

**MARKETING OF COTTON
IN KARNATAKA - INDIA
(A REVIEW OF LITERATURE)**

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C.B. JAVALI

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CHAPTER I
INTRODUCTION

1.1 Significance of Agriculture

Agriculture is the first culture that man learnt to practise as a means of living and a way of life. However, with the advancement of knowledge, culture and civilization the place, the pattern, practice and potentialities of agriculture have been continuously undergoing a process of transformation. From a mere primitive way of life and a source of livelihood, it has come to be realised as a commercialised activity and a profitable business proposition and a vital instrument of progress.¹ Agriculture is the main occupation of the people of India who live in rural areas. It plays a vital role both as an essential infrastructure and a development component in generating and sustaining a higher national income. Agriculture is primary not only because it sustains directly an overwhelming majority of the population who are agricultural but also because it has to supply food for non-agricultural population and raw materials to the industry. Further, the contribution of agriculture to economic development lies in increasing the demand for industrial products and thus creating the demand base for the expansion of secondary and tertiary sections. In fact if the secondary sector, particularly in a dominantly agricultural country; grows out

of the growth in a primary sector and helping the latter to grow in its turn, it may then be considered as one of the healthy sign of economic progress. Further healthy growth in tertiary sector has to be preceded by growth both in the primary and secondary sectors so as to make way for symbiotic growth of all the three economic sectors. Again in providing the foreign exchange earnings through increased agricultural exports, it paves the way for the import of capital goods. Finally the increased rural incomes and savings could be mobilised for use in industrial development.

The economists like Oscar Lange², Kuznets³, Myrdal⁴ and Mahalanobis⁵ seemed to view agricultural growth and industrial growth as inter-related, inter-dependent and inter-acting aspects of a single but protracted process of transformation of a backward economy. An industrially developed country, according to Oscar Lange, is one which has highly developed agriculture and which emphasises the importance of agriculture in the growth process. Further it is envisaged that the agricultural revolution involving marked changes in both technology and management of agriculture is an indispensable base for industrialisation. Mahalanobis has remarked that an agricultural surplus is indispensable for the industrial process and an increase of industrial input is equally indispensable for agricultural growth.

1.2 Agriculture and Industry - Interdependence

In a fundamental sense, agricultural progress is normally a pre-requisite for the industrial development, though agriculture is as much a beneficiary from industry as industry is from agriculture. Rising agricultural productivity supports and sustains industrial development in several ways. First, it permits agriculture to release a part of its labour force for industrial development, while meeting the increasing food needs of the non-agriculture sector. Second, it raises the agricultural incomes thereby creating rural purchasing power needed to buy the new industrial goods and rural savings may then be mobilised by direct or indirect means to sustain industrial development. Finally, it enables agriculture to supply major wage goods (food) of industrial workers and also agricultural inputs for industry at such prices as to keep the cost of production in industry at a lower level for accelerating accumulation and growth.⁶

1.3 The Historical review

The origin of cotton and the first use of cotton fibre are shrouded in obscurity. Many historical references, nevertheless, indicate that the earliest civilization to spin and weave cotton was that of India and over 3000 years India was recognised as the cradle of the cotton industry.⁷ The Arabic word Qutun or Kutun has given rise to the English word 'cotton'. The Sanskrit words, Kurpasa and

Kurpasum denoting cotton and cotton cloth are mentioned in the sacred writings of Manu and the word kapas must have been derived from them.⁸

1.4 Importance of Cotton

Cotton, the white gold, is one of the important cash crops grown in India. It is the oldest among the commercial crops of the world and its cultivation has always connoted a high degree of civilization, when the spinning and weaving were known and practiced. Cotton may be said to be the most extensively grown commercial crop of the world.

Among the cultivated plants which meet material needs of man, cotton occupies an outstanding position as next to food clothing is the prime need of life. Since the dawn of civilisation, the problem of clothing has always remained in the forefront and cotton has ever played the most important part in meeting this need of the mankind. Man-made synthetic fibres which are gaining popularity in modern days are competing with cotton and other natural fibres, and trying to challenge the supremacy of cotton fibre. But it has not been possible so far. This is amply proved by the fact that cotton still forms more than 65 per cent of raw fibre used by the world's textile industry and is finding new uses.⁷ For centuries, the cotton is entwined with Indian culture and economy. In a sense the history of cotton might be considered the history of India.

Cotton occupies a very important place in India's

agricultural economy. Among the important cash crops grown in the country cotton stands the highest, occupying a little over one third of the total area covered by these cash crops. It provides the essential raw material for the largest industry of the country, viz., cotton textile industry, both the handloom and the mill producing the cloth of the value of about of 600 crores annually and meeting about 93 per cent of the cloth requirements of the population. The production of cotton sustains a large section of our farm population. / ^{both} the handloom and the mill sectors of the cotton textile industry. Today, in India, the cotton handloom industry is a very important and prominent cottage industry. This industry absorbs the large chunk of ever growing population and there by solves the problem of unemployment and under employment. Taking 25 lakh handlooms and one fulltime worker per loom, this sector of the industry alone engages 25 lakh workers.⁹ The mills employ directly over 8.5 lakh workers and the cotton ginning and pressing factories employ additional labour to the extent of 2 lakh workers. Besides, these, the cotton industry provides a source of income to a vast number of persons engaged in the trade of cotton, yarn, cloth and in the manufacture and in the sale of textile auxiliaries. The cotton textile industry has high linkage and hence there are wide range of industries and activities which in various measures depend on and derive their

sustenance from the textile industry. Excluding food, textile goods are the most important consumption items of the people. The industry thus touches the national economy at many points and has a chain and multiplier effects on it. It has a sizable weight in the country's index of production and contribute significantly to it's gross national product.

From exports of raw cotton and cotton manufactures, the country earns valuable foreign exchange. The cotton textile industry forms a substantial source of revenue to the government in the form of taxes and duties. The cotton seed obtained after ginning of kapas provides a highly nutritious and concentrated food for milch cattle and in fact of late, increasing quantities of cotton seeds are being used for extraction of oil for edible purpose.

Cotton has virtually no limitation on it's uses. It is the cheapest of apparel fibres. In addition to providing raw materials for clothing, cotton is used in the manufacture of more than sixty diverse industrial products such as automobile tyres, machinery belts, bags for cement and fertiliser etc. Cotton adopts itself to multiplicity of uses and tastes in the realm of household furnishings.⁷ Despite extensive efforts of man-made fibre producers, it has not yet been possible to incorporate into any of them as many desirable properties as are inherently present in cotton. Thus cotton still rules the fibre world it's

consumption being 65 per cent of the total consumption of all the fibres in the world. In India the main use to which cotton is put is spinning. The consumption of cotton by the Indian mills constitutes about 90 per cent of the total production in the country and extra factory consumption accounts for nearly three to four per cent. A small quantity is being utilised for surgical dressing and in other manufactures.⁷

1.5 Cotton Economy - India

The cultivation of cotton extends over almost the whole surface of the globe. The chief cotton growing countries are U.S.A., U.S.S.R., India, Pakistan, China and Egypt. India was the second largest producer of raw cotton for the year 1955-56. At present India is having the highest area under cultivation for cotton in the world and it ranks fourth in the production of cotton. The total production of cotton (lint) for the year 1982-83 was 78.80 lakh bales which decreased to 66 lakh bales for the year 1983-84. While the area under cotton in the country has been almost static around 80 lakh hectares particularly since the second five year plan. The average productivity of cotton (lint) per hectare is only 167 kgs. as against the present world average of 387 kgs. per hectare. Among the major cotton growing countries of the world the top ranking countries in terms of production in 1980-81 were, U.S.S.R., U.S.A., China, Brazil, Pakistan and India.

(Table 1.1). However the highest average yield of cotton in the world has been recorded in Isreal which was of the order of 1413 kgs. per hectare. It is thus clear as to how low is the productivity of cotton in India as compared with other countries in the world.

Table 1.1: Production and productivity of cotton - 1980-81

Country	Production in Bales	Productivity
U.S.A.	15,746	540
U.S.S.R.	14,200	873
India	6,160	167
Pakistan	3,300	306
China	12,500	506
Egypt	2,578.9	970
Africa	5,439	285
World	65,753	387

Source: Indian Cotton Annual - 1981-82.

Before the dawn of the twentieth century the area under cotton in undivided India was reported as 56.6 lakh hectares in 1888-89 with an estimated total production of 26 lakh bales of lint. In 1889 there were 124 textile mills with a spindleage of 2.76 million and the consumption of cotton was about 8.9 lakh bales. India was primarily an exporter of cotton yarn and textiles during the early

period.⁸

At the end of 1980 in the organised sector there were 638 cotton textile mills in India with an installed capacity of 204.52 lakh spindles and 2.10 lakh looms with paid up capital of Rs. 377.73 crores. (Table 1.2).

Table 1.2: No. of cotton textile mills, spindles, looms average No. of workers and paid up capital in cotton producing states and in India : 1979-80

States	No. of mills	No. of spindles handled	No. of looms installed	Average No. of workers empl. daily	Paid up capital in Cr.
Maharashtra	106	34,45,287	77,770	2,28,318	94.54
Gujarat	112	39,91,272	64,127	1,96,465	70.94
Tamil Nadu	177	48,99,214	9,881	1,05,193	63.32
West Bengal	40	10,75,150	10,052	52,389	31.69
Karnataka	31	8,10,230	6,522	36,007	16.47
India	638	204,52,081	2,10,409	8,29,088	377.73

Source: Indian Cotton Annual 1980-81 No. 62,
142 East Indian Cotton Association Ltd., Bombay.

The decentralised sector comprising of Khadi, handloom and powerloom account for 70.58 per cent of the total cloth production which is of 7482 million metres. The demand for cotton is expected to increase at a faster rate due to population growth, increase in purchasing power and changes in income distribution. The national commission on

agriculture has estimated that the demand for cotton clothing will increase from 7,482 million metres in 1981 to 22,747 million metres of cloth by 2000 A.D. To match the demand, production of cotton has to be increased.¹⁰

1.6 Progress of Cotton Production in India

Since Independence the accelerated growth of cotton production formed one of the main aspects of agricultural production policy. With the commencement of planning era, preparation of systematic programmes for achievement of increased production was undertaken with the following main objectives.

- (1) Rapid spread of improved technology.
- (2) Expansion of irrigated cotton area.
- (3) Expansion of high yielding varieties and hybrids and
- (4) a price and a distribution policy which safeguards the interests of both cotton growers and consumers and imparts the needed stability for cotton prices in the longrun.¹¹

1.6.1 During I and II Five Year Plan period

The first and second Five Year Plans laid main stress on increasing area under cotton, under 'grow more cotton campaign'. Steps were also taken to increase the productivity by popularising application of fertilisers and adoption of improved cultural practices. Financial assistance were given to the cotton growers and the State

Governments were assured the necessary assistance for vigorously pursuing the cotton extension schemes. As a result the annual cotton production during the First Plan period was 36.55 lakh bales representing an increase of 27 per cent over the base period 1950-51. During this period the yield per hectare averaged 93 kgs. as compared to 88 kgs. per hectare over the base year. During the Second Five Year Plan this increased production trend continued, the average annual cotton production was 45.89 lakh bales which is an increase of 60 per cent over the base year and 26 per cent over the First Plan period annual average. The average yield per hectare was 105 kgs. as compared to 88 kgs. in the base year and 93 kgs. per hectare during the First Five Year Plan period.

1.6.2 During the III Five Year Plan

During this period the main emphasis was on increasing the yield per hectare. Towards this end, schemes for intensive cultivation popularly known as 'Package Programme' were launched from 1962-63. Further development work was streamlined by integrating all the component items like seed multiplication and distribution schemes and cotton extension schemes into a co-ordinated cotton development in each state. Several incentives such as subsidy on improved seeds, pesticides and equipments, allocation of additional quantity of fertilisers for cotton, extension of aerial spraying to cotton and meeting two thirds of costs

thereon by the Government of India, appointment of additional staff for cotton development work and raising the floor and ceiling prices of different varieties of cotton were provided. As a result of this, during the Third Plan period average annual production of cotton was 57.37 lakh bales which was higher by 12 per cent than the Second Plan period annual average and by 79 per cent over the base year (1950-51) production. The level of productivity also registered 10 per cent rise over that in the Second Plan period to 116 kgs. per hectare during the Third Plan period and by 32 per cent over the base year.¹¹

1.6.3 IV and V Plan period

During this period the emphasis was focused on raising productivity per hectare. For this purpose much reliance was placed on package programmes which were implemented on a wider area, giving priorities to tracts with assured water supply and least climatic hazards. In order to maintain tempo, a part of the programme was taken up as centrally sponsored scheme from 1966-67 onwards. Annual acreage of production of cotton during the period 1966-69 declined from 57.37 lakh bales at the end of this Third Plan to 51.9 lakh bales. The year 1970-71 witnessed a serious crisis in cotton production as it declined to 45 lakh bales. This made it very clear unless more determined and bold efforts were made it would not be possible to gain the required increase in production particularly when it was to be

achieved by increased productivity per hectare. The existing programmes, it was felt, were not sufficient and too modest to produce the desired results quickly. These measures covered only little area which was scattered in several districts of each state. It was felt that State Governments had relegated cotton to a secondary position because of their main pre-occupation with the scheme intended for raising the production of food crops. Thus the compulsion of the situation demanded a new and really a massive effort by the Government of India to lift the country out of the morass of the cotton shortage.¹¹

It was against this background that the new Intensive Cotton District Programme (ICDP) was conceived and launched in the year 1971-72. The earlier approach of tackling small areas dispersed over several districts were given up. It was decided to concentrate resources in a few selected districts. For this purpose the whole district was taken up as a unit for coverage by the recommended package of practices. In the first instance, the programme was taken up in fourteen key districts of the nine major cotton growing states. The main thrust was on irrigated cotton, which offered the maximum potential for increased production. The entire irrigated area in the selected district was sought to be covered in a phased manner.

Another major strategy adopted under the ICDP for pushing up production was the increased reliance on the

rapid spread of the high yielding hybrid cotton to their maximum potential. For this purpose the production of their seed was accelerated under specific sub-schemes. Similarly the production of nucleous and foundation of seeds of all the important varieties of cotton was also taken up.

The intensive effort made under the programme appear to have borne fruits. Despite unfavourable weather conditions in several leading cotton growing states in 1972-73 and 1973-74 the production was maintained at the high level of 54.17 lakh bales and 59.19 lakh bales respectively. The production of cotton for 1975-76 was 56.19 lakh bales. And for the year 1976-77 production increased to 72.25 lakh bales.¹¹

1.6.4 VI Five Year Plan period (1980-85)

The cotton development effort during the Sixth Plan period would essentially aim at transfer of available improved technology to as large area as possible with a view not only to stepping up the level of productivity per hectare but also to imparting better stability to production particularly in rainfed areas. For this purpose a three pronged drive would be undertaken to (1) bring in maximum area under intensive cultivation both irrigated and rainfed tracts (2) step up the area under irrigated cotton and (3) maximise the area under high yielding hybrid cotton. The existing centrally sponsored ICDP which incorporates this

strategy will be continued during the Six Plan period.

