *Teji, Mandi or Najrana* rates, depend mainly upon market fluctuations and are quoted daily along with the prices of futures. For amateur speculators the system of options is very useful, because by means of options they can limit their losses.

Let us take an example. Suppose on 13th April 1941, the rate of Jeth wheat future in Hapur is Rs. 3-2-6, the rate of Jeth teji option Re. 0-1-3, the rate of Jeth mandi option Re. 0-1-4½, and the rate of Jeth najrana Re. 0-2-6 per maund. If a person

purchases on that date 100 tons of Jeth wheat¹ at Rs. 3-2-6, he may make a good profit or sustain a heavy loss on this deal. If the price goes up to Rs. 3-8-0 by the end of Jeth he makes a profit of Re. 0-5-6 per maund on 2,725 maunds (the equivalent of 100 tons); but if the rate of Jeth wheat drops down to Rs. 2-12-0 he will incur a loss of Re. 0-6-6 per maund.

If, however, he wishes to limit the amount of loss, he should not buy 100 tons of Jeth wheat future. He should instead apply najrana of Re. 0-2-6 per maund on 100 tons by paying Rs. 426-12-6. If he applies najrana, it means that by paying a sum of Rs. 426-12-6 he has secured the right either to purchase or to sell 100 tons of wheat at Rs. 3-2-6 up to the end of Jeth, the actual date for the settlement of option dealings being Jeth Sudi 9, which is known as the *declaration date*. Whatever may be the fluctuations in the Jeth wheat rates, his maximum loss is limited to what he has paid by way of najrana; and, of course, the greater the fluctuation either way, the greater will be the amount of his profit. If the price of Jeth future remains absolutely unchanged at Rs. 3-2-6 from the date of his purchasing the najrana option up to the najrana declaration day (that is, Jeth Sudi 9)—and this is highly improbable—then

¹ In Hapur wheat futures are in tons and not in maunds, the minimum unit being 25 tons, the equivalent of which is 681¼ maunds.

he would lose Rs. 426-12-6 altogether.

If the buyer of a teji option on any sharp rise in the market sells forward for the same month as that for which he has applied teji, he becomes what may be called a '*protected bear*.' Should the market fall back, he can repurchase for the same option month, and thus make a profit while retaining his option. The holder of a *mandi* option can also employ the same device in the reverse direction, that is to say, he can buy forward on a fall and become a '*protected bull*'; and if the market rises before his option expires, he can sell for the same option month, secure a profit and still retain his option. This procedure is known as '*Teji ke pete bechna or mandi ke pete lena*.' Skilful operators in actively fluctuating markets deal against options in this manner several times during the run of the option. Where the profits thus secured exceed the option money paid, the purchaser of the option makes a profit and his option, so to say, costs him nothing.

Gale Option. When a person secures an option to buy or sell a certain commodity at a price higher or lower than that ruling on the day on which the option is purchased, such an option is known as a '*gale option*'. For example, if the price of Jeth wheat on a certain day is Rs. 3-2-6, and the rate of teji option for Jeth on that day is Re. 0-1-7½ per maund, a person may apply gale option at Rs. 3-6-0 per maund instead of at the current rate of Rs. 3-2-6, for the rate of a gale

option must be cheaper, say, perhaps only 6 pies per maund, because the risk undertaken by the option-dealer is thereby considerably reduced. Those speculators, who cannot afford to apply teji, mandi or najrana at the current commodity rates, purchase gale options.

2. *Straddling*. This is another protective method of speculation on the difference in prices of different futures of a commodity in the same market or the difference in prices of the same future in two different markets. Such a difference is also known as 'gap', 'spread', 'premium', 'discount' or 'satta.' For example, if the price of Jeth wheat future in Hapur is Rs. 3-2-6 and that of May wheat future in Bombay is Rs. 4-4-6 on a certain day, there is a gap or difference of Rs. 1-2-0 in the prices of the same future in the two different markets. If a speculator has reason to believe that this difference of Rs. 1-2-0 is more than usual (taking the cost of transportation into account) and that it is likely to become less in future, he may sell in the Bombay market and buy in Hapur about the same quantity of May and Jeth wheat, respectively, in the hope that the gap will become narrow and thereby he will be able to make a profit on the deal. This form of speculation is known as '*straddling*' or '*satta karna*'; and the speculator who does it is called a '*straddler*', '*straddle operator*' or '*spreader*'.

If the spread of Rs. 1-2-0 between the prices in Bombay and Hapur actually narrows down to (say)

12 annas, the straddle operator will make a profit of 6 annas a maund by settling his business in both markets, viz., by buying in Bombay and by selling in Hapur. The settlement of straddle transactions is called '*reversal of straddle*' or '*satta torna*.' If, on the other hand, the difference between Bombay and Hapur widens to (say) Re. 1-4-0, the straddler will suffer a loss of 2 annas per maund.

3. *Hedging*. When two transactions of equal value but of opposite nature are entered into by a dealer in a commodity at about the same time and price, one in the 'spot market', and the other, in the 'futures market' it is called a hedging transaction. The main purpose of such a transaction is to insure oneself against fluctuations of price. For example, when a grain stockist, an arhatia or a miller of wheat who has stored grain, sells an equivalent amount in the 'futures market' at about the same price it is called a 'hedge sale.' If the price of wheat falls he loses on stock but gains on the hedge sale. A cotton manufacturer who has sold cloth for future delivery at an agreed price would like to insure himself against rise in the price of raw cotton. He, therefore, purchases the probable quantity of cotton required for manufacturing at about the same time and more or less at the same price in the 'futures market'. It is called a hedge purchase. This will protect him against fluctuations of price of cotton if he contents himself simply with his manufacturing

charges. A miller may as well protect himself against rise in the price of wheat. Since hedging transactions involve some expenses, e.g., commission, interest on margins, taxes, etc., the average result of a long series of transactions would be slightly less, but such a loss is treated by the trade as insurance premium against risks of market fluctuations which may become too much for an ordinary trader, miller, manufacturer or stockist. It is part of the cost of manufacture or trade and can be more or less accurately measured too. The stockist who has hedged his produce against a fall in price is in a better position to get credit from his bank than another who has not thus protected himself. Further, the use of the hedging contract enables to carry on business on a much smaller margin of profit because hedging minimises the chances of uncertainty. The element of uncertainty is taken upon himself by the speculator who is a specialist in risk bearing and who renders service analogous to that of insurance companies. Hedging differs from other forms of speculation in that its object is not to make profit, *but to insure against loss.*

4. *Switching Over.* The process of transferring from one position to another (e.g., from *Jeth* contract to *Bhadon*) is known as *switching over* or *budla* or '*satta karna.*' Thus, if a person who has bought or sold *Jeth* wheat finds that the prices are against him before the date of *Jeth* settlement, but that

they are likely to move in his favour thereafter, he may settle his Jeth business and enter into Bhadon contract, that is to say, he may switch over from Jeth to Bhadon.

