



Problems and prospects of cotton marketing in Telangana state- an empirical study

Mohd Nadeem Arshad

Research Scholar, Department of Economics, Kakatiya University, Warangal, Telangana State, India

Abstract

Cotton is an important agricultural commodity, both globally as well as domestically. In many developing and underdeveloped countries, cotton exports are not only a source of vital foreign exchange earnings, but also account for a substantial proportion of their GDP and tax income, leading to significant economic and social development. An efficiently organized cotton market system not only facilitates the proper and smooth disposal of what the farmer produces, but also acts as a catalyst for increased production. The factors which may affect the development of a more complex marketing system include the increase commercialization of production, adoption of more scientific techniques, increased labor and firm specialization, the geographical separation of production and consumption, population increase and urbanization, changing food habits and purchasing power, changing consumer mobility, Government related conditions, etc. This study examined that in the study area of Adilabad and Karimnagar district is the lack of remunerative price of the crop. Since cotton is a cash crop and higher capital intensive but the price received by the farmers in returns of their efforts is not satisfactory. The next important problem faced by the farmers is that at the time of marketing of cotton is the fluctuations in the price of the cotton. Delay in procurement of product was also more visible. Middlemen exploitation is also pond in the study. Distress in sale was also visible. As per chi-square test result, there is a significant relationship between the minimum supporting price for cotton and the positive impact on the cotton growers.

Keywords: cotton marketing, marketing problems, prospects and MSP

Introduction

It is a well-recognized and established fact that progressive agriculture requires a well-organized marketing system for the produce. Marketing has to make available goods at reasonable prices to the consumers as well as to grant reasonable returns to the producers. Infact, an efficiently organized market system not only facilitates the proper and smooth disposal of what the farmer produces, but also acts as a catalyst to stimulate increased production. Peter Drucker opined that 'marketing is the most important multiplier of economic development and its advancement makes possible economic integration and the fullest utilization of whatever assets and productive capacity an economy already possesses.

Cotton marketing system presently prevailing in India is characterized by a considerable degree of diversity and flexibility in the arrangements as between different regions. The marketing arrangements comprise on the one hand systems operated freely by private enterprise without any state intervention and on the other the arrangements which are completely under the state control. For one reason or another bargaining power in the commodity markets is sufficiently unequally distributed as to confer all or most advantages on the intermediaries leaving the peasant producers in the situation where they receive less for their product than they would in market characterized by competition.

Review of Literature

A pioneering effort was made by Saxena (1964) in the selected areas of Punjab to find out the problems of marketing of cotton. He found that nearly 85 per cent of the produce was brought by the growers themselves to the regulated markets. Even though co-operative marketing

societies were operating, their impact was minimal since they hardly handled one per cent of the total arrivals. The main reason for this lean business of the societies in Punjab was their inability to advance loans to the producers. As a Result, the cost of ginning and pressing varied from market to market.

Similarly Gopala Krishna (1964) made an attempt on the regional variations in agricultural productivity in the different districts of Andhra Pradesh. It was observed a high degree of co-relationship between productivity and irrigation. The main reason for low productivity in the districts were mainly those which had a low resource endowment. Low resources endowment further lead to a low level of organization. This was mainly reflected in the cropping pattern. Hence the study suggested a diversion of the population from agriculture to industry and tertiary sectors is necessary to raise productivity levels in cotton crops.

On the other a study on the dynamics of cotton acreage in nine districts of Maharashtra was conducted by Kaul (1968) and it was found that a considerable proportion of cotton acreage had been gained by jowar over the years although acreage for other crops like groundnut had also shown some increase. It has also pointed out that cotton growers responded to price changes both in the short run as well as in the long run. The response, however, is slow because of restraints on acreage allocation due to subsistence needs. Hence Kaul suggested a favourable cotton / jowar price as a policy measure to increase acreage under cotton cultivation.