The Sixth Plan aimed at a target of 92 lakh bales against 72 lakh bales showing a growth rate of 4.6 per cent.¹²

All India final estimates placed the production of cotton at 65.82 lakh bales in 1983-84 as compared to 75.34 lakh bales achieved during 1982-83. The area under cotton during 1983-84 was estimated at 77.65 lakh hectares as against 78.77 lakh hectares in 1982-83. Thus production and area under cotton declined by 12.6 per cent and 1.3 per cent respectively in 1983-84 over 1982-83.¹³ Decrease in the production of cotton has been mainly reported by Punjab, Maharashtra, Haryana, Gujarat and Madhya Pradesh and is attributed shrinkage in area, as well as lower yield rate in 1983-84 due to excessive rainfalls, bolls shedding and pest infection in some of the major cotton growing states. However states like Andhra Pradesh, Tamil Nadu, Karnataka and Rajasthan have registered increase in production during this period.

1.7 Price Policy for Cotton

An appropriate price policy is a crucial factor in the strategy of agricultural development. Firstly, modern agriculture increasingly involves the use of modern costly inputs as part of improved technology and hence an assured minimum price becomes a necessary underpinning for sustained agricultural production. Secondly, price policy is also an important tool for facilitating crop planning - an aspect

which so far has not received adequate attention in this country. Finally price policy can be geared towards ensuring that the relevant income levels of the farming community are not eroded by continuing unfavourable terms of trade between agricultural sector and non-agricultural sector.¹²

It is wellknown fact that unless remunerative prices are assured to the agriculturists through a proper marketing system, they cannot be expected to put their heart and soul into the task of producing more food and fibre crops for the nation. Unstable prices and successful agriculture are incompatible with each other.

The main objective of cotton price policy is to safe guard the interest of both the producers and the consumers. In persuance of this objective every year the floor prices of lint and raw cotton are being prescribed by the Agricultural Prices Commission. The floor prices assure the producers that in the case of seasonal glut their produce would be purchased in unlimited quantities at the support level by the Government agency or Government owned or Government partnered agencies. In the case of serious imbalances in the supply and demand position resulting in sharp upward pressure on raw cotton prices which may result in steep rise in cotton fabric prices, the Government would interfere and try to arrest the further rise through several measures.¹¹

The main basis of Agricultural Prices Commission's announcement of floor prices at the beginning of the season is the cost of cultivation plus a reasonable profit for the producer. From year to year the change in prices of inputs like fertilisers and pesticides were also taken into account. Another important consideration is that the process of technological break through, which has recently begun to unfold itself in the cultivation of cotton be strengthened and carried forward through among others, the maintenance of favourable price climate.¹⁴

CHAPTER IIKARNATAKA AT A GLANCE2.1 Climate and Topology

The Karnataka State is situated between $11^{\circ} 31'$ and $18^{\circ} 45'$ north latitudes $74^{\circ} 12'$ and $78^{\circ} 40'$ east longitudes and lies in the west central part of peninsular India.

It's maximum length from north to south is about 700 kms. and from east to west 400 kms. It is bound on the north by Maharashtra State, on the north west by Goa, on the east by Andhra Pradesh, on the south and south east by Tamil Nadu, on the south west by Kerala and on the west by Arabian sea.

The State consists of narrow elongated belt between the Arabian sea and the Western Ghats, with strikingly exquisite and enchenting coastline of about 400 kms. the hilly tract of western ghats with it's magnificent range of scenic beauty and even green forests, a broad undulating terrain in the south, the tank country of Karnataka representing the earst while Mysore State and broad but less undulating in the north covering with land scape of monotonous, seemingly endless crystallins plateau with black and rich cotton soil and large open treeless fields. The contrast between coastal plain and the central plateau is striking. The eastern part of Karnataka is in general a rolling plateau which is traversed by several isolated ridges and series of quaint, aw-inspiring rocky out-crops,

and gigantic boulders giving rise to a rare atmosphere.¹⁶

Karnataka has climates ranging from the very moisty rainy monsoon climate with west coast, the western ghats, and Malnad areas, to the semi-arid climate of Bellary and Bijapur region. The range of climates within a west coast distance of about 190 kms. between Agumbe in Tirthahalli taluka of Shimoga district with an annual rainfall of 8276 mm. and Challikere in Chitradurga district with an annual rainfall of 456 mm. is indeed remarkable. Agumbe can be called the Cherapunji of southern India. Of the heavy rainfall stations in India, with an annual rainfall of more than 5000 mm. four are in Karnataka. These are Agumbe in Shimoga district, and Bagamangala (6032 mm.), Pullingoth (5941 mm.), and Makut (5054 mm.) in Kodagu district. The normal rainfall in the state was 1,354.7 mm. and the actual average rainfall in 1982 was 1267 mms. With its amazing variety of topographic and climatic expressions, unique drainage patterns, colourful heritage of wildlife, eventual history, rich cultural traditions, and an unending vista of Scenic Beauty and excellence, Karnataka has definitely made unique contributions to the wealth of Indian culture and heritage.

2.2 Land and People

The total geographical area of the state is 1,92,204 sq. kms. or occupies 5.35 per cent of the total geographical area of the country. In terms of area

Karnataka is the 6th largest state in India. According to 1981 census the geographical area as per the village papers stood at 1,90,49,836 Hectares nearly 55 per cent of which was the net area sown. (Table 2.A).

Table 2.A: Land Utilisation in Karnataka as on 1978-1979

Sr. No.	Particulars	Area in Hectares	Percentage to total
1.	Total Geographical Area		
	a) Professional survey	1,91,44,621	
	b) Village papers	1,91,15,991	
2.	Forests	29,91,354	15
3.	a) Area put on non-agricultural uses	9,39,919	5
	b) Barren uncultivable	8,71,698	5
	c) Land not available for cultivation (A+b)	18,65,617	10
4.	a) Permanent pastures and other grazing lands	15,14,654	8
	b) Land under miscellaneous purpose	3,22,508	2
	c) Cultivable waste	5,84,669	3
	d) Cultivable land (a+b+c)	24,21,931	13
5.	a) Other than current fallow	6,17,614	3
	b) Current fallow	9,49,759	5
	c) Total fallow land (a+b)	15,67,373	8
6.	Total cultivable land (4+5)	30,89,204	21
7.	Net area sown	1,03,59,816	54
8.	Area sown more than once	7,99,349	4
9.	Total cropped area	1,11,59,165	
10.	Total No. of irrigation well as per 1970-71 census	20,33,000	

Source: Karnataka Gazette, 1982, Government of Karnataka, Bangalore.

Only 15 per cent of the net area sown was irrigated of which canals, tanks, wells and other sources had accounted for 5,80,956, 3,21,333, 4,02,069 and 1,66,956 Hectares of irrigation respectively. Thus, the canals, wells, tanks are the important sources of irrigation in the state.¹⁶

Important crops grown in the state are Jowar, cotton, paddy, ragi, pulses, groundnut and bajra arranged in the descending order of the area under crop.

Table 2.B: Area, production and average yield per hectare in Karnataka during 1979-80, 1980-81

Crops	1979-80			1980-81		
	Area	Production	Yield	Area	Production	Yield
Rice	1,173.6	2,369.6	2,019	1,084.7	2,210	2,037
Jowar	1,931.8	1,839.2	952	1,625.3	1,396.8	859
Bajra	660.0	244.30	370	483.9	200.0	413
Maize	144.9	386.9	2,670	151.0	397.7	2,634
Small Millets	439.9	202.6	461	368.3	180.0	489
Wheat	378.8	229.6	606	301.1	177.8	591.0
Total	5,911.2	6,733.1	1,139	4,924	5,722	1,162
Tur	353.5	234.6	664	310.4	200.0	644
Total Food-grains Kg.	7,452.9	7,370.9	989	6,204.2	6,349.6	1,023
Groundnut	878.7	636.7	724	767.4	457.9	597
Total Oilseeds	1,239.2	772.2	623	1,146.4	607.7	530.0
Cotton	1,064	765.7	122	985.3	706	122

Area in thousand hectare.

Production in thousand tonnes.

Yield per hectare in kgs.

Cotton production in bales and yield kgs/Hectare.

Source: Directorate of Economics & Statistics, 1980-81.

About 26 per cent of the area was covered under High Yielding varieties. Among these crops cotton occupies a premier position with regard to both area and production. It occupies 12.2 per cent of cultivated area in the State and account for 44 per cent of the total area under cash crops in the State. For administrative purposes the state is divided into divisions, districts and taluks. It comprises 175 Taluka grouped into 19 districts which are in turn distributed into 4 divisions. (See map). Karnataka State was inhabited by 3,71,35,714 people and 71 per cent of these lived in villages as per 1981-82 census. The density of population was 194 persons per sq. kms.¹⁷

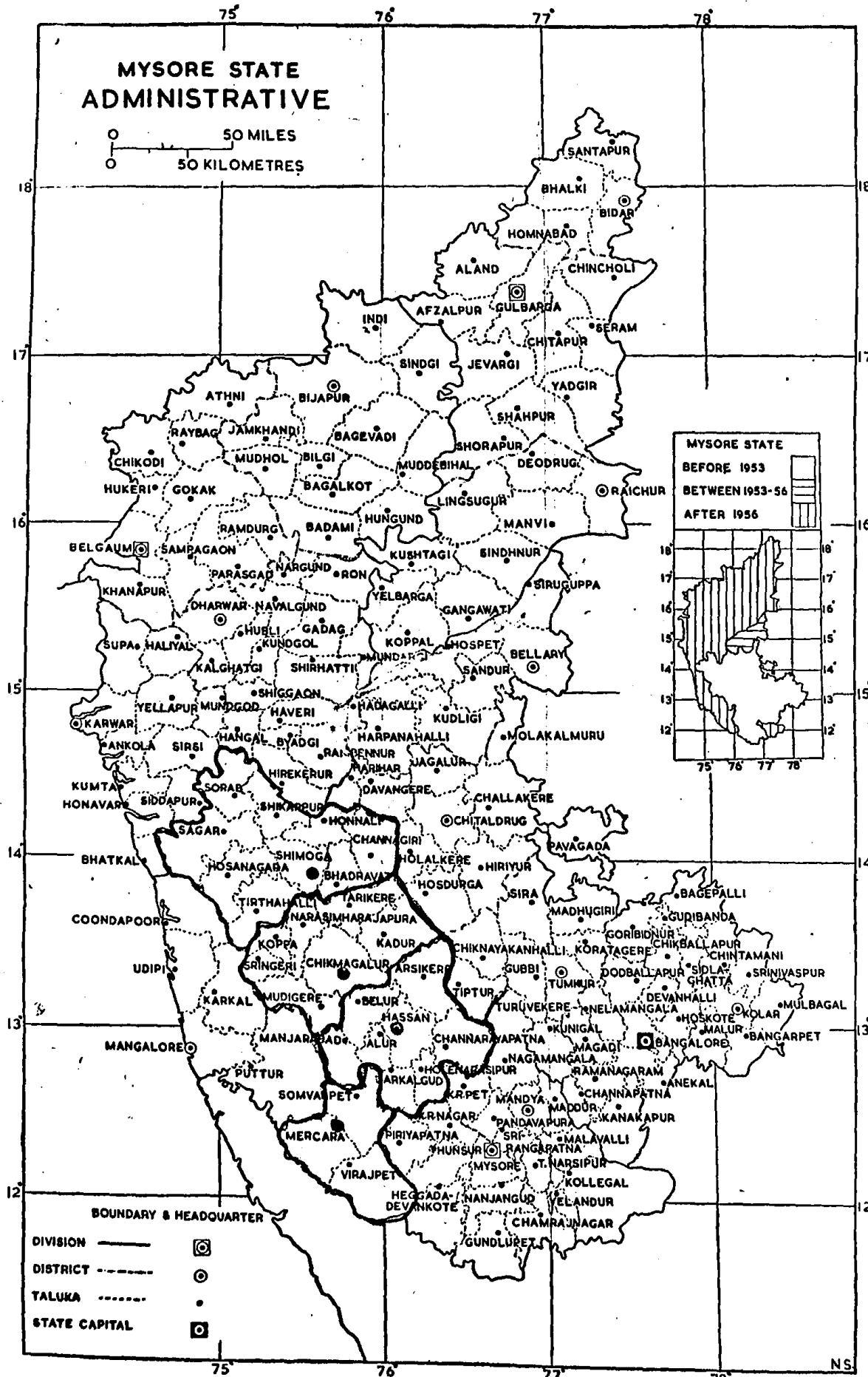
The number of owner cultivators in the state during 1978-79 was of the order of 35.51 lakh of which as high as 97.94 per cent was accounted by the individual holdings and the rest by the joint holdings. (Table 2.C). Further, 76 per cent of the operational holdings were less than 4 hectares in sizes but accounted for only 35 per cent of the total area under operation. Thus 65 per cent of the area under cultivation was operated by less than 25 per cent of the cultivators.

2.3 Industry and Mining

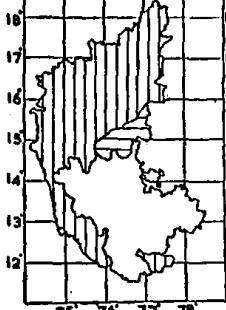
There were 10,838 registered factories in the State employing 6,95,146 persons. Of the factories, there were 3334 textile factories, 326 chemical factories, 1368 engineering factories during 1982-83. The value of mineral

MYSORE STATE ADMINISTRATIVE

0 50 MILES
0 50 KILOMETRES



MYSORE STATE
BEFORE 1953
BETWEEN 1953-56
AFTER 1956



BOUNDARY & HEADQUARTER
DIVISION ———— ⊙
DISTRICT - - - - - ⊙
TALUKA ······ ·
STATE CAPITAL ⊠

Mysore State Administrative Map showing districts, talukas, and divisions. The map includes a grid with latitude (12°N to 18°N) and longitude (75°E to 78°E) markings. A legend in the bottom left defines symbols for boundaries and headquarters. An inset map in the middle right shows the state's location within India. Major cities like Bangalore, Mysore, and Mangalore are marked with squares, while district headquarters are marked with circles.

Table 2.C: No. of operational Holdings and Area operated in Karnataka during 1978-79

Sizes class in Hectares	No. of operational holdings			Area of operation in Hect.		
	Indivi- dual hold- ings	Joint hold- ings	Total	Indivi- dual hold- ings	Joint hold- ings	Total
Below 0.5	5.19	0.08	5.27	1.35	0.02	1.37
0.5 - 1.00	5.46	0.08	5.54	4.06	0.06	4.12
1.0 - 1.20	8.24	0.16	8.40	11.97	0.23	12.20
1.20- 3.00	4.80	0.11	4.91	11.60	0.26	11.80
3.00- 4.00	2.90	0.07	2.97	9.94	0.25	10.19
4.00- 5.00	1.97	0.05	2.02	8.70	0.23	8.93
5.00-10.00	4.09	0.12	4.21	28.16	0.83	28.99
10.00-20.00	1.71	0.05	1.76	22.71	0.73	23.44
20.00-30.00	0.30	0.01	0.31	7.05	0.21	7.26
30.00-40.00	0.08	N	0.08	2.74	0.06	2.80
40.00-50.00	0.02	N	0.02	1.03	0.03	1.06
60 and above	0.02	N	0.02	1.42	0.03	1.45
Total	34.78	0.73	35.51	110.33	2.94	113.67

N = Negligible.

Area in lakh hectares.

