

**STRUCTURE AND GROWTH OF  
COOPERATIVE SPINNING MILLS IN TAMIL NADU  
A CRITICAL STUDY OF THEIR ROLE VIS-A-VIS YARN  
REQUIREMENTS OF  
HANDLOOM COOPERATIVES 1973-4 To 1983-4**

DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE  
REQUIREMENTS OF THE DEGREE OF MASTER OF PHILOSOPHY  
JAWAHARLAL NEHRU UNIVERSITY, NEW DELHI

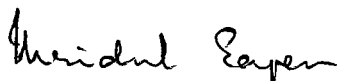
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1986


I hereby affirm that the research for this dissertation titled "Structure and Growth of Cooperative Spinning Mills in Tamil Nadu: A Critical Study of their Role vis-a-vis Yarn Requirements of Handloom Cooperatives 1973-74 to 1983-84" being submitted to the Jawaharlal Nehru University for the award of the Degree of Master of Philosophy was carried out entirely by me at the Centre for Development Studies, Trivandrum.

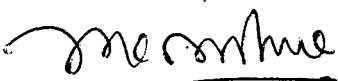
  
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Certified that this dissertation is the bonafide work of Sri P. Manickavasagam and has not been considered for the award of any other degree by any other University. The dissertation may be forwarded for evaluation.

  
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## ACKNOWLEDGEMENTS

I was able to complete this study mainly because of the whole hearted help, guidance and cooperation received from different quarters. Eventhough I wish to thank all of them, I feel words will not really convey the extent of help and support I got.

Smt. Mridul Eapen and Sri Raman Mahadevan, my thesis supervisors, guided me at each and every stage of the study. The long series of discussions I had with them proved immeasurably useful. Smt. Mridul Eapen despite her tight schedule at office and equally compelling preoccupations at home continued to be an enthusiastic source of inspiration. Sri Raman Mahadevan did not spare himself in knocking ideas into shape and giving clarity to many a conclusion. I am thankful to both of them for their invaluable guidance which helped me to think analytically and enabled me to carry out the research with fortitude.

I am thankful to the Director and all the members of the faculty, especially Professors A. Vaidyanathan, P.S. George, Sudipto Mundle, Gita Sen, Dr. G.N. Rao, Dr. Chandan Mukherjee and Sri P.K. Michael Tharakan, who evinced keen interest in the study and offered me suggestions. I am also thankful to Sri D. Narayana for his comments and suggestions at the initial as well as the final stages. His comments were apt and insightful.

I had useful discussions with Smt. Shanta, Dr. M.S.S. Pandian, Sri Rajagopal, Sri Ramanathan and Sri Nagaraj and I thank them for the timely help they provided.

My friends Rajasekhar, Drabu, Das, Raju. Joseph, Raghavan, Srinivasan, Udayakumar, Christopher, Paranjothi, Anandaraj, Vamadevan, Natarajan, Vedagiri

and Thiagarajan have always been a source of inspiration for this work. I am forever indebted to them.

The library facilities which I have been able to use to the maximum extent possible, without doubt requires my grateful expression of thanks to Sri Ravindran Nair, Librarian and his team of staff for their help.

Sri Muraleedharan and Smt. Sujana rendered their computational service and I am thankful to them.

I wish to thank Sri C.G. Devarajan, the Registrar, and all the administrative staff, especially Sri A.P. Phil Roy, Sri T.A. Varghese and Sri V. Ramesh Kumar for the help they rendered in all the possible manner.

I will be failing in my duty if I do not thank Sri M.P. Nachimuthu, President, Chentex, Sri S.M. Kanagarathinam, Joint Director of Handlooms and Textiles, Madras, Sri Vaidyanathan of Coopex, Sri Muthu Krishnan and Chelladurai of Cooperative spinning mills of Pettai and Tiruchendur, Sri Raman, Regional Officer, AIFCOSPIN, Madras and Sri Rajan of Tamil Nadu Cooperative Union. I had detailed discussions with them and they encouraged me to complete this study. I am most thankful to them all.

To Sri Suresh, who typed the script, my sincere thanks for a most efficient and professional job.

Above all, it was Professor A. Arul Mariyanathan, my brother, who first informed me about the Centre and persuaded me to do the M.Phil course. He has been a source of inspiration throughout my academic life. He also took much interest in my research and remained a true companion throughout. I am grateful to him for ever.

P. MANICKAVASAGAM

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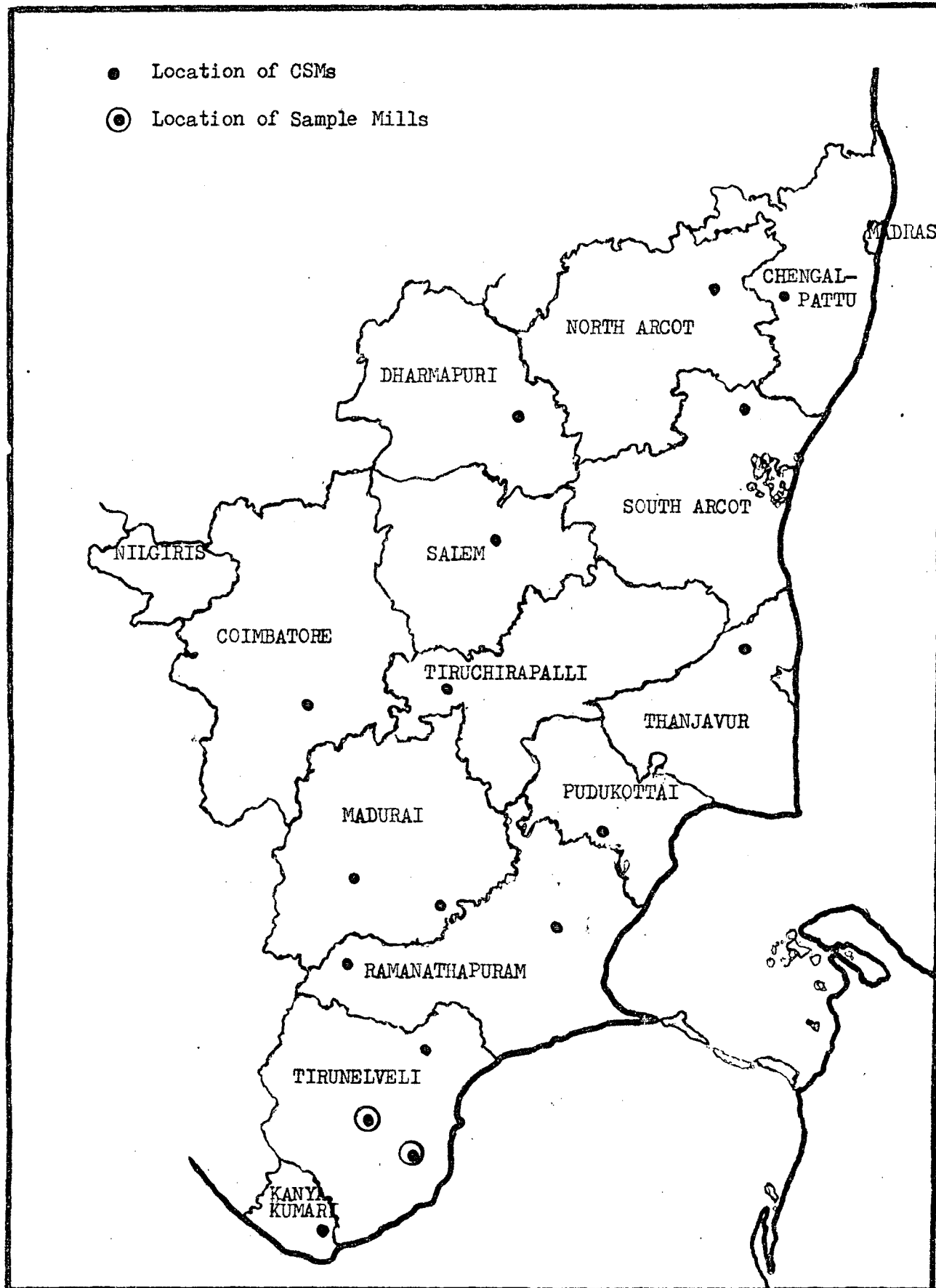
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Note: Following the bifurcation of Coimbatore district into Periyar and Coimbatore, Coimbatore District CSM located in Dharapuram has become part of the newly formed Periyar district; similarly Ramanathapuram district CSM located in Sriviliputhur has become part of the newly formed Kamarajar district following the trifurcation of the erstwhile Ramanathapuram district into Pasumpon Muthuramalingam, Kamarajar and Ramanathapuram districts.



## INTRODUCTION

Handloom weaving is a traditional labour intensive industry spread all over the country and ranks next to agriculture in terms of its employment potential.<sup>1/</sup> It is stated that there are over 3.6 million handlooms and, according to one estimate, these looms can provide employment to 14.4 million people on weaving alone.<sup>2/</sup> Though at a certain stage it was feared that the handlooms would be unable to withstand the severe competition from the mill sector, however in view of the tremendous protection and support extended to this sector it is by now more or less established that the handlooms can satisfy a large part of the internal market. This is confirmed by the fact that by 1981, cloth production in the handloom sector was 2,520 million metres, which was 31 per cent of the total cotton cloth production.<sup>3/</sup> Furthermore, handloom cloth has a considerable export potential especially for varieties which are of an artistic quality. However, inspite of substantial state support, the industry continues to face severe problems, the more important among which are the availability of adequate yarn of the type required, the financial weakness of handloom weavers and the marketing of the

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1. Report of the Study Group on Employment on Handloom Industry, 1980.
2. This is on the basis of an employment potential of 4 persons per loom.
3. It may be noted that these are official figures and have, in fact, been questioned. Jain has argued that handloom cloth production has been over-estimated to the extent of almost 900 million metres in 1981 and that most of the growth in the decentralised sector has been on account of powerloom production. See L.C. Jain, 'Handloom Face Liquidation', Economic and Political Weekly (EPW), August 27, 1983, pp517 to 1526. Nevertheless its contribution to total cloth output is still significant.

finished product. As observed by the Sivaraman Committee "unless supply of yarn to the weaver and a coordinated off-take of his cloth is assured, the weaver will never be able to get full time work which will give him a reasonable wage throughout the year".<sup>4/</sup> The problems have been aggravated as a consequence of the competition from the powerloom sector, which has managed to siphon off most of the benefits which should normally have accrued to the handlooms.<sup>5/</sup> As part of an effort to protect this inherently vulnerable industry, the state intervened from time to time to extend support of various kinds. In this context one major policy decision taken was to increase the cooperative coverage of handloom weavers. However, it was soon realised that more direct intervention would be necessary to help overcome the problems of the handloom weavers. It was in this context that the idea of Cooperative Spinning Mills (hereafter CSMs) was mooted.

Traditionally, the handlooms had been depending on the organised mill sector for their yarn requirements. However this arrangement had always proved to be quite unsatisfactory not only in terms of availability of adequate yarn but also the very system of yarn procurement characterised as it was by middleman/trader, which tended to further aggravate the situation. In the light of this the government underlined the need for establishing CSMs to cater exclusively to the yarn requirements of the handloom cooperatives.

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4. Report of the High Powered Study Team on the Problems of Handloom Industry (Sivaraman Committee), 1974 p.45.

5. To some extent, the situation was the outcome of the official policy adopted in the second five year plan which clubbed the handloom units with small powerloom units, that is, upto 4 looms. The intention was not only to promote handlooms by suitable fiscal and physical measures but also to sustain them in the long run by their gradual and phased conversion to powerlooms organised as small units.

CSMs came into being with the intention of representing the interests of individual handloom weavers, cotton growers and cooperatives of handloom weavers and cotton growers. This would not only enable the CSMs to absorb the cotton grown locally, particularly by small farmers, but also provide yarn to handloom weavers at reasonable prices. The respective State Governments also came to play a crucial role in the promotion of these mills.

Tamil Nadu, as is well known, has traditionally been an important handloom centre; its cooperative coverage is also one of the highest in the country. One of the broad objectives of our study is to examine the extent to which the CSMs in Tamil Nadu have been successful in meeting the yarn requirements of the handloom cooperatives both in terms of quantity and price. Our preliminary analysis had indicated a certain discrepancy in the production requirements of of yarn by the CSMs vis-a-vis/handloom cooperatives. This seemed to warrant a much more detailed investigation into this question.

The initiative for starting the first CSM was in fact taken by the Madras Provincial Handloom Weavers Cooperative Society, now popularly known as 'Cooptex'. Its success and the fact that it was unable to meet the requirements of all the handloom cooperatives led the government to consider the possibility of promoting more CSMs. Between 1958 and 1966 as many as twelve CSMs started functioning in Tamil Nadu. Since then, government intervention has been marked, both in terms of management and share capital participation.

The organisational structure of CSMs is not uniform throughout the country. In Maharashtra, most of the CSMs are organised by cotton growers and/or their cooperatives, while in Tamil Nadu, the CSMs are organised as handloom weavers cooperatives. While until 1966 the objective in promoting

CSMs was one of absorbing the cotton produced locally as well as supplying yarn at reasonable prices to handloom cooperatives, since then there appears to be a noticeable shift in emphasis away from the former objective.

Further by mid-sixties, following the significant increase in capacity and production it was claimed by the Directorate of Handlooms and Textiles (hereafter Directorate) that total requirements of yarn of the handloom cooperatives were being fully met. It was, therefore, felt that the CSMs could now consider the possibility of marketing the surplus yarn in the open market. This, it was believed, would help in stabilising market prices. Our study reveals that this assumption was, in fact, misplaced and has perhaps made the position of the handloom weavers more vulnerable.

Although there is considerable number of studies relating to the problem of yarn supply <sup>6/</sup> to handlooms, there are hardly any which specifically deal with this problem in relation to the role of CSMs.

#### Objectives of our Study:

The broad objective of the study is to examine and analyse the functioning of the CSMs in Tamil Nadu. We propose to study:

- a. the institutional factors which condition their functioning, and
- b. more importantly, we shall examine the economic or internal factors, such<sup>as</sup>/the pattern of production, cost and prices.

This we believe would throw light on the possible reasons for the inability of the CSMs to meet their desired objectives. As part of the institutional

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6. With the exception of the notable contribution by L.C. Jain, most of these studies are official in nature; some of the more notable of the latter are, the Report of the Fact Finding Committee, 1942, and the Sivaraman Committee, 1974.

factors, we would specifically be examining the role of the Directorate in the production pattern of CSMs and supply of yarn to handloom cooperatives. This question assumes importance in the context of the absence of any clear cut policy directives to the CSMs by the Directorate as a consequence of which the mills are merely expected to meet a certain minimum requirement of yarn to Cooptex which mediates between the CSMs and the handloom cooperatives.

In as much as Cooptex occupies a crucial mediatory position in both assessing and channelising the yarn requirements we have, to the extent possible, critically examined its role.<sup>7/</sup>

Among the factors internal to the CSMs, we shall initially analyse the pattern of production in detail in relation to the requirements of the handloom cooperatives. In the light of the discrepancies observed we would analyse the count-wise cost of production as also the count-wise prices. The specific questions that we are interested in focussing attention on are:

- a. the relative decline over time in hank yarn production despite a steady market within the cooperative sector; and
- b. the almost negligible production of hank yarn of the coarsest counts, despite its persistent demand from the handloom cooperatives (about 5 to 10 percent of yarn consumed is of counts below 10s) as also the more than required production of the higher varieties of coarse counts such as 31-40s, as also of the finer counts, viz., above 40s.

Among other things, this study would be concerned in examining to what extent this is related to the cost of production of hank yarn of coarse and

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7. We have not specifically examined in depth the functioning of Cooptex which, given its diverse activity, would constitute a study in itself.

fine varieties as also their relative prices. The study essentially covers the period from 1973-74 to 1983-84, unless otherwise specified.

#### Sources of Data

The sources of data used in this study have been broadly classified into (a) Secondary and (b) Primary.

#### Secondary Sources

The secondary sources refer to published official and unofficial literature and data. The All India Federation of Cooperative Spinning Mills (hereafter AIFCOSPIN) Annual Reports has been a very important and useful source of information and data, both at the State and at the mill level. Thus, data on count-wise production of yarn in hanks, its cost components and share capital composition of CSMs were all derived from the above source. Similarly the ex-mill selling prices of yarn by counts were also derived from the AIFCOSPIN reports. In addition to this, the other secondary sources which proved to be useful were the Reserve Bank of India's Statistical Statements relating to the cooperative movement, Newspapers, published pamphlets and Reports of the Directorate, books and articles in standard journals. The section on historical background to the rise of CSMs is in fact based essentially on secondary sources, that is books and articles.

#### Primary Sources

A fairly considerable amount of very useful information and data were derived from the official unpublished records and correspondence of the Directorate, Cooptex, AIFCOSPIN Regional Office and two sample CSMs.

The researcher had to make considerable efforts before gaining access to some of these very vital sources.

Thus, data on count-wise yarn requirement, availability and consumption were obtained from the books and registers maintained at the offices of Cooptex and Directorate. The data on count-wise yarn production was not readily available in a compiled form. In fact it had to be collected and collated from different reports of the Directorate and their minute agendas, especially for the period prior to 1977-78. Similarly, we found that the Cooptex Head Office was not maintaining data on count-wise yarn requirement, availability and consumption for earlier years, namely, prior to 1981-82. All that we were able to secure was data for the last three years of our study, that is from 1981-82 to 1983-84. Furthermore, as data on total consumption of yarn by all handloom cooperatives in Tamil Nadu is also not available, we have estimated the consumption indirectly by converting cloth production into yarn consumption.

Similarly, data relating to cooperative coverage of handlooms and cloth production were gleaned from the books and registers of the Directorate as well as from the Department of Statistics. The researcher was also quite fortunate in gaining access to certain unpublished records of the two sample mills. By providing vital information at the micro level and further by supplementing and confirming our observation at the State or macro level, these sources have contributed in considerably enriching our study.

The set of sources consisting mainly of annual reports, confidential audit and inspection reports, correspondence, registers and so on were particularly useful in throwing light on:

- a. the general performance and functioning of the mills;

- b. relationship between official policy and production pattern;
- c. questions relating to marketing of yarn both to Cooptex and open market; and
- d. cotton procurement and pricing of yarn.

In addition to this, we have also managed to gather valuable oral information through interviews with officials and important non-officials connected with the Directorate, Cooptex, CSMS and the handloom industry.

#### Chapterisation Scheme

The study is broadly divided into four chapters together with an introduction and conclusion. The first chapter provides the historical backdrop to the emergence of CSMS in Tamil Nadu and in this context focusses on the problem of yarn shortage in the pre-Independence period.

The second chapter seeks to examine the overall organisational structure in relation to the functioning of CSMS and in this context makes a brief comparison with Maharashtra, which provides a sharply contrasting picture. In this Chapter, we have sought to analyse two vitally crucial areas of functioning of CSMS namely, cotton procurement and yarn marketing. We have also discussed the growth over time of CSMS in Tamil Nadu against the background of the changes in their objectives.

The production pattern of CSMS is the major focus of Chapter 3. In this Chapter we have attempted a count-wise analysis of production pattern in an effort to understand the constraints, both institutional and economic, that may have come in the way of meeting the yarn requirements of handloom cooperatives.



In the fourth Chapter, we propose to examine the cost structure (count-wise) and pricing (count-wise) of CSMs. This enables us to focus more sharply on the possible reasons for the anomalies in the pattern of production observed. This is followed by a concluding section where we sum up our major observations.

## CHAPTER 1

### EMERGENCE OF COOPERATIVE SPINNING SECTOR — A BRIEF HISTORICAL OVERVIEW

#### 1.1 Introduction

Given the traditionally important position of the handloom industry in the Tamil Nadu economy it would be meaningful to examine the specific problem of yarn supply to the industry and its effect on the industry as it evolved in the pre-Independence period. This is significant in that it provides the necessary link with the emergence of the cooperative spinning sector.

#### 1.2 The Pre-1914 Period

India's textile industry was the most important industry within the economy whether measured by employment or output<sup>1/</sup> until the entry of imported machine manufactured cloth and yarn. With the growing demand for Indian textiles abroad the position of the industry was relatively comfortable upto the beginning of the nineteenth century. However, by the middle of the nineteenth century its position had become quite vulnerable owing to competition from the cheaper imported machine manufactured cloth and yarn from Britain. While as a consequence the spinning industry was almost entirely wiped out, the handloom industry managed to survive.<sup>2/</sup> This appears to have been largely

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1. Dharma Kumar, (ed) The Cambridge Economic History of India, Vol.II, 1757-1970, 1984. pp.352-375.