MARKET TERMS

Purchases. The demand for ready and forward goods comes from both, genuine traders and speculators. Bull buying, bull support, bear covering, short covering, speculative buying, straddle buying, profit-taking or profit-realising purchases, and stop-loss orders—all these are purchases made by speculators. Trade support, trade inquiry, trade buying, trade calling, trade price-fixing, mill-fixing, export inquiry are terms employed to indicate trade demand.

Sales. Sales are also made by both trade and speculators. A hedge sale is one made by a trader. A speculative sale may be made by either a bull or a bear, and speculative sales may be of several kinds. A bear sale, a blank sale or a short sale is one made by a bear. A straddle sale may be made by either a bull or a bear. Profit-taking or profit-realising sales are made by bulls. Bull liquidation or long liquidation means sales made by bulls whether at a profit or at a loss. Stop-loss sales, distress sales, tired liquidation, unloading by bulls—these are all sales made by bulls at a loss.

Settlement. When a bull sells what he bought

or when a bear buys what he sold, he is said to settle, square or switch off his deal.

Volume of Trading. The volume of business or trading done in a market on a particular day is expressed as brisk, moderate, restricted, limited, meagre, small, slow, stagnant, active, on a small scale, on a large scale, on a broad scale, little doing, nothing doing, not much doing, and so on. The market is said to be active, quiet, dull, uninteresting, featureless, colourless, eventful, uneventful, listless, stagnant, or neglected.

Prices. The price, rate or value of, or the basis for, a commodity does not remain the same; it fluctuates. Price fluctuations may be narrow, within narrow limits, within a narrow range, wide or violent. Very often two prices are quoted for a commodity at the same time—one buyer's and the other seller's, e.g., Rs. 3-2-5 $\frac{3}{4}$ buyer's or value and Rs. 3-2-6 seller's. The buyer's price is called value because it is the true price. '*Peak price*' or '*Ceiling of the market*' are terms indicating the highest price touched; whereas '*rockbottom price*' is the lowest price. The phrase "*With sellers over*", when attached to a price quotation means that the market is falling and that at that particular price there are more sellers than buyers, e.g., "Rs. 3-2-6 sellers over" means that at this price there are no buyers, or, in other words, this price is nominal. Similarly the term "*With buyers over*" is employed when there

are more buyers than sellers in a rising market.

When the opening and closing rates of a commodity for a day or for a week are compared, the result is expressed by phrases like the following: On balance there is a gain of 5 annas; over the week the rate has moved up by 5 annas; the net gain in the value is 5 annas, and so on.

Reaction. The term 'reaction' when used in connection with prices means a movement in the opposite direction. If the price of a commodity rises, it cannot go on rising; it must stop somewhere; and once the highest point is reached it must react or fall. When it begins to fall there is said to be a reaction. Similarly a reaction must come in a falling market.

Factors affecting prices. Anything which is likely to affect the present and the future supply of and demand for a commodity will be responsible for its price fluctuations; and the principal factors affecting supply and demand are: (a) The statistical position and prospects of the commodity in the country and outside, that is to say, the existing stocks and the likely production; (b) Vagaries of the weather; (c) Government action (e.g., imposition or removal of import, export and excise duties, price control, restrictions on imports and exports, trade legislation, etc.); (d) Political situation, particularly during the war; (e) Sympathy with other commodities; (f) Volume of imports and exports; (g) Effect

of substitutes; (b) Sentiment created by rumours and sometimes even by *Jyotish* (astrology) in India; (i) Foreign exchange fluctuations, particularly the cross-rates, etc.

Price Fluctuations. The changes in commodity prices are usually expressed by the following words and phrases :—

Nouns and adjectives : Rise, fall, decline, jump, set-back, recession, rally, recovery, advance, gain, loss, up by, down by, upturn, upswing, bulge, landslide, spurt, dip, flare up, break in values, depression, slump, relapse, drop, upsurge, improvement, sticky, jumpy, reaction, etc.

Verbs : Rise, fall, decline, jump, recede, rally, recover, advance, gain, lose, mark up, mark down, soar, harden, shoot up, shed, sag, ease, steady, firm up, weaken, depress, slump, react, relapse, drop, tumble down, look up, drift down, move, improve, etc.

Rise or fall in prices may be marked, sudden, unexpected, sharp, smart, precipitous or abrupt. Phrases like slight improvement, partial recovery, mild rally, etc., are also commonly employed to express price fluctuations.

Market Tone and Undertone. The term 'tone' means the present tendency of prices. The words trend, mood, temper, sentiment, atmosphere and behaviour are also used in the same sense. The term 'undertone' or 'undercurrent' implies the future tendency of prices.

The tone of the market may be quiet, dull, uninteresting, easy, weak, bearish, steady at the decline, barely steady, steady, fully steady, firm, strong, bullish, healthy, confident, cheerful, buoyant, erratic, hesitant, irregular, indifferent, nervous, depressed, reactionary, optimistic or pessimistic.

MARKET REPORTS

The commodity and other market reports are a regular feature of the principal English and Vernacular newspapers of the country. The English newspapers give more detailed and reliable commercial news, because they collect it either through their own special correspondents in the principal trade centres of India or through reliable news agencies such as A. P. I. (The Associated Press of India) or Reuter's.

The market reports published in the newspapers are daily, weekly and annual. A daily market report has necessarily to be brief. It usually gives the opening, highest and lowest rates of the day together with the closing rate of the previous day. It also indicates the tone of the market and a very brief reason for it. It is generally sent out in the afternoon. A weekly-report reviews in detail the market conditions during the week and states the opening, closing, highest and lowest rates for the week together with a description of the factors responsible for the fluctuations during the week, and, in some cases, also

a very brief idea of the tendency during the coming week. Weekly reports are usually written on Saturday afternoons and appear in the Monday issues of the principal newspapers. An annual market report reviews a particular market for the whole year, is generally long and has to be drafted with special care.

The English daily newspapers that regularly publish daily and weekly market reports are the *Statesman*, the *Times of India*, the *Hindustan Times*, the *Tribune* and the *Hindu*, while the English commercial weeklies, such as the *Commerce*, the *Capital*, the *Eastern Economist* and the *Indian Finance* furnish more detailed weekly market reviews. An extremely useful publication entitled "*The Annual Market Review*," issued at the beginning of each year by Messrs. Premchand Roychand & Sons, Ltd., Bombay, contains excellent annual reviews of the principal markets of India. The annual market reviews also appear in the special annual numbers of the *Commerce*, the *Capital* and the *Indian Finance* issued at the beginning of each year.