Source: Karnataka Gazetteer 1982, Government of Karnataka, Bangalore.

produce during 1982-83 was of the order of about Rs. 70 crores and the number of workers employed in mines was about 17,000.

2.4 Co-operative Societies

Number of co-operative societies including liquidated societies as on 30th June 1982 were 22,590 in the State and were comprised of 5048 Agricultural Co-operative Marketing Societies. Membership in all types of co-operative societies was about 82 lakh. The short term and medium term loans advanced by Agricultural Co-operative Marketing Societies and Co-operative Credit Societies amounted to Rs. 8965 lakhs and 1647 lakh respectively for the same period.¹⁷

2.5 Cotton Economy - Karnataka

2.5.1 Origin of Cotton Cultivation in Karnataka

Cotton is an important fibre as well as commercial crop of Karnataka State. It supplies the most important primary requirement of mankind next to food viz. raiment. The origin of cotton cultivation in Karnataka is obscure. But we find that cotton growing and cotton manufacturing were well established long before the occupation of Karnataka by British. Two varieties of cotton were grown viz. (1) Deva Kapas (*Gossipium Arborium*), a tree cotton planted in gardens and temples near wells and (2) Jawari Hatti, local cotton (*Gossipium Harbaciun*). The kapas of the former quality was hand ginned and cotton was used in

making sacred threads and lamp wicks. The kapas of the latter quality was ginned on the foot roller gins and was consumed locally by hand mills or trans-shipped via Kanta Harbour.²

The products of these hand mills not only clothed the people of Karnataka but also met foreign demand. In addition to the total demand within the state for the products of hand mills there are inferences to show that the products even reached Great Britain during the first half of the 18th century.

Mr. Randall in his memoir of 29th March 1819 on cotton cultivation mentioned : "But the new territories in Doab especially about the Krishna, the Mallaprabha, the Ghataprabha, Wardha and branching streams of the rivers, are places admirably adopted for a grand experiment in the culture and growth of cotton." He further stated that native of India themselves will undertake any new scheme is contrary to long and wide spread experience." Therefore he was of the opinion that, it was the government who should take the initiative and introduce new methods and better seeds for the culture and growth of cotton in Doab. Thus the recognition of the potentiality of Karnataka for growth of cotton can be traced back to the earliest days of British rule in Karnataka.¹⁸

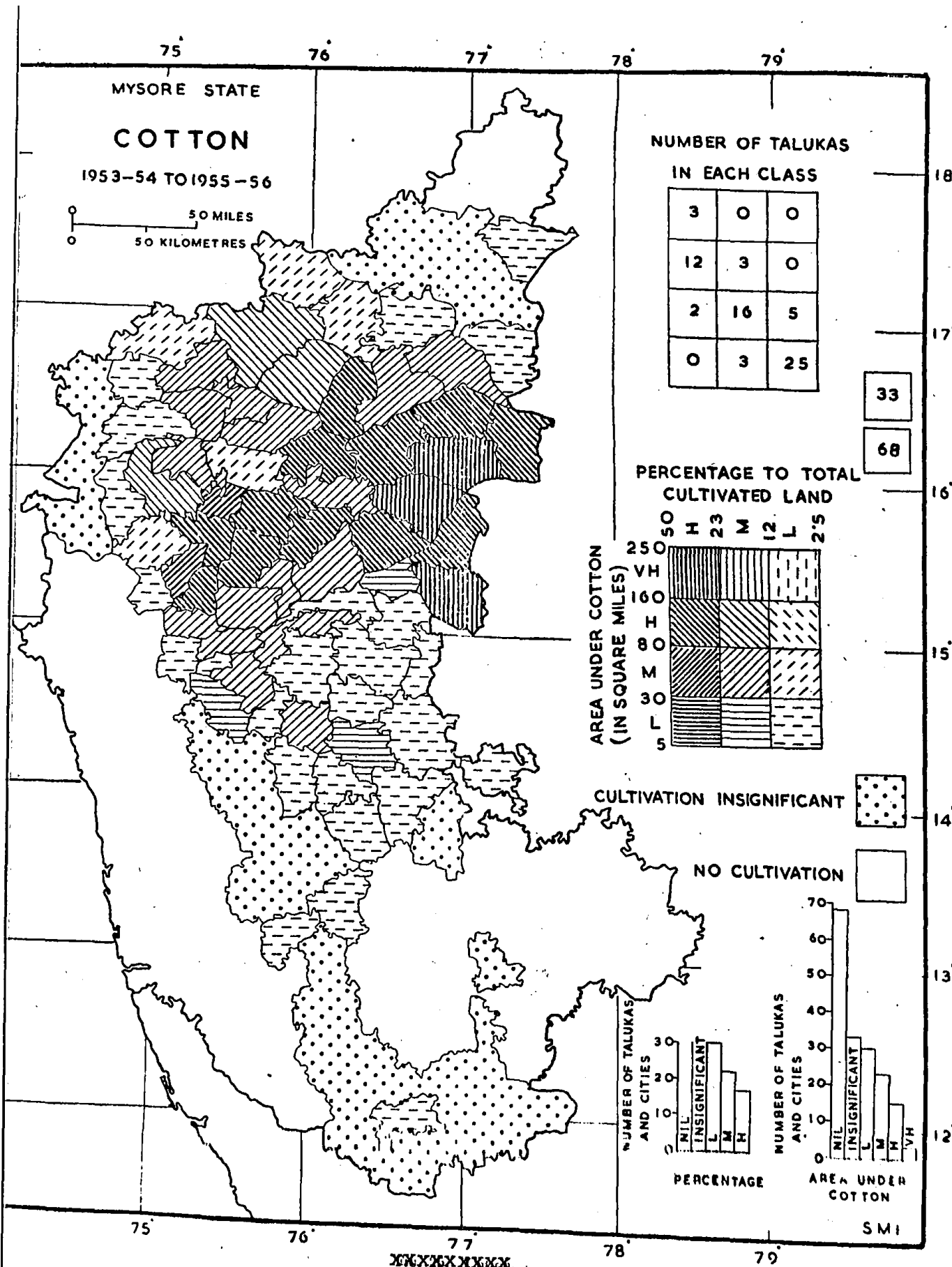
Bombay Karnataka passed from the hands of Peshwas to the British. The importance of these political changes

had immense effect on cotton growing. In the following year the commercial Resident recommended the distribution of Brazillian, New Orleans and Sea Island cotton seed in Dharwad. In the year 1829 regular experiments were undertaken to improve the local cotton and to introduce new foreign varieties of cotton.

2.5.2 Soil and Climate

Soil and climatic conditions prevailing in many parts of the state are favourable for cotton cropping and hence cotton is grown extensively in the state. Karnataka has more than 10 lakh Hectares under cotton area. It is next only to Maharashtra State. Besides acreage, the state occupies an important position in production of cotton since a fairly large proportion of the area is Hirisutum and other medium and long staple cotton. Although cotton is grown practically all over the state it's cultivation is concentrated more in certain parts of the state (see map) as soil and climatic conditions are more suitable for cotton in those parts. These parts also differ in time of receipt of rains and onset of dry weather conditions. Accordingly the various cotton belts are sub-divided into different cotton zones as follows.¹⁹

1. The costal staple cotton zone.
2. Dharwar American Kharif cotton zone.
3. Mysore American cotton zone.
4. Transition Herbaci um cotton zone.



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Source: Mysore State, Vol. I, An Atlas of Resources, Indian Statistical Institute, Calcutta.

5. Dharwar American cotton zone.
6. Eastern dry Herbaceum cotton zone.
7. Irrigated Hirsutum zone.

Important districts of the state where cotton is grown extensively are Raichur, Dharwar, Bijapur, Gulbarga, Belgaum, Bellary and Chitradurga. Among the chief cotton growing districts of the state, Raichur has the first place in so far as area under cotton is concerned and among the taluka of the district Sindhanur stands first. The total area under crop in the district comes to 28.6% of the total area under cotton in the state.

2.5.3 Area Production and Productivity

Among the major cotton growing states of India (Gujarat, Maharashtra, Punjab, Karnataka and Rajasthan) Karnataka ranks third in area and fourth in production respectively. The state of Karnataka had recorded on an average area of 10 lakh hectares during the period 1961 through 1980 with production of 6 lakh bales of cotton. (Table 2.D). On the eve of plan period in 1950-51 the area in the state under cotton was 9.28 lakh hectares and production was 3.16 lakh bales. This increased to 9.55 lakh hectares and 3.76 lakh bales respectively for the year 1955-56. Yield of cotton lint per hectare increased from 62.25 kgs. to 70.6 hectares during the same period. During the Fourth Plan period (1969-70) the area increased to 10.88 lakh hectares and production to 5.64 lakh bales; and

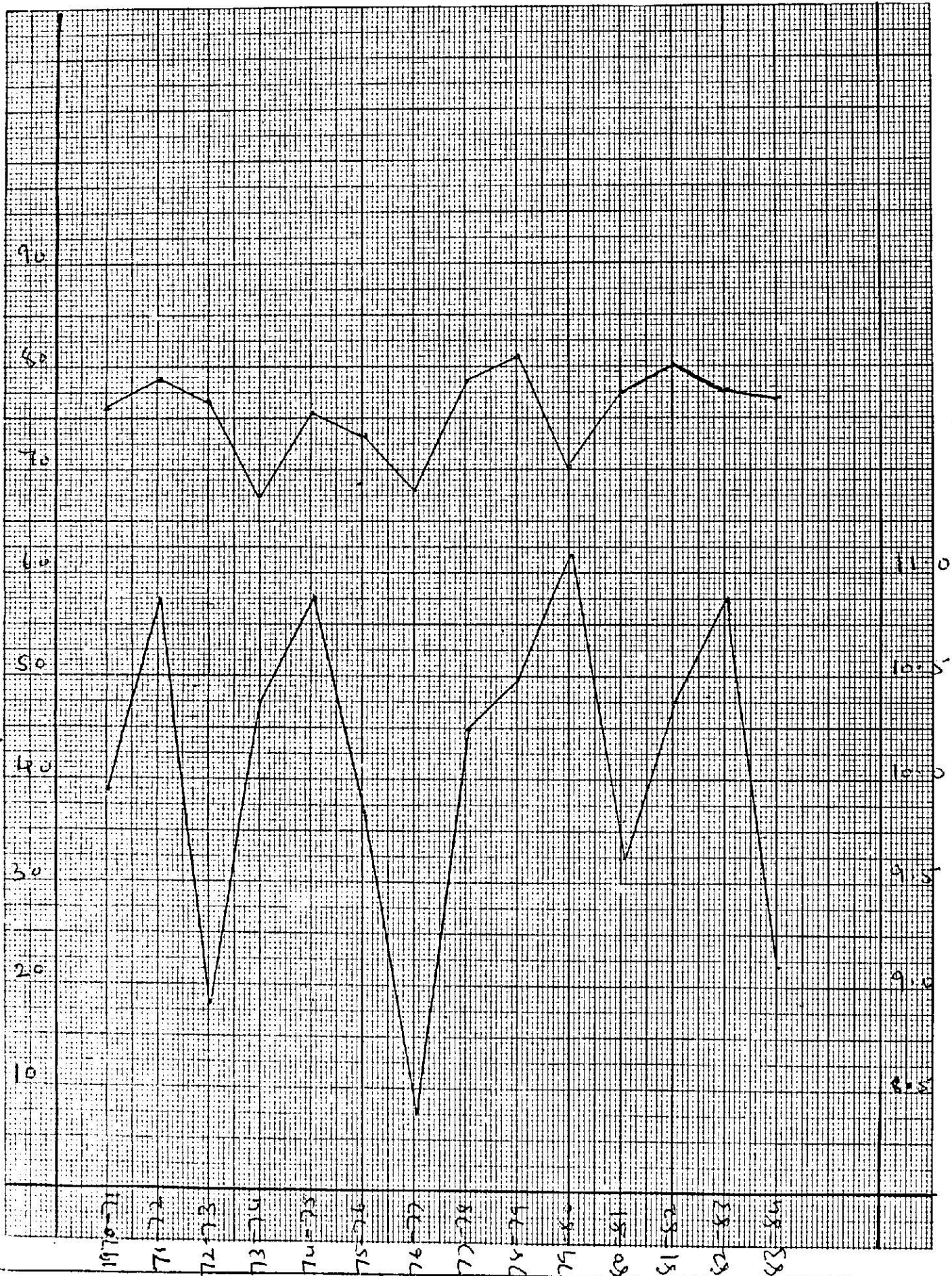
Table 2.D: Area, Production and productivity of cotton in India and Karnataka during 1970-71 through 1983-84

Year	In '000 Hect.	In 000 bales or 170 kgs.	List in' kgs. per' Hect.	In '000 Hect.	In 000 bales or 170 kgs.	List in kgs. per Hect.
	Area	INDIA Produo- tion	Yield	Area	KARNATAKA Produo- tion	Yield
1970-71	7,605	4,763	106	995	364	62
1971-72	7,600	6,950	151	1,078	602	95
1972-73	7,679	5,735	127	888	443	85
1973-74	6,574	6,309	142	1,028	720	119
1974-75	7,562	7,156	161	1,073	793	126
1975-76	7,350	5,950	138	956	587	104
1976-77	6,885	5,856	144	759	460	103
1977-78	7,866	7,243	155	1,004	802	136
1978-79	8,087	7,927	165	1,046	823	134
1979-80	7,065	8,126	162	1,114	469	83
1980-81	7,820	7,823	152	956	620	103
1981-82	7,990	8,057	165	1,040	653	123
1982-83	7,871	7,534	162	1,087	520	108
1983-84	7,765	8,682	*	910	600	124

* Fourth forecast estimate.