Similarly attempt was made by Khandelwal (1970), who tried to find out the problem of cotton and cotton-seed forward markets in Madhya Pradesh. He visualize the problems connected with future markets of cotton and

cotton- seed, and suggested effective measures to overcome these problems. He found that the forward markets were not functioning effectively in Madhya Pradesh. The strength of the membership of the Association had declined. Hence he has recommended the need for reforms in cotton marketing practices and changes in the government policy is needed.

Marketing problems of cotton in Andhra Pradesh has revealed that cotton yield was very low since it was cultivated on poor soils and in regions of uncertain rainfall. The yield is further affected by a high incidence of pests and diseases. A study by the National Council of Applied Economic Research (1971), brought to light the prevalence of malpractices like unauthorized deduction and the existence of a few buyers in some regulated markets, thus giving scope for concentration, and the use of more inputs like; fertilizers and cultivation under assured irrigation facilities.

Mandalia and Kukadia (1975) studied the economics of cotton cultivation in Baroda district, Gujarat. They made a cost-benefit analysis for a desi variety, Digvijay, and a new high-yielding variety, MCU-5, and compared the two. The study pointed out that MCU-5 cotton fetched a net return higher by Rs 53/ per quintal over Digvijay.

Further, Gangwar and Singh (1975), examined the economic feasibility of financing cotton growers in Hissar district of Haryana. The study relates to two types of cotton varieties. As the American cotton requires more pesticides, fertilizers and irrigation, farmers were facing severe constraints of these inputs. They should prefer desi variety. The net income derived from both the varieties is the same. It was brought to light that even under adverse weather conditions, the financial institutions may consider advancing credit since these varieties assure minimum recovery of the amount invested.

Garten (1994) mentioned that anti-dumping duties are justified because dumping prices are presumptive evidence of abnormal and temporary cheapness as the cheap prices brought about by dumping do not last long, and are followed by monopolization and hiked pricing.

The elimination of the Multi-Fiber Agreement (MFA) quotas has led to intensified competition in domestic and international markets. Pressures for efficiency gains are constant. While tariffs on textile products have been gradually reduced, thereby eroding the benefits of preferential schemes (particularly for least developed countries), a number of non-tariff barriers to trade remain.

According to the Indian Council of Agricultural Research, Agricultural Marketing in general, Cotton market in particular involves three important functions, namely; a) assembling (concentration); b) preparation for consumption (processing) and c) distribution (dispersion) (1976). Thus, marketing has become an integral part of the social system, behavior of market participants is conditioned by customs and traditions. These, in turn, affect exchange relationships, attitudes towards institutional change and willingness to adopt new producers. Thus, in cotton marketing, we are concerned with demand and supply conditions, marketing operations including marketing functions, functions and costs, price fixation market structure, conduct and performance of marketing efficiency (1965).

Majority of farmers shifted from food grain crops to commercial crops. Nearly 60 percent of farmers are still depending on bull plough in case of cotton cultivation. In

the case of rice, 95 percent of farmers are depending on machines, Lal (2019).

Lal (2019) Farmer Distress reasons have been offered to explain why farmers commit suicide in India, including floods, drought, debt, use of the genetically modified seed, public health, use of lower quantity pesticides due to fewer investments producing a decreased yield and also government economic policies.

Methods Adopted

Keeping in mind, this study was conducted to find out the marketing problems of the cotton growers in the selected areas of Adilabad and Karimnagar Districts of Telangana with the following objectives:

Objectives

1. To assess the opinion of the respondents on the minimum supporting price for cotton in the study areas.
2. To find out the specific problems, facing by the respondents.

Hypothesis Formulated

1. There is no relationship between the minimum supporting price for cotton and the positive impact on the cotton growers.