UNITS OF QUOTATION

Foreign. In the foreign market commodity reports the *units* of quotation are as follows:—

LONDON—In £ s. d. per ton for linseed, castor-seed, cotton seed, groundnuts, jute, cement, metals and pig iron.

In s. d. per cwt. for coffee, rice, shellac, sugar, and linseed oil.

In pence per lb. for cotton and rubber.

In s. d. per lb. for tea and hides and skins.

In £ s. d. per oz. for gold.

In pence per oz. for silver.

In s. d. per quarter of 480 lbs. (8 bushels) for wheat; three varieties of wheat being quoted, viz.,—Rozario Santa Fee (Rosafe), Barletta Russo (Baruso) and Australian South (Australian).

In s. d. per 100 yds. for hessian and per 100 bags for gunnies.

Liverpool.—In pence per cental (i.e., 100 lbs.) for forward wheat; and in pence per lb. for both ready and forward cotton. In London the wheat quotations are for ready and in Liverpool for forward.

New York.—In cents per lb. for rubber and cotton; and in cents per yard for hessian.

New Orleans. In cents per lb. for cotton.

Chicago and Winnipeg. In cents per bushel of 60 lbs. for wheat futures.

Inland. In the *Bombay* Seeds and Produce Market the quotations are as follows: For wheat and linseed, ready per cwt. and forward per maund. For castorseed and groundnuts, ready per cwt. and forward per candy of 560 lbs. For other seeds, ready per cwt. and forward per candy of 784 lbs. For myrobolans, ready per candy of 700 lbs.

Certain other quotations in the Bombay markets are: Sugar ready per cwt., all vegetable oils per quarter of 28 lbs., oil-cake per ton, and copra per candy of 700 lbs.

Of the Bombay Bullion market, gold is quoted per tola and silver per 100 tolas, and there is a monthly settlement for forward business.

In the *Karachi* markets the units of quotations are as under:—Wheat and gram per candy of 656 lbs. Flour per bag of $2\frac{1}{2}$ maunds. Toria and cottonseed per candy of 756 lbs. Cotton per maund of 84 lbs. Sugar per cwt.

All prices at *Lyallpur* and *Hapur* are per maund except gold, silver and *bardana*. Gold is per tola and silver per 100 tolas; while *bardana* is quoted at 100 bags. *Sutri* is per maund.

Loose jute in the *Calcutta* Jute market is quoted per maund of $82\frac{2}{7}$ lbs., a pucca bale being of 400 lbs. Jute cloth is quoted per 100 yards and jute bags per 100 bags.

9 porters and 11 porters are qualities of jute cloth; while "B" Twills and Liverpool Twills are kinds of jute bags or gunnies.

STOCK EXCHANGE

STOCK EXCHANGE

Stock Exchange is the place or market where shares, stocks or securities are dealt in. It is a corollary of the joint stock form of business organisation. It provides capital to industry and finances to States. Government securities as well as industrial scrips are freely bought and sold on the leading stock exchanges of the world. While Charles Duguid describes the London Stock Exchange as the mart of the world, as the barometer of their prosperity and adversity and so on, it is also characterised as the bottomless pit of London and as worse than all the hells. There is a good deal of truth in both these statements if we critically examine them. On the London Stock Exchange not only are the securities of the industrial concerns of the world bought and sold, but loans of most of the Governments, Railway companies, Port Trusts and other semi-government institutions are floated and dealt in. Therefore, to characterise it as a world mart and a nerve centre of finances and politics is perfectly correct. But there is the other side of the picture too. It is because of the presence of irresponsible speculators who demoralise the tone and temper of the market. These reckless gamblers, who possess neither technical

competence nor financial resources are worse than parasites. They play with other people's money. What is, therefore, needed is a balanced view of the services of this institution. The stock exchange renders a real and useful service to society inasmuch as it encourages and facilitates investments. It brings together the buyer and seller of securities as in other marts or mandis and thus supplies sinews to industry and commerce, besides financing states and semi-government institutions.

Organisation. Most of the stock exchanges are joint stock companies, having liability of the members limited by shares or by guarantee. On admission each member is charged an entrance fee which is a substantial amount these days. Membership cards fetch very high prices. The management of an exchange is delegated to an executive committee with a chairman and a secretary. Some of the exchanges appoint sub-committees too, to deal with specific matters. The daily business of the exchange is conducted according to the rules of the exchange which are administered by the committee. For example, the management of the Calcutta Stock Exchange Association is at present vested in a Committee of 16 persons, of whom four must be Europeans, four Marwaris, four Bengalees and four of other Indian communities. The Committee elects one of them to be the President of the Association and as such Chairman of the Committee. A fair

representation is given to the members of all communities. The rules and bye-laws of every exchange are very comprehensive and detailed and every member is expected to observe them.

Unlike other exchanges the members of the London Stock Exchange are divided into two classes, viz., *brokers* and *jobbers*. Brokers act as agents on the Exchange for the buyers and sellers of securities. A broker does not deal on his own account. Contrary to this a jobber deals in his own name. He is always ready to buy or sell securities up to a limit when he is approached by a broker within business hours. Every member has to declare at the outset whether he proposes to act as a broker or jobber. There can be no partnership between a broker and a jobber nor can a member act in both capacities.

The advantage claimed for this clear-cut division of functions is that it inspires greater confidence in the public. A client knows that his broker is concerned only with his commission. There can be no under-hand dealing on his part to deceive the client. Therefore, the client attaches importance to the recommendations and tips of his broker.

The jobber quotes a double price—say, £101-102, for a debenture of which the nominal value is £100. It means that he is prepared to buy this debenture at 101 and sell it at 102 for prescribed limits. The broker asks the jobber

to quote price for a particular scrip without letting him know by word or conduct or gestures whether he (broker) is a buyer or seller. The jobber makes a quotation as above and allows the broker to buy or sell. The difference in the price quoted is known as '*jobber's turn*' or turn of the market. Some people believe that this division of members into brokers and jobbers throws an unnecessary burden on the operators—investors and speculators—who have to pay the broker's commission as well as bear the jobber's turn. But in a complicated market like that of the Lombard Street with international securities of state and industrial companies, this system very much facilitates business and saves time of the members. Besides brokers and jobbers, the London Stock Exchange authorises clerks of members to attend the Exchange. They may be *authorised*, *i.e.*, those who may buy or sell for their masters, or *unauthorised*, who accompany their masters simply to check bargains.