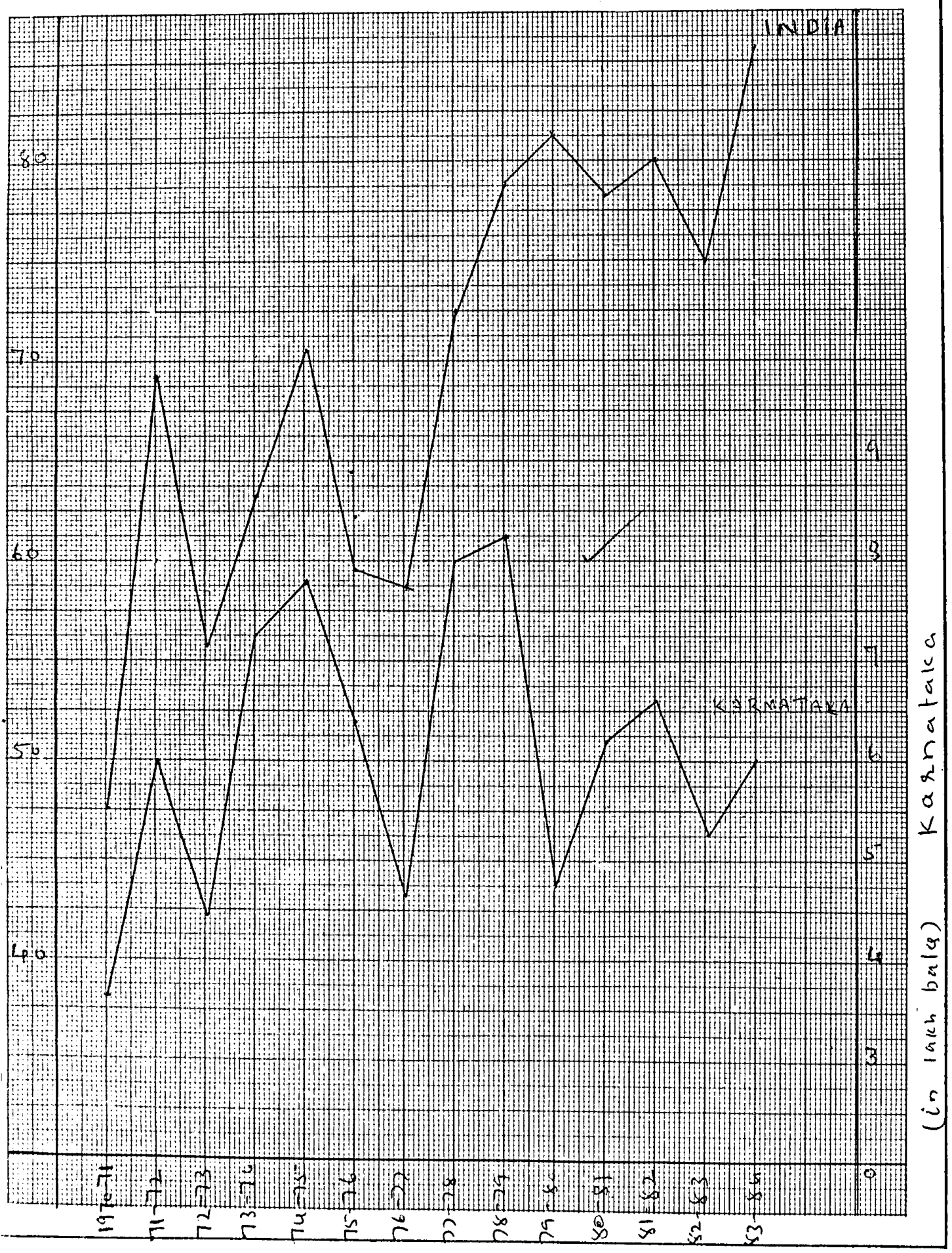
Source: Cotton forecast reports, Agricultural Situation in India.

TRENDS IN COTTON AREA, INDIA AND KARNATAKA, DURING 1970-71-1983-84.



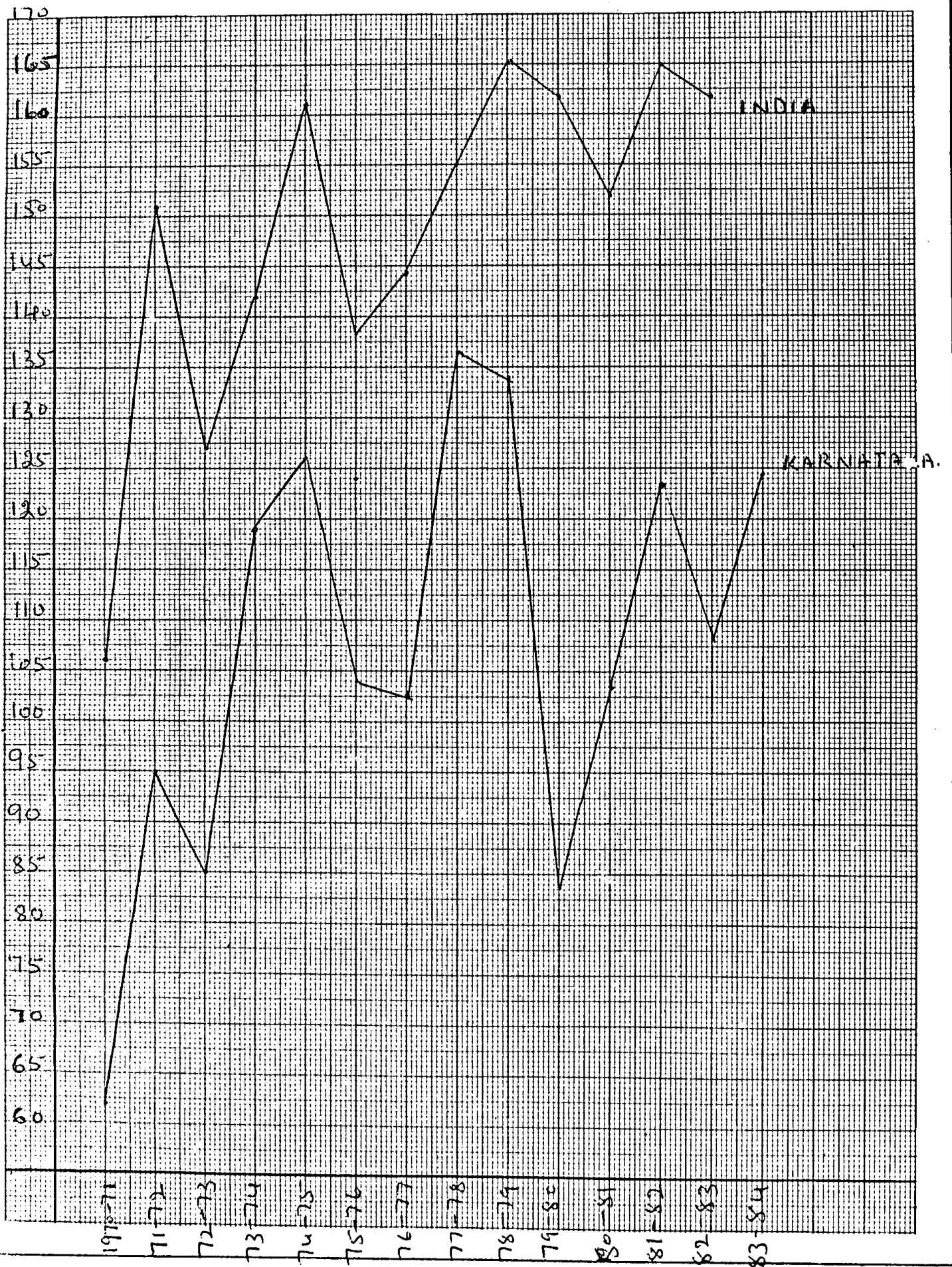
(5m lakh hectares) Karnataka

TRENDS IN PRODUCTION OF COTTON IN INDIA AND KARNATAKA DURING 1970-71-1983-84



(in lakh bales) Karnataka

TRENDS IN YIELD, INDIA AND KARNATAKA DURING 1970-71 - 1983-84.



yield increased 99.6 kgs. per hectare. And for the year 1983-84 the area under cotton was 9 lakh hectare and production 600 lakh bales; yield per hectare was 124 kgs. (Table 2.D).

2.5.4 Some aspects of Cotton Development

Cotton is one of the most important commercial crops playing a key role in economic and social affairs of the state. There are various schemes in operation in the State for the development of cotton. The comprehensive cotton development scheme is covering the entire State. The area covered in the State under different varieties of cotton is 9,09,641 hectares and 85,466 quintals of seeds have been distributed. The centrally sponsored Intensive Cotton Development Scheme is implemented in rainfed and irrigated areas. The areas in Dharwar, Gadag and Haveri, in Dharwar district Bagalkote and Bijapur in Bijapur district are rainfed and districts of Bellary and Raichur in Tungabhadra projects; and Navalagund, Naregunda, Soundatti, Ramadurga and Banashankari, Badami in Malaprabha area are irrigated where this scheme is operating. The programme includes seed distribution, fertiliser distribution, plant protection measures demonstration and grading of kapas.¹⁶ There are important cotton regions in the State viz. (1) Dharwar (2) Raichur (3) Arsikere-Banavar. Three seed multiplication

and distribution schemes are functioning in the above three zones. An important feature of the cotton development work in the Agricultural Department of the State is distribution of pure seed of improved varieties in large quantities possible.

The Hybrid-4 is credited with a recorded yield of 8700 kgs. of kapas per hectare in Bellary district of Karnataka State. The average yield from this strain is placed at 3500 kgs. to 4000 kgs. of kapas per hectare. While the average yield per hectare other varieties of 920 kgs. of kapas in irrigated areas and 250 kgs. in non-irrigated areas. Spectacular progress has been achieved in the case of cotton with the introduction of Varalaxmi cotton, a long staple cotton variety. The credit for evolving this variety goes to the State.

2.5.5 Regulated Markets for Cotton in Karnataka

There were about 115 regulated markets in the State wherein the regulation of marketing of farm produce had been enforced at the end of the year 1980 of them 64 markets had sought the marketing of cotton within the regulatory orbit. Out of these 64 markets where cotton and its byproducts are notified for the purpose of regulation no transaction takes place in 11 markets. Thus there were 53 regulated markets for cotton. The number of regulated markets where cotton was notified for regulation during different decades is given in the following table.

Period	No. of markets established	Cumulative total
1930-40	5	5
1940-50	15	20
1950-60	22	42
1960-70	11	53
1970-80	11	64

Source: Karnataka State Agricultural Marketing Board, Bangalore.

The highest number of regulated markets for cotton were established during the decade 1950-60, followed by the decade 1940-50. Nearly 85 per cent of cotton produced in the State of Karnataka is sold in the regulated markets. Further it is presumed that the remaining 15 percentage is despatched outside markets (outside the State) directly from the producers. Thus regulated market form a very important channel of sale for cotton in Karnataka.⁶

Table 2.E: Regulated Markets for Cotton in Karnataka

Sr. No.	Name of the Market	Year of Establishment	Year of notification
1	2	3	4
1.	Challekere *	1957	1974
2.	Chitradurga	1951	1959
3.	Davangere	1948	N. A.
4.	Harihar	1961	1961
5.	Hiriyur	1959	1959
6.	Channagiri	1966	N. A.
7.	Shikaripura	1964	N. A.
8.	Sira	1956	N. A.
9.	Athani	1947	1947
10.	Bailhongal	1935	1937
11.	Gokak	1948	1948
12.	Kudachi	1961	1961
13.	Ramdurga	1958	1965
14.	Soundatti	1962	1962
15.	Bagalkote	1945	1945
16.	Bijapur	1938	1938
17.	Jamakhandi	1951	1951
18.	Talikote	1963	1963
19.	Annigere	1948	N. A.
20.	Byadagi	1948	1948
21.	Dharwar	1947	1947
22.	Gadag	1943	1947

1	2	3	4
23.	Haveri	1954	1954
24.	Hirekerur	1963	1963
25.	Holeur	1959	1959
26.	Hubli	1938	1943
27.	Kundagol	1951	1961
28.	Laxmeshwar	1952	1952
29.	Mundargi	1959	1959
30.	Naragund	1949	1954
31.	Renibennur	1952	1956
32.	Savanur	1951	1956
33.	Bellary	1949	1949
34.	H. B. Halli	1973	1973
35.	Hospet	1973	1973
36.	Kottur	1973	1973
37.	Siraguppa	1973	1973
38.	Aurad	1971	1971
39.	B. Kalyan	1951	1951
40.	Bhalgi	1949	N. A.
41.	Bidar *	1940	N. A.
42.	Humanabad *	1975	N. A.
43.	Chittepur	1951	N. A.
44.	Gulbarga *	1940	N. A.
45.	Nalwar *	1951	1951
46.	Saidapur	1951	N. A.

1	2	3	4
47.	Sedam	1947	1951
48.	Shahabad	1951	1969
49.	Shahapur	1951	N. A.
50.	Shorepur	1951	N. A.
51.	Yadgir	1947	N. A.
52.	Rai chur	1934	1934
53.	Deodurg	1973	1973
54.	Gangavathi	1953	1953
55.	Koppal	1948	N. A.
56.	Kustagi	1958	1958
57.	Lingasgur	1970	1970
58.	Manvi	1971	1971
59.	Sindhaur	1971	1971
60.	Yelburga	1973	N. A.
61.	Kadur	1957	1957
62.	Arasikere	1957	1950
63.	Mysore *	1954	1959
64.	Nanjana gudi	1954	1956

N.A. = Not Available.

* Arrival of cotton has stopped.

Source: Karnataka Agricultural Marketing Board,
Bangalore.

2.5.6 Price Policy

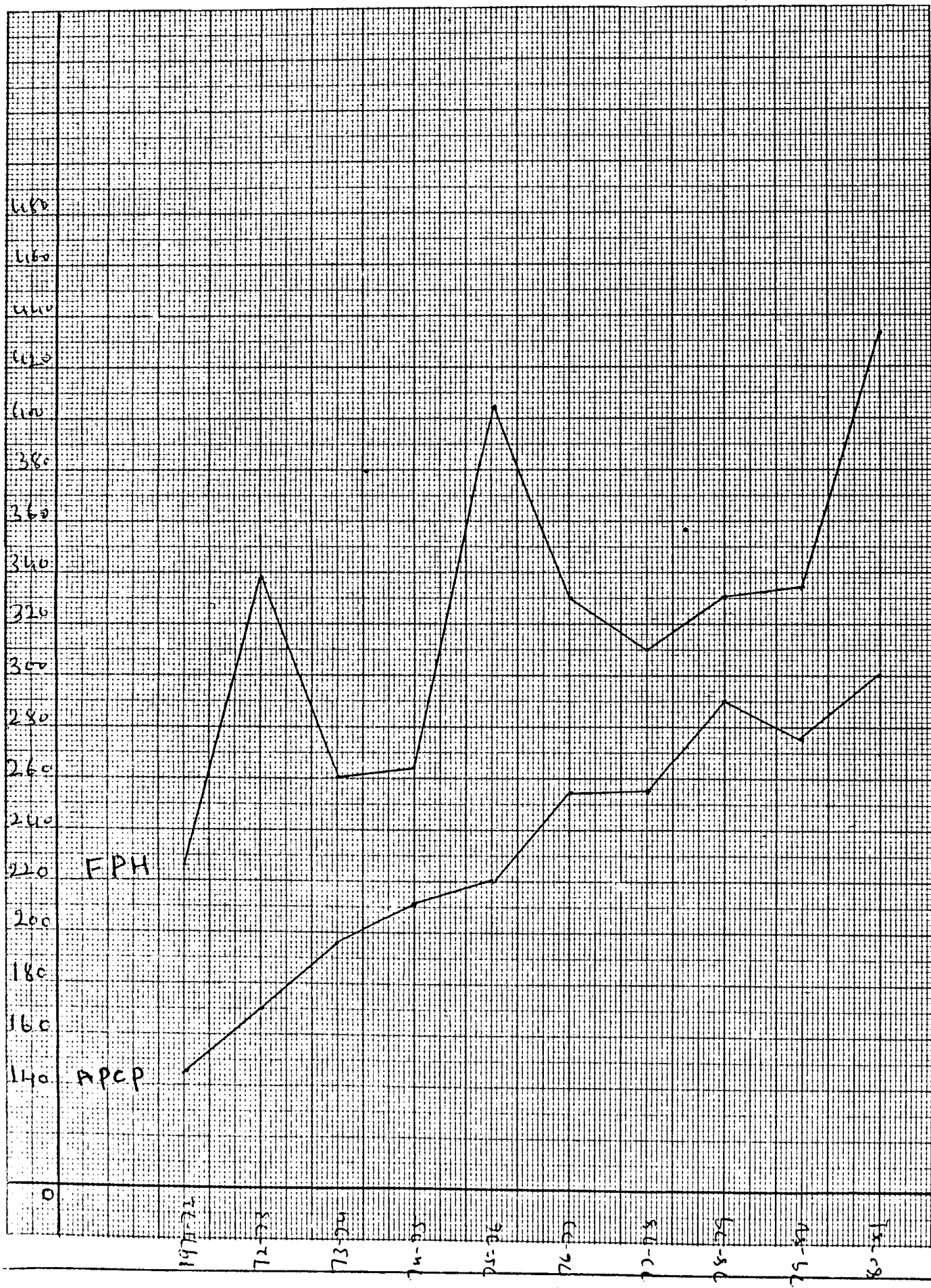
Price policy of Government is one of the important incentives to the cotton producers to grow more cotton of superior quality. The Government announces the minimum support prices (Table 2.F) both for cotton lint and kapas every year.