2. A. Sarada Raju, 'Economic Conditions in the Madras Presidency - 1800-1850', 1941, pp.163-182.

due to the absence of an unified national market as well as cultural factors which together helped to preserve a minimum demand for hand woven cloth.<sup>3/</sup>

The situation in the Madras Presidency was more or less in line with the situation prevailing in the other regions of colonial India. Between 1820 and 1850 the import of yarn and cheap cloth coupled with indigenous competition forced the weavers to evolve a difficult 'art of survival' which consisted of harder and harder work, a continuous reduction of incomes and a steady retreat towards coarse cloth.<sup>4/</sup> It affected the position of the handloom industry in the domestic market<sup>5/</sup> and the export market.<sup>6/</sup> A recent study suggests that there was not only 'vertical displacement' namely, the displacement of production of finer and super fine fabrics by coarse cloth, but also displacement of workers from the industry itself.<sup>7/</sup> Consequently large numbers of weavers were thrown out of employment and forced to seek their livelihood either in agriculture or emigrate as coolies.<sup>8/</sup>

As noted earlier this was also the period when the hand spinning industry suffered a severe setback. By the end of the 19th century mill spun yarn had almost totally displaced hand spun yarn. This had significant

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3. A.I. Levkovsky, 'Capitalism in India: Basic trends in its Development', 1972. See also Horst Joachim's review of Konard Specker's book entitled, Weavers in Competition: The Development of the Textile Industry in the Nineteenth Century, in Indian Economic and Social History Review, Vol.No. XXII No.3, July-September 1985, pp.365-367.

4. Horst Joachim Leve, (1985) op.cit., pp.365-367

5. A. Sarada Raju, (1974) op.cit., pp.163-182.

6. Horst Joachim Leve, (1985) op.cit., pp.365-367

7. Idem.

8. A. Sarada Raju, (1941) op.cit., pp.163-182.

consequences for the traditional handloom industry. It paved the way for the gradual erosion of the independent weaver and the increasing control of merchant capital over the production process.<sup>9/</sup> As the Fact Finding Committee observed "hitherto, the daily yarn supply of the weaver had come either from his own household or his immediate neighbourhood, but when yarn came from a distance and had to be bought, yarn dealers and financiers became necessary and as the average weaver had little credit, the industry fell more and more into the grip of middlemen. Thus the independence of most weavers disappeared and the great majority of them came to work for a master-weaver/Mahajan either on the contract or on wage basis."<sup>10/</sup> Given the dispersed nature of the industry and the inability of the existing organisational structure to respond to the emergent market forces, the supply of yarn to handlooms tended to become unstable and irregular.<sup>11/</sup>

This structural change with reference to handlooms has, however, to be viewed in the larger historical context of the integration of the Indian economy with the world capitalist system albeit in a subordinate colonial position. It implied the opening up and inter-linking of local economies including that of the southern region with external markets. In concrete terms, in this case it meant the considerable inflow of imported yarn, a portion of which also found its way to the handlooms in the south. This yarn was primarily of finer counts

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9. Report of the Fact Finding Committee (hereafter RFFC), 1942, p.6.  
See also Report of the Working Group on Handlooms, 1964, p.5.

10. RFFC, (1942) op.cit., p.6.

11. The replacement of hand spun by imported yarn along with mill yarn production within the country widened the gap between the independent weaver and the yarn producer. The yarn produced in far off places reached the weavers only through the intermediaries.

and it would appear that in respect of coarser yarn, the requirement of handlooms was also being met by local South Indian mills which had come into existence from around the last quarter of the nineteenth century.<sup>12/</sup> It is possible to surmise that a certain share of the demand for coarser varieties was being met also by the Western Indian mills.<sup>13/</sup> By the first decade of the 20th century the handloom industry in the Madras region had more or less become dependent on the market, both internal and external, for the supply of yarn. In short, the basis for the commercialisation of this sector was laid during this period.

### 1.3 Impact of the First World War (1914-1918)

As a consequence of the total disruption of external trade during the war period, the position of the handloom industry became vulnerable owing to an acute shortage of yarn, in particular, of higher counts. There is considerable evidence of the growing distress of the weavers during this period.<sup>14/</sup>

At the same time, due to the sharp fall in imports of cloth coupled with the loss of the overseas yarn market, the Indian mills increasingly began to cater to the domestic market and thus "used up much more of their yarn themselves and left much less for the handloom. Of the total yarn

12. It however needs to be underlined that during the first decade of twentieth century, the Chinese market was an important outlet for yarn produced by the local South Indian Mills. Given the present State of research and knowledge, it is somewhat difficult to precisely quantify the relative shares of handlooms and Chinese market vis-a-vis the South Indian Mills. See C.N. Bhogedranath, 'Development of the Textile Industry in Madras', 1957.

13. This is so in view of the fact that at this point of time there were relatively few mills in South India. This also coincided with the loss of the Chinese market thus forcing the Western Indian mills to increasingly turn to the internal market.

14. C.J. Baker, 'An Indian Rural Economy: The Tamil Nadu Country Side - 1880-1955', 1984. pp.393-414.

available in the quinquennium 1911-12 to 1915-16, mills took only 1,297 million lbs, while 1,248 million lbs went to the handlooms; but in the next quinquennium 1916-17 to 1920-21, of the total yarn available mills took as much as 1,644 million lbs, while only 1,097 million lbs went to the handlooms".<sup>15/</sup> This phenomenon was particularly pronounced in the Western Indian region. As for South India, with the exception of Binny's and Stanes' group of mills, most other mills were purely spinning units. Hence, the situation in South India with respect to yarn supply was relatively more comfortable.

The increasing reliance for yarn on indigenous mills as a consequence of the drying up of imports of yarn of finer counts would have logically implied a change in the product mix towards the coarser and medium varieties of cloth.<sup>16/</sup> However, it may be observed that the immediate post-first world war period also coincided with the Gandhian non-cooperation movement. With its twin programme of Swadeshi and boycott of foreign goods, the pattern of demand for cloth was itself tending to change in favour of coarser and medium varieties. It may be reasonable to infer therefore that these developments provided a sort of cushion to the handloom sector, which would otherwise have felt the pressure of this shift much more severely.<sup>17/</sup>

15. RFFC, (1942) op.cit., p.9

16. C.J. Baker, (1984) op.cit. pp.399-400

17. It is, of course, difficult to quantify the exact impact of the Swadeshi movement on changing pattern of demand for cloth and hence, on the handlooms. However, the available limited qualitative and quantitative evidence would suggest that there was a perceptible shift in the demand. See S. Bhattacharya, Cotton Mills and Spinning Wheels: Swadeshi and the Indian Capitalist Class - 1920-22, Economic and Political Weekly (EPW), November 20, 1976. p.1828.

However, the position of the handloom industry continued to be fraught with problems. The immediate post-war boom in industrial growth was followed by a period of depression, when the mills tended to cut down on production of yarn and cloth. This was in no small measure a consequence of the removal of protection afforded to the mills during the war period. The situation was accentuated by the entry of Japanese yarn and cloth into the South Indian market. However, these developments do not get reflected in the physical growth of mills during this period.<sup>18/</sup>

Though no clearcut quantitative evidence about the impact of the above development on handlooms is available one can perhaps infer that the handlooms were facing problems of yarn supply in the 1920s. It needs to be underlined that the handloom industry in South India, particularly in the Madras region, was far from being an undifferentiated homogenous industry. It contained a wide spectrum of organisational forms ranging from the dispersed individual handloom weaver to the medium-sized handloom unit employing both family and hired labour to the large karkhanas or weaving factories controlled by either a master craftsman or a petty capitalist. The markets to which these units catered were apparently also distinctly dissimilar. While the larger units seemed to be located in the port towns and produced mainly for exports and also tended to rely on relatively higher counts of yarn, the smaller units located in the interior concentrated on coarser varieties primarily, for the domestic market and seemed to be the most vulnerable.<sup>19/</sup>

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18. C.N. Bhogendranath, (1957) op.cit., p.34.

19. C.J. Baker, (1984) op.cit., p.399.

The periodic imposition of import duties on yarn, in 1922, 1927 and 1931 increased the price of imported yarn and given the protection it afforded to the domestic industry enabled them also to raise the prices of their yarn .<sup>20/</sup>

The crisis was accentuated in the 1930s with the onset of the Depression which resulted in a sharp fall in the demand for handloom cloth not only inside the region, especially in rural areas (because of the steep fall in agricultural prices), but also in parts of South and South East Asia where Madras handloom cloth had been traditionally famous. There is considerable evidence of unrest among weavers during this period especially in major weaving centres such as Salem, Coimbatore, Madurai, Madras city etc.<sup>21/</sup> Around this time Japan, which had already by the 1920's made inroads into the Indian market, emerged as a new major competitor for the control of the Indian textile market. The unrestricted imports of cheap cloth further eroded the position of the handloom industry.

It may be observed that the 1930s witnessed a phenomenal growth of spinning mills in the Madras Presidency.<sup>22/</sup> Though Madras became a surplus yarn producing region by the mid 1930s the handloom industry, however, continued to face constraints in yarn supply. Without going into a detailed analysis of the reasons for this situation, we would suggest on the basis of available evidence that it was largely the outcome of a combination of factors,

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20. C.N. Bhogendranath, (1957) op.cit., p.52.

21. C.J. Baker, (1984) op.cit., pp.400-401.

22. For details on growth of the industry, See. C.N. Bhogendranath, (1957). op.cit., pp.52 and 64.



the principal among which included the sharp rise in the price of local yarn following:

- a. the relative decline in imports of foreign yarn;
- b. the increase in loomage capacity in South Indian mills;<sup>23/</sup> and
- c. the emerging tendency of yarn moving to centres outside South India, principally Bengal and Bombay.

Interestingly, this latter aspect coincided with the growth of the powerloom sector in Western India region.<sup>24/</sup>

#### 1.4 Impact of Second World War (1939-45)

As in the first World War, the sharp fall in the external trade coupled with the rising war demand for cloth led to a situation of severe scarcity of yarn. The phenomenal growth in demand for yarn arising out of the war situation intensified the process of diversion of yarn from Madras to other States. This also led to a considerable black marketing of yarn. All this aggravated the problems of the handloom industry. This is borne out by the fact that as in the thirties there is considerable unrest among weavers in various parts of the Madras Presidency<sup>25/</sup> and a high proportion of handlooms were rendered idle. It was these conditions that

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23. The looms in the Madras region in 1930-31 was only 5,033; it rose to 5,834 in 1935-36 and further to 6,332 in 1938-39. See C.N. Bhogendranath, (1957), op.cit., pp.52-64.

24. See RFFC (1942) op.cit., pp.19-20 and 40. However details about diversion of yarn to powerloom sector are hard to obtain.

25. C.J. Baker (1984), op.cit., pp.401-402.

prompted the state to intervene forcefully to arrest what was emerging as a major social and economic crisis.

#### 1.5 State Intervention:

In the early years, around the turn of the 20th century, the government's involvement in the handloom industry took the form of efforts to improve its technical base. In this context the role of Alfred Chatterton, Director of Industries, Madras is particularly significant. The introduction of fly shuttle loom and its popularisation through 'peripatatic touring parties' was responsible in bringing about significant improvement in the existing weaving technology of the region. However, until the thirties the role of the state government towards the handloom industry was marginal. It was the crisis of the thirties which forced the government to look into the economic aspects of the handloom industry. This coincided with the change of attitude of the Government of India towards this sector. Thus in the budget of 1934-35 the Government of India provided for a grant to the handloom industry equivalent to the proceeds of an import duty of  $\frac{1}{4}$  anna per pound on imported yarn upto fifties. From out of this cess fund the Government of India provided a subsidy of an annual sum of Rs.5 lakhs to every state for the specific purpose of improving the handloom industry.<sup>26/</sup>

Given the seriousness of the situation, the state government began to gradually veer around to accepting the fact that yarn supplies and marketing of cloth were the main problems of the handloom industry and to overcome these problems, it felt that the extension of a central cooperative marketing scheme was necessary. The Madras Provincial Handloom Weavers Cooperative Society (hereafter MPHWCs) established on 2nd April, 1935 was intended to be a federation of primary weaver's cooperative societies. At this juncture 43 primary societies with about 1000 looms were attached to this apex body. One of the efforts

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26. REFFC (1942), op.cit., p.24.

undertaken by the society was with reference to the supply of yarn to member societies. In this direction, MPHWCs entered into an agreement with some mills for the direct supplies of yarn to the societies. However, this experiment was not particularly successful given the fluctuations in yarn prices. The mills charged the societies with rates, ruling on the date of despatch, which was not necessarily lower than the price of yarn in the local market. Moreover, during the early period, the MPHWCs was functioning as yarn agents of mills and thus enjoyed commission for this service.<sup>27/</sup> However, it may be noted that the coverage of the MPHWCs in terms of the primary handloom cooperatives was itself rather inadequate and not much progress was made until the second world war.<sup>28/</sup>

As stated earlier, conditions prevailing during the Second World War had further accentuated the crisis in the handloom industry following the acute shortage and high prices of yarn and a consequent shortage of cloth. By the year 1944, the handlooms did not get even the normal supply of yarn. Particularly in the later years of the war period there was acute shortage in the supply of free yarn available to the handlooms. The import of yarn from Japan was completely stopped because of its involvement in the war. The Government of India finding the situation critical imposed control over the price and distribution of yarn.<sup>29/</sup> In Madras, immediately after the war, collective weaving centres were started by the Government to relieve the distress among weavers. Raw materials were supplied to the weavers by the

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27. Final Audit Memorandum, Madras Provincial Handloom Weaver's Cooperative Society, 1937-38.

28. C.J. Baker (1984) op.cit., p.407.

29. Srinivasachari, (1960) 'The Handloom Industry', 1960, p.44.

collective weaving centres. The government at this stage felt compelled to take more positive steps so as to shore up the industry and to this end, through a series of legislative enactments sought to control the supply and prices of yarn.<sup>30/</sup>

As a remedial measure the government reorganised the MPHWCs and 'provided it with more capital, more paid officers, more borrowing capability and a trained designer'.<sup>31/</sup> In addition the government in an effort to improve the marketing potential for handloom cloth sought to introduce market sharing schemes, thereby curbing the mills from encroaching into the traditional preserve of handlooms.<sup>32/</sup> This was continued in the form of reservation of certain items of production for the handloom sector in the post-independence period. The impact of this scheme was only partial since until the late forties there were still problems over the supply of raw materials.<sup>33/</sup> However, by 1948 most of the legislative controls were removed and with the mills resuming normal production the handloom industry found itself once again in a vulnerable position in the face of severe competition from the mill sector. Once again the government had to come to its aid given the significant involvement of the state in the handloom industry in the form of:

- a. supplying yarn to the handlooms;
- b. protection of the handloom market; and
- c. persuading and pressurising the Central Government to impose restrictive measures on the mill sector, so as to prevent the latter from encroaching on the handloom market.

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30. C.J. Baker (1984) op.cit., p.411.

31. Ibid., p.410.

32. Idem.

33. C.J. Baker (1984), op.cit.p.412.



In the context of State intervention it may be observed that the process of cooperativisation of handlooms got accelerated. Thus, while there were only 30 handloom cooperatives in 1936 the number had increased to 336 by 1946 and to 1,191 by 1953. Cooperatives were relatively better off in obtaining supplies of yarn vis-a-vis the private entrepreneurs; they also received considerable inputs of government capital.<sup>34/</sup>

However, by the early fifties the handloom industry was overtaken by yet another major crisis, resulting in heavy accumulation of stocks of handloom cloth and severe distress and unemployment among weavers. Taking a serious view of the situation, the independent Indian government stepped in with a series of ameliorative measures which included the re-constitution of the All India Handloom Board, levy of additional excise duty on mill made cloth, and so on. This Board which was set up in 1945 was replaced by the Standing Handloom Committee under the Cottage Industries Board to look into the problems of the industry. This Committee seriously considered the question of the role of cooperative spinning mills (hereafter CSMS) in tackling the vexed problem of yarn supplies to the weavers. As a matter of fact, the Committee outlined the modalities and pattern of assistance to be rendered to the CSMS. It suggested:

- a. the minimum spindleage for a mill should be 12,000;
- b. the bylaws of the mill should provide for all yarn to be made available to societies. Yarn should be sold in the market only if the cooperatives are unable to consume it; and

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34. G.J. Baker (1984) op.cit., p. 412.

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- c. the Board of Directors of the mills should be so constituted as to ensure that control of the affairs rests with representatives of government and societies.

It also laid down clear guidelines for the functioning of weavers cooperatives societies.<sup>35/</sup> Societies should be organised on production cum sales pattern, that is, the societies must procure and distribute yarn and other raw materials to their weaver members, take back the finished goods from them on payment of wages and market the goods on the societies own responsibility.

This emphasis on CSMS was the outcome of the continuing problem of availability of yarn to the handlooms of the required counts at reasonable prices. The textile policy adopted in the early fifties also emphasised the need to promote exclusive spinning mills preferably organised on cooperative lines so as to meet the pressing needs of the handloom weavers.<sup>36/</sup>

The situation in Tamil Nadu was quite paradoxical. On the one hand as mentioned earlier the State had emerged as a surplus producer of yarn by the mid thirties. On the other hand, the tendency of the locally produced yarn to be moved to other regions, both neighbouring and distant, was responsible for the persistence of yarn scarcity for the handloom industry. This

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35. Working Group on Handlooms, (1964) op.cit. p.29.

36. The government felt it necessary to promote exclusive spinning mills since under the common production programme, adopted in the Second Plan framework, handlooms (which constituted the major proportion of the decentralised sector) were envisaged to meet the increased demand for textiles in the course of planned development. See Mridul Eapen, 'Structure of the spinning sector in India with special Reference to the Southern Region', (unpublished) 1985.

fact assumes significance in the light of the shift by the spinning mills towards the production of higher counts.<sup>37/</sup> Hence the handlooms were not only unable to obtain the required quantity of yarn but also the required counts, in particular the coarser counts. The excessive reliance of the handloom weavers on the private spinning mills coupled with the dominance of middlemen over the distribution and marketing systems heightened the vulnerability of the weavers. This was brought into bold relief with the growth of the powerloom sector. Consequently, there was a tendency for mills to produce cone and cross reeled hank yarn rather than plain reeled hank yarn. The former was particularly in demand from powerloom in Sholapur, Uttar Pradesh and other areas.<sup>38/</sup> In view of these problems, the government periodically reiterated its policy favouring the establishment of CSMS as an important measure to mitigate the problems of yarn supplies to handloom weavers.

#### 1.6 Rise of Cooperative Spinning Mills

Thus, while the idea of CSMS was being seriously discussed both at the state and Centre, from around the forties, it was only in 1951 however that efforts were made to promote the first CSM -- Madras Cooperative Spinning Mill. The mill was established in Guntakkal in that year wholly on the initiative of the MPHWCs and its member cooperatives and some individuals associated with the handloom industry. The share capital for the mill was also almost entirely raised

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37. C.N. Bhogedranath (1957), op.cit., pp.68-69.

38. Though we do not have any aggregate data on production of cross reeled or plain reeled hank yarn in this period, viz., late forties and early fifties, however inferential evidence tends to suggest that there was a shift towards the former.

from MPHWCs and its member cooperatives. Among the key figures who played a crucial role in pushing through the scheme for CSMs were such well known individuals as Mr. Somappa and Mr. Nachimuthu, both of whom had at one time or the other served as President of MPHWCs.<sup>39/</sup> As the President of the Chennimalai Handloom Weavers Production and Sale Society from 1941, Mr. Nachimuthu had developed significant interests in the cooperative handloom industry.<sup>40/</sup> It was with the backing of such powerful interests, both economic and political, that work could be effectively done for the cause of a CSM.<sup>41/</sup> The importance of this can be assessed from the fact that the MPHWCs by this time commanded the support of 1.80 lakh handloom weavers who were organised into 1000 societies scattered throughout the Madras Province. Following the reorganisation of the erstwhile composite Madras State, the Madras Cooperative Spinning Mill located as it was in Guntakkal, automatically became part of the Andhra State and was consequently renamed as Andhra Cooperative Spinning Mill Ltd.

However, even prior to the bifurcation of the State, efforts were made to promote yet another CSM in the Southern parts of the Madras province. This was to some extent facilitated by the success in promoting the first venture and partly the outcome of the need to locate a spinning mill in a traditionally

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39. Mr. Somappa was the President and Chairman of the Madras Presidency Handloom Weavers Cooperative Society, the Madras Cooperative Spinning Mill and the South India Cooperative Spinning Mill respectively.

40. Mr. Nachimuthu was the director and later the President and Chairman of the Madras State Handloom Weavers Cooperative Society and South India Cooperative Spinning Mill respectively from 1953 to 1969. He is also the member of the All India Handloom Board.

41. Though Mr. Somappa worked for the development of the first CSM in the Madras Presidency, it was Mr. Nachimuthu who worked for the first CSM of the reorganised Madras State.



important handloom weaving centre. Thus the South India Cooperative Spinning Mill, (hereafter SICSM) Pettai in Tirunelveli District was registered on 19th April 1952. Interestingly, it was once again the MPHWCS and prominent individuals referred to earlier, who were behind this venture as well. Thus MPHWCS came forward to contribute as much as Rs.15 lakhs as share capital, while the societies jointly contributed about Rs.18 lakhs. An old mill, Murugan Textile Mill was acquired in 1956 and it was only in 1958 that the mill commenced production with 8000 spindles. Subsequent to the establishment of the SICSM two more mills were established in southern parts of Madras, one in Srivilliputhur of Ramnad (Ramanathapuram) district and the other in Tiruchendur of Tirunelveli district.

The first one came into being in October 1956 on a representation of several weavers societies in and around Srivilliputhur region of Ramnad district; known as Ramnad Cooperative Spinning Mill, the mill had a capacity of 12,000 spindles to cater to the production of medium counts of yarn.<sup>42/</sup> It went into production by October 1961.