Area and Respondents Selection

Adilabad and Karimnagar are the two important districts of Telangana state which are known as cotton bowls of the State. Six villages from two districts based on stratified random sampling have been chosen. From each area, sixty respondents based on stratified random sampling techniques have been picked up. They represented from various categories of farmers such as marginal, small, medium and big farmers covering different social groups i.e., Schedule Castes, Schedule Tribes, Backward Classes and Forward Classes communities. Total number of respondents were 240 and they were interviewed by an appropriate interview schedule specially designed for them.

Data and Statistical Tools Applied

The data collected for this study consists of both primary and secondary sources. Simple statistical tools such as percentages and averages have been done for comparative analysis. Garrett's Ranking Technique is used for Ranking the Problems of Marketing and Chi-square test applied for testing of hypothesis.

Results and Discussion

In India even after six decades of planned economic development, it is by and large still a way of life of the people of the country. The agricultural sector is the main source of manpower supply to the industrial sector, and also to the service sector in India. The agriculture sector also forms the basis of foreign trade and earns considerable amounts of foreign exchange. The agriculture sector is a major source of livelihood for 50 per cent of the labor force in India, Lal & Ramana (2018).

Taking those factors into considerations, an attempt has been made in this study to find out the methods of sale, marketing facilities available in the market yards, grading methods adopted etc. Further efforts were made to find out whether respondents are satisfied with the MSP or not and

other numerous problems of marketing of cotton in the study areas of Adilabad and Karimnagar districts of Telangana State.

Table-1 throws light on the respondents views on the methods of sale for cotton at market yards. We asked them three options - whether they satisfied with the methods of sale or not. If not, what types of reforms needed at the market yards.

Out of 240 respondents in the entire study areas, 62 per cent

are not satisfied with methods of sale for cotton at market yards. More than 32 per cent suggested the reforms to be needed. Particularly more than 77 per cent big farmers 75 per cent small farmers not satisfied both the methods of sales for cotton in different market yards. On the other, 50 per cent marginal farmers in the entire study areas favoured for reforms. However, surprisingly, in big farmers category only 22 per cent preferred for reforms.

Table 1: Respondents views on Methods of Sale in Study Area

Village & Farmers	Methods of Sale			Total
	Satisfied	Not Satisfied	Needs performs	
Adilabad				
Marginal Farmers	0 (0.00)	5 (7.69)	25 (47.17)	30 (25.00)
Small Farmers	2 (100.00)	40 (61.54)	16 (30.19)	58 (48.33)
Medium Farmers	0, (0.00)	10 (15.38)	10 (18.87)	20 (16.67)
Big Farmers	0 (0.00)	10 (15.38)	2 (3.77)	12(10.00)
Total	2 (100.00)	65 (100.00)	53 (100.00)	120 (100.00)
Karimnagar				
Marginal Farmers	3 (27.27)	20(23.81)	3 (12.00)	26(21.67)
Small Farmers	5 (45.45)	50 (59.52)	7(28.00)	62 (51.67)
Medium Farmers	3 (27.27)	10 (11.90)	13 (52.00)	26 (21.67)
Big Farmers	0 (0.00)	4 (4.76)	2 (8.00)	6 (5.00)
Total	11 (100.00)	84 (100.00)	25 (100.00)	120 (100.00)

Source: Filed Data

Note: Parentheses Indicate the Percentage

Area wise analysis has shown that in Adilabad district, in the entire sample of 120 respondents 54 per cent are not satisfied and 44 per cent suggested to bring reforms in the market yards. Particularly we could see good number of marginal farmers category i.e., out of 30 member 83 per cent suggested for reforms. On the other hand, though 83 per cent big farmers are not satisfied on the methods of sale only 16 per cent expressed to have reforms. Thus the views on the methods of sale-particularly in bringing reforms to quite opposite between small farmers and big farmers.

When we look at the views of the respondents in Karimnagar district though 70 per cent in the entire sample are not satisfied but only 20 per cent advocated for reforms. One interesting observation is that unlike Adilabad district, we could see only 11 per cent marginal and small farmers expressed their views for favour reforms. However 50 per cent medium farmers suggested reforms. Thus, the response on the methods of sale in both these two districts are quite

contrary to each and not similar even among the same categories of farmers.