On the Bombay Stock Exchange a member is allowed to have upto four authorised clerks who can enter into bargains on behalf of their principal. A firm or partnership may have upto seven clerks. Authorised clerks have to wear a special badge supplied by the Exchange. At the Calcutta Stock Exchange a member may obtain permission for admission of his partners or assistants to the Rooms.

of the Association. No member is entitled to take more than eight assistants.

Wares of the Exchange: The Wares of the exchange are the securities which are dealt in on stock exchanges. They may be considered under two heads: Commercial or Industrial and Government.

Commercial or Industrial securities fall under any of the following categories: Shares, Stocks or Debentures. Shares may be classified as Preference Shares, Ordinary Shares, Deferred or Founders Shares. Again, Preference shares may be Cumulative Preference shares, Non-Cumulative Preference shares, Participating Preference shares and Redeemable Preference shares.

Preference shares are those shares in the capital of a joint stock company, the owners of which enjoy preferential rights over other classes of shareholders as regards the payment of dividend or return of capital in the event of the liquidation of the company or both. They have prior claims over ordinary or equity shareholders. *Cumulative Preference Shares* are those shares on which the right to dividend goes on accumulating until the dividends are paid out of the future profits of the company. They have the first lien on the profits after the payment of interest to the debenture-holders. No dividend can be paid to any other class of shareholders until the liability on this class of shares for dividend

has been met out in full. *Non-Cumulative Preference Shares* are those shares on which the dividend is paid in priority to the ordinary shareholders in the year when profits are available. But the dividend on such shares does not accumulate for future payment. *Participating Preference shares* are those the holders of which are entitled to participate in the profits of the company after a certain percentage has been paid to the ordinary shareholders. This class of share was introduced after the last Great War when abnormally high rates of dividends were paid to the equity shareholders. It was felt that they were paid out of all proportion for the risk undertaken by them. In fairness, the preference shareholders should also participate in abnormal profits. Since then it has become a common feature in the prospectuses of companies. Under section 105B of the Indian Companies Act (Amended 1936) a company limited by shares may, if so authorised by its articles, issue preference shares which are, or at the option of the company are to be liable to be redeemed (i) out of profits available for dividend, (ii) out of the proceeds of a fresh issue, and (iii) out of sale proceeds of property. The shares must be fully paid up before they can be redeemed.

As regards security and yield a preference shareholder ranks between two stools—the debenture holder who is legally a creditor of the company and the ordinary shareholder who bears the major

part of the risk of the company. This class of share appeals to the cautious investor who cares more for the safety of his investment than for the yield. He is satisfied with a modest income of 4 or 5 per cent. in normal times. A preference share is neither as safe as a debenture nor does it possess many chances of capital appreciation or gain as in the case of ordinary or equity shares. Cumulative preference shares of companies which are covered several times by profits and have no debentures in front of them are as good as debentures for investment purposes. Contrary to this, preference shares of companies with debenture issues and insufficient profits carry an indubitable industrial risk without participation in the fruits of good times. Therefore, the security which the preference shareholders enjoy is often exaggerated. Both the preference and ordinary shareholders depend for the ultimate security on the *earning power* of the company. "Cumulative" rights may protect a preference shareholder against short period depressions in trade, but they afford no protection whatever against long-term changes in industry, or against bad management or mistaken finance. All those are omnipresent industrial risks. In a reconstruction the preference share capital is also affected. A close examination of all the big post-war reconstructions shows that when a company's earning power has been undermined, the priority powers of fixed interest shareholders have proved a broken reed.

Ordinary Shares. Ordinary shares are those shares that rank after the preference shares for payment of dividend out of the profits of a company. They enjoy no preferential rights as regards the payment of dividend or return of capital in the event of liquidation of a company except over the *Founders* or *deferred Shares* which rank last for payment of dividend. Founders shares are generally held by promoters of companies who claim their share of profits last of all. In case of some companies, like the Tata Iron and Steel Co., these shares are highly speculative. In fact, *Tata's deferred* is the most speculative counter on the Bombay Stock Exchange.

Deferred shares are those shares in respect of which the right to dividend is deferred or postponed till the rights of preference shareholders and ordinary shareholders are satisfied. In such cases ordinary shares are allowed a certain fixed percentage before any dividend can be paid to deferred shareholders.

Gearing of Capital. Ordinary shares confer upon the holders the right to the equity of the undertaking, and their value would depend, *inter alia*, upon the amount of fixed interest bearing capital, (debentures and preference shares) in front of them. Therefore, the capital plan of a company is of vital importance to the investor. He must carefully study the 'Gearing' of Capital, that is to say, the proportion of fixed interest capital to equity share

capital. *High geared* equity shares are the ordinary shares of a company that are low in proportion to the preference shares and conversely *low geared* equity shares are the ordinary shares of a company when they are higher in proportion to its preference share capital. The higher the gear, the more speculative will the ordinary share be. The high-gearred ordinary share will rise rapidly in a boom and fall precipitately in a depression; whereas a low-gearred ordinary share would rise more slowly in a period of prosperity and fall more slowly in a period of depression. In case of 'high gear', the security of the preference shareholder is less, because his security lies in the certainty to get his dividend howsoever poor the profits of the company may be. From the point of view of the ordinary shareholder too, 'high gearing' is bad, because it makes the ordinary shares very speculative. If dividend is not paid to the ordinary shareholders for several years it lowers the prestige of the company and thereby reduces its credit. It may not be able to raise fresh capital or borrow from banks. Thus high gearing is bad from the point of view of the company as well.

Stock. Fully paid-up shares may be converted into stock which may be transferable in any fraction unlike shares which are numbered and transferred only in their entirety. In India companies do not generally issue stock.

Share Warrant. In case of fully-paid up shares

of public companies, share warrants may be issued in lieu of share certificates on application from the holders of share certificates, if the articles of association of the company so authorise. The warrant is a bearer security and can be transferred from one person to another simply by delivery of the share warrant. There is no registration of the transfer deed at the office of the company in this case. It encourages speculation.

Debenture. A debenture is a written acknowledgment of a debt by a company, given under its common seal, containing the value of the loan, the terms of payment of interest, and the time of the repayment of the principal. A debenture may be *simple* or *naked*, carrying no charge on the property of the issuing company, or it may be *fixed* or *floating*. In case of fixed debentures certain specific property is mortgaged with the debenture-holders who have a lien on it in case of non-payment of interest or principal. In case of floating debentures the charge remains floating or in the air. It becomes fixed (a) when the company ceases to carry on business, (b) upon the commencement of the winding up of the company, or (c) upon the appointment of a receiver. But until one of these three events happen the charge will not become fixed (Lindley). Again *Redeemable debentures* are those debentures which are repayable after a fixed period, whilst *Irredeemable* debentures are not repayable in the life of the issuing company

except that they may be purchased in the open market by the company and thus redeemed. Such debentures are issued by railway companies or other public companies of semi-government nature. They provide a regular yield to the holders of these securities. Debentures may be *registered* or *bearer*. In the former case every transfer is registered at the company's office, whilst the latter serves as a bearer security.