Table 2.F: Farm Harvest Prices in Karnataka and Agricultural Prices Commission's Prices for Kapas during the period 1971-72 - 80-81

Year	Farm Harvest prices	Price recommended by APC	Difference
1971-72	225.00	142.00	+ 83.00
1972-73	339.00	170.00	+ 169.00
1973-74	260.00	195.00	+ 65.00
1974-75	261.00	210.00	+ 51.00
1975-76	404.00	220.00	+ 184.00
1976-77	331.00	255.00	+ 76.00
1977-78	311.00	255.00	+ 56.00
1978-79	331.00	290.00	+ 41.00
1979-80	332.00	275.00	+ 57.00
1980-81	434.00	300.00	+ 134.00

The Cotton Corporation of India is obliged to buy unlimited quantity in case prices of cotton fall below the support price. It may be said that buying of cotton by Cotton Corporation of India in Karnataka appears to be

TRENDS IN FARM HARVEST PRICES AND A. P. C. PRICES FOR KAPAS IN KARNATAKA DURING 1971-72 - 1980-8



quite erratic (Table 2.G). Farm harvest prices for different varieties of kapas in Karnataka are far higher than minimum price announced by the Agricultural Prices Commission.

Table 2.G: Cotton Purchases by Cotton Corporation of India - in Karnataka during 1971-72 - 1980-81

Year	Quantity purchased in 000' bales of 170 kgs.
1971-72	21
1972-73	1
1973-74	55
1974-75	2
1975-76	24
1976-77	62
1977-78	35
1978-79	56
1979-80	121
1980-81	104
1981-82	62
1982-83	86

Quantity purchased is in thousand bales of 170 kgs. lint.

Source: Cotton Corporation of India.

CHAPTER IIISOME CONCEPTS IN MARKETING3.1 Meaning and Definition of Marketing

Agricultural marketing is a process which starts with decision to produce a saleable farm commodity and it involves all aspects of market structure or system, both functional and institutional, based on technical and economic considerations and includes pre and post harvest operations, assembly, grading, storage, transportation and distribution.²⁰

Prof. Richard Kohls contends that marketing is the performance of all business activities involved in the flow of goods and services from the point of view of initial agricultural production until they are in the hands of the ultimate consumers.²¹

A comprehensive definition of marketing has been provided by the definition committee of American Association. According to the Committee, marketing includes all activities having to do with effecting changes in the ownership and possession of goods and services. It is that part of economics which deals with creation of time, place and possession utilities and that phase of business activity through which human wants are satisfied by exchange of goods and services, for some valuable consideration.

3.2 Significance of Agricultural Marketing

In a market economy, the efficiency or otherwise in production exists only as a potentiality, but the same in practice is realised through exchange. Hence, the crucial importance of exchange, the extent of realisation of income potentiality through exchange, initially existing on physical outputs, is what measures the efficiency of the marketing system. And the marketing system in its turn crucially influences the decisions regarding not only the quantity and the type of output to be produced, but also the technology to be used for the purpose.⁶

The marketing of farm products is a matter of great interest to the farmer, the consumer and the middleman. To farmer it provides the channel of communication between him and the society and gives him continuous information about the demand for his products. The consumer views it as a means of supplying his needs, since marketing helps in raising the standard of living of the people by satisfying the multitude of needs and desires of consumers. The middleman depends upon a margin between the farm price and consumer's price that will amply reward him for his services.²² The basis of agricultural marketing is that farm products are stored, transported to a place where wanted at the time desired and transferring to those desiring them. It is for that reason marketing has become part and parcel of modern production process. Market

reform, therefore ought to be an integral part of any policy for agricultural development. Normal economic incentives for farmers to increase their productivity can operate only to the extent that the marketing system enlarges the market for their produce and brings them a reasonable price for it. Their desire to earn large cash incomes can be stimulated by a marketing system that brings their cheap consumer goods and their effort to increase productivity can succeed only if the system delivers needed inputs. Marketing is as critical to better performance in agriculture as farming itself and should be treated with equal care."²³

In the present day the need for increasing the production of food and fibres in the country to solve the shortage of food and other farm based industrial raw materials, the marketing of farm produce to the best advantage of the producer is of utmost importance. The call to produce more without providing a market machinery which assures a fair returns for his produce carries no conviction with the farmer. In this connection, the observations made by the marketing committee of the U.N. Conference on Food and Agriculture held at Quebec as early as 1945 are worth quoting. "Marketing is the crux of the whole food and agriculture problems. It would be useless to increase the output of food and would be equally futile to set up optimum standard of nutrition, unless means could be found to move food from the producer to the consumer at

a price which is remunerative to the producer and is within the consumer's ability to pay. Similar conditions apply to other agricultural products." It can be therefore said that without proper marketing, storage and transport facilities, the agricultural revolution will create explosive problems. The system of marketing should subserve the needs of planned development. It should facilitate the adoption of improved farm technology by farmers by ensuring farm supplies at a reasonable prices. It should provide a remunerative outlet for farm produces. The marketing costs should be reduced and at the same time the farm produce should reach the consumer at a fair price.²⁴

3.3 Marketing costs, price spread and producer's share

The maximum limiting value of the income a farmer can get from a given amount of goods of a specific quality produced under a specific technique of production is given by the price and ultimate consumer pays for that produce. From the point of view of both the producer farmer as well as the ultimate consumer, that marketing system is most efficient where the price received by the producer and price paid by the consumer is the same. Under this circumstances, the farmer's share in the consumer's rupee would be hundred per cent. This, however, would imply that there is no cost of marketing. However, in practice there is bound to be some 'real cost' (physical transfer of goods or produce) for transferring goods from the producer to the ultimate

consumer such as transportation and storage etc. How to keep this 'real cost' is therefore a primary concern for both the producer and the consumer.

It is interesting to note that although from the point of view of the trader, that marketing system will be considered best where the gap between the producer's price and the consumer's price is maximum. In fact this gap or the difference between the price received by the producer and the price paid by the consumer is referred to as the 'price spread' or 'market margin'. The bare difference of this type is technically referred as the 'total price spread'. It is nothing but the price paid for a set of marketing services. Given this real cost of transfer, the trader's primary interest is to keep to the maximum, the price spread because his income arises from the difference or the margin between the total price spread and the real cost of transfer which is generally referred to as the 'net price spread'. Thus, the net price spread is nothing but the profit or the net income accrued to a trader . . .

In other words, marketing costs and marketing margins are often used as synonymous terms. It was suggested that a distinction may be made between the two, marketing costs being defined as the total of actual costs of performing various marketing functions such as processing, transporting etc. The trader as a professional class does not always himself perform all these services where railway transport

is involved this would be obvious. In the pure case of trading in which the trader does not himself undertake the auxiliary services and gets them performed through independent agencies, the major component of marketing margin would consist of incurred costs, the other component being return to the enterpruneral functions which the trader performs. Thus the term marketing cost refers to incurred costs while the term marketing margins indicate the margins of the intermediaries. The term total marketing margins includes both incurred costs as well as margins of intermediaries. The total price spread can be analysed with respect to (1) the producers or farmer's net share, (2) marketing and processing costs incurred by intermediaries and (3) their marketing margins.

It may however be emphasised that though cost of marketing (total margin) is an important determinant of marketing efficiency, low cost by itself does not mean that the marketing system is efficient. If consumer's satisfaction is regarded as the ultimate aim of an efficient marketing system then a change that reduces the input costs of accomplishing a particular job without reducing consumer's satisfaction with the output of goods or services would clearly be an improvement in efficiency. However a change that reduced costs but also reduced consumer satisfaction with the end product might actually reduce marketing efficiency or consumers desire a different type

of output even higher marketing input costs might be associated with the marketing efficiency.²¹

Regardless of the concept of consumer's satisfaction a simple comparison of marketing costs between two commodities or even between two points of time for the same commodity could be highly misleading. The limitation the marketing cost as measure for evaluating marketing efficiency, notwithstanding if the essential nature of output of goods as available to the consumers, though the market system remains unchanged marketing efficiency no doubt varies directly with the size of marketing costs. In other words the quantum and quality of marketing services remaining unchanged a reduction in marketing costs clearly tends to increase the efficiency of marketing and vice-versa.²⁵

The study of marketing margin of agricultural products is very important to ascertain the producer's share in the consumer's rupee and also to know the margins of various functionaries involved in the marketing process. It also helps to know the different components of marketing margins and their influence on final price which the consumer pays. Marketing margin studies also assume importance because they have to help to ensure reasonable returns to the producers and also make available the commodities to consumers at reasonable price. Both from the point of view of the producer and the consumer such

studies should help to identify the areas where market charges can be minimised. It is very difficult to measure exactly the cost of marketing, many studies made in many countries have confirmed the contention that distribution costs are relatively higher in agriculture. It is often said that the farmer's share in the consumer's rupee is relatively small as compared to several intermediaries in the market channel. The intermediaries are said to absorb an alarmingly large share of this price. Even in England, where agriculture has been fully commercialised and the farmers does not lack business capacity, the spread between producers and consumer's prices according to Linlithgow Committee, is unjustifiably wide. Taken as a whole distributive costs are a far heavier burden than society will permanently consent to bear.²⁶ In United States the farmer gets only half the price paid by the consumer for food stuffs and in Germany about two fifths.²⁶ In United States of America, according to a study, over the period of about fifty years (1915-1964) farmers have received an average of 42 per cent of the consumers food dollar while the marketing agencies have received 57 per cent of the food dollar.²¹

In recent years, in India, the consumers have complained about high prices for agricultural products and the agriculturists have complained about receiving lower share in consumer's rupee. One of the main reason advanced

for low prices received by agriculturists relatively high prices paid by the consumers is due to the existence of more than required market intermediaries. The relatively large trader's margin hits therefore, not only the farmer in general and poorer farmers in particular but also the nation as a whole by having a far lower volume of output than would be otherwise possible.

It has become quite clear that the arrangements should exist for the efficient movement (marketing) of kapas i.e. the farmer's produce to the consumers. Cotton being the raw material for the textile industry, cotton grown by the farmers finds considerably a long way to the textile mills. This eventually provides ample scope for many intermediary agencies, some productively functional, resulting in the formation of time, place and form utilities.¹²

3.4 Channels for Marketing of Cotton

This section covers marketing channels for cotton beginning at the farm level where cotton is harvested in the form of kapas and ending at the lint and seed market. In general most of the produce is sold in the form of kapas. In fact, in Karnataka it is reported that hardly less than 10 percent of the producers resort their produce to ginning. It may be noted that ginning is a process by which lint and seeds are separated out from the 'Kapas'. After ginning, lint is placed for pressing into bales of

standard weight. After being pressed into bales the lint is sold to the textile mills either directly by the intermediaries or through the mill agent stationed at the textile centres like Bombay, Ahmedabad, Coimbatore etc.

The different channels in marketing of cotton can be broadly classified into two types, namely private and co-operative, on the basis of role and functions of intermediaries. The structure, however, varies within the channels depending upon the specific role and intermediaries. The cooperative channel is much shorter than the private trade channel. It is also generally believed to be efficient as compared with private channel. Cotton in India is assembled from farms in the unginne'd form as 'kaps'. It is estimated that about twelve to fifteen per cent of total production is assembled in the form of lint by a few large farmers. Assembling of cotton is done both in the village and in the wholesale cotton market. The cotton grower either disposes his cotton in the village itself or takes it to a nearby mandi. In the villages, cotton is purchased from the growers by the village merchants and itinerant merchants, who in turn sell cotton (seed cotton) in the wholesale market. The percentage of produce sold in the village and the percentage assembled by various agencies in the villages vary from village to village. In most cases small farmer sells to a village merchant to whom he is more often than not under financial

obligations. In the same way when the cotton growers take loans from the commission agents, they are required to dispose of their produce either through them or to them.

The village merchants and itinerant dealers take 'kaps' purchased at the village in lots to the town market for sale. Some of them may also get kaps ginned in village gins wherever this facility is available and take the produce in the form of lint to the town market. Similarly the growers also take their produce to the town markets for sale, most of them in the form of kaps. But when the purchase in the villages is effected by cotton merchants, ginning factory owners and agents of textile mills, as in the States of Andhra Pradesh, Tamil Nadu, Punjab, Rajasthan and Gujarat, the 'kaps' directly goes to the ginning factories without entering town markets and after it is ginned lint is either sold to cotton firms or in case of textile mills is used for their own consumption.

The cotton merchants in the town market purchase kaps only, which they will get it ginned and pressed and transport the same to the terminal market for sale. Sometimes they also purchase lint offered for the sale at the assembling markets. In the assembling markets of Andhra Pradesh, Madhya Pradesh, Gujarat, Karnataka, ginning factory owners account for a fairly large proportions of the purchases. Their share in the markets in other States is comparatively small.

Cotton textile mills generally purchase lint in the wholesale market from cotton merchants and ginning factory owners. But in Andhra Pradesh, Madhya Pradesh, Tamil Nadu, Rajasthan and Karnataka States textile mills make direct purchases of both kapas and lint to a considerable extent from the town markets. They get the kapas ginned and pressed in the local ginning and pressing factories. Some of the textile mills are even owning ginning and pressing factories in such towns.

Cotton firms have their offices or agents in important cotton markets. They purchase the lint coming to the assembling market for sale. In addition they also purchase kapas and after getting it ginned and pressed dispose bales to textile mills.⁷

In Gujarat State, co-operative sales societies play an important part in the assembling of cotton. After it is ginned and pressed in a co-operative ginning and pressing factory the lint is marketed through the marketing union to which these societies are affiliated. Cotton co-operatives in northern Karnataka region of Karnataka State also assemble appreciable quantities of kapas of improved cotton varieties. It is about 15 per cent of the total production of cotton in the State.

3.5 Comparison Between co-operative marketing and private trade channels

It can be said that the co-operative channel is much shorter than the private trade channel. In the private

trade channel apart from several intermediaries involved in marketing of kapas, even the ginning and pressing units are not under the same management. In the co-operative channel this is not the case. In the co-operative channel the price realised is related to the quality of cotton whereas in the private channel the majority of farmers sell their kapas in a market and where there is no guarantee that they will receive better price for better quality. Since kapas gets passed on to the terminal market through several intermediaries, it is difficult to maintain high quality of cotton in private trade. In contrast, the co-operative channel, the scope is considerable for quality as price is paid according to this grade of kapas. In co-operative set-up it is either the farmers or their representatives who come into contact with textile mills while in private trade, the farmers and the textile mills remain far away from each other. And in private trade farmers receive prices for kapas whereas in co-operative channel they receive a share in the price of lint.¹⁰

CHAPTER IV
REVIEW OF THE LITERATURE

4.1 Review of the Studies - India

The interest in the problem of marketing of an agricultural commodity as enumerated in the review brought out by the Indian Council of Social Science Research,¹⁵ can be traced back to 1897, when farmer's inability to receive due price paved the way for the first legislation of Government of India on this subject - Berar Cotton and Grains Marketing Law. This in turn paved the way for the establishment of the regulated markets in the country. Since then the question of market performance and the nature of competition have been under a continuous debate.

