

THE KAPAS MARKET AT DINDIGUL—A STUDY IN THE LOCAL FACTORS THAT INFLUENCE THE PRICES

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I. **The cotton crop of Dindigul.** The Dindigul and Palni regions constitute an important cotton-growing area for the Madura District.

The area under cotton (1930–1931) is as follows:—

1. Cambodia (irrigated)	5340	acres
2. „ (unirrigated)	15,000	„
3. Karungunni (unirrigated)	1,500	„
4. Uppam „	2,500	„
5. Tinni „	100	„

It will be noticed at once that the staple variety of the Dindigul region is Cambodia unirrigated. Dry Cambodia is rather a speciality for Dindigul; for except in the Avanasi Taluq, it is raised everywhere as an irrigated crop. The hills that encircle the entire region are the cause for this peculiarity. The water that falls on the hills percolates through the soil and provides the necessary moisture for plant growth, and hence the raising of dry Cambodia Cotton.

Another peculiarity of this cotton is that the area fluctuates very widely according to the state of rainfall. If the rainfall is poor, the acreage, perforce, is reduced and vice-versa. The area under the other varieties remains more or less constant, unless price changes are sufficiently high or low to cause either an expansion or a contraction.

The yield again is poor—that of the dry Cambodia is only about 200 lbs., but the irrigated variety gives about 900 lbs., per acre. Low yield is accounted for by late sowing which the ryots adopt and by heavy rainfall at the close of October, when the growth of the plants is affected.

Consequently the quality of the cotton too is affected. Dry Cambodia fetches only a price of ten or fifteen rupees less than that in the Coimbatore District. The Cambodia raised in the Avanasi Taluq which gets an even rainfall is producing the highest quality Cambodia Cotton.

But, far and away the most singularly characteristic feature of the dry Cambodia product of this region is that there are no two pickings. Owing to late sowing and the arrested development by the heavy showers of October, the season's pickings merge with those of the summer; so much so that there is not much, if not no difference, whatsoever, between the earlier and the later pickings.

* The figures relating to the area and the yield of cotton were very kindly supplied to me by the Agricultural Demonstrator at Dindigul.

This has a vital effect on the whole cotton trade and markets of Dindigul. In the other cotton tracts, the first pickings, though usually sold off almost immediately by the ryots, are stored by dealers, with a view to sell in a rising market. This good stuff is not mixed with the inferior stuff of summer. The purchase of *kapas* by dealers is, therefore, very brisk in the season. Very different is the case in the Dindigul region. The earlier pickings are mixed with the later and are usually sold in one lump. The effect is that the market is neither very active nor very dull at any time. Buying and selling are spread over several months; the ryots on their parts are not in a hurry to bring the produce quick to the market; the merchants on their part do not rush to buy. The market is generally quiet; it is one of the least active of *kapas* markets in the south.

II. The position of the ryots. In addition to the above-mentioned factor of the physical production of the crop, there is another important factor which makes for the quiet tone of the market. The cotton grower of this region is generally poorer than his compeers in the Ramanad and Tinnevely Districts. Insufficient rainfall explains largely the difference as the crops depend almost entirely on rain. The percentage of literacy also must be lower, though I have no figures at hand to substantiate it. The cotton growers are, therefore obliged to sell the produce to the village dealer or the *mundi* merchants at Dindigul.

The *mundimen* make very liberal advances to these ryots—strange to say—often interest free, in order to attract their custom. There are 75 big *mundies* and the total available crop being not very large competition among them is very keen. Though this should naturally tend to raise the prices, no one can deny and one can positively affirm that the scope for frauds and dishonest dealings should be very great in this market, especially because of the position of the ryots.*

III. The dominant position of the Harveys. A still more important factor in determining the tone of the market is the dominant position of the Harveys. Of the 20,000 bales of Cambodia brought to the market, full one half is purchased by the single firm of Messrs. A. & F. Harveys.

The causes are not far to seek. The spinning mills of that firm (The Madura Mills Company Ltd.) are—to use a local expression—'in the backyard of Dindigul'. No other buyer can ship his cotton so cheaply as the Harveys. Their ginning factory at Dindigul is also equipped with about 40 gins. The two other spinning mills of Madura do not consume more than about 4,000 bales in all.

* My conclusions on other markets—Virudunagar, Sateer and Tuticorin Markets—completely differ from those arrived at in this study. The apparent inconsistency is not due to prejudice; the conditions here differ fundamentally from those in others.

Of all the cotton markets in the South, that at Dindigul is the quietest and also the least efficiently organised. The causes for this phenomenon have been set forth already—the poor character of the crop, the weak financial position of the ryots and the domination of the market by a single purchasing firm. How could one expect the market to be otherwise than it actually is, if the produce that is really to be actively bought at competitive rates is limited to 10,000 bales only?

IV. Other Buyers. But within this limited sphere, competition is perhaps severer than in any other market in the South.

In the first place the local *mundi* merchants exercise a dominant influence; there is acute competition among these 75 shops which sometimes forces up the prices or brings them down considerably. Financially not very strong they feel nervous if the market is down and unusually buoyant if the market is up. There is hardly any co-operation or settled rate among them. If one buys or sells, everybody else rushes to buy or sell with the result that violent fluctuations are caused in prices.

In the Tiruppur market the buyers act more or less concertedly; and I am told that the differences in the buying rates of one merchant and another for the *kapas* of the same quality would be not more than As. 8 or Re 1 per candy; whereas in this market, the difference will be as high as Rs. 3.