Unlike a shareholder—preference or ordinary, a debenture-holder is popularly considered to be in the happy position as regards security, because profits or no profits he is entitled to his interest. In case he gets no interest, he has usually the right to foreclose, sell the company's property and recover his principal. It means if a company makes profit, he gets interest, if otherwise, he gets his money back. But let us critically examine whether a debenture holder is really safeguarded against the decadence of a company or an industry. In prosperous times when the profits of a company are large its debenture interest is covered many a time out of its profits and it may, therefore, be said that periods of good trade improve the backing of industrial debentures. But normally the rates of interest are very high in such periods and the rate of interest on debentures is comparatively low. This acts as a brake on any incipient upward movement in the market prices of debentures which bear fixed rates of interest. Thus they share neither in the increased profits nor in the

capital appreciation as the ordinary or equity shares do. In periods of depression when profits fall, the '*interest cover*' also declines, but so does the bank rate of interest. This low rate of interest tends to raise the market prices of debentures. It means unlike ordinary shares debentures rise in prices in periods of depression (like gilt-edge), and fall in times of industrial prosperity. In periods of acute and prolonged depression they are as unsaleable as ordinary or preference shares. The hall-marks of a good debenture are, (i) its earnings cover—the extent to which the interest on it is covered by the annual profits of the company, and (ii) the stability of those earnings.

Generally speaking, the securities of a company rank for safety in the following descending order—debentures, preference shares and ordinary shares. But the modern school of thought does not accept this classification because it is contended that the value of any security must be judged by the earning power behind it. A debenture-holder does not buy for the gloomy satisfaction of some day throwing the enterprise into liquidation, nor does a preference shareholder take much comfort from the fact that he has the first claim on profits which do not exist. Debenture-holders' powers of foreclosure on the assets of a company are of little practical utility, since buildings and machinery which may fetch a handsome price when a company's earning power is good,

are little more than bricks, mortar and scrap iron in the hands of a liquidator, when their ability to earn profits has disappeared. Similarly preference share dividends, however cumulative they may be on paper, are paid out of profits, but when there are no profits, past or present, there are no dividends; and if a reconstruction follows, these arrears of preference dividend are the first thing to be thrown overboard.

People make investments for prosperity, not for disaster and, therefore, the investor must apply to every security the same preliminary test—has the company sufficient earning power to justify the investment? In other words, an ordinary share in a good company is better than a preference share in a doubtful company or a debenture in a bad company.

GOVERNMENT SECURITIES

The principal form in which the rupee debt is held are (1) Stock or Book Debt, (2) Bearer Bonds and (3) Promissory Notes. Of these the last one is the most important, and most of the Government loans are in this form. Every form has its own advantages and disadvantages. Stock or Book Debt is like the registered stock or share capital of a joint stock company. In this case the name of the holder is registered in the books of the Public Debt Office and the security is transferable with the aid of the *transfer deed*, signed both by the seller as well as the

buyer of the security. Unlike a commercial security the transfer deed is exempt from stamp duty. The signature of the seller being on the record of the Public Debt Office, the chances of forgery are very remote. Another advantage to the holder of this security is that he need not send it to the Public Debt Office for collection of interest. A Warrant is sent to him at his registered office every six months, which may be cashed at the nearest treasury.

Bearer Bonds are transferable by mere delivery like Share Warrants of companies without any endorsement thereon. No transfer deed is needed in this case. Interest coupons are attached to the bonds. Negotiability is the chief feature of this kind of security.

Government Promissory Note is defined in the Government manual as :

A *Promissory Note* contains a promise by the Governor General in Council on behalf of the Secretary of State for India, to pay a certain person, a specified sum, either on a specified date or after certain notice (according to the terms of the particular loan to which the promissory note relates) and to pay interest thereon at a certain rate half-yearly on certain specified dates.

A Promissory Note is a compromise between the two extremes, of complete security, as in the case of Stock or Book Debt, and immediate negotiability, as in the case of Bearer Bonds. For this

reason this form of Government Security has proved to be the most popular of the three forms.

Government Loans are of two kinds—*Terminable* and *Non-Terminable*.

Terminable Loans are those loans which the Government has undertaken to repay either (a) on a certain specified date, or (b) within two fixed dates. They are like *unfunded debts* of the British Government. *Non-Terminable Loans* are those which are repayable at the option of the Government after a fixed date on giving proper notice. As it is not obligatory on the Government to redeem these loans at particular dates or within specified times they are called *Non-Terminable*. They are similar to the '*funded*' debts of the British Government.

GOVERNMENT OF INDIA LOANS

Total Rupee Securities Rs. 5,74,68,32,400

Total Sterling Securities £160,438,205

TERMINABLE LOANS

Loan	Interest due on	Issued	Outstanding Rs.	Repayable -
2½ per cent. Loan ..	1st June, 1st Dec. ..	1936	12,01,28,000	1948-52
3 per cent. Loan ..	1st June, 1st Dec. ..	1938-39	60,89,64,000	1963-65
3 per cent. Loan ..	15th March, 15th Sept. ..	1934	10,67,32,000	1941
3 per cent. Loan ..	15th March, 15th Sept. ..	1935	31,92,23,000	1951-54
3½ per cent. Loan ..	15th May, 15th Nov. ..	1933-34	55,94,36,900	1947-50
4 per cent. Bonds ..	15th March, 15th Sept. ..	1926-33	63,30,26,300	1960-70
4 per cent. Loan ..	1st Feb., 1st Aug. ..	1933	14,97,17,700	1943
4½ per cent. Loan ..	15th March, 15th Sept. ..	1928	9,05,63,700	1955-60
5 per cent. War Loan ..	15th Apl., 15th Oct. ..	1919-25	56,74,93,800	1945-55
3 p. c. Defence Bonds ..	1st Feb., 1st Aug. ..	1940	45,14,31,000	1946
Interest free Defence Bonds .. .. .	.. .. .	1940	2,53,57,000	After 3 years
3 p. c.	1st. Feb., 1st Aug. ..	1941	38,91,53,000	1949-52
		Total	4,02,12,26,400	

NON-TERMINABLE LOANS

3 per cent. Loan	..	30th June, 30th Dec.	..	1896-97	9,11,70,000	} At option of Government after 3 months' notice.
3½ per cent. Loan	..	1st Feb., 1st Aug.	..	1842-43	34,66,19,000	
3½ per cent. Loan	..	30th June, 30th Dec.	..	1854-55	20,41,34,000	
3½ per cent. Loan	..	1st May, 1st Nov.	..	1865	40,98,58,000	
3½ per cent. Loan	..	16th Jan., 16th July	..	1879	2,77,16,000	
3½ per cent. Loan	..	30th June, 30th Dec.,	..	1900-01	39,06,60,000	
Total ..					1,72,56,06,000	