Research studies on marketing of cotton in India can be grouped under the following four heads:

- (1) The structure of marketing;
- (2) Price spread and cost of marketing;
- (3) Efficiency of marketing system, and
- (4) The pattern of flow of arrivals and the price movements.

Most of the marketing studies in India could be categorised under the first three heads. Earlier investigations were mostly concerned with the structure and cost of marketing. Credit of conducting a systematic study of the structure of marketing organisation for the

first time in the country probably goes to M.L. Dantwala.²⁷ His book "Marketing of Raw Cotton in India" is the first of its kind dealing systematically the marketing of cotton in India. His research, besides describing the functioning of markets during the year 1937, examined the competitive character and efficiency of marketing operations in reference to Dhulia district of Maharashtra, with its terminal market being Bombay. The study was based on observation, interviewing agencies and collecting information from them. He observed that 27 per cent of the total market arrivals passed through middlemen and rest through direct sales. He came out with a paradoxical conclusion that cotton sold at upcountry fetched a better price as compared to Bombay market price. Further, he opined that the marketing system was efficient as cost of marketing was minimum due to the quick flow of information from one stage to another.

The study, however, not only did not deal with the share of the primary producer in the consumer's rupee but also failed in taking into account the heterogeneity among the different class of farmers with regard to the problems faced in marketing. Further, the cost involved in marketing the produce through different channels had also not been considered.

In a survey conducted in 1953 by G.N. Vakil and others, it was found that the producer's share in consumer's

price was as high as about 90 per cent. And they reported that there was no reason to believe that the efficiency in marketing could have declined over years. The reasoning for this was that the essential infrastructural facilities like transport and communication etc. had been considerably improved over the years.

An ad-hoc study of marketing costs and price spread was made by the Directorate of Marketing and Inspection in 1955-56 which was based on actual sample transactions from purchase of 'kapas' to eventual sale of lint and cotton seed. It was found that the producer's share in the consumer's rupee was the highest in Gujarat (91.5 per cent) followed by Madhya Pradesh (90.1 per cent). Tamil Nadu (88 per cent), Punjab (86.1 per cent) and Mysore (now named as Karnataka) with 82.5 per cent. The producer's share was the highest in Surat (Gujarat) area, where the co-operative marketing system had been prevailing predominantly. The price spread under different co-operative marketing sales societies was studied by the agency and observed that the variation in the price spread was just marginal.

This study confined its attention in general only to the marketing costs i.e. the movement of cotton from the village to the terminal market and marketing costs to be incurred while selling the produce - through different channels.

In 1961 the Indian Central Cotton Committee⁷

conducted surveys in chief cotton producing states, namely, Maharashtra, Karnataka, Gujarat, Punjab, Tamil Nadu, Andhra Pradesh, Madhya Pradesh, Uttar Pradesh and Rajasthan. The study was mainly restricted to estimating the marketing costs. The total cost incurred during the process of movement of cotton from village to consuming centre was worked out in detail with reference to above said states. The Committee estimated that the total cost of marketing from the villages to the terminal market of Bombay varied from Rs. 115.37 to Rs. 169.05 per candy of lint and roughly worked about 15 per cent of the total realisation from lint and cotton seed. The study conceived the total cost of marketing under the following four heads:

- (1) Assembling costs,
- (2) Processing charges including ginning and pressing of lint,
- (3) Freight to terminal market, and
- (4) Distribution costs.

Of the four, the processing costs including ginning and pressing of lint had accounted for the maximum share (35 per cent) in the total cost followed by the distribution costs which had accounted the 29 per cent of the total cost. And the other two viz., assembling costs of the secondary markets and the transportation from secondary to terminal market had accounted for about 17 and 19 per cent respectively of the total cost.

In the price spread study conducted by Rahate²⁵ in Nagpur in 1960, the producer's share in the millowner's rupee was reported to be 86 per cent in respect of cotton lint. The study of marketing of cotton at Kolhapur market by Madanlal and Prakash²⁸ reported that producers were able to increase their share in the millowner's rupee when they sold their produce through co-operative societies (91.6 per cent) in contrast to selling through private trade channels (87.6 per cent). Arhatiyas and retailers were identified as the main agencies in the cotton market in Punjab by Garg and Singh²⁹ who reported that the producer's share was 85.42 per cent in consumer's price.

A study by M.G. Pavaskar and V. Radha Krishnan³⁰ entitled "Cost of Marketing of Cotton", covered four assembling markets in the Khandesh region of Maharashtra State located in the towns of Dhulia, Shirpur, Jalgaon and Pachora with reference to the years 1962-63 and 1967-68 respectively. All the four markets were functioning under the State Agricultural Produce Marketing Act. The study was confined to only one particular variety of cotton, i.e. Khandesh virnar (197/3) which accounted for about 80 per cent of produce grown in the region during the reference period. The cost of marketing was estimated by computing the actual spread as the difference between the prices prevailing at the successive stages of marketing e.g., at the assembling stage and terminal markets. The margins of

various market functionaries were then obtained by deducting the actual ascertainable assembling costs and distribution from the gross margin. The margins were calculated on a concurrent basis i.e. difference between prices prevailing in two stages of marketing at the same point of time. For this purpose, the Bombay Cotton market was taken as the terminal market.

The authors, further, contended that "it is far from likely that the share of Khandesh cotton in cotton lint and cotton seed would be less than 87 per cent. A reasonable guess suggests that such a share would be around 90 per cent". As the findings were based on average, the question to be tested was whether the small farmer who sells his produce in the immediate post harvest months receives a smaller share compared to his richer counterpart who can store the produce for some time before selling.

For this purpose the relative shares of farmers and merchants in the aggregate week to week realisations from final sales of cotton lint and cotton seed were computed for the reference year. Data did not show any seasonal pattern in the farmer's share which fluctuated around 90 per cent in practically each of the marketing months. In fact, contrary to the expectations, the farmer's share, far from rising actually declined as the marketing season had advanced. "In spite of this finding it was pointed out that nevertheless there could be some areas in marketing

channels where inefficiencies may exist and resultant costs may be high - such sources of waste, if any, when removed, might raise the farmer's share even well above 90 per cent."

The marketing costs including the trader's share worked out to be about 10 per cent of total lint price realised. The study did not attempt to follow the consignment of raw cotton from the farmers to the lint and cotton seed markets. It also reported that average gross returns to traders were around 3 to 4 per cent. This estimate of producer's share in private trade is much higher than that reported by the Directorate of Marketing and Inspection for the year 1955-56.

The producer's share of about 90 per cent obtained in the study prompted the authors to conclude that the marketing system was relatively efficient. However, the author's contention that only the poorer farmers would sell the produce in the immediate post harvest months is highly questionable. This assumes prominence especially in view of the lack of adequate storage facilities at the farm level. Further, the computations based on averages would have certainly led to wrong conclusions, the justification for which is available from the works of H.S.G. Rao and M.S. Rao³¹ 1975 and Satish⁶ 1984, who have established that there is a significant difference in the prices received by the small and large farmers. The findings of this study are reproduced in Table 4.1 and 4.2 in following pages.

Khandewale³² studied the costs of production and marketing of cotton in Vidarbha region during the period 1960-61 to 1962-63. A two stage stratified random sampling technique was adopted, with village as first stage and cotton fields as second stage units in each selected districts. This study focussed its attention on estimating the costs of ginning and pressing and problems of economies of scale.

One of the interesting findings of the study was that the producer's share was influenced by the changes in marketing system. For example, the cotton growers were adversely affected when the wages were raised in the ginning and pressing units as the burden was passed on to the farm community. Thus, whatever increase in the costs of say, processing or transshipment, the farmer producer has to bear the burn of it as the buyer in the terminal market will have already entered into a contractual agreement with the merchants at the lower levels.

This study, too, did not examine the share with respect to different marketing channels and with respect to different class and farming community.

The Indian Merchants Chamber of Economic Research and Training Foundation¹¹ studied the influence of prevalent marketing channels, namely private, co-operative and public sector in Maharashtra, Karnataka, Gujarat and Andhra Pradesh upon the development of cotton economy with specific

reference to production and yield. The report classifies marketing system as uni-sector, bi-sector, and multi-sector on the basis of marketing operations handled by these channels. Although it has done a rigorous job of comparing the growth of cotton sector in four states. Such comparison incorporates the effect of marketing systems indirectly and moreover it does not compare price spread in different marketing systems. The report also studied cotton marketing in Maharashtra in depth because of the change in the structure of the marketing system, caused by the introduction of cotton Monopoly Purchase scheme. The share of the grower in the lint price was low in private trade (90.1%) and it was reduced further during cotton monopoly procurement period (87.93 per cent) due to heavy administration expenditure, high interest rates on deposits and severe fluctuations with reference to price and supply of cotton. The report analysed the acreage response functions with rainfall trend, relative prices and marketing organisations as explanatory variables to test the hypothesis whether changes in marketing system favourably affected area and output in Maharashtra. The same exercise was repeated after adjusting the index of cotton area for qualitative changes. The hypothesis was rejected and the report concluded that the marketing system's effect on acreage of cotton was insignificant. Prices of substitutes were influencing the acreage allocation decisions of the farmers.

Table 4.1: Realisations on sale of cotton lint and cotton seed and farmer's share in it in four selected markets of Maharashtra - 1967-68.

	Dhulia 1	Shirpur 2	Pachora 3	Jalgaon 4
Realisation on sale of cotton lint and cotton seed	530.39	520.96	518.98	513.93
Total average sale price of cotton lint at Bombay (100 kgs)	425.34	419.11	418.20	414.82
Average sale price of cotton seed at the assembling centre (158.5 kgs)	105.05	101.85	100.78	99.11
Net price paid to the farmer for the sale of kapas (260 kgs)	478.07 (90.14)	467.45 (89.73)	479.83 (92.42)	458.63 (89.23)

These are based on 38.5 per cent lint out turn. Figures in brackets are percentages of total realisation.

Table 4.2: Break up of marketing margins in Khandesh cotton (Virana) in four selected markets of Maharashtra 1967-68

		(percentages)			
		Dhulia	Shirpur	Pachora	Jalgaon
		1	2	3	4
1.	Marketing costs paid by farmers	1.10	1.06	0.78	1.03
2.	Marketing costs paid by merchants				
a)	Market fee and hamali	0.30	0.18	0.14	0.17
b)	Processing and pressing	2.55	3.60	2.94	3.42
c)	Cost incidental to processing	0.57	0.58	0.58	0.60
d)	Merchandising charges	1.11	1.12	1.12	1.13
e)	Transport charges to Bombay by road	0.63	0.96	0.80	0.76
f)	Other miscellaneous costs	0.26	0.27	0.27	0.27
3.	Merchant's gross returns	3.34	2.50	0.91	3.39
4.	Total marketing margins (1+2+3)	9.86	10.27	7.54	10.77

Figures are percentages of sales realisation.

The above study did not focus much on the merits of the monopoly procurement scheme which were listed by Ranade and others¹⁰ as follows.

- (1) The guaranteed price offered in the scheme was much higher than the supposed price recommended by the Agricultural Prices Commission.
- (2) Under the scheme a uniform price was paid to all the farmers for each variety of cotton.
- (3) Cotton is graded and prices are given on the basis of grade.
- (4) Co-operatives played a significant role.

This study however did not estimate the price spread in other states under study other than Maharashtra. And the comparison as such between this system and others hence was not possible.

A study by C.G. Ranade and others¹⁰ entitled "Marketing channels and price spread in cotton", covered three markets in Gujarat State located in Surendranagar, Sabarkantha and Baroch districts. It had confined to only two varieties of cotton (V 797 and Co2) which accounted for about 90 per cent of produce grown in the region during the reference period (1977-78).

The approach followed in the study consisted of making use of what the authors have termed as 'partial consignment method' in order to estimate the price spread and hence the producer's share. The methodology used for

computing the price spread was a combination of the following three approaches.

- (1) By selecting specific lots or consignments of a commodity and tracing them through the marketing channel and then assessing the costs involved at each stage.
- (2) By calculating average gross margins from the money value of sales minus the money value of purchases made and the number of units transacted by each marketing agency involved in the channel.
- (3) By calculating gross margins after comparing prices at different levels of marketing (producer, wholesaler and retailer) and then finding out the margins of intermediaries after deducting ascertainable costs from the gross margins.

By partial consignment, the authors had meant that they had followed the consignment approach upto a certain extent in the sense that cotton produced as sample farms in the study passes only through the marketing channels included in the study. And certain transactions which did not form part of the sample were also merged in the estimation. The gross margins had been computed at four levels: Village trader, retailer, wholesaler and processor. Further in order to account for the varietal differences in the produce, a criterion referred to as 'relative gross margin' which was defined as the ratio of gross margins to

the price of lint and seeds together for a particular variety of cotton. The striking feature revealed in the study was that with respect to any of the channels under private trade, a small farmer was found to be at a disadvantage in comparison to his bigger counterpart as the prices received for the unit of produce was concerned. In contrast to this, such a price difference was not noticed under the co-operative trading. The main reason behind small farmers receiving a lower price under the private trade channels was that majority of them had entered into contractual sales agreement with the traders prior to harvest. And as the farmer will have received a loan, he would be committed in selling the produce to the trader.

The study estimated the share of farmers in the price of lint and seeds was higher in co-operative marketing than that in private trade channels. The share of the small farmer was in the range of 72 to 82 per cent in the private trade channel while it was as high as 92 per cent in the co-operative marketing. However, the authors contend that though a small farmer gets less share under the private channel, the same shall not be true if one works out an average of the prices received for different varieties of cotton. Finally they conclude that with the entry of co-operatives, even the private traders have been forced to offer better prices.

Further, the study attempted to examine whether the

acreage allocation decision of farmers regarding cotton was subject to different economic variables such as the previous year's average area under cotton, the previous year's price, yield of cotton and prices of substitute crops and variation in relation to price over time. It was found that economic variables do have an influence over the acreage allocation decisions.

The study is quite noteworthy in the sense that it has been able to account for the heterogeneity in the farming community; - in analysing the price spread with respect to the producer's share, marketing and processing costs incurred by the intermediaries and their marketing margins. However no mention has been made about the marketing conditions such as weighing, loading and unloading charges, grading etc. especially in the regulated markets. Authors, though mentioned that the prior to harvest contractual sales as the reason for a small farmer receiving a lower price the terms and conditions of the contract such as the rate of interest charged, mode of repayment etc. have been prominently missing. This would have helped us in estimating the price and hence the income leakage for a small farmer compared to his bigger counterpart.

Jasudenwala³³, in examining the nature of competition and the price received by the producer in marketing of cotton in Rajkot district, Gujarat in 1966, suggested that an indebted farmer gets a low price and a subsistence farmer

was at a disadvantage compared to a commercial farmer. Pre-harvest sales were more prevalent in the distant villages and many of the producers restricted their sales to only one buyer known to them. However, the study did not estimate the share of different class of farmers in the consumers rupee.