The other mill, Tiruchendur Cooperative Spinning Mill was registered in 1958 with 12,000 spindles in order to produce medium counts of yarn. However, production commenced only by 1962.

Among the other notable figures in the development of CSMs in the early phase were Mr. M.S. Selvaraj and Mr. A.M.M. Chinnamani, who played a decisive role in the choice of the area and in mobilising a part of the

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42. Report on the Working of Cooperative Societies in Madras State — 1955-56, Government of Madras, 1957. p.147.

share capital for Tiruchendur Cooperative spinning Mill.<sup>43/</sup>

It needs to be underlined that unlike in the case of the first CSM, Government's contribution to the initial share capital was considerably greater in respect of these two CSMS, viz. Rammad and Tiruchendur CSMS. This as a matter of fact seems to have laid the basis for increasing government participation and effective control over the CSMS, as will be discussed later. It may be noted that Government intervention became pronounced broadly due to two sets of circumstances viz., (a) the severe crisis in the textile industry, including the handlooms in the sixties<sup>44/</sup> and (b) the inability of the handloom weavers cooperatives to mobilise sufficient capital for promoting CSMS.

The increasing government participation is further testified by the establishment of as many as nine more mills between early and mid-sixties in different districts of Madras State.

It is interesting to note that between 1966 and 1983 no new mills were established; however, the installed capacities of existing mills were considerably enhanced. It was only in 1984-85 that five new mills came into being, taking the total to seventeen (See Table 1.1)

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43. Mr. M.S. Selvaraj was an M.L.A from Tiruchendur, while Mr. A.M.M. Chinnamani was a proprietor of the Tuticorin Spinning Mill. They commanded both economic and political power. Curiously, the mill was established for the benefit of Tamil repatriates from Sri Lanka, a fact reflected in the share capital and membership of the mill.
44. C.P. Chandrasekhar, Growth and Technical Change in the Indian Cotton Mill Industry 1947-1977 (unpublished), Ph.D thesis, 1981.

Table 1.1: Location of Mills and their date of functioning

Sl. No.	Name of the District/ Cooperative Spinning Mill	Number of Mills	Date of functioning
1	Tirunelveli South India - Pettai Tiruchendur Bharathiar - Ettayapuram	3	July 1958 August 1962 April 1985
2	Ramanathapuram Srivilliputhur Abiramam	2	October 1961 June 1985
3	Salem	1	June 1964
4	Coimbatore	1	September 1965
5	Thanjavur	1	October 1965
6	North Arcot	1	November 1965
7	Madurai Melur Andipatti	2	November 1965 April 1984
8	Kanyakumari	1	December 1965
9	Tiruchirapalli	1	February 1966
10	Chengalpattu	1	February 1966
11	South Arcot	1	February 1966
12	Dharmapuri	1	April 1985
13	Pudukkottai	1	July 1985
	Total	17	

Source: Compendium on Cooperative Movement in Tamil Nadu,  
Department of Cooperation, 1972 also Administrative  
Reports of Government of Tamil Nadu.

### 1.7 Objectives and Functions of Cooperative Spinning Mills:

The objectives of the CSMs have undergone periodic changes. Thus we find that at the time when the first CSM was established, viz., primarily on private initiative, the objective was clearly one of meeting the yarn requirements of the weaver's societies.<sup>45/</sup> It was also stated while installing the first series of mills in Tamil Nadu, that the production pattern of CSMs should be linked to the needs of the handloom weavers in and around the area in which the mill is located. This was confirmed also in the Chief Minister's address during the inauguration of the South India Cooperative Spinning Mill.<sup>46/</sup> As it was the first mill this was intended to be in the nature of a pilot scheme. It was claimed that the entire output of the mill was delivered to MSHWCS for distribution to member societies.<sup>47/</sup> Further, in the district-wise installation of mills the government was also prompted by the desire to redress regional industrial imbalances and also to reduce yarn and cotton costs to handlooms around the area.

In course of time with the government assuming a much greater control over the CSMS, reflected in the pattern of share capital participation,<sup>48/</sup>

45. Administrative Report - 1950-51, Government of Madras, p.77.

46. Mr. Kamaraj, while inaugurating the SICSM pointed out that, 'an important problem in improving the conditions of handloom weavers was a continuous and adequate supply of yarn. The first step that was taken to help handloom weaving was to bring weavers into the cooperative fold through which alone the State could help them. When weavers cooperative societies had difficulty in the supply of yarn it was suggested to them that CSMS could be started to feed handlooms with yarn. It was as a result of this policy that this mill was started'. See 'News and Notes', Madras Journal of Cooperation, November 1958.

47. 'Editorial Notes', Madras Journal of Cooperation, February 1960.

48. By 1970-71 the share capital contributed by government was Rs.194.96 lakhs out of the total Rs.362.61 lakhs, that is, 54.38 percent and in 1983-84 it rose to Rs.1,438.91 lakhs out of Rs.1738.72 lakhs that is 82.76 percent of the total. See Table 2.4.

there seems to have come about a broadening of the policy objectives of CSMS. Thus the mills in addition to supplying adequate yarn at reasonable prices to weavers societies were also required to absorb the locally produced cotton and thus help the cotton growers in securing a remunerative price for their produce.<sup>49/</sup> It was hoped that this would also ensure in bringing down the production costs. In addition, the High Powered Study Team on the Problems of Handloom Industry (Sivaraman Committee)<sup>50/</sup> endorsed the earlier objective that mills located in each area should produce yarn in counts required by the handlooms there.

This broader objective however remained unfulfilled. It was only in 1984 that a conscious decision was made to promote a CSM with the objective of absorbing the locally grown cotton. Thus a mill was established in Andipatti in Madurai district promoted by cotton growers along with financial support from the state. Ironically, even this mill has not been able to procure cotton from the immediate vicinity, that is, Theni, Periyakulam and Andipatti.<sup>51/</sup>

By the mid sixties with the establishment of nine more mills bringing the total to twelve, the capacity of these mills had considerably improved which is borne out by the fact that the number of spindles working registered a 13 fold increase between late 1950's and 1964-65. This brought about a further major change in the objectives of the CSMS. It was claimed by the

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49. 'Editorial Notes', Madras Journal of Cooperation, November 1958.

50. Sivaraman Committee, (1974) op.cit., pp.29-32.

51. Indian Express, June 19, 1985.

Tamil Nadu Handloom Weaver's Cooperative Society<sup>52/</sup> (hereafter Cooptex) in the mid sixties that the state society was procuring sufficient quantity of yarn to meet the demands of the handloom cooperatives; it had completely stopped procurement of yarn from the private mills from March 1966 and procurement was made only from CSMs.<sup>53/</sup> At the same time the government also began to seriously consider tying up the production of CSMs with the count-wise requirements of handloom cooperatives. However, it would seem that they were not very successful in this direction.

This claim was, of course, based on an assessment of the number of looms in the cooperative sector (provided by the Directorate) coupled with the conventional methods of estimating yarn requirements of working looms.<sup>54/</sup> On the basis of these calculations, it would appear then that the CSMs were in a position to produce more yarn than was required by the active looms within the cooperative sector. Based presumably on this understanding, the government began to contemplate the possibility of CSMs providing yarn in the open market for consumption by handlooms outside the cooperative fold.<sup>55/</sup>

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52. The Madras Provincial Handloom Weavers Cooperative Society (MPHWCS) registered in 1935 as an apex body of handloom cooperatives in the Madras Presidency was reconstituted as Madras State Handloom Weavers Cooperative Society (MSHWCS) in 1953, consequent on the bifurcation of the Madras presidency into Madras and Andhra States. Once again in the mid-sixties the MSHWCS was renamed as Tamil Nadu Handloom Weavers Cooperative Society (TNHWCS). TNHWCS, now is popularly known as 'Cooptex'.
53. Final Audit Memorandum, Cooptex, 1966-67.
54. It is generally assumed that a handloom consuming  $\frac{1}{2}$  kg of yarn and producing 5 metres of cloth, working for 250 days in a year, would annually require 125 kgs of yarn.
55. With the twin objectives of supplying good quality yarn at reasonable prices to the handloom weavers in general and to those within the cooperative fold in particular and stabilising the market prices of yarn, government sanctioned the establishment of a CSM in each district. See The Madras State Administration Report, 1966, p.261.

It was felt that by doing so the government would be able to exercise some control over the market price of yarn. This was reiterated in the perspective plan for Tamil Nadu for the years 1974-1984. This was a distinct change in the policy objective of CSMS.

However, the government claims notwithstanding, there in fact existed a paradoxical situation wherein while yarn in the aggregate appeared to be adequate vis-a-vis the requirements of the handloom cooperatives, there was a definite count-wise imbalance nor was Cooptex in fact meeting total requirements of yarn of the handloom cooperatives. Even in respect of prices, the enunciated objective of supplying yarn to handloom cooperatives at fair prices seems to have been defeated. Though we propose to examine this in detail in the following chapters, it would be appropriate to indicate here that there appeared to be both institutional and market constraints which came in the way of CSMS meeting the requirements of handloom cooperatives. In the following chapter we discuss the structure and functioning of CSMS.

## CHAPTER 2

### STRUCTURE AND GROWTH OF COOPERATIVE SPINNING MILLS

#### 2.1 Introduction

In this chapter, we shall be primarily concerned in focussing attention on the basic organisational features and functioning of CSMs in Tamil Nadu. This important dimension would enable us to assess their ability to achieve the desired objectives, viz., of meeting the yarn requirements of handloom cooperatives at reasonable prices.

#### 2.2 Growth in Spindleage and Capacity

As observed in the previous chapter, while cooperativisation has had a long history, the cooperative spinning sector is of recent origin. The success of the first CSM in Madras, as it were, paved the way for the growth of this sector in the other regions of the country, principally Maharashtra and Andhra Pradesh. In course of time, however for reasons which we shall elaborate in subsequent sections, Maharashtra State overtook Tamil Nadu in the pace of development of CSMs.

In Tamil Nadu, as indicated earlier, there was a phenomenal growth in the number of CSMs around the mid sixties, after which the next spurt of expansion took place in the eighties. Between mid sixties and 1983-84 there was however considerable expansion in size and capacity of the mills (See Table 2.1) Initially the optimum size of a mill ranged between 8,000 to 12,000 spindles; we find that there was an increase to 25,000 spindles in the seventies



Table 2.1: Spindleage and Capacity of CSMs in Tamil Nadu(Figures in '000 spindles  
and '000 kgs)

Year	No. of mills	Spindles			Yarn Production
		Licenced	Installed	Working	
1955-56	2	28	NA	Nil	Nil
1957-58	2	28	8	8	N.A
1958-59	3	40	8	8	N.A
1964-65	9	156	N.A	120	N.A
1965-66	12	275	163	145	N.A
1969-70	12	N.A	188	183	N.A
1970-71	12	N.A	192	186	N.A
1971-72	12	N.A	195	190	N.A
1972-73	12	N.A	198	192	N.A
1973-74	12	N.A	199	195	9,002
1974-75	12	313	219	199	8,849
1975-76	12	323	223	201	11,303
1976-77	12	326	237	212	11,107
1977-78	12	389	262	222	13,459
1978-79	12	401	306	291	12,235
1979-80	12	575	314	311	12,606
1980-81	12	575	315	314	15,770
1981-82	12	575	322	318	18,220
1982-83	12	575	329	322	18,322
1983-84	12	575	333	331	21,069
1984-85	17	700	408	N.A	N.A

Sources: Compiled from (a) Report on the Working of Cooperative Societies (hereafter RWCS) in Madras, Government of Madras; (b) Statistical Statements relating to the Cooperative Movement in India Part II, Non-credit Societies, Reserve Bank of India; and (c) All India Federation of Cooperative Spinning Mills (hereafter AIFCOSPIN) Annual Reports

Notes: 1. The CSMs started functioning from 1957-58 onwards.  
2. Yarn production refers to total production viz., hank and cone.

and the current 'optimum' size as spelt out by the Planning Commission is 50,000 spindles.<sup>1/</sup>

As is evident from Table 2.1, the initial sharp increase in the number of spindles installed in the mid sixties reflects the addition of nine new mills; from 8,000 spindles in 1958-59 the number increased to 1.63 lakh spindles in 1965-66. Since then spindleage has steadily increased (the number of mills remaining constant at twelve) to 3.3 lakh spindles by 1983-84. With the addition of five more mills in 1984-85, the capacity had increased to 4.08 lakh spindles. Thus the CSMs now constitute about 5 percent of the total installed spinning capacity in Tamil Nadu or 7.48 percent of the capacity in spinning mills alone.<sup>2/</sup> It is interesting to note that although capacity in the CSMs is still relatively small, of the increases in capacity in recent years the CSMs were able to pre-empt a large share. This is primarily on account of the big boost given to CSMs in the Sixth Plan period - based on the 1981 Textile Policy<sup>3/</sup> - which favoured the licensing of further spinning capacity in the cooperative sector. Tremendous patronage was also being extended to these mills including substantial financial help through guaranteeing of loans from financial institutions like Industrial Finance Corporation of India, Industrial Development Bank of India and others. However, under the Seventh Plan the entire spinning capacity has

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1. Mridul Eapen, (1985) op.cit., p.3.

2. By 1-1-1984 the installed spindles in the spinning sector was 54.5 lakhs in Tamil Nadu. See All India Federation of Cooperative Spinning Mills (hereafter AIFCOSPIN) Annual Report, 1983-84 p.426.

3. The 1981 Textile Policy document had clearly stated that 'the government would encourage formation of a network of cooperatives for effective integration of spinning, weaving and processing activities for the growth and development of handlooms'.

once again 'been brought under the licensing system'. This has been done so since it is believed that there is more than adequate capacity in the spinning sector.<sup>4/</sup>

In respect of production, we find a steady growth from about 9 million kgs in 1973-74 (earlier figures are not available separately for CSMS) to around 21 million kgs in 1983-84. Hence as can be seen from the table the growth in production has been faster than the growth in spindleage; such that the CSMS account for a larger share of total production of yarn in Tamil Nadu, viz., 10 per cent.<sup>5/</sup>

We now examine very broadly the capacity of CSMS to meet the yarn requirements of handloom cooperatives. A more detailed analysis will be carried out in Chapter 3.

Table 2.2 gives the estimates of yarn requirements of the cooperative handloom sector, which have been derived on the basis of two different methods. The first is based on the number of active handlooms in the cooperative sector and the assumption that each loom requires 125 kgs of yarn per year, that is,  $\frac{1}{2}$  kg of yarn per day per loom for 250 days. The second, is estimated on the basis of the formula that 10 metres of cloth can be produced with 1 kg of yarn. Hence, given the total cloth produced by the handloom cooperatives each year the annual yarn requirements have been calculated. As can be seen from the table, there are wide differences between these two estimates. We can, only

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4. Seventh Five Year Plan 1985-90, Vol.II, Government of India, 1985. p.186.

5. Total production of yarn in Tamil Nadu was 212 million kgs in 1981-82 and CSMS produced 21 million kgs. See Textile Policy Suggestion 1985, Directorate of Handlooms and Textiles, Government of Tamil Nadu.

Table 2.2: Cotton Handlooms under Cooperatives and their Yarn Requirement

(Figures in '000 looms and yarn in '000 kgs)

Year	Looms under Cooperatives		Yarn Requirements of Active Handlooms		Yarn Production by CSMs	Number of Weavers cooperative societies
	Total	Active	Estimate 1	Estimate 2		
1953-54	114	N.A	-	-	N.A	N.A
1955-56	157	N.A	-	-	N.A	N.A
1957-58	185	72	9,000	-	N.A	N.A
1959-60	211	62	7,750	-	N.A	N.A
1961-62	N.A	74	9,250	-	N.A	N.A
1966-67	230	76	9,500	7,315	N.A	1,069
1967-68	206	73	9,125	7,676	N.A	1,050
1968-69	180	N.A	-	7,107	N.A	874
1969-70	157	71	8,875	6,192	N.A	760
1970-71	142	68	8,500	6,151	N.A	650
1971-72	143	80	10,000	6,275	N.A	714
1973-74	159	92	11,500	8,150	9,002	747
1974-75	163	98	12,250	7,060	8,849	704
1975-76	174	89	11,250	7,420	11,303	769
1976-77	182	94	11,750	7,760	11,107	872
1977-78	207	N.A	-	7,981	13,459	946
1978-79	219	76	9,500	8,547	12,235	993
1979-80	240	N.A	-	9,006	12,606	1,052
1980-81	263	N.A	-	10,328	15,770	1,187
1981-82	306	N.A	-	N.A	18,220	1,329
1982-83	337	N.A	-	N.A	18,322	1,510
1983-84	370	N.A	-	N.A	21,069	1,568

Sources: 1. Looms under cooperatives, number of societies (1966-67 to 1982-83) and active looms (1957-58 to 1967-68) compiled from RWCS and Hand Book of Statistics, Directorate of Handlooms and Textiles, Government of Tamil Nadu

2. Active looms 1969-70 to 1975-76 from Department of Statistics, Government of Tamil Nadu.

3. Others from Tamil Nadu Journal of Cooperation (Various issues) and AIFCOSPIN Annual Reports.

Note : N A — Not Available

infer that the first estimate would tend to be much higher because of the tendency to overestimate the number of active handlooms as also the number of days worked.

While in relation to the first estimate even total production of yarn by the CSMS is not sufficient to meet the requirements of the handloom cooperatives, according to the second estimate the CSMS produce sufficient yarn. (In fact this is so even if we relate the requirements to hank yarn production alone, as we shall see subsequently). It may, therefore, be noted that the claim made by the Directorate in the mid sixties, that the CSMS were producing sufficient yarn to meet the requirements of the active looms is not borne out on the basis of its own estimates of active handlooms in the cooperative sector. In our subsequent discussions we have used the second estimate which appears relatively more reliable and examined production vis-a-vis requirement in greater detail. Further, a closer reading of the available data would tend to suggest that the increases in capacity were in fact not entirely geared towards meeting the demands of handloom cooperatives. Thus for instance in the case of sample mill 1 which has two units, 'A' and 'B' with a spinning capacity of 17,600 and 12,400 spindles respectively, we found that the expansion of capacity sought for<sup>by</sup> both the units to raise the capacity in each to 25,000 spindles was in fact wholly installed in unit 'B' which was concentrating in the production of counts 60s to 100s.<sup>6/</sup> Given the existing pattern of demand by the handlooms, this contributed in perpetuating their problems with respect to yarn availability.

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6. The average count spun by the 'A' unit was 20s in 1958-59 and around 31 after 1965-66; while in 'B' unit it was between 65s and 70s from 1966-67 onwards. See Sample mill 1 records

### 2.3 Organisational Structure

CSMs are generally classified as cooperatives of (a) handloom weavers and their cooperatives, (b) cotton growers and their cooperatives and (c) powerloom weavers and their cooperatives.

In addition, these mills can also be promoted by a combination of these interests. In the case of Tamil Nadu we find that, while initially CSMs were envisaged to encourage both cotton growers and handloom weavers cooperatives, the former objective as mentioned earlier remained unfulfilled. CSMs in Tamil Nadu were almost entirely organised by handloom weavers cooperatives. The only exception is the recently promoted CSM at Andipatti. However, even in this case though the mill was promoted by a section of the local cotton growers with government initiative, it was not successful in mobilising the locally grown cotton.<sup>7/</sup>

It is interesting to note that the situation differs considerably across regions (See Table 2.3) The table relating to the year 1983-84 reveals that Maharashtra has the largest number of CSMs. Although the first series of CSMs were established in Tamil Nadu, Maharashtra seems to have overtaken Tamil Nadu. Unlike in Tamil Nadu, Cotton growers and their cooperatives dominate the CSMs in Maharashtra. Thus 17 out of the 25 CSMs in that State are organised by cotton growers followed by powerloom weavers cooperatives. The absence of CSMs organised by powerloom weavers cooperatives in Tamil Nadu could be explained in terms of (a) the traditionally well entrenched position of the handloom industry; and (b) the relatively late entry of the powerlooms in the State.<sup>8/</sup>

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7. Indian Express, June 19, 1985.

8. K. Bharathan, The Cotton Handloom Industry in Tamil Nadu: Some Characteristics and aspects of Change from the post-Independence Census data, (Unpublished) 1983.

Table 2.3: Distribution of Cooperative Spinning Mills in India by Category

(Number of mills as on 30-6-1984)

Sl. No.	State	Handloom weavers and cooperatives	Powerloom weavers and cooperatives	Cotton growers and cooperatives	Total
1	Andhra Pradesh	5	-	2	7
2	Gujarat	1	1	3	5
3	Karnataka	-	-	7	7
4	Maharashtra	3	5	17	25
5	Punjab	-	-	3	3
6	Orissa	5	-	-	5
7	Tamil Nadu <sup>1</sup>	13	-	-	13
8	Other States	9	-	3	12
Grand Total		36	6	35	77

Source: Compiled from AIFCOSPIN Annual Report, 1983-84, pp.2-11.

Note : 1. Out of 13, 12 were in production by 1983-84.