STERLING SECURITIES

2½ per cent. Loan	..	5th Jan., Apl., July & Oct.	..	£11,046,486	1 year's notice On or after October 5, 1948. On or after Jan. 5, 1931.	
3 per cent. Loan	..	5th Jan., Apl., July & Oct.	..	£70,684,210		
3½ per cent. Loan-	..	5th Jan., Apl., July & Oct.	..	£78,707,509		
Total ..					£160,438,205	

PROVINCIAL GOVERNMENT LOANS

Loan	Interest due on	Issued	Outstanding Rs.	Repayable
5 per cent. U. P. Loan ..	1st April, 1st Oct. ..	1932	2,57,89,100	1944
3 per cent. U. P. Loan ..	1st March, 1st Sept. ..	1936	1,93,30,100	1961-66
3 per cent. U. P. Loan ..	1st March, 1st Sept. ..	1937-40	2,00,96,700	1952
4 per cent. Punjab Loan	1st March, 1st Sept. ..	1933	3,09,72,800	1948
3 per cent. Punjab Loan	1st March, 1st Sept. ..	1937	99,07,300	1952
3 per cent. Punjab Loan	15th Feb., 15th Aug. ..	1938	96,73,700	1958
3 per cent. Punjab Loan	15th Feb., 15th Aug. ..	1939	2,47,04,800	1949
3 per cent. Punjab Loan	1st March, 1st Sept., ..	1940	1,75,00,000	1952
3 per cent. N. W. F. P. Loan	1st March, 1st Sept. ..	1940	50,00,000	1952
3 per cent. N. W. F. P. Loan	1st March, 1st Sept. ...	1937	57,24,900	1952
3 per cent. Madras Loan	1st March, 1st Sept. ..	1937	1,59,46,600	1952
3 per cent. Madras Loan	15th March, 14th Sept. ..	1938	1,48,99,300	1953
3 per cent. Madras Loan	21st June, 21st Dec. ..	1939,	1,50,00,000	1959
3 per cent. Madras Loan	1st March, 1st Sept. ..	1940	69,51,600	1952
3 per cent. C. P. Loan ..	1st March, 1st Sept. ..	1937	50,32,700	1952
3 per cent. C. P. Loan ..	21st June, 21st Dec. ..	1939	75,20,800	1959
		Total ..	17,98,94,000	

INDIAN STATES LOANS

MYSORE GOVERNMENT

Loan	Interest due on	Issued	Outstanding Rs.	Repayable
6½ per cent. Loan ..	1st May, 1st Nov. ..	1921	25,38,912	Nov. 1, 1941-51*
5 per cent. Loan ..	1st May, 1st Nov. ..	1930	1,63,44,300	Nov. 1, 1955
4 per cent. Loan ..	1st June, 1st Sept. ..	1933	2,95,85,200	Dec. 1, 1953-63
3½ per cent. Loan ..	1st June, 15th Dec. ..	1934	50,00,000	Dec. 15, 1951-58
3 per cent. Loan ..	20th April, 20th Oct. ..	1936-38	1,99,72,900	Apl. 20, 1956-61

* Being repaid from November 1, 1941.

TRAVANCORE GOVERNMENT

3½ per cent. Loan ..	15th Feb., 15th Aug. ..	1936	50,00,000	Aug. 15, 1956
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COCHIN GOVERNMENT

5 per cent. Loan ..	1st April, 1st Oct. ..	1933	75,00,000	Oct. 1, 1943-53
3½ per cent. Loan ..	1st June, 1st Dec. ..	1936	30,00,000	June 1, 1956-61

BHOPAL GOVERNMENT

3½ per cent. Loan	1937	10,00,000	1946-49
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HYDERABAD GOVERNMENT

Loan	Interest due on	Issued	Outstanding Rs.	Repayable
6 per cent. Loan ..	4th June, 4th Dec. ..	.. ..	1,02,09,000	1943
6 per cent. Loan ..	20th June, 20th Dec. ..	.. ..	76,31,200	1942-52
5½ per cent. Loan ..	6th April, 6th Oct. ..	.. ..	3,98,43,000	1942-53
3½ per cent. Loan ..	6th April, 6th Oct. ..	.. ..	1,44,41,000	1946-56

(Taken from the Calcutta Stock Exchange Official Year Book, pp. 54-55.)

Besides Central and Provincial Loans the States of Mysore, Travancore, Cochin, Bhopal and Hyderabad have floated their loans which are listed securities on the Stock Exchanges. Loans are also issued by Port Trusts and Corporations of Bombay, Calcutta, Madras, and Karachi and by the Improvement Trusts of Bombay and Calcutta.

CONDUCT OF BUSINESS

Bargains on stock exchanges may be for money *i.e.*, 'cash-delivery' or 'for account.' For example, transactions on the Calcutta Stock Exchange are done on the "Cash Delivery" basis,—all deliveries are required to be made on or after the second working day after the date of Contract and at or before 4 P.M. on that day against payment of the value in cash. Defaults in delivery or payment are reported to the Committee who take suitable action against the defaulting party.

Bargains 'for account' are generally for fortnightly settlements. Monthly Settlements are also allowed in some cases. Securities are delivered and paid for on the settlement day. Each Settlement is divided into three days, viz., (1) Contango or the carrying over day, (2) Name or ticket day, and (3) Settling or pay day. The Contango or the carrying over day is reserved for the speculators who do not want to close their transactions on that settlement, but want to carry them forward to the next settle-

ment day. The second day, known as the 'Name or ticket day' is allotted for preparation of tickets. On this day the names and descriptions of the buyers of registered securities are issued and passed by the brokers to the jobbers (dealers) from whom the securities have been purchased, and again passed on by them (dealers) till they reach the firm which is actually delivering the security, so that the transfer deed can be drawn up and signed by the parties effecting delivery. On the third day, known as 'Pay day' or account day transfer deeds are presented, signed by the seller, to the buyer's broker who pays for the security on behalf of his client. The transfer deed is signed both by the seller as well as by the buyer and their signatures are witnessed. The transfer deed is stamped by the buyer. It is deposited along with the share certificate with the company. The company makes an enquiry from the seller if he has transferred the shares, named in the transfer deed, to the buyer who desires to get the shares transferred in his name. After satisfying itself that the transfer is genuine and proper, the company gives effect to the transfer.