Furthermore the purchasing firm of Messrs. Longley exert some influence on the market. They take just about 1,600 bales a year, but their prices based upon the Bombay market, tend to keep the market up at times when local quotations may be depressed.

Yet another influence on the price of the local market is that of the Coimbatore Mills. Most of them have their own ginneries and finding it impossible to get *kapas* in their district in sufficient quantities to feed them, they buy *kapas* in the next nearest market, namely at Dindigul. They take not less than 1000 bales a year, and pay slightly higher prices.

All these influences tend to keep the prices always up. The complaint of all buyers at Dindigul is that they can't buy cheap.

V. How the Mundies influence in Prices. The above analysis brings out the somewhat paradoxical characteristic of the Dindigul *kapas* market namely that though the market is generally not active the prices are highly competitive.

Here it must be emphasised that though the *mundi* merchants do not directly exercise any influence on the supply of the crop or its prices, they exercise a very real control over the distribution of the supply. It is they who move the crop from the villages by means of their advances and loans to the ryots either directly or through the village merchants. It is they who store the *kapas* on behalf of their

clients in their go-downs. It is they who actually sell the crop too. For, the supply is somewhat irregular and the *kapas* is such that it could be easily mixed and sold at higher prices, there is not in this market ready spot selling of *kapas* by the ryots or village merchants as is the case at Sattur or Virudhunagar. Usually only 25% of the *kapas* is sold ready and the rest is generally stocked and sold gradually according to the character of the market. In this way the *mundi* merchants can exercise a steady influence on the price of *kapas*.

In addition to their control over the distribution of supply, they have a greater influence over the sales of *kapas* than in any other market. Some of these *mundimen* have established a reputation for securing the best prices for the *kapas* for their clients so that the clients have given full power to them to dispose of their produce within certain price limits. This being the case it is the *mundi* merchants who actually sell and not the village merchants (or the ryots in a small minority) as is the custom in other cotton markets.

The extent of their control of sales is illustrated very forcibly by a unique method in vogue in this market to which no parallel can be found elsewhere.

The method of sale as in all other markets is that of 'secret bids' under the cover of the cloth.* But there being no central market place at Dindigul where all buyers can come together, it is found to be a great waste of time for the buyers to go to each *mundi* and bid underneath the cloth. It is equally so for the seller, the *mundiman*. So he arranges for 'sales in lots.' The buyer is invited to quote his price for the whole lot of say 50 or 60 bags of *kapas*, and if this 'average price' is satisfactory, the *mundiman* effects the sales. A scrupulously honest *mundiman* will then allocate this average price according to the quality of each bag of cotton deposited with him say by 5 or 6 of his clients. What he will do if he is unscrupulous we need not labour to describe. This is not the only method or the one that is resorted to by all sellers and at all times. But the exception is a sufficient proof to illustrate the control of the sales by *mundimen*.

VI. The case for and against the open market. To the reader who has a deep distrust of all *mundies* and is impatient for reforms, these revelations would provide enough justification for the establishment of a regulated open market. If one would also point out that the market charges and commissions exacted here are higher, the conviction becomes stronger. If intimate acquaintances would bring to light (there is room enough for such conclusions) that the *mundimen* can practise several frauds with those ignorant sellers no more argument will be needed for the proposed reform.

* For a full description and appreciation of this method as found in the markets of the Ramnad District, see my article 'Underneath the Cloth' in the Indian Journal of Economics, October 1933.

There is absolutely no argument in theory or practice against an open market. In fact at Sattur and Virudungar such markets are really in existence though they are privately owned and controlled by the whole community of merchants and by the government. Why then should one pretend to argue against the open market at Dindigul in this article?

It has been pointed in this article that though there is no open market, the prices are highly competitive. In other words, there is an 'open market price' for *kapas* at Dindigul. Owing to the peculiar conditions of demand described already, the buyers can seldom buy cheap. Further, the impossibility of the village merchant to be present at the time of each sale is to be seriously considered as well. There are not at hand always. Each one's supply is small and intermittent. And further, half the crop is purchased by Messrs. A. & F. Harvey. Is there a need for an open market for *kapas* of 10,000 bales?

The Government of Madras, I understand, are contemplating the extension of the Marketing Act to Dindigul. The merchants, as a body, I am told locally, are seriously resisting the move.

If an 'open Market' is established for all commercial crops, under Government aegis, I imagine that it is likely to cause a great revolution in the existing mechanism. It is likely to disrupt if not dissolve the whole *mundi* organisation. Dindigul is likely to lose its importance as a huge distributing centre of all those important and diversified products that are grown in this area. If the Marketing Act effects a substantial reform at Dindigul, well and good. The present mechanism, as admitted by all, is none too good. But if it 'disperse' business, drive the mundimen to go to the villages direct and buy there, thereby virtually killing the Marketing Act and causing some damage to the ryots, the consequences should be weighed very carefully.

JASMINE (*Bhatkal Malliga*) CULTIVATION IN SOUTH CANARA.

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"Bhatkal Malliga" is one of the prominent varieties of Jasmine cultivated in South Canara; and it has derived its name from the town of the same name in North Canara, from where it spread.

Soil. It is raised on small plots of about 25 cents, by the enterprising Christian communities at Coondapur and Udipi. A successful crop is seen in localities where the soil is loamy, fairly deep, and has good drainage and irrigation facilities.

Preparatory Work. An enclosure for the small plot has to be put in before planting the crop in order to protect it from cattle trespass. If neglected, the plants nibbled by cattle do not grow with full