The structural differences between the CSMs in Tamil Nadu and Maharashtra needs to be viewed in the larger context of the differing socio-economic and historical specificities of the two regions. Perhaps one of the major factors is the fact that Tamil Nadu as a whole was highly deficient in raw cotton

production.<sup>9/</sup> Within Tamil Nadu, even in the areas where cotton is produced we observe considerable variations in the agrarian structure which may perhaps explain the absence of cotton growers cooperatives in the major cotton growing regions. While in the Coimbatore region there was a relative preponderance of large cotton growers, who had also taken to cotton trading, in contrast in the Tirunelvely, Ramnad Cotton belt, the proportion of small producers was much greater. The large cotton growers of the Coimbatore region were already tied-up with the private spinning mill sector, either as promoters and shareholders of the mill or as suppliers of cotton to the mills. In view of this one could possibly infer that there was no particular incentive for these producers to organise themselves into cotton growers cooperatives. On the other hand, in the Tirunelvely and Ramnad region, given the small average size of holdings and its scattered nature, perhaps the cotton growers were unable to organise themselves into cotton growers cooperatives.

Maharashtra presents a contrasting situation. The state as a whole was a surplus cotton producer. This coupled with the fact that historically there had emerged a class of large cotton growers, perhaps explains the specific compulsion and responses of the producers to organise themselves into cooperatives.<sup>10/</sup>

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9. By 1983-84, of the total production of 65.82 lakh bales of Cotton, Tamil Nadu accounted for 2.99 lakh bales (This constituted 4.54 percent of the total production; while it consumed about 18 lakh bales of cotton, that is, 27.35 percent of total production) Hence Tamil Nadu produces only about 17 percent of its raw cotton requirement. See AIFCOSPIN Annual Report, 1983-84, p.434 and Textile Policy Suggestion, Director of Handlooms and Textiles, Government of Tamil Nadu, 1985.
  10. There are no specialised cotton marketing cooperatives in Tamil Nadu and only the general marketing cooperatives undertake marketing of cotton as one of their function. In contrast, in Maharashtra as many as eight cotton marketing cooperatives were functioning by 1976-77 (covering 312 villages with 3,401 grower members) See Statistical Statements relating to the cooperative movement, Vol.II, Non-credit societies, Reserve Bank of India, 1976-77.



Another significant difference between the two states is in the nature and extent of share capital participation by government and member cooperatives and individuals. It has been observed that with the exception of the first CSM, viz; South India CSM, Tirunelvely, the remaining CSMs in Tamil Nadu tended to depend rather heavily on the government in respect of equity capital. However in the case of Maharashtra owing to the greater initiative taken by individual growers and handloom and powerloom cooperatives, the dependence on government both in terms of share capital and management has been far less than what we observe in the case of Tamil Nadu.

This is borne out by the role of government in share capital participation in the CSMs. We find that while in the initial stages in Tamil Nadu the government provided share capital on a matching basis, subsequently it was raised to a ratio of roughly 1:2 between the members and the government.<sup>11/</sup> By late seventies there was a progressive increase in government participation leading to a ratio of 1:4; currently it is 1:5 (See Table 2.4). As is evident from the table, the share of handloom cooperatives has been successively declining and by 1983-84 it was a mere 11.18 percent. The sharpest increase in so as far as government financial participation was concerned appears to have taken place since mid-seventies. It is observed that even in the case of SICSM which until 1969 was relatively less dependent on government, the same pattern begins to be followed from that year.<sup>12/</sup> In the case of Maharashtra, though, the governments' share

11. Management of Cotton Spinning Industry, (Seminar Proceedings), Management Development Institute, 1975 p.171.

12. By 1967-68, while the paid up share capital of sample mill 1 was Rs.57.74 lakhs, the government share had also proportionately increased and stood at Rs.25 lakhs, that is 43.30 percent of the total paid up share capital. By 1975-76 the paid up share capital was Rs.118 lakhs while the government share had increased to Rs.87.30 lakhs, that is 73.98 percent of the total paid up share capital. By 1981-82, the government share was Rs.114.25 lakhs out of total paid up share capital of Rs.145.09 lakhs, that is 78.74 percent. See Sample Mill 1 Annual Reports.

Table 2.4: Share Capital Participation in CSMs: Tamil Nadu and Maharashtra

(Figures in Rupees lakhs)

Year	Tamil Nadu			Maharashtra		
	Government	Cooperatives	Individuals	Government	Cooperatives	Individuals
1954-55	10.00(23.50)	32.56(76.50)	-	-	-	-
1959-60	36.78(42.91)	48.94(57.09)	N.A.	N.A.	N.A.	N.A.
1961-62	48.78(43.66)	57.85(51.78)	5.10(4.56)	5.37(23.53)	8.21(35.98)	9.24(40.49)
1963-64	118.77(47.05)	102.09(40.44)	31.60(12.51)	54.12(51.66)	20.95(20.00)	29.68(28.34)
1965-66	158.58(50.21)	130.79(41.42)	26.44( 8.37)	184.95(49.95)	70.07(18.93)	115.23(31.12)
1967-68	169.78(50.98)	132.00(39.88)	30.25( 9.14)	284.13(47.75)	89.23(15.00)	221.61(37.25)
1971-72	199.46(55.07)	N.A.	N.A.	659.54(62.14)	143.87(13.56)	257.92(24.30)
1973-74	202.46(55.09)	130.34(35.46)	34.74( 9.45)	818.31(59.30)	198.61(14.39)	363.02(26.31)
1975-76	370.91(68.76)	129.37(23.98)	39.16( 7.26)	1,039.73(61.49)	196.62(11.63)	454.64(26.88)
1978-79	782.68(82.33)	167.93(17.67)		N.A.	N.A.	N.A.
1979-80	797.69(82.04)	174.57(17.96)		N.A.	N.A.	N.A.
1981-82	1,054.16(84.48)	71.71( 5.75)	121.93( 9.77)	1,186.98(57.33)	170.02( 8.21)	713.52(34.46)
1982-83	1,078.06(78.82)	189.54(13.86)	100.11( 7.32)	1,311.28(58.43)	174.37( 7.77)	758.70(33.80)
1983-84	1,438.91(82.76)	194.40(11.18)	105.41( 6.06)	2,524.45(69.98)	192.97( 5.35)	890.21(24.67)

- Sources: 1. Upto 1959-60 — RWCS, Government of Madras  
 2. 1961-62 to 1979-80 — Statistical Statements relating to the Cooperative Movement in India, Vol.II, Non-Credit Societies, Reserve Bank of India.  
 3. From 1981-82 to 1983-84 — AIFCOSPIN Annual Reports

- Notes : 1. Figures in brackets refer to percentage distribution  
 2. In 1954-55 there was only one CSM, in Tamil Nadu  
 3. 1959-60 - Only three CSMs.  
 4. NA - Not Available

is not insignificant in the total paid up share capital, it is less than in Tamil Nadu. The share of individuals is quite high and by 1983-84 it was around 25 percent of the total; in Tamil Nadu it was only 6.06 percent for the same period. This has significant implications for the management of CSMs.

Generally in a cooperative, the management is vested in a general body of its members, which in turn elects the Committee of Management or Board of Directors with which is entrusted the task of overall supervision and management of the said cooperative. However, as far as Tamil Nadu was concerned this principle was observed only in the case of SICSM and that too only upto August 1970. All the remaining mills were managed by a government nominated board of which the respective district collector was the Chairman.

In contrast, in Maharashtra the mills are managed by elected representatives and seem to function relatively more democratically.<sup>13/</sup> Thus in Tamil Nadu, owing to excessive government control, the member cooperatives have virtually no voice in the management of the CSMs. The latter tend to assume bureaucratic overtones and functions like a typical government department.

#### 2.4 Functional Structure

Given the extensive government control over CSMs, the latter have

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13. In Tamil Nadu, the by-laws of the SICSM States that the Managing Committee should consist of 14 members. Of these only as many as 7 can be shareholders, or members of the cooperative mill. In certain other CSMs only 8 out of 17 members can belong to the non-official category. The remaining are to be nominated by the government. However, in Maharashtra the government can nominate only one member in a weaver's mill and two members in a growers' mill. See S.V. Khadvekar, Management of Cooperative Spinning Mills in Maharashtra, 1980. pp.133-134 and p.188.

come to operate within the ambit of the overall supervision and direction of the Directorate of Handlooms and Textiles (hereafter Directorate). The Directorate attends to the work relating to the development of handlooms and other ancillary industries connected with the textile industry. All the Handloom Development Schemes for the benefit of weavers are implemented through and by this Directorate. It has a special responsibility to increase the coverage of handloom weavers under the cooperative sector.

The Directorate plays an important role in procuring cotton for the CSMS and in marketing/distribution of yarn. In this section we propose to examine the inter-relationship between the CSMS and the raw material supplying institutions on the one hand and the yarn marketing agencies on the other. This would enable us to identify the possible limitations in the functioning of the CSMS which would impinge on the problem of yarn supply to handloom cooperatives. (See Chart 1)

#### 2.4.1 Procurement of Cotton

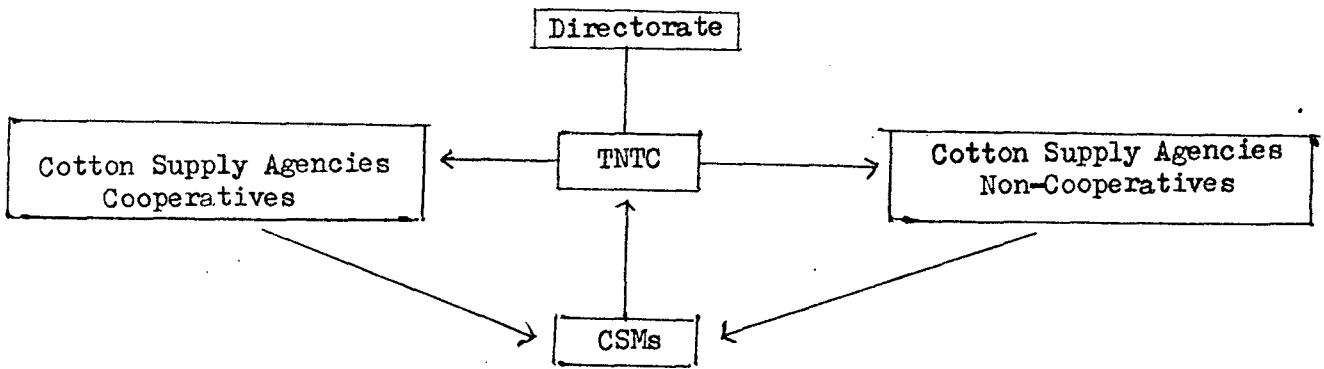
As referred to earlier, Tamil Nadu is deficient so far as cotton production is concerned and consequently has to import considerable quantities of cotton from other States viz; Maharashtra and Gujarat to meet its internal demand.

Further cotton cost, which accounts for almost 60 to 70 percent of the total cost of production in a spinning mill, has in a sense a determining influence on yarn prices. Since the cotton growers, even in the limited cotton growing tracts were not associated as members of the CSMS, the latter were unable to procure cotton directly from these sources. As stated earlier, this was the case even in respect of the CSM started in 1984 in Andipatti which had been promoted by cotton growers.

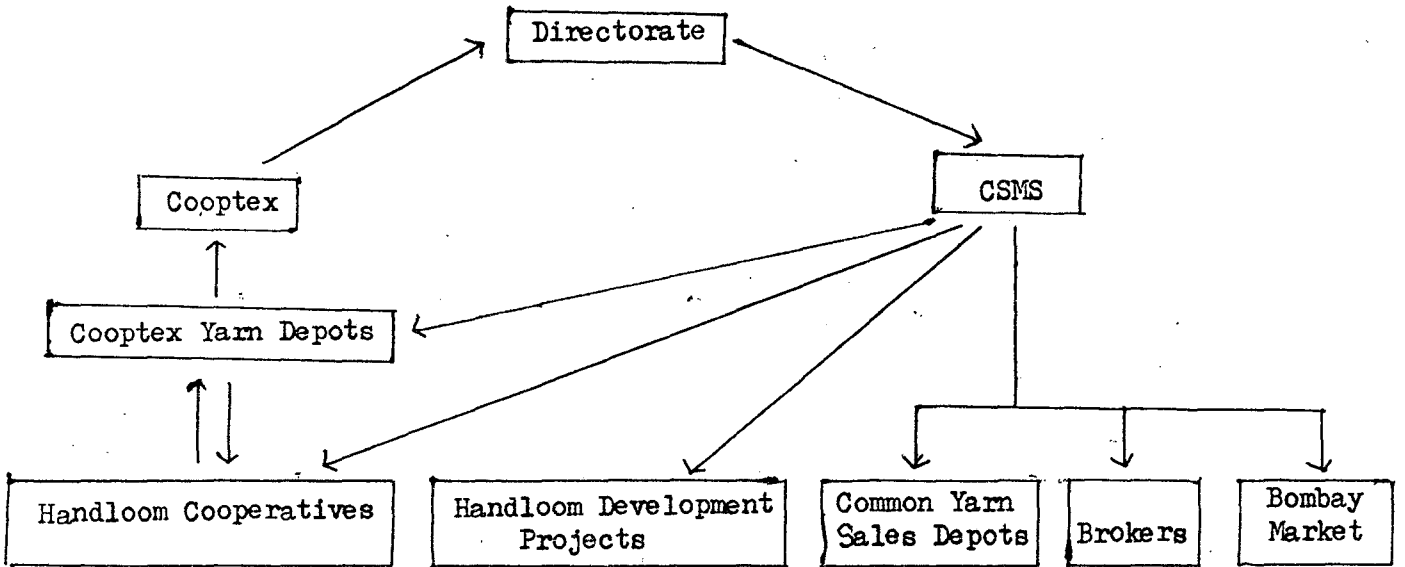
Chart 1

INSTITUTIONAL FRAMEWORK

(1) Cotton Procurement



(2) Yarn Marketing



The cotton procurement policy of CSMS has evolved through a number of stages. In the initial years, that is, in the sixties when the few CSMS that existed started production, the Directorate circulated a list of approved cotton traders to the mills from whom alone cotton could be purchased subject to the supervision by a Committee appointed by the Directorate. This however was not adhered to strictly as the required variety of cotton was not readily available with the authorised cotton traders; moreover in some instances the mills found the price of cotton available with these traders to be somewhat higher than in the open market.<sup>14/</sup>

To overcome these problems, the Directorate in 1974 constituted two Cotton Purchase Committees, one procuring the finer varieties and the other coarser varieties. This policy too was not very successful because of the non-availability of the right variety of cotton in the nearest procuring centre, thus forcing the mills to once again depend on the open market for their cotton requirements. This situation seems to have obtained upto 1980, whereupon the Directorate as part of an attempt to reorganise the entire cotton purchase policy entrusted this task to Tamil Nadu Textile Corporation, a subsidiary of the Directorate. Under this system, the mills procure their requirement through the Cotton Purchase Cell of the corporation by placing regular indents with the cell. The latter then places the order with the various cotton trading agencies in favour of the respective mills and also acts as a market information centre.

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14. In the course of our sample survey we were informed by the officials of the sample mills that under such circumstances, the mills could procure cotton from the non-authorised cotton traders, if the price offered by the latter were favourable.

While this policy streamlined the system of cotton procurement and reduced the dependence of the mills on private traders, it however tended to escalate the operational costs of procuring cotton and it was also found to be a time consuming procedure. To overcome this problem, the Directorate has very recently in 1984 initiated a 'tie-up programme' with the Tamil Nadu Cooperative Marketing Federation to minimise at least the cost of locally grown cotton. The federation pools the cotton produced in each district through its marketing societies and informs the mills of the availability of cotton by type and quantity. Hence the mills around the area can avail of the cotton produced in that region at relatively lower prices which are fixed on open tender basis. However, the availability of cotton under this scheme is limited. For the three month period covering January to March 1984, out of the total procurement of 14.05 lakh kgs of cotton only 1.24 lakh kgs (8.83 percent) was availed of by sample mill 1, which is located in a cotton growing region, under this programme.

As stated earlier, ironically even in the case of the CSM promoted by the cotton growers, the cotton requirement is procured only through the Tamil Nadu Textile Corporation. Though originally the mill was conceived with the idea of procuring cotton from the surrounding cotton producing regions of Theni, Periyakulam and Andipatti of Madurai district, however the mill has so far been unable to procure any cotton from the region.

Despite the efforts of the Directorate to rationalise the system of cotton procurement for the mills, it has been observed that owing to the various limitations spelt out above, the mills continued to rely to a large extent on private traders for their requirements of raw cotton. (See Table 2.5) Perhaps one of the important reasons for this may have been the relatively

Table 2.5: Structure of Cotton procurement by CSMs in Tamil Nadu

(Amount in '000 Rupees)

Year	From Cooperatives <sup>1</sup>		Other than Cooperatives	
	Amount	Percentage	Amount	Percentage
1961-62	2,147	50.33	2,119	49.67
1962-63	4,076	46.37	4,715	53.63
1963-64	4,400	64.20	2,454	35.80
1964-65	5,449	63.96	3,071	36.04
1965-66	3,630	22.91	12,218	77.09
1966-67	2,872	6.82	39,254	93.18
1968-69	1,861	3.33	54,043	96.67
1970-71	4,354	4.60	90,215	95.40
1971-72	10,901	11.63	82,811	88.37
1972-73	5,215	8.58	55,561	91.42
1973-74	3,135	2.69	1,13,454	97.31
1974-75	3,815	4.02	91,175	95.98
1975-76	31,171	24.87	94,176	75.13

Source: Statistical Statements relating to the Cooperative Movement, Vol.II, Non-credit, Reserve Bank of India

Note: 1. Includes other than Tamil Nadu Cooperatives also.



greater degree of flexibility that could be obtained in dealing with private traders including the advantage of credit facilities.<sup>15/</sup> This situation is likely to persist until the financial position of the mills improves and the institutional limitations remedied.

Our study of the sample mills provides further evidence of substantial dependence still on private traders, though there are indications of a possible decline in this dependence over time (See Table 2.6)

It may be noted from the table that, private traders still account for almost 36 to 41 percent of cotton procured though it is much less so now compared to over 80 to 90 per cent in the mid seventies. The Cotton Corporation of India (hereafter CCI) also plays an important role in supplying cotton to CSMs though this was not revealed at the aggregate level; however no procurement was made from CCI between 1977 and 1980. The share of other State's Marketing Cooperatives has also risen significantly and forms around 35 percent.

This dependence on private traders has serious implications for the pricing of yarn by the CSMs, since our mill level evidence for the few years available suggests that cotton prices charged by private traders have risen faster than prices of cotton sold by cooperative agencies. These have also tended to decline much more in certain years in the case of the latter (See Table 2.7)

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15. This was confirmed by the information gathered from the sample mills. Thus for the cotton procured from Cotton Corporation of India the payment had to be made well in advance. In the case of other State Cooperative Marketing Federations payment had to be made within 2 or 3 days of delivery. In contrast the terms and conditions of private cotton trader were generally more favourable to the CSMs and it was revealed that it was quite normal to secure credit facility for about 30 days or so.