If a 'ticket' is not handed over by the buyer's broker to the seller by a specified time on the ticket day, the seller is empowered to "*sell out*" the security, that is, to offer it through an Official of the Exchange to any one who will make a bid for it. The new buyer will make out a ticket which he will present to the seller. The original buyer who has failed to

persent a ticket in due time will have to suffer the loss, if any, sustained by the seller.

In the same way, if the transfer deed signed by the seller is not delivered to the buyer's broker by a certain time, he can make a fresh purchase and debit the loss, if any, to the seller's account. It is done through the Official of the Exchange. This procedure is known as "*buying in*" of securities. The "*buying in day*" is usually on the tenth day after pay day in each account. The seller's broker needs time to get the transfer deed signed by his client who may be living in another town.

Let us follow one or two imaginary transactions from beginning to end to grasp the meaning and significance of the various documents used in the course of business at a stock exchange. Suppose Mr. Ram Lal of Allahabad has to invest a few thousand rupees in securities. He is advised by his friends to purchase 100 shares of Indian Iron (nominal value Rs. 10) quoted in the papers between Rs. 34 and Rs. 35 for some time. He has three courses open to himself. He may write to his banker who will effect this purchase for him. He may authorise a local agent of some broker at Calcutta to purchase the security for him. Or he may directly deal with some broker. The first course is unnecessarily costly because, besides the brokerage he will have to pay the bank commission. The banks do not operate on the Exchange. Therefore, Ram Lal's banker

will have to employ the services of a broker who may be member of the Stock Exchange. The second course is rather risky. The local agent may not be very reliable and, therefore, he may dupe our Ram Lal if he is unwary. Of all the systems the best one for him will be to engage a reliable firm of brokers. Suppose Ram Lal has instructed Place, Siddons and Gough, a very reputed firm of brokers to buy 100 shares of Indian Iron for him. Ram Lal may authorise the brokers to buy at the best price, which means here the cheapest price, or place a limit at the top, say Rs. 35. Suppose he has chosen the latter course and instructed his brokers to buy at or below Rs. 35. On receipt of this order the brokers will look into their records to see if there have been previous dealings in the name of this party. If the party is new the brokers will ask the client to furnish a bank reference. Ram Lal being an old client of the firm of Place, Siddons and Gough, his order is immediately booked. The order will remain in force for fifteen days. The brokers will find from their record if any client has ordered them to sell this scrip below the specified limit of Ram Lal. In case of popular scrips like the Indian Iron it may be possible. In such a case the brokers will effect the purchase and sale of 100 Indian Iron and inform their respective clients. Such a deal is known as a cross transaction (*c.t.*) The brokers at present have no such order to sell. Therefore, their man—

say X goes to the Stock Exchange Hall where transactions take place. It is a pandemonium. No body can visit the hall unless he is a member or an accredited agent of a member. Groups of people are assembled here and there and they talk in a language which is intelligible only to those present there. An outsider will simply get confused and bewildered. And yet, it is a place where people make or mar their fortunes. X goes to a corner, meets a dealer who, more or less, specialises in Iron shares, and after a little higgling strikes a bargain at Rs. 34-12. Pencils and note books come out and both parties enter the bargain. X will enter on the bought side of his note-book—‘bought 100 Indian Iron from Y at Rs. 34-12 for Ram Lal of Allahabad.’ Y, the seller will write on the ‘sold side of his note-book’—sold 100 Indian Iron at Rs. 34-12 to Place, Siddons and Gough. After this X goes to the central place where a black-board is placed. This is known as the ‘*marking board*.’ The latest transactions are posted on this board for the information of the dealers. A box is placed under the marking board. X enters the bargain on a slip of paper under his signature and puts it in the box. The next moment this price is posted and the one at which a previous transaction took place in this scrip is rubbed off. The last prices of every day are published in the Official List of the Exchange for all those who are interested in the dealings of the Exchange.

From the dealing books of the two brokers bargains are entered in their respective ledgers. To follow our transaction, the two brokers will check the transaction next morning from their note-books and will prepare Contract Notes and Bought and Sold Notes. Place, Siddons and Gough will make out a Contract Note and a Bought Note and will forward them to Ram Lal with a covering letter. The Contract Note will be signed by Ram Lal and returned to the broker. The Bought Note which bears a two-anna stamp will be retained by him. It is an evidence of the transaction and specifies the terms on which shares have been purchased.

The rules of delivery and payment are not uniform for all exchanges. The parties have to abide by them and in case of default the aggrieved party can represent to the Stock Exchange Committee who will authorise to "buy in" or "sell out," as the case may be, at the cost of the other party.

Y will similarly send a Contract Note and a Sold Note to his client who will return the Contract Note after signing it. On receipt of it the broker will send a blank form of transfer deed and request the client to sign the transfer deed, get his signature witnessed and return it along with the share certificate. On receipt of these documents Y will deliver the transfer deed and share certificate to Place, Siddons and Gough against payment. Meanwhile Ram Lal will arrange to make payment and take delivery of the scrip

through his bank or direct. The latter course is adopted between known parties only. Place, Sidons and Gough may as well be asked to retain the share certificate and the transfer deed and get Ram Lal registered as a shareholder at the Indian Iron and Steel Co., Ltd. The transfer deed will be stamped by the buyer or his broker. It is the buyer who bears the stamp duty and pays the registration fee to the company. His broker may do all this service for him and charge these out-of-pocket expenses along with his brokerage.

Cum Dividend. (cum div., or c.d.) A cum. div. quotation of a stock exchange security means that the price includes any interest or dividend that may have accrued on the security since the date on which it was last paid, and that the purchaser would be entitled to receive the next interest or dividend payable.

Ex. Dividend (ex. div., or x.d.) An ex. div. quotation of a security means that the next interest or dividend payable upon it is not included in the price. That is to say, when a security is sold ex. div., the next interest or dividend will be received by the seller although he has already parted with the security. The ex. div. price is always short by the amount of interest or dividend accrued on the security.

In practice the dividend is paid to the shareholders whose names stand on the Register of Mem-

bers of a company before the books are closed for transfer. After some days the books are again opened for transfer of shares. Now, if any person has bought shares after the dividend is declared but before the books are closed, the quotation will be cum-dividend, *i.e.*, the price will be inclusive of the accrued dividend and the buyer will be entitled to get it. But if he has bought the shares after the dividend has been paid and the books have been opened for transfers, the rate will be ex. dividend, *i.e.*, he is not entitled to that dividend.

Two classes of operators deal on a stock exchange, *investor* and *speculator*. An investor is one who buys securities to earn income. He is mainly concerned with the yield on his investment. He is not much perturbed over capital appreciation or depreciation. To him his investment is a sort of permanent lock-up. There are other classes of investors who take advantage of a situation and part with their investments in case of capital appreciation, and buy back when prices have fallen. There is an element of speculation in the latter case, but essentially it is a class of investors.