The response on the prevailing price is as "inadequate" is visible to the extent of 90 per cent of the farmers. Even across the farmers,, in the entire area, 82 per cent marginal farmers, 92 per cent small farmers, 93 per cent medium farmers and 83 per cent big farmers are unhappy with the existing price for cotton crop. Particularly as we enquire from marginal to small and small to medium, the percentage is tends to be increasing.

A Study by Lal (2016). A comparative study between income and occupations of sample respondents reveal variations among the groups as shows in the above figure. In the below Rs 5000 income group out of 80 respondents i.e. 30 percent are in agriculture, 45 percent work as agricultural labours, 14 percent as non-agricultural labour and 5 percent in the government jobs.

Table 2: Respondents views on Price Differential due to Grading in Study Areas

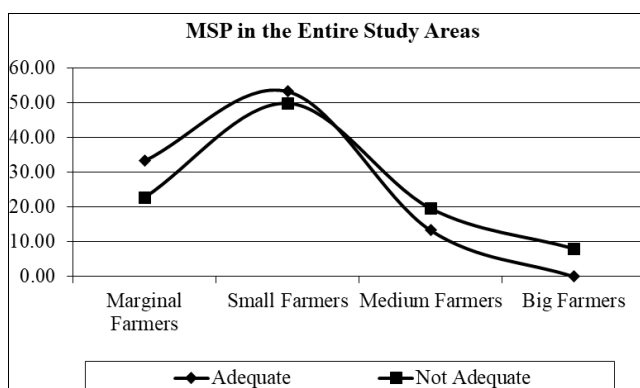
Village & Farmers	Price Differential due to Grading			Total
	Needs performs	Adequate	Not Adequate	
Adilabad				
Marginal Farmers	20 (23.26)	5 (35.71)	5 (25.00)	30 (25.00)
Small Farmers	48 (55.81)	2 (14.29)	8 (40.00)	58 (48.33)
Medium Farmers	10 (11.63)	5 (35.71)	5 (25.00)	20 (16.67)
Big Farmers	8 (9.30)	2 (14.29)	2 (10.00)	12 (10.00)
Total	86 (100.00)	14 (100.00)	20 (100.00)	120 (100.00)
Karimnagar				
Marginal Farmers	20 (24.10)	2 (11.76)	4 (20.00)	26 (21.67)
Small Farmers	42 (50.60)	10 (58.82)	10 (50.00)	62 (51.67)
Medium Farmers	16 (19.28)	4 (23.53)	6 (30.00)	26 (21.67)
Big Farmers	5 (6.02)	1 (5.88)	0 (0.00)	6 (5.00)
Total	83 (100.00)	17 (100.00)	20 (100.00)	120 (100.00)

Source: Filed Data

Note: Parentheses Indicate the Percentage

Category wise response within the Adilabad District has shown from the table -2 that 83 per cent big farmers, 90 per cent medium farmers, 87 per cent small farmers and 83 per cent marginal farmers are not satisfied with the existing price for cotton. Particularly among all the categories of farmers, medium farmers are very sore with the price determined for cotton in Adilabad district.

The response in Karimnagar district is that out of 120 farmers, 92 per cent are not satisfied with the existing price. It means, compared to Adilabad farmers, here in Karimnagar we could see more farmers are unhappy with the cotton price determined in market yards. Particularly 96 per cent medium and small farmers are completely unhappily with the price. Thus, the study has revealed the market price for cotton in both the market yards of Adilabad and Karimnagar District requires attention by the Government and immediate measures have to take to increase the price.