Table 2.6: Agency-wise Cotton procured by the Sample Mills

(Quantity in lakh kgs)

Year	Sample Mill 1						Sample Mill 2					
	1	2	3	4	5	6	1	2	3	4	5	6
					(1+2)	(3+4)					(1+2)	(3+4)
1974	.11 (.88)	.26 (2.08)	.06 (.48)	12.06 (96.56)	.37 (2.96)	12.12 (97.04)	N.A	N.A	N.A	N.A	-	-
1975	.40 (5.33)	.53 (7.06)	.69 (9.19)	5.89 (78.42)	.93 (12.39)	6.58 (87.61)	N.A	N.A	N.A	N.A	-	-
1976	1.19 (14.64)	.34 (4.18)	1.04 (12.79)	5.56 (68.39)	1.53 (18.82)	6.60 (81.18)	N.A	N.A	N.A	N.A	-	-
1977	.37 (3.05)	-	-	11.77 (96.95)	.37 (3.05)	11.77 (96.95)	N.A	N.A	N.A	N.A	-	-
1978	.68 (5.26)	-	-	12.25 (94.74)	.68 (5.26)	12.25 (94.74)	N.A	N.A	N.A	N.A	-	-
1979	N.A	N.A	N.A	N.A	-	-	.59 (2.58)	3.46 (15.14)	-	18.81 (82.28)	4.05 (17.72)	18.81 (82.28)
1980	.87 (6.59)	3.84 (29.07)	-	8.50 (64.34)	4.71 (35.66)	8.50 (64.34)	-	4.60 (20.12)	-	18.26 (79.88)	4.60 (20.12)	18.26 (79.88)
1981	.61 (4.57)	5.21 (39.06)	1.43 (10.72)	6.09 (45.65)	5.82 (43.63)	7.52 (56.37)	.54 (1.66)	13.64 (41.96)	5.00 (15.38)	13.33 (41.00)	14.18 (43.62)	18.33 (56.38)
1982	.04 (.24)	5.73 (34.09)	4.09 (24.33)	6.95 (41.34)	5.77 (34.33)	11.04 (65.67)	2.60 (6.84)	11.07 (29.12)	8.50 (22.35)	15.85 (41.69)	13.67 (35.96)	24.35 (64.04)
1983	N.A	N.A	N.A	N.A	-	-	2.53 (7.19)	12.79 (36.30)	7.39 (20.97)	12.52 (35.54)	15.32 (43.49)	19.91 (56.51)

Source: Collected from sample mill records

Notes: Figures in brackets refer to percent of total procurement

1. Tamil Nadu Cooperatives

2. Other state cooperatives

3. Cotton Corporation of India

4. Private traders

5. Total cooperatives

6. Total other than cooperatives

Table 2.7: Agency-wise Cotton Procurement by Sample Mills

(Price in Rupees per kg of cotton)

Name of the Agency	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
1. Other State Cooperative Marketing Federation	1. N.A	N.A	N.A	N.A	N.A	12.87	11.90 (-7.54)	15.69 (31.85)	14.57 (-7.14)	13.81 (-5.22)
	2. 12.96	9.09 (-29.86)	8.88 (-2.31)	N.P	N.P	14.85	13.49 (-9.16)	16.78 (24.39)	15.41 (-8.16)	N.A
2. Tamil Nadu Cooperative Marketing Federation	1. N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	14.17	16.84 (18.84)
	2. N.P	N.P	N.P	N.P	N.P	N.P	N.P	15.67	16.00 (2.11)	N.A
3. Tamil Nadu - Cooperative Societies	1. N.A	N.A	N.A	N.A	N.A	13.95	N.P	17.59	16.48	17.13
	2. 11.55	9.00 (-22.08)	13.87 (54.11)	17.57 (26.68)	13.54 (-22.94)	16.53 (22.08)	14.86 (-10.10)	19.13 (28.73)	N.P	N.A
4. Cotton Corporation of India	1. N.A	N.A	N.A	N.A	N.A	N.P	N.P	16.59	15.30 (-7.78)	17.36 (13.46)
	2. 23.66	21.39 (-9.59)	18.71 (-12.53)	N.P	N.P	N.P	N.P	17.10	14.88 (-12.98)	N.A
5. Private Traders	1. N.A	N.A	N.A	N.A	N.A	10.57	12.68 (19.96)	16.49 (30.05)	15.38 (-6.73)	16.23 (5.53)
	2. 11.25	10.10 (-10.22)	13.60 (34.65)	15.44 (13.53)	14.07 (-8.87)	N.P	14.02	17.37 (23.89)	16.33 (-5.99)	N.A

Source: Mill Records of the Sample units

Notes : 1. Sample Mill 1                      2. Sample Mill - 2

Figures in brackets refer to annual percentage of change in price

N.A - Not Available                      N.P - Not Procured

For instance in case of sample mill 1 while prices charged by cooperative agencies declined between 1979 and 1980, there was a large increase, almost 20 percent in the price charged by private traders.

In the case of Maharashtra, in a cotton growers mill cotton is procured essentially from the members. Only when the latter is unable to meet the requirements, cotton is procured from others preferably a cooperative agency authorised by the Board of Directors of the mill.<sup>16/</sup> In a weavers mill, the procurement is made by the mill by getting quotations or from the State Cooperative Marketing Federation; however, even in the case of these mills a substantial proportion of the requirement is procured from the private traders<sup>17/</sup> as in Tamil Nadu.

#### 2.4.2 Marketing of Yarn

The primary objective of CSMs as spelt-out earlier was to supply or market the yarn produced to handloom cooperatives. This principle appears to have been followed roughly upto the mid sixties. Since then with the establishment of nine more mills together with the substantial growth of capacity of the mills around the mid sixties and with the shift in objective as discussed earlier, it was felt that the mills could produce yarn for the open market subject, of course, to the fulfilment of the yarn requirements of handloom cooperatives. This change in policy appears to have had some bearing on the production pattern of CSMs. This seems to be supported by the

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16. S.V. Khadvekar (1980) op.cit., pp.179-204.

17. However the introduction of monopoly procurement of cotton by the Government of Maharashtra affected the system of procurement by both grower's and weaver's mills. See S.V. Khadvekar (1980) op.cit., pp.179-204.

increasing tendency of the CSMs to produce finer counts of yarn and equally significantly the tendency to produce cone yarn.

Broadly the system of distribution as it exists now is dual in nature, viz., sale to cooperatives and to the open market. The sale to cooperatives is made through the following channels:

1. Cooptex
2. Directly to handloom cooperatives and
3. To handloom development projects and schemes

On the other hand, under the open market sales, yarn is marketed through,

1. Common yarn selling depots
2. Yarn brokers and
3. Bombay market.

In Maharashtra, the weavers mills after providing a certain quota to their members, sell the remaining in the open market through the tender system.<sup>18/</sup> In the case of growers mills, they market the yarn either through yarn selling agencies or directly.<sup>19/</sup>

At the all mill level in Tamil Nadu we have data on marketing of yarn only by the two broad categories - sale to Cooptex and the remaining to open market (which includes the mill yarn depots) These data are given in Table 2.8 from 1975-76 to 1983-84. The structure of marketing in detail is available for the two sample mills (See Table 2.9)

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18. In West Bengal also yarn has been marketed by tender system by the only CSM. See Abanti Kundu, Pattern of Organisation in the Handloom Industry, (unpublished) Centre for Studies in Social Sciences, 1980.

19. S.V. Khadvekar (1980) op.cit., pp.83-91.

Table 2.8: Yarn Production and Supply by CSMs in Tamil Nadu

(Quantity in lakh kgs)

Year	Hank Yarn production	Yarn supplied to Cooptex	Percentage of supply out of production
1975-76	86.86	52.90	61.08
1976-77	83.12	48.36	58.18
1977-78	96.23	44.03	45.75
1979-80	107.50	71.58	66.59
1980-81	121.85	77.05	63.23
1981-82	127.12	67.86	53.39
1982-83	119.79	76.82	64.13
1983-84	137.83	84.01	60.95

Sources: 1. Production figures from AIFCOSPIN Annual Reports and Directorate of Handlooms and Textiles.

2. Yarn supply to Cooptex from Cooptex Records.

Notes: 1. 1 bale = 200 kgs. Figures in bales have been converted into kgs for yarn supply.

2. The yarn left over after supply to Cooptex is absorbed in the open market.

#### 2.4.2.1 Sales to Cooptex

The Directorate, as indicated earlier plays a crucial role in coordinating and monitoring the supply and demand for yarn by the primary societies. The system works as follows: each society is expected to indicate in advance its yarn requirement -- count-wise and in aggregate to the Cooptex through the nearest yarn selling depots of the Cooptex. The indents so placed are collected, processed and thereafter communicated to the Directorate. The

Table 2.9: Yarn Sales by sample mills to Cooptex and other than Cooptex

(Figures in Rupees Lakhs)

Year	Sample Mill 1				Sample Mill 2			
	Cooptex	Percentage	Other than Cooptex	Percentage	Cooptex	Percentage	Other than Cooptex	Percentage
1973	134.20 (8.16)	85.95 (83.35)	21.93 ( 1.63)	14.05 (16.65)	N.A	-	N.A	-
1974	146.04 (6.54)	53.39 (47.22)	127.47 ( 7.31)	46.61 (52.78)	N.A	-	N.A	-
1975	116.40 (6.48)	52.59 (48.36)	104.95 ( 6.92)	47.41 (51.64)	N.A	-	N.A	-
1978	N.A	-	N.A	-	57.40	19.02	244.45	80.98
1979	427.59 (17.41)	83.84 (83.58)	85.47 ( 3.42)	16.66 (16.42)	56.47	19.11	239.05	80.89
1980	452.73 (17.45)	82.45 (83.05)	96.35 ( 3.55)	17.55 (16.95)	120.99	31.81	259.33	68.19
1981	464.29 (16.95)	58.50 (60.19)	329.35 (11.21)	41.50 (39.81)	92.44	25.26	273.60	74.74
1982	N.A	-	N.A	-	75.00	15.01	424.83	84.99
1983	N.A	-	N.A	-	233.53	45.85	275.79	54.15

Source: Sample mill records

Note : Figures in brackets refer to Quantity in lakh kgs of yarn

N.A — Not Available

latter in turn on the basis of the aggregate and count wise demand instructs each CSM to provide the estimated requirement to the yarn depots attached to the Cooptex. The mills deliver the yarn directly to the yarn selling depots of the Cooptex, who supply the yarn to handloom cooperatives under the respective depots. The societies which require yarn are expected to deposit the necessary money with the bank and only on the production of challan can the yarn be procured from the godown. Under this procedure minimum and maximum time taken for procuring yarn is 11 and 61 days respectively.

The supply of yarn to Cooptex by CSMS reveals considerable variation over the years. This is so because of the system of monthly indents which reflect the offtake by the primaries.<sup>20/</sup> (the latter is in turn determined by the demand for handloom cloth).

Cooptex's requirements of yarn are essentially for medium and coarser varieties, viz., of counts below 40<sup>s</sup> as will become evident in the subsequent chapter. This is so because the primary handloom cooperatives have by and large been concentrating on the production of dhoties, towels, sarees, bed-sheets and other coarse varieties of cloth.

Tamil Nadu is probably the only State where the apex body of handloom cooperatives (Cooptex), plays such a crucial intermediary role between the CSMS and the handloom cooperatives in ensuring the supply of right varieties

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20. Also, while the Cooptex insists on 'Cash and Carry' system for yarn delivery it expects credit from CSMS. Sometimes the CSMS refuse to supply or delay the supply, since there is a long delay in payment to CSMS. In turn the handlooms are affected which causes fluctuations in their consumption pattern. See Report on the working of the Tamil Nadu Handloom Weavers Cooperative Society: Organisation, Marketing and Finance, 1969.



and quantity of yarn to the latter; thus, in contrast, in Maharashtra yarn is supplied to primaries and individual weavers either through the government sponsored public distribution system or directly by the mill itself.<sup>21/</sup> In almost all the remaining States, the mills seem to have evolved their own arrangements for the sale of yarn.

It may be noted that individual mills show some variation (Table 2.9) from this general pattern. In the case of sample mill -2, while the proportion of yarn sold to Cooptex has been much lower than the average, that is just around a quarter of its production, in the case of sample mill -1, it has averaged around 70 per cent.

#### 2.4.2.2 Direct Sale to Handloom Cooperatives:

Besides the sale to Cooptex, the mills sell their yarn directly to handloom cooperatives also. The societies can collect their requirements directly if it is not readily available with the Cooptex yarn selling depots and in certain other circumstances permitted by the Directorate. For instance, if a handloom cooperative society is not able to operate the cash credit facility available, it can directly get the yarn on credit provided it has credit worthiness.<sup>22/</sup> For cash sales, the societies can collect the yarn freely without any restriction, but subject to the orders issued by the Directorate. However direct sale itself as a proportion of total sales was quite marginal (See Table 2.10) since most of the societies, given the financial position

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21. Conference on Handloom Cooperatives -- Background papers, National Cooperative Development Corporation, 1981 pp.106-109.

22. Credit worthiness is assessed on the basis of the position of funds owned by the handloom cooperatives together with stock of finished cloth held by it.

Table 2.10: Marketing Structure of Sample Mill - 2

(Figures in Rupees lakhs)

Name of the Party	1978	1979	1980	1981	1982	1983
1. Cooptex	57.40 (19.02)	56.47 (19.11)	120.99 (31.81)	9.244 (25.26)	75.00 (15.01)	233.53 (45.85)
2. Cooperative Societies	-	-	1.55 (.41)	-	-	-
3. Schemes/Projects	-	-	-	-	31.78 (6.36)	7.65 (1.50)
4. Open Market -- (primarily yarn brokers)	214.54 (71.08)	215.38 (72.88)	247.46 (65.07)	203.24 (55.52)	215.78 (43.17)	153.54 (30.15)
5. Common Yarn Sales Depots	-	1.10 (.37)	10.32 (2.71)	28.73 (7.85)	22.06 (4.41)	8.11 (1.59)
6. Bombay Market	29.91 (9.90)	22.57 (7.64)	-	41.63 (11.37)	105.22 (21.05)	104.89 (20.60)
7. Other States' Societies	-	-	-	-	-	1.60 (.31)
8. Total	301.85	295.52	380.32	366.04	499.84	509.32

Source: Sample mill records

Note : Figures in brackets refer to percentage distribution

and lack of credit worthiness had little option but to rely on Cooptex. It was less than one percent. The operation of the cash credit scheme in a sense further strengthened this reliance. Thus cash credit assistance and government subsidy were provided only when the societies procured their yarn from Cooptex.

This situation was particularly relevant to the smaller and financially weaker societies. The larger societies, whose requirements were both varied and considerable, however dealt directly with the mills. Thus according to an estimate, on an average 48.97 percent of the total yarn procured by Chentex during the years 1980-81 to 1982-83 was directly from CSMs.<sup>23/</sup> It has been argued that this development was indicative of a certain lapse on the part of Cooptex in its assessment and supply of yarn requirements to handloom cooperatives.<sup>24/</sup>

#### 2.4.2.3 Sale towards Handloom Development Projects

In an effort to bring more weavers under the cooperative fold, the State and central governments have introduced the Intensive Handloom Development Programme. Since special care was needed to ensure supply of yarn to those handloom weavers who come under the cooperative fold, every CSM under the instruction from Directorate was required to supply a fixed quantity of yarn to these societies directly at fixed prices. However the sale of yarn under these projects is quite marginal primarily because of the tardiness of the scheme itself. It was seen that very few looms were in fact brought under the scheme. In addition even the meagre active looms that were covered were unable

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23. Pugalendi, Production and Sales Techniques of Chentex (unpublished) Gandhigram Rural Institute, 1984.

Chennimalai Handloom Weavers Production and Sale Society (known as Chentex) situated in Erode, Periyar district of Tamil Nadu is a handloom weaving Centre, functioning from 1941 onwards. Currently it is working with 644 active looms out of 660 total looms. See P. Manickavasagam, 'Chentex -- A Success Story', Tamil Nadu Journal of Cooperation, August 1985, pp.77-92.

24. If the required yarn is not available either in the Cooptex yarn sales Depots or in the CSMs, Chentex is authorised to purchase the finer cone yarn from open market and double it. See P. Manickavasagam, (1985), op.cit.p.79.

to secure adequate quantities of yarn.<sup>25/</sup> (See Table 2.10)

#### 2.4.3 Open Market Sales:

As indicated earlier, the CSMS especially from around mid sixties had gradually begun to move into private trade with the change in objective. With the addition of nine mills in the mid sixties together with the substantial growth of the capacity of most of these mills in the seventies, the government was convinced that the CSMS had a considerable surplus after meeting the entire requirements of yarn of handloom cooperatives. This assumption was in a sense crucial for providing legitimacy to the CSMS to operate in the open market.<sup>26/</sup> That open market sales of yarn by CSMS have come to assume considerable importance even in absolute terms is brought out quite clearly by the tables already given.

The open market sale consisted essentially of higher and finer counts of yarn and cone yarn of all counts as we will show subsequently. In fact almost the bulk of higher counts of yarn were sold almost entirely in the open market.

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25. In Tamil Nadu during the year 1979-80, a Centrally aided three year project was introduced in three areas to cover 11,000 handlooms working outside the cooperatives. But the Project was transferred into the cooperative fold in Karur and Erode of Periyar district and Kancheepuram of Chingleput district, because of advantages like rebate, subsidy, working capital loan at low rate of interest and liberal supply of yarn. The Public Accounts Committee evaluated the projects and found that out of 11,000 targeted looms, the cooperatives covered only 7,448 looms and within that only 3,688 looms were active. Further it also mentioned the non-availability and irregular supply of yarn to the looms. Having failed to secure adequate quantity of yarn from the CSMS the special projects were by and large in a state of crisis. See The Hindu, July 25, 1985.
26. We shall in the subsequent chapter provide ample evidence to show how this assumption itself was erroneous.

#### 2.4.3.1 Common Yarn Sales Depots

The twelve CSMs under the initiative of the Directorate set up two Common Yarn Sales Depots at Madurai and Salem, with a view to pooling their surplus yarn after meeting the requirements of Cooptex.<sup>27/</sup> While the Madurai depot had jurisdiction over the six mills in the Southern region, viz; Tiruchy, Madurai, Srivilliputhur, Pettai, Tiruchendur and Kanyakumari; the Salem depot covers the six mills in the Northern region, viz; Coimbatore; Salem, South Arcot, North Arcot, Dharmapuri and Thanjavur. The primary societies when they are unable to secure their requirements from the Cooptex depots can directly approach these depots.<sup>28/</sup> These depots are primarily intended to cater to the yarn requirements of weavers outside the cooperative fold. In this way the Directorate expects to control the market price of yarn. In addition to the handloom weavers within and outside the cooperative sector, the depots also cater to the private traders and brokers.<sup>29/</sup>

#### 2.4.3.2 Sale through Brokers

Another important channel for marketing of yarn produced by the CSMs are the brokers. Each mill has a list of authorised brokers or commission agents,<sup>30/</sup> who act as middlemen between the mills and the private parties, presumably the handloom weavers, traders and powerloom weavers. The brokers

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27. The mills can at a time stock 25 bales of yarn in the depots. The prevailing prices of yarn of various counts are displayed on the notice boards of the depots.

28. The primary societies directly contact the depot incharge, ascertain the stock of their requirement and secure delivery of yarn producing the demand drafts or challan for their required quantity of yarn.

29. However, it is observed that the depots generally prefer to sell yarn in bulk quantities. Since the independent weavers require yarn in relatively small quantities, the depots are generally reluctant to satisfy their requirements. Consequently the weavers are forced to depend on open market, where the prices are always higher.

30. Some of the yarn brokers in Madurai yarn market, who deal with the CSMs are M/s. Babu and Babu Agencies, M/s. Kumar Corporations, M/s. Menon and Menon and Mr. Viswanathan.

arrange for the sale of yarn in different market centres. The brokers deal either directly with the mill or with the common yarn sales depots for supplying the required counts at a price, which is determined by the market price.<sup>31/</sup> The brokerage which is fixed by the Directorate is paid by the mills on the basis of the sales proceeds. It may be observed that, most of the open market sales by the mills are made through the brokers, a fact substantiated by the data from a study of a sample mill (See Table 2.10) To the extent that brokers also collect commission from the buyers, it may be noted that this tends to raise the relative prices of yarn and in a sense indirectly contributes in diluting the Directorate's objective of stabilising yarn prices.

#### 2.4.3.3 Bombay Market

Besides the local market within and outside cooperatives, yarn is also sold in Bombay and other northern states. From the information gathered by us from the sample mills, we find that almost all the finer and cone varieties of yarn find a ready market in the northern States. It was perhaps as a response to the growing demand for finer counts of yarn from outside the cooperative fold that the five additional CSMs established in the eighties went in largely for production of superior counts. The superior yarn produced by the mills finds a ready market in Bombay, Calcutta and other northern states<sup>32/</sup> and the orders are mounting in advance.<sup>33/</sup> From Table 2.10 we can see that the share

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31. Brokers directly contact the mills or common yarn sales depots for allotting the required counts. He places the order for yarn on behalf of the private parties. The latter directly remit the money to the concerned mills or to the depots as the case may be.

32. The Hindu, April 7, 1985.

33. Indian Express, April 6, 1985.

of this market has increased from 9.9 to 20.3 percent between 1978 and 1983; however count wise break up of yarn sold in the Bombay market is not available. The mode of operation is similar to marketing of yarn through brokers.

## 2.5 Summing Up

In the above chapter we have tried to analyse the structure and growth of CSMs. Our analysis has sought to highlight two principal features of this structure, namely the relatively greater centralised state control in contrast to the more democratic organisational set up in Maharashtra. Secondly the elaborate institutional structure which seeks to coordinate the demand and supply of yarn under the overall supervision of the Directorate. It needs to be underlined that the institutional structure as it has emerged in Tamil Nadu has few parallels in the country.

Our analysis indicates that in principle the system can function effectively by balancing the demand and supply of yarn in view of the control exercised by the Directorate on both Cooptex and the CSMs. However in practice, it may be noted that,

- (a) the very method of estimating yarn requirements of handloom cooperatives was inaccurate. In fact this appears to have induced a shift in the basic objective of the CSMs permitting them to produce for the open market. Even of the yarn being produced it was seen that Cooptex was unable to lift the entire requirement of the handloom cooperatives; and
- (b) individual CSMs enjoy considerable autonomy in decision making in relation to the open market sales. The open market sale entirely depends on the Managing Director's orders and control. Apart from the general norm that yarn price fixed for the open market should not be lower than the rate charged to Cooptex (and even this as will be indicated later is not strictly observed), the mills are left relatively free to follow an independent sales policy.

Hence we are inclined to argue on the basis of our observations cited above that the limitations of CSMs are to some extent the outcome of institutional factors. However, we would like to add that this provides only a partial explanation for the discrepancies noted above. As would be apparent from our analysis, in the subsequent chapters, internal or economic factors also seem to have played a significant role. This gains further strength in the light of a count-wise analysis of the yarn produced as also the prices at which the yarn is sold to Cooptex and open market. We examine the production pattern of CSMs in the next chapter.



## CHAPTER 3

### PRODUCTION PATTERN OF CSMS

#### 3.1 Introduction

The production pattern of CSMS should in principle be determined by the demand for yarn - count-wise - from the primary handloom weavers cooperative societies and the availability of necessary raw material. If the number of looms working over a period remains the same, the demand for yarn will not change considerably in the aggregate. However, there would be some change between counts, depending on the changing consumer demand. The production of yarn calls for an appropriate mixing of cotton also. Consequently availability of cotton, mixing pattern and type of cloth demanded determine the pattern of production of mills to a considerable extent.