It was found in Tamil Nadu by Aiswamy and H.G. Bhole^{33A} in 1981 that the small farmers had to incur relatively higher costs per unit than do the large farmer in marketing their produce.

4.2 Review of the Study - Karnataka

A good number of studies have dealt with the subject of price spread on various agricultural commodities in the state. A critical review of the studies regarding the crop cotton is discussed hereunder.

Credit of conducting a systematic study of the structure of marketing organisation for the first time in the state goes to N.P. Patil³⁴. His thesis entitled "Marketing of cotton in Gadag (1957)" is a systematic study conducted with reference to the northern part of the State of Karnataka.

Patil examined the working of cotton marketing in Gadag during the year 1957. The study was carried out both by questionnaire and personal interview. The problem connected with the cultivation of cotton, its disposal in villages and finance were tackled through the questionnaires

by frequent visits to the villages with the assistance of local secretaries of co-operative societies and supervisors of Taluka Supervising Unions and the leading persons in the respective villages and the problems connected with all the phases of marketing were tackled by oral enquiry.

The study attempted to trace the course of movement of raw cotton i.e. kapas from the producer to the market and the channels through which it reaches the spinners. The different stages in marketing were vividly described and their economic importance was considered. It described the agencies engaged in marketing, the usefulness, efficiency or otherwise of services rendered by them and pointed out the defects and malpractices prevailing in the markets. It also studied the existing facilities for transport and the cost of transport from villages to terminal markets; storage, processing, ginning and pressing of cotton and costs involved during these stages of marketing. He also studied the price fluctuations during the period in Gadag market and compared the prices obtained in the market for different varieties of cotton, prices obtained by selling through different agencies, the parity prices between Bombay and Gadag market prices realised for cotton sold in different forms.

It has been found that, the prices ruling in Gadag market for upland cotton had moved in parity with the prices in Bombay market (vide Table 4.3). Hence he opined that,

it would be better on the part of cotton growers to sell genuine 'kapas' in auction sales after grading in the first and second quarters of the season in the Gadag market. Further, he suggested that, it pays the cultivators to sell their cotton in the form of kapas and to sell it in the first two quarters of the season. It pays them to sell pure kapas through co-operative cotton sales societies than to sell in the market through the commission agents.

He also observed that saving of marketing costs with the establishment of regulated markets and indicated that Gadag Co-operative Sales Society in Karnataka handled about 50 per cent of the total produce sold in the market.

The study did not look into the share of the primary producers in the millowner's rupee. Patil did not study the share of different class of farmers in the millowner's rupee. It is a systematic study of marketing of cotton in Karnataka from the historical point of view. And it is a pioneering work of its kind in the state.

Department of Marketing, Government of Mysore (now named as Karnataka) in its study entitled "Agricultural Marketing in Mysore"³⁵, A Report on Marketing of Cotton 1961, indicated that the cultivators and growers who also collect the produce from other cultivators, land lords, wholesale merchants, itinery merchants, professional ginnerers and co-operative organisations were the main agencies engaged in assembling of cotton crop. Only about 59 per

cent of the produce was assembled by the producers themselves. The land lords collected about 10 per cent and co-operative organisations had accounted for the 15 per cent and were prominent particularly in the Bombay Karnataka area i.e. Northern Karnataka, comprising Belgaum, Dharwar, Karwar and Bijapur districts of the State.

The report also made a study of price spread, and estimated that the producer's share was about 68 per cent in the consumer's rupee. It has observed that the producer's share could be increased to 80 per cent provided the producer utilises the warehousing facilities, and avoids going in for a loan to a private money lender or if he avoids taking advances from a commission agent or a private trader. Further, if the produce is moved through unregulated market it was likely that the producer's share would be less than 60 per cent in consumer's rupee. And the report suggested that the price spread could be further minimised if co-operative marketing societies would take up the purchase, ginning and pressing and supply to the textile mills directly by themselves. The study also stressed the need for development of better transport facilities in achieving the desired goals of increasing the producer's share further.

A.R. Rajapurhit's³⁶ study entitled, "Development of Cotton in Kumta Tract", 1967, traced the history of cotton development and cotton production in northern part of Karnataka during the period. According to his thesis

Table 4.3

Sr. No.	Year	<u>Upland cotton sold in the sales society</u>			<u>Upland kapas sold in the market</u>		
		Prices of upland cotton per candy ct f.o.r.	Broach Hedge. contra-ct	"On" prices reali-sed	Prices of upland cotton per candy ct f.o.r.	Broach Hedge. contra-ct	"On" prices reali-sed
1.	1934	249	212	37	213	212	1
2.	1935	287	229	58	297	229	68
3.	1936	252	216	36	241	216	25
4.	1937	275	217	58	258	217	41
5.	1938	133	163	70	205	163	42
6.	1939	219	158	61	219	158	61
7.	1940	273	234	39	265	234	31
8.	1941	341	244	97	280	244	36
9.	1942	339	183	256	314	188	131
10.	1943	810	548	262	742	548	194
				87			

the transport system was quite primitive at the beginning of the 19th century (1829). Cotton grown in Dharwar area was first sent to Kumta Port in North Kanara (Karwar) district on pack-animals, and from Kumta it was shipped to Bombay for further shipping to Manchester. The introduction of railways by about 1890 linking Dharwar Cotton area with Bombay is therefore presumed to have played an important role in the reduction of the transport costs. The study contended that before the railway link was established cost of handling and transportation of a docra (Candy) of cotton from Gadag to Bombay worked out at 13.05 per cent of the value of cotton. Further, he pointed out that the amorphous nature of the marketing organisation in the earlier period was one of the major factors responsible for the slow rate of development of American variety of cotton. The traders in the collecting centres were reluctant to buy the American cotton grown in the area, the government took the responsibility of buying it for a long period. In the later period the introduction of co-operative sales society at Hubli and Gadag during 1930s, the author opined, was an important step in the systematic development of marketing organisation. However, strikingly missing in the study was that, it had not taken into account the development of regulated markets and their impact on cotton both acreage the production aspects. The study had not estimated the share of the producer in the millowner's rupee. In fact

changes in marketing organisation and transport system has a direct bearing on the production in the area, which in turn influences development of cotton economy.

In 1971, a study on marketing of cotton and producer's share in consumer's rupee was made by Natarajan in Dharwar district. Marketing channels identified by Natarajan in 1971 in Hubli and Gadag markets were no different from the ones identified by the Government of Mysore³⁵ as early as in 1961. Further the proportion of produce sold through co-operatives remained almost the same as in 1957 i.e. 15 per cent of the total produce.

H.S.G. Rao and M.S. Rao³¹ reported in 1975 that the small farmers consistently received a lower price compared to his bigger counter part in Hubli (Karnataka) market owing to his smaller disposable commodity and due to lower holding capacity.

A farmer was identified as small or large depending upon the quantity of the produce brought into the market. For example, if the average yield of kapas per acre was about four quintals, then a small farmer who can have a maximum of five acres can thus bring at most about 20 quintals. So a farmer bringing less than or equal to 20 quintal of kapas would be considered as a small farmer and the rest as large farmers. The mean prices received by the thus identified small and large farmers on testing were found to differ significantly. This lower price received

by a small farmer was attributed to his lower disposable commodity and due to lower holding capacity. The holding capacity of small and large farmers was tested by comparing the proportion of farmers belonging to a particular group (small/large) who had withdrawn their produce after offering for sale due to lower prices being offered in the tender.

In a study entitled "A comparative study of price spread of selected agricultural commodities in Karnataka" Suryaprakash et al.³⁷ have estimated the margins realised by various intermediaries in the marketing of cotton at Hubli and Gadag markets. In addition they had also covered the commodities Arecanut, Coconut, Groundnut and Copra - to enable the comparison. The following four marketing channels were found to be prevalent and studied for the commodity cotton:

- (1) Producer - co-operative marketing society - Trader - Millowner,
- (2) Producer - commission agent - Trader - millowner,
- (3) Producer - Village merchant - co-operative marketing society - Trader - millowner,
- (4) Producer - village merchant - commission agent - Trader - millowner.

Of the four channels, the farmer had received a highest share in channel I (about 85 per cent) followed by the channels II, III and IV in that all with the shares being account 85, 75 and 75 percentage respectively. Thus the

farmers had realised the highest share when sold through the co-operative marketing society. Further, it is stated that the overall profit of intermediaries which did not exceed 13 per cent in the markets studied could be considered reasonable leaving way for the various services provided by them, such as transportation, assembling, storage, grading and processing. In the absence of a well organised market structure, the authors conclude that the realisation of about 75 per cent of the consumer's rupee by the producer is dubbed to be reasonable.

The relevant information regarding the price spread of cotton in different marketing channels as summarised in the table form by the authors is reproduced in the Table No. 4.4.

It may be apt to mention that the authors, Suryaprakash et al.³⁷, had made use of the same data as collected by Natarajan in 1971, hence the results of the two were identical and do not peve scope for any comparison over the time.

Institute of Development Studies Mysore, 1980, in their study dealt with certain important things pertaining to mostly physical infrastructural aspects of the markets only.

Directorate of Marketing and Inspection Ministry of Rural Development, Government of India, Faridabad, in its report 'Marketing of Cotton in Karnataka'³⁸ 1982,

investigated that between 5 to 10 per cent of the total production of cotton i.e. kapas was sold at the doors of the producers and bought by itinerent merchants and village 'baniyas'. The price was determined by negotiations and this price was normally lower than the market price by 5 to 10 per cent. Further, about 70 per cent of producers sold their produce in the form of kapas. It was observed by the report that the movement of prices from year to year for all varieties in Raichur market was very erratic. Hence, the farmer's position is most uncertain.

The report did not estimate the producer's share in the consumer's rupee and the share of different class of farmer's in the millowner's rupee.

S. Setish⁶ made a systematic study of marketing of cotton in Raichur District, Karnataka State. He identified four principal channels for disposal of cotton in the Raichur district. The channel of regulated market occupied the prominent place as it had accounted for more than 80 per cent of the farmers and more than 90 per cent of the total produce. The other three channels involving village merchant land lord, Taluka merchant seemed to be less prominent as they had accounted for less than 20 per cent of the farmers and about 7 per cent of the produce respectively. However, it was found that relatively more number of farmers in the categories III, IV and V (Table 4.5 and 4.6) had sold in regulated markets compared to

Table 4.4: Costs and profits of various market intermediaries and price spread for cotton in different marketing channels.

Sr. No.	Market Intermediaries	Cotton (Rs/Quintal) Marketing Channels			
		I	II	III	IV
I	Producer:				
	Price received	183.88 (85.39)	172.88 (84.53)	174.54 (75.11)	163.30 (74.57)
II	Village Merchant:				
	Purchase price	-	-	175.52 (75.53)	164.28 (75.01)
	Costs	-	-	6.57	6.19
	Sale price	-	-	205.01	191.82
	Profit as a percentage of the purchase price	-	-	13.06	13.0
III	Commission Agent:				
	Costs	-	1.58	-	1.58
	Commission	-	2.71	-	2.92
IV	Co-operative Sales Society:				
	Costs	1.75	-	1.75	-
	Commission	2.87	-	3.12	-
V	Trader:				
	Purchase price	191.08	180.25	208.13	194.74
	Costs	18.30	18.30	18.30	18.30
	Sale price	215.34	204.51	223.39	219.00
	Profits as a % of the purchase price	3.12	3.31	2.86	3.06
	Price spread (Rs.)	31.43	31.63	57.85	55.70

Continued ..

Table 4.4 (continued)

Sr. Market Intermediaries No.	Cotton (Rs/Quintal) Marketing Channels			
	I	II	III	IV
Price spread as a % of processors/traders' sale price	14.61	15.47	24.89	25.43
Price spread as a % of processors/traders' sale price (considering the profit of intermediaries only)	3.29	3.47	13.02	13.08

Note: Figures in parentheses indicate percentages to the traders'/processors' sale price.

Table 4.5: Marketing of cotton through
different agencies

Agency	Category of Farmers					Total
	I	II	III	IV	V	
Village Merchant	2	0	0	0	0	2
Land-Lords	0	1	2	1	2	6
Taluka Merchants	2	3	0	4	0	9
Regulated Markets	1	9	28	33	12	83
	5	13	30	38	14	100

Table 4.6: Marketing of cotton through various agencies in dry and irrigated areas

Agency	Category of Farmers										Total	
	I		II		III		IV		V			
	I	D	I	D	I	D	I	D	I	D		
Village Merchant	0	2	-	-	-	-	-	-	-	-	-	02
Land-Lord	-	-	-	1	-	2	-	1	-	2	-	06
Taluka Merchant	2	-	1	2	-	-	1	3	-	-	-	09
Regulated Market (Commission Agents)	0	1	5	4	11	17	23	10	9	15	-	83
Total	2	3	6	7	11	19	24	14	9	17	-	100

I = Farmers growing cotton on irrigated tracts.

D = Farmers growing cotton on dry tracts.

their smaller counterparts. Further it was found that relatively more number of irrigated cotton farmers sold their produce in the regulated markets compared to dry cotton farmers. And the study revealed that, the farmers had received the maximum price when the produce was sold at the regulated markets.

Further, the study revealed the fact that the intermediaries in the Raichur market enjoyed higher rate of profits, especially commission agents and wholesale merchants. The study contended that the role of commission agent appears to be totally non-functional in terms of creation of utilities - in contrast to the wholesale merchants who contribute to the creation of place, time and form utilities. The contributions of village merchants, taluka merchants, and land-lords mainly in the creation of place utilities which however was found to be the result of lack of

Category I, comprising the farmers with holding sizes less than one hectare.

Category II, comprising the farmers with holding sizes between one and two hectares.

Category III, comprising the farmers with holding sizes between 2 and 5 hectares.

Category IV, with holding sizes between 5 and 10 hectares and

Category V, with holding sizes above 10 hectares.

producer's organisation coupled with their low economic capacities. The study reported that, had the producers been organised it would have been very easy to eliminate the leakage by making capable of approaching directly the regulated markets. And the researcher opined that the current mode of earning income by these intermediaries makes them a part of the force which wants to keep the poorer producers disorganised and deprived of any ability to reach the organised market. The study suggested that the efficient organisation of poor farmers is a must to increase significantly their share in the consumer's rupee.

According to the study, the share of a cotton growing farmer in general was 62 per cent of the price paid by the millowner, with the farmers in the category IV receiving the maximum share i.e. 65 per cent as against the farmers in the category I, who received the minimum, i.e. 48 per cent. It was found that the farmers in the categories I and II received significantly lower prices compared to the farmers in the categories III, IV and V. The producer's share in the millowner's rupee for a dry cotton farmer had been ranged between 44 and 58 per cent as against 53 and 70 per cent of an irrigated farmer.