We wanted to know that how many of the respondents in the entire study areas are satisfied with the existing minimum support price for cotton during our study period. The data from figure above shows that out of 240 respondents 93 per cent responded as "Not Adequate" for MSP of their cotton. Among the respondents who are very sore on the MSP for their cotton crop, out of 225 members maximum respondents belong to small and marginal farmers i.e., 112 and 51 respectively. When we look at category wise separately, the small farmers out of 120 members more than 13 per cent felt unhappy and in the marginal farmers out 56, more than 91 per cent had similar views. Even all the big farmers whom we interviewed are also unhappy with MSP.

Chi-Square Test

Chi-Square Test	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	413.673a	9	.000
Likelihood Ratio	213.028	9	.000
Linear-by-Linear Association	200.645	1	.000
N of Valid Cases	240		

a. 10 cells (62.5%) have an expected count of less than 5. The minimum expected count is .03.

In the chi-square test, we found that the calculated value is 413.673. The degree of freedom is 9 and the significant level is 0.000 is less than 0.05. Therefore, the null hypothesis is rejected. There is a significant relationship

between the minimum supporting price for cotton and the positive impact on the cotton growers.

Table 3: Ranking of Problems and Constraints faced by Respondents in Marketing of Cotton of Adilabad District.

Problems/Constraints	Garrett's Mean score	Rank
Lack of remunerative Price	93.10	I
Price Fluctuations	78.10	II
Delayed procurement	66.13	III
Distress Sale	60.17	IV
Exploitative Practices of Middlemen	40.13	V
Lack of Market Information	38.15	VI

Source: *Field data.*

The earlier data on the problems of marketing of cotton was highlighted and now analysis of various problems faced by the cotton growers in the study area separately revealed six different problems which were ranked accordingly using Garretts ranking technique. The major problem identified by the cotton growers in the study area of Adilabad is the lack of remunerative price of the crop. Since cotton is a cash crop and higher capital intensive but the price received by the farmers in returns of their efforts is not satisfactory. The next important problem faced by the farmers of Adilabad district at the time of marketing of cotton is the fluctuations in the price of the cotton. Delay in procurement of product was also more visible and this has placed in third rank. Distress in sale was also visible much and it ranked in fourth position.

Table 4: Ranking of the Response of the Respondents in Karimnagar District.

Problems/Constraints	Garrett's Mean score	Rank
Problem with Remunerative Price	90.10	I
Distress Sale	88.15	II
Exploitative Practices of Middlemen	70.10	III
Price Fluctuations	69.20	IV
Exploitative techniques adopted by middlemen	50.15	V
Market ignorance	30.12	VI

Source: *Field data.*

When we look at the response of respondents on the problems facing by the cotton growers at the time of selling their product table - 4 reveals that like Adilabad District, here also farmers are unhappy with remunerative price for their cotton and as a result according to Garrett's mean score it was placed first rank. However, distress in sale is more in practice in Karimnagar market areas than that of Adilabad and it placed in second rank. Even the ugly role of middle men is more in visible in Karimnagar compared to that of Adilabad. One observation we could see is that lack of market information on the various problems of cotton market is almost similar in Adilabad and Karimnagar areas and it was ranked sixth position in both the areas.

The sample respondents save their money in different agencies. The types of agencies and saving particulars of the sample respondents, reveal that 24 (8.0 per cent) respondents out of the 300 respondents save money in LIC, 12 (4.0 per cent) respondents in banks, nine (3.0 per cent) in SHGs, three (1.0 per cent) in chits and three (1.0 per cent) in post offices and the no savings, Lal (2016).

Conclusion

The observations of the study has revealed that cotton growers in the selected areas of Telangana State is facing numerous problems. They are complex and complicated and requires immediate attention by the policy makers to solve. Cotton marketing facilitates requires the process of organizing and processing of cotton produce from farm gate to the consumer base, through varied channels of intermediation. The channel of intermediation intervenes through the steps of (i) procurement of cotton produce from cultivators, (ii) Transporting to processing units viz., mills, agro cotton processing industries, manufacturing units and (iii) sale of final product to the consumer base through wholesale and retail units.

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