Handlooms consume yarn in straight hank form. The crucial problem has been one of a relative shortage of specific counts of yarn required by the handloom as also its availability in straight hank form. In order to meet their requirements the government through the Directorate had introduced a certain measure of control and supervision on the production pattern of CSMS. In this chapter we propose to study the production pattern of CSMS in relation to, (a) government policy and (b) requirements of the handloom cooperatives - count-wise. Such an analysis would throw light on the gap between demand and supply of yarn, in particular count-wise and the possible reasons for this discrepancy. We

begin by broadly outlining government policy vis-a-vis yarn production since the fifties.

### 3.2 Government Policy regarding Yarn Production -- All India:

Given the vulnerability of the handloom sector vis-a-vis competition from the organised mill sector and the powerloom sector, the state both in the pre-Independence and post-Independence period, has been taking active measures to protect this industry. This is borne out by the series of legislative enactments briefly mentioned in Chapter 1. Among the noteworthy measures in the post-Independence period was the fillip given to the decentralised sector, of which handlooms constituted a significant segment under the 'Common Production Programme'.<sup>1/</sup>

Emerging out of this important role assigned to the handloom sector, the government undertook concrete steps to ensure the availability of yarn, production of which in the early fifties was concentrated largely in the private composite mill sector. The persistence of complaints of non-availability of yarn by the handloom sector prompted the government to encourage the promotion of purely spinning mills preferably organised as cooperatives.<sup>2/</sup> This desired objective finds ample reflection in the textile policies brought out periodically by the Government of India.<sup>3/</sup> Hence the emphasis in policy

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1. Report of the Village and Small Scale Industries Committee, 1955.
  2. See Report of the Working Group on Handlooms, 1964-65 and Sivaraman Committee, 1974.
  3. From the Second Five Year Plan onwards a number of steps were taken to protect the industry in terms of providing required inputs, marketing of cloth and reducing competition from the mill sector. The 1978, 1981 and 1985 Textile Policies reflected the same view. While the 1978 policy restricted further expansion of powerloom weaving capacity, the 1981 policy encouraged the formation of a network of cooperatives for effective integration of spinning, weaving and processing activities for the growth and development of handlooms. The 1985 policy goes even further; it has transferred the entire controlled cloth production to handloom sector and assured adequate availability of yarn and other raw materials.

was to increase the availability of yarn. At the same time the policy pronouncements have been emphasising the need to increase cooperative coverage of handlooms also.

However it needs to be emphasised that notwithstanding the official pronouncements and substantial growth of CSMs all over the country, the position of handlooms continued to be vulnerable. The problem of yarn supply had tended to aggravate since 1975 owing to the sharp increase in powerloom units, as a consequence of which yarn was diverted to the powerloom sector.<sup>4/</sup> The emphasis in policy therefore tended to shift towards enforcing greater control over the production pattern of mills both in the private and cooperative sectors. The exercise of this control was reflected in the Textile Commissioner's orders directing the mills to pack a stipulated proportion of yarn produced in hank form. We thus find that in the early 1970s the Textile Commissioner enjoined that 60 percent of the free yarn available for consumption should be in hank form. The Sivaraman Committee recommended in 1974 that this obligation should be 62.5 percent based on its assessment of yarn requirements of the total handloom sector and level of production of the mills.<sup>5/</sup> However, it needs to be noted that between the years 1970-1972 the proportion of hank yarn produced had been much lower than even the Textile Commissioner's stipulation and in fact declined from 56 to 53 percent.<sup>6/</sup>

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4. L.C. Jain (1983) op.cit., pp.1517-1526.

5. This requirement is based on the calculation of the target of cloth production in the handloom sector set out for the Fifth Plan, it would appear that at the present level of production of yarn 62.5 percent must be available to the handlooms. See Sivaraman Committee (1974) op.cit., p.29.

6. Ibid, p.30

Hence, the Committee had recommended that the Textile Commissioner must strengthen his control over the mills and see that his orders were carried out.<sup>7/</sup> Despite this, the obligation was in fact reduced by the Textile Commissioner to 50 percent in the late 1970s under pressure from the mills.

However, since the problem of inadequate supplies of hank yarn as also diversion of yarn to the powerlooms persisted as pointed out by various Committees on problems of the handloom sector, the Textile Commissioner took more elaborate steps to enforce the hank yarn obligation on mills in 1979; though the upper limit remained unchanged. According to the revised scheme "every producer of yarn shall pack yarn for civil consumption in hanks in each quarter commencing from July - September 1978 and in every subsequent quarter in proportion of not less than 50 percent of total yarn packed by them during each quarter, for civil consumption provided that not less than 85 percent of the yarn required to be packed in hanks shall be of counts 40s and below".<sup>8/</sup> Hence the orders attempted to ensure not only adequate supplies of yarn but also of the required counts. This notification was in force upto March 1985, since then it has been extended but with serious misgivings, since to date this obligation has not been met by the mills.<sup>9/</sup>

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7. Sivaraman Committee (1974) op.cit., p.30

8. The Hand Book of Textile Control Orders, 1983, Indian Cotton Mills Federation p.225.

9. Mridul Eapen (1985) op.cit., p.44.

It may be noted that six CSMs which produced superfine counts and the CSMs organised by powerloom weavers/cooperatives were given exemption. See AIFCOSPIN Annual Report, 1983-84, p.75.

Since the textile policies over the years have increasingly been shifting the burden of producing cloth for mass consumption on the handloom sector, its pattern of production has been attempted to be kept in favour of coarser varieties of cloth. However, since demand for cloth has tended to shift in favour of finer varieties,<sup>10/</sup> production of yarn in private sector mills has tended to change towards the finer counts; the mills complain about losses in production of coarse yarn. This policy explains the difficulty in enforcing the Textile Commissioners' orders. However, in the case of CSMs the situation is relatively better, though not, as we shall see, completely in line with the requirements.

The CSMs are more or less fulfilling the hank yarn obligation. In 1983-84, for instance the proportion of hank yarn to total production of yarn in the cooperative sector was 48.9 percent. However in respect of the second obligation viz., 85 percent of the hank yarn should be of counts 40s and below, data for the last few years shows that the mills overfulfilled this objective, almost 86-88 percent of the hank yarn produced was of counts 40s and below.<sup>11/</sup>

10. Mridul Eapen (1985) op.cit., p.50.

11. This can be seen from the table given below:

Table A: Coarse Hank Yarn obligation of CSMs at the All India Level

(Figures in percentage)

Year	Counts				Total 1-40 <sup>s</sup>	Total @ 1-40 in Quantity
	1-10 <sup>s</sup>	11-20 <sup>s</sup>	21-30 <sup>s</sup>	31-40 <sup>s</sup>		
1979-80	2.33	39.42	13.18	30.43	85.36	283.16
1980-81	3.40	35.39	15.81	30.32	84.92	342.61
1981-82	3.58	38.06	14.96	30.52	87.12	373.89
1982-83	4.91	36.74	13.86	32.75	88.26	386.08
1983-84	5.12	36.77	12.50	34.21	88.60	415.00

Source: AIFCOSPIN Annual Reports, 1979-80 — 1983-84

Note : @ Quantity in lakhs kgs.

It is interesting to note that in Tamil Nadu in contrast, while all the CSMs are more than fulfilling the obligation in respect of hank yarn, only about 70 percent of the latter is of coarse counts as we shall see in the subsequent sections.

### 3.3 Government Policy regarding Yarn Production -- Tamil Nadu:

The handloom industry shows wide variations in its structure and significance across regions. Hence we would expect these policies to be followed up with varying degrees of emphasis and motivation by the different state governments. In Tamil Nadu which has historically been a major handloom centre and where cooperative coverage of handloom is the highest,<sup>12/</sup> the government intervenes in a much more direct manner in the production and distribution of yarn, particularly by the CSMs to ensure its availability to the handloom cooperatives. Thus as we noted in the earlier chapter, the Directorate through the Cooptex and CSMs, on the basis of indents placed by the handloom cooperatives, attempts to match the demand for yarn with its supply.

### 3.4 Production Pattern of CSMs:

We shall now examine the production pattern of CSMs in Tamil Nadu as also of the two sample mills in order to assess the extent to which the mills have,

- a. fulfilled the hank yarn obligation;
- b. adhered to the stipulation regarding its count-wise composition; and
- c. been able to meet the yarn requirements of handloom cooperatives in adjoining areas.

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12. By 1982-83 Tamil Nadu had covered 60.6 percent of the total 5.56 lakh handlooms under cooperative fold. See Meeting Notes, Directorate of Handlooms and Textiles, Government of Tamil Nadu, 1984. Also, See. Sivaraman Committee (1974), op.cit.p.10.

This latter condition as mentioned in the last chapter was one of the objectives sought to be achieved while starting the CSMs.

As is well known, total production in Tamil Nadu is much in excess of its requirements and the State has since the mid thirties been an exporter of yarn to other states, in particular Maharashtra and West Bengal.<sup>13/</sup> The former state has the largest number of powerlooms in the country, which are the main consumers of this yarn. However, despite this fact of yarn being in surplus in Tamil Nadu, the problems of the handlooms in respect of its availability still persist. The CSMs by catering exclusively to the handloom cooperatives were supposed to overcome the problem. In Table 3.1 we give production of yarn by CSMs in Tamil Nadu in hank and cone form. As can be seen from the table at the state level all the CSMs together produce more than 65 percent of the yarn in hanks. This proportion was even higher in the earlier years. It has been declining over the years.<sup>14/</sup> While the share of hank yarn has declined, production of cone yarn which accounted for about a quarter of total production in 1973-74 has increased and its share has risen to almost 35 percent in 1983-84. The annual growth rate was 8.39 percent for total yarn production; it was only 7.27 percent in the case of hank yarn and was as high as 10.86 percent for cone yarn. Both the sample mills appear to be producing higher than the state average of hank yarn in the earlier years (See Table 3.2).

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13. Raman Mahadevan, Some aspects of the Growth of Capitalist Class in Colonial Madras 1914-45, Unpublished draft Ph.D thesis.

14. If we consider production of yarn by all mills — Private, Public and Cooperative — then the proportion of hank yarn is somewhat lower. It was 66 percent in the early sixties; 55 percent in late sixties and only about 50 percent in 1981 and 48 percent in 1982. See, Mridul Eapen, (1985) Op.cit., p.29.

Table 3.1: Production Pattern of CSMS in Tamil Nadu

(Quantity in '000 kgs)

Year	Hank		Cone			Total		
	Quantity	Percentage of total	Percentage Change	Quantity	Percentage of total	Percentage change	Quantity	Percentage Change
1973-74	6,758	75.07	-	2,244	24.93	-	9,002	-
1974-75	6,561	74.14	-2.92	2,288	25.86	1.96	8,849	-1.70
1975-76	8,661	76.63	32.01	2,641	23.37	15.43	11,302	27.72
1976-77	8,312	74.85	-4.03	2,793	25.15	5.76	11,105	-1.74
1977-78	9,623	71.49	15.77	3,837	28.51	37.38	13,460	21.21
1978-79	10,184	83.24	5.83	2,051	16.76	-46.55	12,235	-9.10
1979-80	10,750	85.28	5.56	1,856	14.72	-9.51	12,606	3.03
1980-81	12,185	77.27	13.35	3,584	22.73	93.10	15,769	25.09
1981-82	12,711	69.77	4.32	5,508	30.23	53.68	18,219	15.54
1982-83	11,979	65.38	-5.76	6,343	34.62	15.16	18,322	0.57
1983-84	13,782	65.42	15.05	7,286	34.58	14.87	21,068	14.99
Growth Rate 1973-74 to 1983-84	7.27			10.86			8.39	

Source: Compiled from AIFCOSPIN Annual Reports and Directorate of Handlooms and Textiles Records, Government of Tamil Nadu



Table 3.2: Production Pattern of Yarn in Sample Mills

(Quantity in '000 kgs)

Year	Sample Mill 1					Sample Mill 2				
	Hank		Cone		Total	Hank		Cone		Total
	Quantity	Percentage of total	Quantity	Percentage of total	Quantity	Quantity	Percentage of total	Quantity	Percentage of total	Quantity
1973-74	1,259	91.10	123	8.90	1,382	720	93.51	50	6.49	770
1974-75	1,303	97.75	30	2.25	1,333	419	85.16	73	14.84	492
1975-76	1,485	86.19	235	13.81	1,723	711	94.30	43	5.70	754
1976-77	1,358	91.32	129	8.68	1,487	568	86.72	87	13.28	655
1977-78	1,794	91.53	166	8.47	1,960	768	90.25	83	9.75	851
1978-79	1,454	92.61	116	7.39	1,570	769	75.61	248	24.39	1,017
1979-80	1,892	94.65	107	5.35	1,999	746	72.50	283	27.50	1,029
1980-81	2,389	87.67	336	12.33	2,725	980	78.34	271	21.66	1,251
1981-82	2,274	71.67	899	28.33	3,173	906	71.28	365	28.72	1,271
1982-83	1,840	58.03	1,331	41.97	3,171	1,011	63.91	571	36.09	1,582
1983-84	2,251	61.40	1,415	38.60	3,666	871	55.87	688	44.13	1,559

Source: As in Table 3.1

However the decline in proportion of hank yarn production in recent years is even sharper in the case of these two mills. Thus, while at the State level the CSMs are meeting the yarn obligation, (much more so than at the all-India level) which as the Sivaraman Committee had suggested should be even higher than that recommended for the private mills, the tendency towards cone yarn production seems to be gaining strength. In fact, in the case of one of the sample mills (Sample Mill 2) in which production of yarn has almost doubled between 1973-74 to 1983-84 the proportion of hank yarn has fallen to as low as 55 percent from 93 percent.

Hank yarn can be in a straight or cross reeled form, the latter is consumed by the powerlooms. However, this break-up is not available. Hence it may be noted that even though the total obligation of hank yarn is being met it does not follow that the requirements of handlooms are being met if more of the hank yarn is being produced in cross reel form. Given the fact that cloth production in the powerloom sector has been growing much more rapidly than in handloom sector,<sup>15/</sup> this implies that either production of hank yarn in cross reel form must have been increasing at a relatively faster rate or that straight hank yarn has been diverted to powerloom units and prepared into cones.<sup>16/</sup> Clearly then even though the statutory obligation in

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15. L.C. Jain (1983) Op.cit., pp.1517-1526.

16. In Tamil Nadu it is only in recent years that powerlooms have grown in importance; however, the fact that CSMs have been selling in the open market, most of which finds its way to Bombay through yarn brokers/depots, does lend support to our inference that even though the proportion of hank yarn production is still considerably high, it is not a sufficient condition for meeting the yarn requirements of the handlooms both in cooperative as also in non-cooperative fold. The diversion of hank yarn to powerloom units is an established fact. See L.C. Jain (1983) Op.cit., pp.1517-1526.

respect of hank yarn production is being met by the CSMs, this does not ensure its exclusive utilisation by the handlooms.

We now examine the production pattern of CSMs, count-wise. (See Table 3.3). In respect of the obligation regarding count-wise composition of hank yarn, viz; 85 percent has to be of counts 40s and below, actual performance of CSMs in Tamil Nadu has been much below this level, although at the all-India level, the CSMs seem to have adhered to this obligation (albeit out of a smaller proportion of hank yarn production) only about 70 per cent of the hank yarn is of 'coarse' counts, viz; 1-40<sup>s</sup>; within it 1-10<sup>s</sup> is not being produced at all.<sup>17/</sup> Around 43 per cent of the production of coarse yarn was of 11-20<sup>s</sup>; however by 1983-84 this proportion had declined to a little over 25 percent. On the other hand, the share of counts 31-40<sup>s</sup> increased during this period; its production registered an almost four fold increase and at present more than half the coarse hank yarn produced is of counts 31-40<sup>s</sup>. In respect of counts 21-30<sup>s</sup>, its production has declined both in absolute and relative terms. While counts 11-20<sup>s</sup> grew at a rate of around 2.9 per cent and 21-30<sup>s</sup> at a negative rate, the rate of growth of counts 31-40<sup>s</sup> was almost 15 percent per annum. Total coarse hank yarn grew at a rate of 6 per cent per annum while fine hank yarn production grew at a rate of over 9 per cent per annum. Thus, it may be noted that not only has the proportion of hank yarn production shown a declining tendency over time but also the output of coarser yarn; within it, has shown a downward trend. That these changes have not really

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17. The Miserior Spinning mill working under the Tamil Nadu Textile Corporation is engaged in producing 1-10<sup>s</sup> and supplies the same to Cooptex, however it is able to meet only about 30 percent of the requirements of such yarn.

Table 3.3: Pattern of Hand Yarn Production

(Quantity in '000 Kgs)

Year	Coarse Yarn				Total Coarse	Fine Yarn			Total Fine	Grand Total
	1-10 <sup>S</sup>	11-20 <sup>S</sup>	21-30 <sup>S</sup>	31-40 <sup>S</sup>		41-60 <sup>S</sup>	61-80 <sup>S</sup>	81 <sup>S</sup> & above		
1973-74	N.P	2,371(35.08)	1,042(15.42)	1,445(21.38)	4,858(71.88)	1,034(15.30)	402(5.95)	464(6.87)	1,900(28.12)	6,758
1974-75	N.P	2,804(42.74)	980(14.94)	1,344(20.48)	5,128(78.16)	773(11.78)	397(6.05)	263(4.01)	1,433(21.84)	6,561
1975-76	N.P	3,824(44.15)	790( 9.12)	1,667(19.25)	6,281(72.52)	1,445(16.68)	535(6.18)	400(4.62)	2,380(27.48)	8,661
1976-77	221 <sup>@</sup>	3,417(41.11)	780( 9.38)	1,643(19.77)	6,061(72.92)	1,533(18.44)	412(4.96)	306(3.68)	2,251(27.08)	8,312
1977-78	6 <sup>@</sup>	3,307(37.37)	1,103(11.46)	2,318(24.08)	6,734(69.97)	2,015(20.94)	528(5.49)	346(3.60)	2,889(30.03)	9,623
1978-79	N.P	3,039(29.84)	650( 6.38)	3,304(32.45)	6,993(68.67)	2,068(20.31)	711(6.98)	412(4.04)	3,191(31.33)	10,184
1979-80	27 <sup>@</sup>	3,730(34.70)	512( 4.75)	3,200(29.77)	7,469(69.47)	2,210(20.56)	652(6.07)	419(3.90)	3,281(30.53)	10,750
1980-81	28 <sup>@</sup> (23)	3,281(26.93)	701( 5.75)	4,307(35.35)	8,317(68.26)	2,316(19.01)	1,074(8.81)	478(3.92)	3,868(31.74)	12,185
1981-82	N.P	3,666(28.84)	747( 5.88)	4,184(32.91)	8,597(67.63)	2,696(21.21)	1,168(9.19)	250(1.97)	4,114(32.37)	12,711
1982-83	N.P	3,513(29.33)	740( 6.18)	4,309(35.97)	8,562(71.48)	2,321(19.38)	900(7.51)	196(1.63)	3,417(28.52)	11,979
1983-84	N.P	3,843(27.88)	822( 5.96)	5,015(36.39)	9,680(70.23)	2,851(20.69)	1,042(7.56)	209(1.52)	4,102(29.77)	13,782
Growth Rate 1973-74 to 1983-84		2.94	-3.14	14.45	6.52	11.14	11.37	-4.49	9.25	7.27

Source: As in Table 3.1

Notes: Figures in brackets refer to percentage of total production

@ - produced by the Tiruchy CSM

N.P - Not produced by the CSMs

been in consonance with the pattern of yarn consumption by handloom cooperatives becomes evident in the subsequent sections.

The mill wise pattern shows interesting variations. (Table 3.4 and 3.5) Sample mill 1 on an average produces a relatively higher proportion of coarse hank yarn; sample mill 2 at present produces a much lower than state average of the coarser counts. Hence about 40 to 45 percent of the hank yarn produced in mill 2 is above 40<sup>S</sup> count, the bulk of it being in the range 41-60<sup>S</sup> counts. Even in mill 1 in which less than 20 per cent of the hank yarn produced was of finer counts, this proportion has increased to almost 30 percent in recent years (with the addition of second unit of mill 1) The individual mill data appears to confirm the tendency towards the production of finer counts within hank yarn production.

Thus, we find that the production of coarse hank yarn in CSMS has been much below the stipulated proportion. More than half of coarse yarn produced is of counts 31-40<sup>S</sup>; production of counts 11-20<sup>S</sup> has increased only marginally. Counts 1-10<sup>S</sup> is not being produced at all and given present tendencies is not likely to be produced in the near future. In fact there was a proposal to start new CSMS to produce coarse varieties of yarn and the All India Federation of Cooperative Spinning Mills' views were sought on the matter. The latter approved of the scheme and felt that the waste cotton from existing mills could be utilised and the yarn made available to Cooptex. However, it is interesting to note that although this proposal came up just before the establishment of the five new CSMS in 1984-1985, not a single one of these five mills produces counts 1-10<sup>S</sup>, viz., the coarsest varieties of hank yarn.<sup>18/</sup>

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18. Revealed from the correspondence (files of the AIFCOSPIN Regional Office, Madras) between Directorate of Handlooms and Textiles and AIFCOSPIN Regional Office, Madras.