The study also estimated the cost of marketing of kapas in Raichur market. The major components of the marketing costs for the farmer were handling, batara* transportation, hamali, weighment, commission, insurance

* Packing material used to contain the kapas.

and ginning. The average per quintal of marketing cost incurred by a cotton growing farmer in general was Rs. 21 which amounted to 4.53 per cent of the gross income received by the farmer. The corresponding figures for dry and irrigated cotton farmers was Rs. 19 and Rs. 23 amount to 4.66 and 4.57 per cent of the gross income respectively. Changes due to commission and insurance amounted to almost 60 per cent of the total marketing costs. While rest of the items like transportation, batana, hamali etc. were found to inevitable and necessary elements of the cost, the same was reported to be not true with respect to the commission and insurance charges. In fact the insurance charges levied was in contrary to the prescribed Regulation of the Agricultural Produce Marketing Committee. Thus the elimination of these were eventually would have resulted in an increase in the income of the producer by about 3 per cent.

The study, further, made an appraisal of the functioning of regulated market and contends that at the Raichur market, a small farmer was at a disadvantage with respect to grading and weighment and hence the price received by him was lesser owing to the smaller quantity of the produce at their disposal and the relatively smaller holding capacities, compared to his bigger counterparts. The study noted that owing to the oligopsonic tendencies in the nature of competition prevailing at the regulated

markets all the farmers were at a disadvantage, and a small/poor farmer has at a higher level of disadvantage. Selling in the form of lint rather than kapas though found more profitable, small quantity of the disposable produce and difficulty in selling the lint and seeds separately had forced, particularly small farmers to sell their produce in the form of kapas only. Further, farmers were of the opinion that cotton seeds grown on irrigated tract were harmful to be used as feed for cattle and were reluctant to go for ginning of kapas before selling.

The study concluded by saying that higher profits realised by the trading agencies in dealing with the produce of the farmers and so the significantly lower prices received by them, which however contribute to the lower operational efficiencies, were sure indicators of the imperfections and its efficiency particularly from the point of view of the small/poorer farmers. As these imperfections were found to be operating against a particular class of farmers, this imperfect marketing system was also biased against the poorer farmers resulting in their getting relatively a smaller share in the distribution.

The study suggested that efforts should be made to achieve a national policy of establishing a regulated market within a 6 kms of producer's village so that even the small and the poorer farmer can avail of it. It calls for provision of direct sales without reference to the

commission agents so that the producer's gross income increases substantially in addition to the provision for scientific grading on the basis of ginning percentage for kapas and staple length for lint. This, it was felt that might help in fetching a uniform price for any individual farmer and curbs the present tendency of quoting different prices by traders for different lots, all grown by the same farmer on the same plot.

A notable feature of the study was that probably for the first time an assertion is made that the marketing of any commodity cannot be complete by itself. The author proves the same by establishing the fact whatever the level of efficiencies achieved by farmers in respect of marketing can be traced back to the level of efficiency achieved in respect of inputs of production mainly capital and labour. And further it is shown that the differences in marketing efficiencies achieved by the small/poorer and large/rich farmers could be explained in terms of their differences in production efficiencies and mainly that of capital.

S.B. Hosamani and H.C. Hiremath³⁹ in their study, entitled "An Economic Analysis of Production and Marketing of Cotton - A Case Study of Small Farmers in North-Karnataka" (1984), attempted to investigate the cropping pattern, pace and pattern of market arrivals of cotton, and withdrawals of cotton lots, to identify and compare the various channels adopted by farmers for selling their produce, estimate the

farmer's share in consumer's rupee and profits of intermediaries etc. in Soundatti and Bailhongal markets of Belgaum district. While Varalaxmi cotton was predominant in Soundatti taluk and that the Jeyedhar cotton was predominant in Bailhongal taluk.

The proportion of arrivals in the peak period in Soundatti market to the total annual arrivals was found to be more than 70 per cent. For the peak period in Bailhongal market the percentage of market arrivals of cotton exceeded 95 per cent.

The study attempts to compare the small and large farmers with respect to the holding capacities by comparing the proportion of producer/sellers in each group who withdrew their produce for subsequent sales when they are not satisfied with the prices offered in the tender. In this connection it may be noted that, the bye-laws of Agricultural Marketing Committees make a provision for a seller to refuse to sell if he is not satisfied with the price quoted. The proportion of the small and large farmers who had withdrawn after offering the produce for sale were 25 and 35 per cent respectively. This lower rate of withdrawals was attributed to the poorer financial strength and prior indebtedness of the farmers which had compelled the farmer to resort to distress sale. Further, relatively the poor bargaining capacities of the small farmers had resulted in relatively much lower prices compared to their

bigger counterparts.

The following 3 important channels were identified for marketing of cotton in the study area: (Table 4.7)

- I Producer seller - village merchant - commission agents - wholesaler - miller,
- II Producer seller - commission agents - wholesaler - miller, and
- III Producer seller - co-operative marketing society - wholesaler - miller.

The marketing costs were higher under channel I compared to the channel II and III. It was found that the marketing costs incurred by an individual farmer decreasing with the increase in the size of holding. Further, the study observed that on an average small farmers received 73 to 79 per cent of the retail price for Jayadhar cotton and 77 to 86 per cent for Varalaxmi cotton. The share of the medium farmers varied between 80 to 82 per cent for Jayadhara cotton and 86 to 87 per cent for Varalaxmi cotton. The large farmers were able to obtain 84 to 86 per cent for Varalaxmi cotton. This difference in the share of different group of farmers in the miller's rupee was presumably due to stronger withholding capacity of the large farmers who had strong financial resources at their command and who could afford to sell directly to the millers due to large quantities at their disposal.

The study found that the channel II was found to be

Table 4.7: Marketing of cotton through different channels

Size group of Farmers	Soundatti Market			Bailhongal Market		
	Channels			Channels		
	I	II	III	I	II	III
Small Farmers	5	16	9	4	22	5
	16.67%	53.33%		12.9%	70.87%	16.13%
Quantity sold in Qtls.	22	147	158	16	65	21
	6.73%	44.95%	48.32%	15.69%	63.72%	20.59%
Medium Farmers	-	7	4	-	6	3
		63.64%	36.36%		66.67%	33.33%
Quantity sold in Qtls.	-	201	169	-	59	28
		54.32%	45.68%		67.82%	32.18%
Large Farmers	-	5	4	-	4	6
		55.56%	44.44%		40%	60%
Quantity sold in Qtls.	-	287	306	-	212	129
		48.40%	51.60%		62.17%	37.83%
Total	5	28	17	4	32	14
	10%	56%	34%	8%	64%	28%
Quantity sold	22	635	633	16	336	178
	1.71%	49.22%	49.07%	3.02%	63.4%	33.58%

the most predominantly used channel of marketing of cotton in the study area. This was in contrast to the channel I which was the least adopted that too by small farmers.

The researchers opined that the main reason responsible for the extensive usage of the channel II over channel III lay in the fact that most of the producers stood in urgent need of cash which the commission agents were willing to advance. The co-operative marketing society insisted on actual surrender of produce to get advance and refused to make advances against the standing crops. It therefore failed to attract small and medium farmers.

4.3 Critical Remarks

Some studies like that of Satish⁶ are comprehensive to some extent, while the others do not cover in depth all the aspects of marketing. Moreover, all the earlier efforts were restricted to a particular corner, Bombay Karnataka area comprising Hubli and Gadag markets. This may be because, Dharwar district comprising Hubli and Gadag markets were covered under Intensive Cotton District Programme. Added to this, it was in Gadag that the co-operative movement of cotton had started, perhaps for the first time in India.

Most of the studies in respect of cotton price spreads in Karnataka and in India are all of general nature i.e. the estimates are reported for the farm community as a whole ignoring the diverse socio-economic hierarchy. It

would, however, be instructive to study each aspect of marketing of cotton in relation to the class structure of cultivators. It is generally ignored that the income levels for a farmer are a function of not only output and the product prices but also the constraints there in. In the background of this persistent negligence along with significant evidence to show that the marketing efficiencies/costs for the poor farmers are significantly lower/higher than those for the relatively richer ones. It is imperative to take into account explicitly the class structure of cultivators for studying the marketing structure and its efficiencies.

The share in the consumer's rupee (for any agricultural commodity) for an individual farmer depends on the channel through which he is forced to sell his produces. Accordingly the intermediaries involved and their cost and contributions as well as the incomes do vary from channel to channel. The general tendency observed in any marketing study has been to compute the profits accrued to the various intermediaries and compare the same with their contributions towards the creation of utilities (leaving margin for costs) so as to have an idea about the extent or normalness of the income derived. Except for the study undertaken by Satish⁶ there has been no rationale or an objective methodology developed so as to dubb the income accrued to an intermediary as normal or not. Satish⁶ has made use of the

National Sample Survey data in order to arrive at a particular per capita per month income which would meet the basic and the necessary requirements of an individual. The same is compared with the per capita per month income accrued to the intermediaries involved in marketing of cotton to brand the same as normal or not depending on whether the income is equal to or differing from the N.S.S. computed (normal) income.

In the absence of any other methodology, this rationale seems reasonable. However, the point to be considered is that the family size in the rural/semi-urban/urban area has been estimated as the average based on sample observations. Thus owing to sampling errors there could be some errors in estimating the per capita per month income.

An attempt has been made by some authors like Satish⁶, to develop certain measures to quantify the efficiencies in marketing, especially taking into account the heterogeneity among the farm community. He has brought out two concepts of efficiency viz., 'operational' and 'distributional' efficiencies. The former deals with the efficiency by which various marketing operations are carried out in the system and the latter deals with the extent of enjoying the fruits of operational efficiency by different classes of farmers.

However, the computational procedures developed are quite complex and hence calls for an easier methodology to be used for the purpose. A noteworthy thing brought out

by the study was that all the farmers, irrespective of small or large were at a disadvantage in marketing their produce and infrastructural bottlenecks common to all the categories were more important than those specific to a particular type of farmers.

Despite the overall negligence persistent in the study towards the heterogeneity among the farm community, there have been isolated instances, wherein the same has been taken into account but confined to very few aspects of marketing. Some of the examples of such studies are that due to Jassudanwala²², Rao and Rao²⁰, Mohan Rao²⁹, Satish⁶ and Hosemani and Hiremath²⁸. Most of these studies single out the amount of the quantum of the produce at the disposal of the farmer as the main factor determining the channel through which he sells the produce and hence the price received and the marketing costs. Thus, it is quite obvious that, no marketing study could be complete by itself unless the production aspects are also taken into account. In fact the efficiencies in marketing are bound to be related and in most cases determined by the level of efficiencies achieved by the individual farmers in respect of the factors of production. This aspect of production, marketing linkages has been dealt by very few studies in the country that too only in brief.

Another striking feature brought out by the review is that selling the produce in the form of lint rather than

in the form of kapas is more profitable to the farmer. In spite of this the majority of farmers sell their produce in the form of kapas mainly due to the difficulty faced by them in selling the lint and seeds separately and owing to small quantum of produce at their disposal.

On the whole it could be concluded that the principal channels for marketing of cotton in India and in Karnataka are through the regulated markets and the co-operatives. There is an indication that the co-operatives do fetch a better price compared to the private trading. A small farmer with smaller quantity at his disposal is found to be at a disadvantage in respect of the price received per unit of the produce. The fact that the charges due to commission and insurance at the regulated market accounts for a little more than 60 per cent of the total marketing costs calls for a marketing condition where the transactions could be held without reference to the commission agents. In fact the efforts should be concentrated towards creating a favourable marketing atmosphere as to promote a direct and non-inhabitory interaction between the producer seller and the buyers so that both the producers and consumers be able to realise the maximum.

CONCLUSION

Marketing is a pre-requisite for any agricultural improvement. Over the years there have been some structural changes in the marketing of agricultural commodities both food and non-food owing to active involvement of private, co-operative and government agencies and also owing to changes in the government policies in the marketing process.

Cotton is one of the most important commercial crops occupying about 80 lakh hectares of crop area and contributing about 3 per cent of the total output of crop production in India. The movement of raw cotton from the farm to the final consumer in the form of pressed bales of lint involves many stages like assembling, pooling, grading, ginning and pressing and transportation and storage, besides buying and selling in the assembling and terminal markets. The performance of these several operations by different agencies along with the inter-relationship among them constitute the cotton marketing system. The charges paid for the services rendered by the several agencies put together constitute the marketing cost. The share of the producer in the actual price paid by the final consumer of lint, depends upon this cost. The higher it is, the lesser his share and vice versa. Obviously, given the level of prices the larger his share, the greater the incentive to him to allocate larger area to cultivation of

cotton and to raise productivity on his farm. At the other end of this marketing chain, the lower the cost of marketing, the lower is the cost of raw material to the manufacturer and the price of finished product to the consumer and vice-versa.

Among the major cotton growing states of India, Karnataka ranks third in area and fourth in production respectively. The state of Karnataka recorded on an average area of 10 lakh hectares. During the year 1983-84 the area under cotton was estimated at 77.85 lakh hectares and the production was 65.82 lakh bales as against the figures 9.28 lakh hectares and 3.16 lakh bales for the period 1950-51. And per hectare productivity has increased from 55 kgs. of lint in 1950-51 to 106 kgs. per hectare in 1983-84.

A study of the growth rates in area, production and productivity at the state level over the period 1964-65 to 1983-84 revealed a negative growth rate as far as area under cotton was concerned and positive growth rates in respect of production and productivity. The compound growth rate in area worked to be - 0.2907 per cent per annum and the same for output to be 2.917 per cent per annum as against 3.974 per cent per annum for productivity.

From the survey of literature it is very clear that in the state it is for all practical purpose one sector model with absolute predominance of private trade agencies. About 85 per cent of the total produce is marketed through

private trading agencies in regulated markets. And about 15 per cent of the produce is marketed through co-operative marketing societies inspite of the fact that it is beneficial to the farmers to sell their produce through co-operatives.

The share of the producer is lower in private trade channel as compared to co-operative channel in the millowner's rupee. And intermediaries enjoy a higher rate of profit, this is especially the case with the commission agents and the wholesale merchants, inspite of the fact that their contribution in the creation of utility in the commodity has been limited. Despite the adoption of new technology in agriculture, small farmers have not received the benefits which were expected out of it. This is particularly so in case of commercial crops like cotton where costly inputs are required and where marketing mechanism has fully adjusted and adopted to the requirements of the new situation in the state. Government from time to time, has provided certain facilities like warehousing and credit to protect the interests of small farmers. By and large, however, they have made no significant impact. This has been primarily due to the small and uneconomical^{size of the holdings}, poor resources base, lack of technical knowledge and a chain of middlemen involved in the process of marketing.

It is alleged that the support price recommended by the agricultural prices commission and fixed by the Government of India, bear no relation to the cost of

cultivation and therefore are not remunerative. Nor do these prices have any relation to the marketing realities of raw cotton or prices of finished textiles. A brief survey of Government's policy of floor prices suggests that some of the important factors which should have been considered in fixing prices were not taken into account. In the context of long run development of cotton cultivation it is necessary that some formulae is devised which would consider all the important issues involved in the problem. The necessity is therefore felt for a long term price incentive policy. No study, however, has thrown light on this aspect.

Efforts should be concentrated to achieve the national policy objective of establishing a regulated market within 6 kms. of producer's village, so that even the small and poorer farmers can avail of it's provision for direct sales without the reference of the commission agents so that producer's gross income increases substantially. Cotton Corporation of India should extend its operation throughout the season especially at the taluk levels so that the farmers may save the cost of transferring the produce from the farm to the market at the district headquarters. In areas where private trade is dominant and the benefits of regulated markets do not percolate to farmers, the government should intervene through effective implementation of legislative measures so that farmers can sell kapas in regulated markets.

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