A speculator on the stock exchange is an operator who buys or sells securities for a profit. The buyer does not want to take delivery and pay the price, nor does the seller possess the stock which he sells in the hope of buying it at a low price if he is forced to give delivery. The buyer, popularly known

as *bull*, buys shares which, he expects, will rise in price. He does not mean to pay for them, but to sell them at a higher price, if he can. On the other hand a speculator who sells forward in the hope that before the date of delivery he will be able to purchase the stock at a lower rate and thus make a profit is called a *bear*, a *short* or a *bear operator*.

Let us take an imaginary speculative transaction to understand the meaning of certain terms. Suppose A buys a lot of 100 shares of Tata-Deferreds, at Rs. 1530 on the 5th August 1943 for account. The next settlement days fall on the 14th, 15th and 16th idem. Contrary to his expectation the market began to fall and by August 14, the *Contango day*, it reached Rs. 1500. Now, two courses are open to A—either to pay the difference of the purchase price and the price ruling in the market on the settlement day, or to carry over the transaction to the next settlement day. A still hopes that the market will rise because, according to his information, the company is going to declare a better dividend next time. He regards the fall in price as a temporary set-back and, therefore, decides to carry over his transaction to the next settlement which will take place after a fortnight. He will inform his broker B accordingly, and request him to arrange a 'carry-over' for his transaction. He is acting as a bull who buys shares in the expectation of

a rise in price, and does not want to take delivery and pay for the shares bought by him. But the rules of the Stock Exchange require that the bargain must be completed. A must pay for the shares or find out some one else who will pay for him. His broker, therefore, arranges with a firm to buy 100 Tata Deffereds 'for cash' or immediate settlement, and sell them back for the next account, at a price which is called the *making-up* price, charging the rate known as the *contango* or *continuation*, rate. This price is determined by leading members of the exchange, and roughly represents the price at which the security in question is quoted at twelve o'clock on the morning of the *carry-over* day. The Contango rate depends upon the market rate of interest, the extent of the *bull account* in a particular security in the market, financial standing of the party and the nature of the security. A will send a cheque to his broker for the difference in the two prices, viz., the purchase price and the 'making-up' price, plus commission and stamp duty, and the rate that he paid for the accommodation to continue the bargain to the next settlement. After making this payment he again started his bull account. We may either suppose that his information about the declaration of dividend was well founded and the market improved by the next settlement, when he closed his bargain at Rs. 1,600; or if we are pessimistically inclined, we may imagine that it

dropped further to Rs. 1,480. A, being a weak bull, could not carry the account further and sold his holding in disgust at Rs. 1,480, losing Rs. 5,000 in difference, besides the contango money, commissions and stamp fees, etc.

As the bull *gives on*, that is, borrows money and pays the rate for carrying over the transaction to the next settlement, the bear borrows stock or as it is technically called, *takes in* stock, and at times when there is a strong bear account in the market or in other words, many operators are acting as bear in a particular security, and the market does not go down according to their expectation, they may be compelled to buy stock at the making-up price and pay the difference in the two prices besides other charges. For this accommodation they pay what is known as '*backwardation*' to the party that delivers stock or shares for him. The bear is a fictitious seller. He does not want to deliver stock and be paid for it. He expects that the market in a particular security in which he operates will go down and he will be able to buy it cheaper and deliver it at the agreed price, thus making a profit. Actually there is no delivery and no payment.

Dealings in Government Securities. The procedure for bargains in Government Securities is more or less alike. They may be 'for cash' as on the Calcutta Stock Exchange or 'for account' as permitted on the Bombay Exchange. In Bombay both

kinds of business are done—cash dealings as well as forward business. In case of cash dealings the delivery takes place the next business day after the sale is effected between the broker and the jobber or dealer, unless deferred by a few days by mutual agreement to suit the convenience, either of the buyer or the seller. Contract notes and statements of account are sent by the brokers to their respective clients and the seller is paid the agreed price.

Forward business in Government securities is transacted in the Securities Section of the Bombay Stock Exchange. Each lot is of Rs. 25,000 or its multiples. It, therefore, indirectly excludes weak operators from dealing in securities. The actual delivery takes place twice a month on days fixed by the Exchange Committee. On the ticket day, *i.e.*, the day previous to the settlement day members who have to give or take delivery submit a list of their business to the Clearing House of the Stock Exchange on a specified form together with the Delivery or Receipt Tickets which can be bought for a nominal amount from the Exchange. These tickets are differently coloured for different Securities. One ticket is required for a loan of Rs. 25,000. The next day the Clearing House returns these tickets with the names of buying or selling members as the case may be. Suppose X has sold a particular Security of the value of Rs. 50,000. He will submit his list of business and two tickets to the Clearing House on

the ticket day. The next day the Clearing House will return those tickets with the name of the person to whom delivery is to be given. Thus the business of the Clearing House is to clear accounts and order deliveries where necessary, *i.e.*, who should look to whom for delivery of the scrip and payment of the price. The members who have not to effect delivery but only to receive differences for the settlement, submit their outstanding list to the Clearing House without tickets. No forward business is allowed in Municipal, Port Trust and Improvement Trust Loans.

Prices. Every Stock Exchange publishes its official prices daily. These are also called listed prices. Prices between 3 and 4 p.m. are called closing prices and those quoted after 4 are known as street-prices. *Tape prices* are the prices quoted on the tape machine. It is a sort of machine which any subscriber can get fitted in his office. These machines are connected with the Central Exchange and record all fluctuations in prices. They make a little noise like that of a typewriter and emit a tape on which the fluctuations are typed.

Cover System or Margin System. Under this system the speculator is required to deposit a proportion of the purchase consideration of the securities. Suppose A purchases securities worth Rs. 20,000. He may be asked to deposit Rs. 5,000 or 25 per cent. with his broker who undertakes to finance him

for the balance. The broker will charge interest on Rs. 15,000, besides his commission. The understanding between the broker and his client is that if the price falls more than 25 per cent., the client will furnish a fresh cover, thus keeping the margin of 25 per cent intact; in the absence of which the broker will be entitled to sell the security and realise his advance. The securities are pledged with the broker who finances the transaction. Brokers arrange finances with banks against hypothecation of customers' securities at lower rates. There is little risk to the broker if the margin or cover is sufficient and is insisted upon.

In pursuance of their policy to counteract speculative operations, the Government have issued a new Rule under the Defence of India Rules, prohibiting, with effect from 24th September 1943, all stock exchanges from permitting, or affording facilities for *budla* transactions or for the making of any contract other than ready delivery contracts.

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