Table 3.4: Pattern of Hank Yarn Production in Sample Mill - 1

(Figures in '000 kgs)

Year	Coarse Yarn*			Total Coarse	Fine Yarn			Total Fine	Grand Total
	11-20 <sup>B</sup>	21-30 <sup>B</sup>	31-40 <sup>B</sup>		41-60 <sup>B</sup>	61-80 <sup>B</sup>	81 & above		
1973-74	163(12.95)	367(29.15)	498(39.56)	1,028(81.66)	148(11.76)	21(1.66)	62(4.92)	231(18.34)	1,259
1974-75	130( 9.98)	505(38.76)	447(34.31)	1,082(83.05)	119( 9.13)	30(2.30)	72(5.52)	221(16.95)	1,303
1975-76	358(24.11)	485(32.66)	479(32.26)	1,322(89.03)	22( 1.47)	27(1.82)	114(7.68)	163(10.97)	1,485
1976-77	200(14.73)	518(38.14)	376(27.69)	1,094(80.56)	148(10.90)	63(4.64)	53(3.90)	264(19.44)	1,358
1977-78	152( 8.47)	480(26.76)	734(40.91)	1,366(76.14)	295(16.44)	61(3.40)	72(4.02)	428(23.86)	1,794
1978-79	353(24.29)	214(14.73)	460(31.66)	1,027(70.68)	325(22.37)	39(2.68)	62(4.27)	426(29.32)	1,453
1979-80	974(51.48)	302(15.96)	156( 8.25)	1,432(75.69)	310(16.38)	25(1.32)	125(6.61)	460(24.31)	1,892
1980-81	669(28.00)	344(14.40)	571(23.90)	1,584(66.30)	520(21.77)	127(5.32)	158(6.61)	805(33.70)	2,389
1981-82	517(22.72)	401(17.68)	758(33.32)	1,676(73.67)	412(18.11)	182(8.00)	5(.22)	599(26.33)	2,275
1982-83	380(20.65)	369(20.06)	583(31.68)	1,332(72.39)	412(22.39)	57(3.10)	39(2.12)	508(27.61)	1,840
1983-84	500(22.21)	634(28.17)	514(22.83)	1,648(73.21)	505(22.43)	91(4.04)	7(.32)	603(26.79)	2,251

Source: As in Table 3.1

Notes : Figures in brackets refer to percentage of total

\* 1-10<sup>B</sup> not produced

Table 3.5: Pattern of Hank Yarn Production in Sample Mill 2

(Figures in '000 kgs)

Year	Coarse Yarn*				Fine Yarn			Total Fine	Grand Total
	11-20 <sup>s</sup>	21-30 <sup>s</sup>	31-40 <sup>s</sup>	Total Coarse	41-60 <sup>s</sup>	61-80 <sup>s</sup>	81 & above		
1973-74	N.P	N.P	420(58.25)	420(58.25)	250(34.68)	51(7.07)	N.P	301(41.75)	721
1974-75	N.P	N.P	302(72.08)	302(72.08)	78(18.62)	39(9.30)	N.P	117(27.92)	419
1975-76	N.P	13(1.83)	424(59.63)	437(61.46)	175(24.62)	51(7.17)	48(6.75)	274(38.54)	711
1976-77	24(4.23)	16(2.82)	242(42.61)	282(49.65)	213(37.50)	73(12.85)	.2(.04)	286(50.35)	568
1977-78	N.P	80(10.42)	315(41.02)	395(51.44)	206(26.81)	124(16.15)	43(5.60)	373(48.56)	768
1978-79	N.P	95(12.36)	307(39.97)	402(52.33)	229(29.82)	100(13.03)	37(4.82)	366(47.67)	768
1979-80	N.P	11(1.48)	363(48.59)	374(50.07)	202(27.04)	52(20.35)	19(2.54)	373(49.93)	747
1980-81	N.P	256(26.12)	418(42.65)	674(68.77)	164(16.74)	142(14.49)	N.P	306(31.23)	980
1981-82	N.P	309(34.11)	195(21.52)	504(55.63)	278(30.68)	124(13.69)	N.P	402(44.37)	906
1982-83	N.P	265(26.24)	369(36.53)	634(62.77)	281(27.82)	95(9.41)	N.P	376(37.23)	1,010
1983-84	4(.45)	110(12.64)	403(46.32)	517(59.41)	256(29.45)	89(10.23)	8(.91)	353(40.59)	870

Source: As in Table 3.1

Notes: Figures in brackets refer to percentage of total

NP - Not produced

\* 1-10<sup>s</sup> not produced

Further the objective of catering to the yarn requirements of the handloom cooperatives in adjoining areas does not appear to have been fulfilled. Either the particular varieties needed are not produced by CSMs in those areas or are not supplied to the handloom cooperatives. We, thus have instances of handloom cooperatives depending on a CSM, geographically far away or a nearby private mill for certain counts which they require. For instance the Gopichettyalayam yarn depot (in Periyar district) requires 20s, 26s and 60s yarn which it has to obtain from the Kanyakumari district CSM, the South India CSM in Tirunelveli district and the North Arcot district CSM respectively. The handloom cooperatives around Jayamkondam yarn depot (Tiruchy district) require 20<sup>s</sup> and 26<sup>s</sup>. This it preferred to procure from the South India CSM, though it was being produced by the nearby Tiruchy district CSM. Their requirements of 80<sup>s</sup> were procured from the Thanjavur district CSM. Similarly the Madurai yarn depot requires 60s and 80s counts, which though being produced by the Melur CSM (in that area) is yet obtained from South India CSM; for 100<sup>s</sup> it procures the yarn from Periyar district CSM. Again, the Nagercoil yarn unit procures 60<sup>s</sup> K from South India CSM and 100<sup>s</sup> C from Srivilliputhur CSM in Ramnad district. This clearly shows that the requirements of handlooms in terms of variety of yarn is not taken into account in the production pattern of mills in these areas; at times handlooms also appear to prefer yarn from other mills due perhaps to quality and/or price differences.

### 3.5 Requirement, Availability and Consumption of Yarn:

The question of yarn utilisation by handlooms can be studied from two angles — firstly by an analysis of the yarn actually utilised by the



the handlooms under cooperatives and secondly the yarn actually supplied to Cooptex by the CSMs. A Study of these two aspects will enable us to assess the extent to which the handlooms are able to make use of the yarn produced by the CSMs — count-wise — and the extent of their dependence on private mills.

Data on production of hank yarn by CSMs together with requirement of yarn of handloom cooperatives and consumption through Cooptex are available for a relatively longer span of time, viz., 1973-74 to 1983-84. However, count wise data on requirement and consumption by handloom cooperatives, which is of greater interest to us are available only for select years, viz; 1981-82 to 1983-84.

The data on requirements of yarn by handloom cooperatives as also consumption through Cooptex and hank yarn production by CSMs for the period 1973-74 are given in Table 3.6. The table shows that the quantity of yarn required by handloom cooperatives initially declined, and since 1979 has grown steadily. The increase could have been the outcome of either more effective working of existing looms or an addition of looms to the cooperative fold. As was clear from the previous chapter, there has been a significant increase in the number of handlooms under cooperatives. Column 2 of the table gives the figure of hank yarn production of CSMs. A comparison of the requirements of yarn by handloom cooperatives and hank yarn production of CSMs shows that the CSMs are producing sufficient yarn in the aggregate to meet the requirements of the handloom cooperatives. However, the yarn actually procured by Cooptex is much below the actual consumption (or requirement) of yarn by handloom cooperatives. It ranges from as low as

Table 3.6: Consumption of Yarn by Handloom Cooperatives

(Yarn in lakh kgs)

Year	Hank Yarn production	Yarn supplied by Cooptex	Consumption by all handloom cooperatives	Column 3 as % of column 4	Column 3 as % of column 2	Column 4 as % of column 2
1	2	3	4	5	6	7
1973-74	67.6	N.A	81.5	-	-	120.6
1974-75	65.6	N.A	70.6	-	-	107.6
1975-76	86.6	52.9	74.2	71.3	61.1	85.7
1976-77	83.1	48.4	77.6	62.4	58.2	93.4
1977-78	96.2	44.0	79.8	55.1	45.7	83.0
1978-79	101.8	71.6	85.5	83.7	70.3	84.0
1979-80	107.5	77.0	90.1	85.5	71.6	83.8
1980-81	121.9	84.6	103.3	81.9	69.4	84.7
1981-82	127.1	67.9	N.A	-	53.4	-
1982-83	119.8	76.8	N.A	-	64.1	-
1983-84	137.8	84.0	N.A	-	61.0	-

Sources: 1. Yarn production particulars as in Table 3.1  
 2. Yarn consumption particulars from the Records of the Cooptex and Directorate

Notes : 1. Column 3 — Upto 1980-81 calculated by treating 1 bale = 200 kgs of yarn  
 2. Column 5 — Directorate does not provide figures of actual consumption of yarn by all the handloom cooperatives except for consumption through Cooptex. However, since we have data on production of cloth by handloom cooperatives, we calculated total yarn consumption by treating 10 metres of cloth equal to 1 kg of yarn.  
 3. N.A — Not available

55.1 to as high as 85.5 percent in the period under study. From this it would appear that Cooptex has been unable to assess adequately the yarn requirements of handloom cooperatives and coordinate its supply.

Although from the late 1970<sup>s</sup> there has been a significant improvement in the performance of the Cooptex, however even now as is evident from the table a significant quantum of yarn (15 to 45 percent) has been procured from the open market by handloom cooperatives. The table also reveals that, the Cooptex has been able to absorb only 45.7 to 71.6 percent of the yarn produced by the CSMs. The remaining is sold outside the Cooptex. It is interesting to note that, while the mills sold yarn outside the cooperatives, the handloom cooperatives depended on the open market for their yarn requirement. From the requirement figures it is clear that, the demand for yarn is increasing but the yarn is not being made available in adequate quantities to cooperatives. Since there appear to be wide discrepancies in yarn production, requirements of handloom cooperatives and supply to Cooptex, a county-wise analysis would reveal some possible reasons for this, which we discuss in the following section.

#### 3.5.1 Requirement:

The requirement of yarn by handloom cooperatives is estimated on the basis of actual indents of yarn in each count given by the member cooperatives to the area yarn sales depots for the succeeding month, during the first week of the current month.<sup>19/</sup> The handlooms generally require the same quantity of yarn as they used in the previous years, unless there is an addition or

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19. Requirement estimated in this manner may to some extent differ from that used in the previous section, which has been derived on the basis of actual cloth production of handloom cooperatives.

subtraction of looms and/or change in production pattern of cloth. Hence, requirement refers to the yarn sought for by the Cooptex from CSMs.

The yarn requirement assessed by Cooptex given in Table 3.7 shows that on average requirement is more in coarser varieties, viz., over 75 percent and only about one fourth of the yarn required is of finer variety. Within the coarser counts the handlooms require around 5 per cent of the total in counts 1-10<sup>s</sup> and over 40 per cent in counts 11-20<sup>s</sup> alone. There was not much difference in the total requirement of yarn over the 3 years and the fluctuations were mainly the outcome of inter-count changes in the requirement pattern.

A comparison of production and requirement data suggests that production is more than the requirement in the aggregate. However, the trend between counts shows that, there was demand for all counts of yarn; however

- a. certain counts are not produced at all viz., 1-10<sup>s</sup>,  
eventhough the requirement was 5 to 10 percent of the total,
- b. in certain cases the requirement is more than production.

During 1981-82, for 11-20<sup>s</sup> and 21-30<sup>s</sup> the requirement was more than production; in the case of former, the production was only around half the requirement; similarly in 1983-84 in the case of count groups 11-20<sup>s</sup>. On the other hand, it is interesting to note that in the case of counts 31-40<sup>s</sup> production is far greater than the requirements of handloom cooperatives in all the three years, it is almost 2½ times more than what is required by handloom cooperatives. The fact that the CSMs continue to produce counts 31-40<sup>s</sup>, despite the relatively

Table 3.7: Count-wise Yarn Required by Cooptex

(Figures in lakh kgs)

Year	1-10 <sup>B</sup>	11-20 <sup>B</sup>	21-30 <sup>B</sup>	31-40 <sup>B</sup>	41-60 <sup>B</sup>	61-80 <sup>B</sup>	81 and above	Total	Coarser 1-40 <sup>B</sup>	Finer 41 and above
1981-82	1. N.P	36.66 (28.84)	7.47 (5.88)	41.84 (32.92)	26.96 (21.21)	11.68 (9.19)	2.50 (1.96)	127.11	85.97 (67.64)	41.14 (32.36)
	2. 8.50 (9.69)	40.69 (46.41)	13.18 (15.03)	11.88 (13.55)	8.76 (9.99)	3.09 (3.52)	1.58 (1.81)	87.68	74.25 (84.68)	13.43 (15.32)
	3. N.P	M.P	M.P	28.39	32.49	26.46	63.20	68.98	86.37	32.64
1982-83	1. N.P	35.13 (29.33)	7.40 (6.18)	43.09 (35.97)	23.21 (19.38)	9.00 (7.51)	1.96 (1.63)	119.79	85.62 (71.48)	34.17 (28.52)
	2. 4.34 (4.71)	31.18 (33.86)	9.35 (10.15)	19.53 (21.21)	14.06 (15.27)	7.32 (7.95)	6.31 (6.85)	92.09	64.40 (69.93)	27.69 (30.07)
	3. N.P	88.76	M.P	45.32	60.58	81.33	M.P	76.88	75.22	81.04
1983-84	1. N.P	38.43 (27.88)	9.22 (5.96)	50.15 (36.40)	28.51 (20.69)	10.42 (7.56)	2.09 (1.51)	137.82	96.80 (70.24)	41.02 (29.76)
	2. 5.12 (5.63)	38.57 (42.38)	6.74 (7.41)	20.13 (22.12)	9.53 (10.47)	5.74 (6.31)	5.18 (5.69)	91.01	70.56 (77.53)	20.45 (22.47)
	3. N.P	M.P	82.00	40.14	33.43	55.09	M.P	66.04	72.89	49.85

Source: Production figures collected from AIFCOSPIN Annual Reports and Yarn requirement from Cooptex records

- Notes : 1. Production by CSMs — Figures in brackets refer to percentage share of each count in total production  
2. Requirement by Cooptex — figures in brackets refer to percentage share of each count in total requirement  
3. Yarn requirement as a percentage of total production  
4. N.P — Not Produced  
5. M.P — More than production

lower proportion required by the handloom cooperatives, would tend to suggest that there is a steady open market for this particular count.

This endorses the view that handlooms require mostly the coarser counts, 1-10<sup>s</sup>, 20<sup>s</sup> and 26<sup>s</sup> which are not readily available from the CSMs. Since the total production was far in excess of the total requirement the Directorate has been claiming 100 percent coverage of handloom cooperatives by CSMs. However as we observed a count wise analysis of production and requirement of yarn clearly shows that, what was required was not produced in sufficient quantities and often what was produced was not entirely required by handloom cooperatives. This resulted in forcing the latter to depend on the open market for a substantial proportion of their requirements.

### 3.5.2 Availability:

Count wise yarn requirements for each depot are furnished by Cooptex to the Directorate, which matches the requirements of weavers cooperative societies with the prospective supply schedule of the CSMs. Accordingly the Directorate issues allotment order to the CSMs as to how much in each count should be despatched and to which yarn depot the supply should be made. This allotment is the availability of yarn from CSMs to Cooptex for distribution among member cooperatives.

The availability of yarn vis-a-vis requirement (See row 3 of Table 3.8) shows that, the requirement in aggregate terms was fully met in 1982-83 and 1983-84. However, in 1981-82 only 83.88 percent was made available out of requirement.

Table 3.8: Availability of Yarn

(Figures in lakh kgs)

Year		1-10 <sup>B</sup>	11-20 <sup>B</sup>	21-30 <sup>B</sup>	31-40 <sup>B</sup>	41-60 <sup>B</sup>	61-80 <sup>B</sup>	81 and above	Total	Coarser 1-40	Finer 41 and above
1981-82	1.	4.29 (5.83)	31.77 (42.20)	7.57 (10.29)	14.23 (19.35)	9.94 (13.51)	3.56 (4.84)	2.19 (2.98)	73.55	57.86 (78.67)	15.69 (21.33)
	2.	N.P	86.66	M.P	34.01	36.87	30.48	87.60	57.86	67.30	38.14
	3.	50.47	78.08	57.44	119.78	113.47	115.21	138.61	83.88	77.93	116.83
1982-83	1.	4.40 (4.35)	50.52 (49.99)	7.36 (7.28)	21.75 (21.52)	9.62 (9.52)	5.70 (5.64)	1.72 (1.70)	101.07	84.03 (83.14)	17.04 (16.86)
	2.	N.P	M.P	99.46	50.48	41.48	63.33	87.75	84.37	98.14	49.87
	3.	101.38	162.03	78.72	111.37	68.42	77.87	27.26	109.75	130.48	61.72
1983-84	1.	1.75 (1.92)	33.57 (36.75)	5.53 (6.05)	28.09 (30.75)	13.88 (15.19)	6.88 (7.53)	1.65 (1.81)	91.35	68.94 (75.47)	22.41 (24.53)
	2.	N.P	87.35	67.27	56.01	48.68	66.03	78.95	66.28	71.22	54.63
	3.	34.18	87.04	82.05	139.54	145.65	119.86	31.85	100.37	97.70	109.58

Source: Cooptex Records

- Notes: 1. Allotment made by Directorate (Availability) - Figures in brackets refer to percentage share of each count in total production  
2. Availability as a percentage of total production  
3. Availability as a percentage of requirement  
N.P — Not produced  
M.P — More than Production

The inter-count trend between requirement and availability gives us a different picture. Evidently, the requirements of 1-10<sup>s</sup> was around 6 lakh kgs per year. But it was not at all produced by the CSMs although allotment was made and mentioned as yarn made available to Cooptex.<sup>20/</sup> This clearly indicates the fact that, the Directorate/Cooptex makes regular arrangement to supply such yarn from the private mills. It is interesting to note that it is generally in the case of coarser counts that availability falls short of requirement. In the case of counts above 40<sup>s</sup> availability is much more than requirements. Comparing availability with production we find that, for counts 21-30s the availability was more than production in 1981-82, similarly for 11-20s count in 1982-83. This may be possible upto an extent if the previous year's stocks held by the CSMs are sufficient. However, in the case of 11-20<sup>s</sup> for the year 1982-83 it was not possible to draw on previous years' stocks given the production and allotment figures for 1981-82 and hence one can only infer that these counts would have been procured from private mills.

### 3.5.3 Consumption:

Consumption refers to the yarn consumed by member cooperatives through the Cooptex. From Table 3.9, it may be noted that on average almost 46 per cent of the yarn consumed by Cooptex is of counts 20<sup>s</sup> and below and if we define coarse as all yarn below 40<sup>s</sup>, then almost 78 percent of the yarn

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20. This may have been supplied by the Miserior spinning mill. It is important to note that the production capacity of the above mill is only 1.70 lakh kgs per year. Thus the entire production of the mill can barely meet one third of the total requirement.



Table 3.9: Consumption of Yarn through Cooptex

(Figures in lakh kgs)

Year		1-10 <sup>S</sup>	11-20 <sup>S</sup>	21-30 <sup>S</sup>	31-40 <sup>S</sup>	41-50 <sup>S</sup>	61-80	81 and above	Total	Coarser 1-40 <sup>S</sup>	Finer 41 and above
1981-82	1.	4.05 (5.97)	29.29 (43.16)	7.03 (10.36)	13.77 (20.29)	8.76 (12.91)	3.10 (4.57)	1.86 (2.74)	67.86	54.14 (79.78)	13.72 (20.22)
	2.	47.65	71.98	53.34	115.91	100	100.32	117.32	77.40	72.92	102.16
	3.	94.41	92.19	92.87	96.77	88.13	87.08	84.93	92.26	93.57	87.44
	4.	N.P	79.90	94.11	32.91	32.49	26.54	74.40	53.39	62.98	33.35
1982-83	1.	4.01 (5.22)	29.33 (38.18)	6.31 (8.22)	19.59 (25.50)	10.81 (14.07)	5.31 (6.91)	1.46 (1.90)	76.82	59.24 (77.12)	17.58 (22.88)
	2.	92.40	94.07	67.49	100.31	76.88	72.54	23.14	83.42	91.99	63.67
	3.	91.14	58.06	85.73	90.07	112.37	93.16	84.88	76.01	70.50	103.17
	4.	N.P	83.49	85.27	45.46	46.57	59.00	74.49	64.13	69.19	51.45
1983-84	1.	2.16 (2.57)	32.75 (38.98)	5.37 (6.39)	24.31 (28.94)	12.74 (15.16)	5.66 (6.74)	1.02 (1.22)	84.01	64.59 (76.88)	19.42 (23.12)
	2.	42.19	84.91	79.67	120.77	133.68	98.61	19.69	92.31	91.54	94.96
	3.	123.43	97.56	97.11	86.54	91.79	82.27	61.82	91.96	93.69	86.66
	4.	N.P	85.22	65.33	48.47	44.69	54.32	48.80	60.96	66.73	47.34

Source: Cooptex Records

- Notes: 1. Consumption through Cooptex—Figures in brackets refer to percentage share of each count in total consumption  
2. Consumption as a percentage of total requirement  
3. Consumption as a percentage of total allotment/availability  
4. Consumption as a percentage of total production  
N.P. — Not produced

procured by the Cooptex is of coarse counts. Consumption of yarn through Cooptex vis-a-vis total requirements of yarn by handloom cooperatives shows that the apex society in recent years has been able to meet around 84 per cent of the requirements. (From Table 3.6 it is clear that the proportion was much less in earlier years) However, the consumption of Cooptex is conditioned by what is available and we find that its consumption as a proportion of availability in 1981-82 is in fact much higher (that is 92 percent) as compared to its consumption as a proportion of requirements (that is 77 percent). The average for the 3 years, shows that Cooptex's consumption as a proportion of yarn available is marginally higher than that of yarn required.

However, the inter-count trends show a strikingly different pattern. Less than half the requirements of 1-10<sup>S</sup> is met by the Cooptex (except in the year 1982-83). Similarly in the case of counts 11-20<sup>S</sup> and more so in respect of 21-30<sup>S</sup>. In the case of the latter a little over half the requirement only was being met by Cooptex, though the situation has somewhat improved. It is interesting to note that while the requirements of finer counts of yarn (including 31-40<sup>S</sup>) were being overfulfilled, it is in the case of the coarser counts that Cooptex has been unable to meet the total requirements of the handloom cooperatives.

Of the total production of CSMs, Cooptex is able to procure only around a little less than 60 percent. Procurement is much higher in the case of coarser counts. (This confirms what has been noted earlier that it is the finer counts which are increasingly being supplied to the open market by the CSMs).

### 3.6 Summing up

From the above we can observe that Cooptex has not been able to meet the total requirements of yarn of the handloom cooperatives which still depend on the open market in particular for certain counts of yarn. This confirms our observation that the discrepancies between production of yarn by the CSMs on the one hand and requirement, availability and consumption of yarn by handloom cooperatives on the other reflect to some extent the uncoordinated functioning of the whole system of matching demand with supply. The count-wise analysis tends to strengthen the assumption that economic compulsions may have also contributed in forcing the mills to produce a lower proportion of the lower counts and a relatively higher proportion of higher counts. The fact that the Directorate has been making larger allotments than what is required in the case of higher counts of yarn may perhaps also be a reflection of its need to adjust to a situation of increasing production of higher counts.<sup>21/</sup> We intend to carry out in the following chapter a more indepth economic analysis of this aspect in terms of costs and prices of the different counts of yarn.

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21. There are instances of handloom cooperatives being forced to make to do with finer counts of yarn to produce coarser varieties of cloth. See P. Manickavasagam (1985) op.cit., p.79.

## CHAPTER 4

### COST AND PRICES

#### 4.1 Introduction

In the previous chapter we observed that while the total yarn produced by all the CSMs was in excess of total requirements of the handloom cooperatives, on closer scrutiny it was seen that there were discrepancies at various levels, thus forcing the handloom cooperatives to rely on the open market for a fair proportion of yarn required. In this chapter we examine the cost pattern and pricing of yarn of CSMs in general, supplemented by the sample mill data wherever necessary. This would throw light not only on the shortcomings in their pattern of production but also indicate the need of the CSMs to market their yarn in the open market depriving the handloom cooperatives of their yarn requirements. The price at which yarn is sold by CSMs depends on the cost of production and other factors, besides the social obligation of the mills to supply yarn at reasonable prices to handloom cooperatives vis-a-vis the open market prices.

For our analysis on costs and prices we have depended primarily on information compiled by the All India Federation of Cooperative Spinning Mills for the eleven year period 1973-74 to 1983-84. The number of CSMs during this period had remained constant at twelve (plus the second unit

of South India CSM). All the mills have the same accounting year July-June and we have used the average of the data for the thirteen mills.<sup>1/</sup>

These data give the raw cotton cost or clean cotton cost (hereafter CCC) and all other manufacturing expenses upto realising the price of yarn referred to as conversion cost (hereafter CC). The difference between the ex-mill selling price of yarn per kg and the CCC per kg of yarn (or the sale value of production minus CCC) forms the contribution. The quantum of contribution is one of the major factors that decides the degree of profitability of a mill. By deducting CC from contribution we obtain cash gain or loss made by a mill.

#### 4.2 Cost of Production

The data given in Table 4.1 gives annual average cost per mill as also its disaggregated components. We see from the table that the cost increased more than four fold during the period 1973-74 to 1983-84. From an average of Rs.114.15 lakhs it rose to almost Rs.500 lakhs by the end of the period; the increase was particularly sharp since 1978-79. While cost of production grew at a rate of almost 15 percent per annum for the whole period, the rate of growth was 15.06 percent for the first sub-period 1973-74 to 1977-78 and over 19 percent per annum for the period 1978-79 to 1983-84.

##### 4.2.1 Clean Cotton Cost (CCC)

Raw cotton cost is the single largest item of cost in spinning, constituting over 60 percent of total cost. It varies according to the type of yarn produced, being proportionately less for a fine than a coarse

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1. The second unit of SICSM has been treated as a separate mill

Table 4.1: Trend in Average Cost of Production

(Figures in lakh Rupees)

Year	Total cost	CCC	CC	Components of CC			
				Wages and salaries	Stores and spares	Power actual	Others
1973-74	114.15	75.38(66.04)	38.77(33.96)	23.54(60.72)	4.25(10.96)	3.44( 8.87)	7.54(19.45)
1974-75	114.77	78.10(68.05)	36.67(31.95)	23.80(64.90)	3.81(10.39)	4.36(11.89)	4.70(12.82)
1975-76	152.18	100.73(66.19)	51.45(33.81)	30.32(58.93)	3.45( 6.71)	7.13(13.86)	10.55(20.50)
1976-77	220.31	166.61(75.63)	53.70(24.37)	34.54(64.32)	5.64(10.50)	9.25(17.23)	4.27( 7.95)
1977-78	174.93	127.67(72.98)	47.26(27.02)	28.32(59.92)	4.23( 8.95)	7.94(16.80)	6.77(14.33)
1978-79	198.38	140.94(71.05)	57.44(28.95)	36.96(64.34)	4.12( 7.17)	10.37(18.05)	5.99(10.44)
1979-80	217.42	135.94(62.52)	81.48(37.48)	50.69(62.21)	8.92(10.95)	14.58(17.89)	7.29( 8. 95)
1980-81	305.86	198.07(64.76)	107.79(35.24)	61.58(57.13)	16.83(15.61)	21.47(19.92)	7.91( 7.34)
1981-82	393.44	268.44(68.23)	125.00(31.77)	75.71(60.57)	14.31(11.45)	24.17(19.34)	10.81( 8.64)
1982-83	405.23	243.23(60.02)	162.00(39.98)	84.20(51.98)	16.51(10.19)	41.29(25.49)	20.00(12.34)
1983-84	497.74	309.70(62.22)	188.04(37.78)	100.93(53.67)	18.19( 9.67)	46.49(24.72)	22.43(11.94)
Growth Rate 1973-74 to 1983-84	14.67	13.60	16.76	15.29	18.49	25.42	11.48
i. Sub Period I 1973-74 to 1977-78	15.06	18.11	7.77	7.42	3.83	24.25	-3.11
ii. Sub-Period II 1978-79 to 1983-84	19.20	17.10	23.26	19.29	26.03	30.69	28.40

Source: Compiled from AIFCOSPIN Annual Reports

Notes : 1. Figures in bracket refer to percentage of total cost

2. In the column components of CC, figures in bracket refer to percentage of total CC

3. The compound growth rate has been calculated by fitting the semi-log regression to annual data under standard assumptions. The form of the regression is

$$\text{Log}_e Y = a + rt + e$$

r = Compound growth rate.

product, a higher quality of cotton being offset by more elaborate preparatory and spinning processes.<sup>2/</sup> The CCC plays an important role in the price at which yarn is made available to handloom cooperatives. To a considerable extent the spinning mills are unable to exercise effective control over reducing cost of raw material, except through better official procurement policies and their own handling of the material. This is essentially true in states like Tamil Nadu where cotton is deficit in production and is procured from outside the state. The fact that CCC shows wide fluctuations, indicates the tendency of raw cotton prices to fluctuate.

Table 4.1 shows that CCC in 1973-74 was 66.04 percent of the total cost and it has come down to 62.22 percent in 1983-84; it was highest in 1976-77, viz; 75.63 per cent and was much lower at 60.02 per cent in 1982-83. The CCC also shows an increasing trend during this period; however on the whole the increase was somewhat less than in total cost. It is interesting to note that upto the late seventies, CCC was growing at a faster rate than total costs as can be seen from the growth rates in Table 4.1 Subsequently, however, total costs increased more sharply. This must have been on account of a substantial increase in CC.

#### 4.2.2 Conversion Cost

The Conversion cost (CC) depends on the administrative and managerial efficiency with which a mill operates. It includes all other manufacturing expenses (excluding depreciation) of which wages and power are the most

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2. S.R. Dennison, The Cotton Industry in Studies in Company Finance, (ed) Brain Tew and Henderson, 1959, p.166.

important constituents. The CC varies between mills and counts, the differences on account of post-spinning operations like winding, reeling, doubling, packing being large, since the finished product is sold in different forms like single or double/hank yarn or cone yarn.<sup>3/</sup>

The increase in CC during this period was higher than total cost of production and the fluctuations were relatively less than in CCC. From an average of Rs.38.77 lakhs per mill, CC increased to about Rs.188 lakhs by 1983-84. It increased sharply in the last two years. The CC, as was the case with respect to CCC shows two distinct phases — initially upto the late seventies, CC rose at a relatively lower rate compared to CCC and total cost; since then it accounted for a much larger proportion of the increase in total costs. It must be noted, however, that CC has a much lower weight in total cost of production.

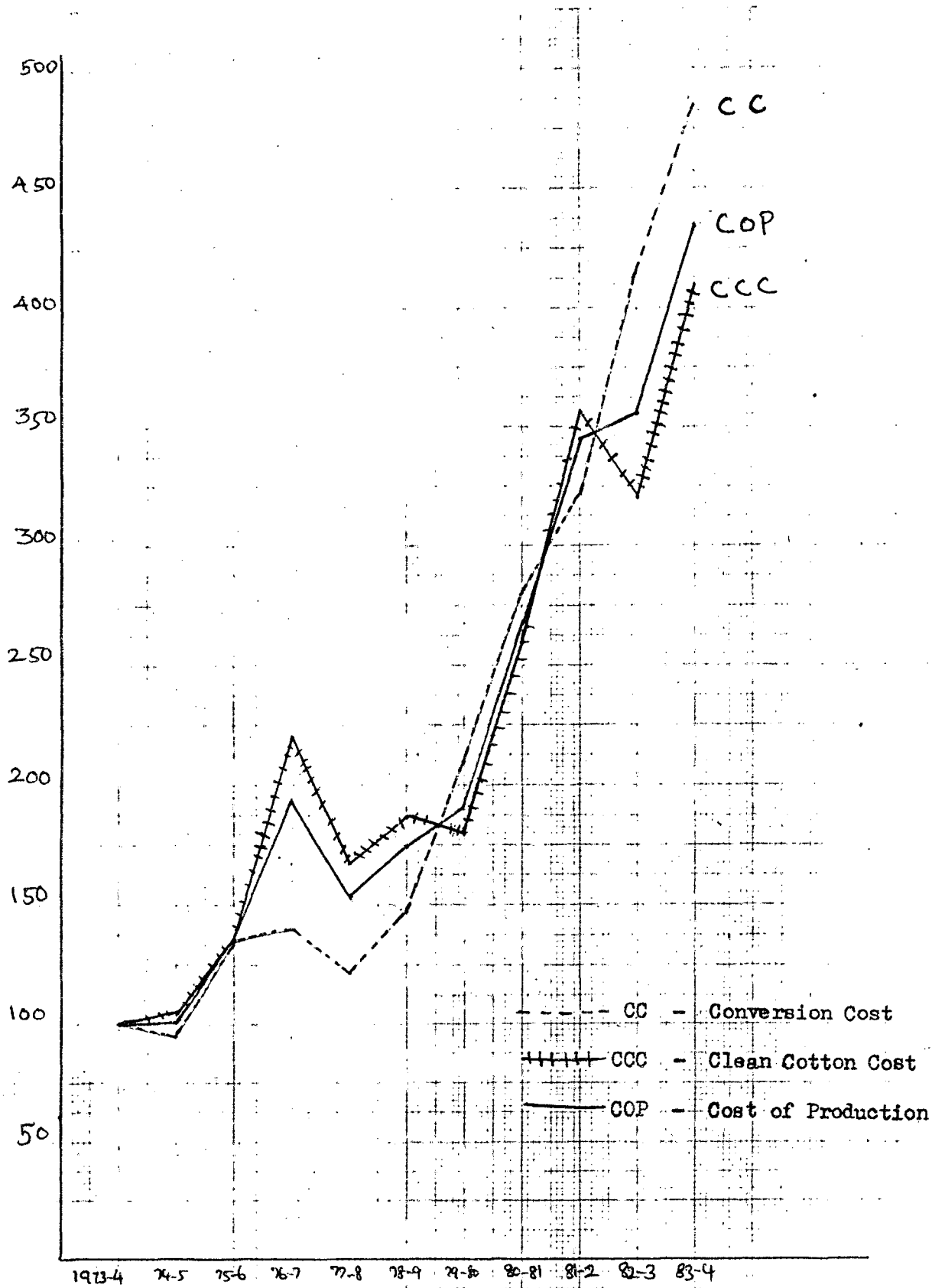
The behaviour of total costs and its components is given graphically (See Graph 1) It clearly brings out the fact that all components of costs have risen over time. However of the total increase in costs of production, raw cotton costs accounted relatively more for the increase in total cost per mill upto 1978-79. Since then there was a sharp increase in CC. On disaggregating CC we find that the item power and fuel appears to have contributed largely to the increases observed. From an average of Rs.10.4 lakhs in 1978-79, it increased to Rs.46.5 lakhs in 1983-84, that is a growth rate of over 30 per cent per annum. Hence its share in CC rose to about a quarter by the end of the period. On the other hand the share of wages

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3. AIFCOSPIN Annual Report, 1983-84, p.70



Graph 1: Indices of Cost of Production, CCC and CC



Note: Based on figures given in Table 4.1. 1973-74 = 100

and salaries has declined from around 60-65 per cent in the seventies to about 50-55 per cent in the eighties.

From the above analysis we find that there was an overall increase in cost of production which was reflected in a differential rate of increase in CCC and CC. How far this general tendency affected the individual counts of yarn needs attention, since certain counts, as we noted earlier are not being produced by the mills or being insufficiently produced and certain counts are not required to the extent being produced. The possible reasons can be found only by analysing the count-wise cost of production in terms of CCC and CC.

#### 4.3 Count wise trend in clean cotton cost

Count wise figures on costs, contribution and selling prices have been estimated by averaging the data for the number of mills producing the same count. However we have been able to obtain such data only from 1975-76.

Table 4.2 gives CCC per kg of yarn and also <sup>as</sup> a proportion of total costs. As indicated earlier CCC as a proportion of total cost is higher for the coarse counts. While it is over 75 per cent for the coarsest count 20<sup>s</sup>, it is less than 50 per cent for 100<sup>s</sup>, the very fine count of yarn. There is a more or less consistent decline in this proportion as the count of yarn increases. It is significant to note that over time although the CCC has increased steadily for all counts (except for 100<sup>s</sup>, for which data are not available for earlier years) the increase has been much higher in the case of 20<sup>s</sup> and 40<sup>s</sup>. For 60<sup>s</sup>, 80<sup>s</sup> and 100<sup>s</sup> combed the increase has been much lower. While the rate of growth of CCC was almost 5 per cent per annum for 20<sup>s</sup>, and a little less for 40<sup>s</sup>, it was less than 2.5 per cent

Table 4.2: Count-wise CCC per kg of yarn

(Figures in Rupees)

Counts	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	Growth Rate 1975-76 to 1983-84
20 <sup>S</sup>	8.83	13.53	13.19	10.66	10.13 (72.20)	12.54 (76.65)	16.64 (81.21)	13.88 (66.13)	15.51 (77.24)	4.93
40 <sup>S</sup>	11.38	15.23	15.89	14.07	13.99 (61.71)	15.62 (64.81)	18.22 (69.30)	16.20 (61.53)	18.79 (65.11)	4.28
60 <sup>S</sup>	13.94	18.60	18.39	17.05	16.61 (53.24)	17.47 (55.76)	18.99 (57.15)	17.42 (48.81)	20.27 (53.70)	2.32
80 <sup>S</sup>	17.79	21.52	25.84	21.40	20.39 (63.46)	20.33 (50.46)	21.37 (50.87)	18.97 (41.07)	22.30 (46.69)	0.16
100 <sup>S</sup>	N.A	N.A	N.A	N.A	22.82 (43.00)	26.45 (47.02)	25.01 (46.64)	20.93 (37.10)	21.87 (37.78)	—
100 <sup>S</sup> C	28.71	30.54	32.44	25.81	27.09 (49.50)	28.44 (52.65)	30.05 (51.62)	22.75 (42.29)	36.31 (50.42)	-8.90

Source: As in Table 4.1

- Notes :
1. Figures in brackets refer to CC as a proportion of total cost of production
  2. N A — Not Available
  3. C — Combed yarn

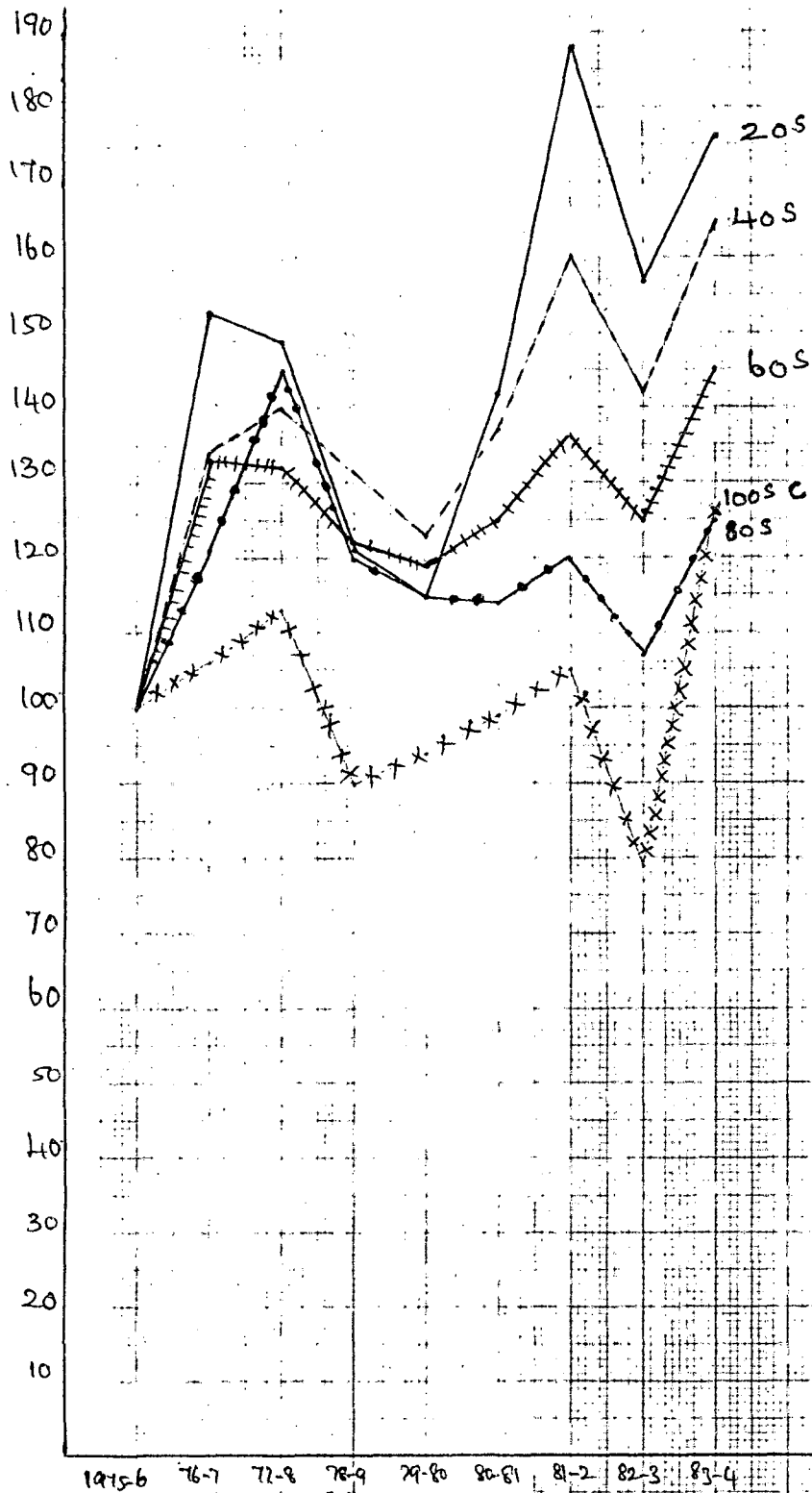
for 60<sup>S</sup> and marginal in the case of 80<sup>S</sup>. The difference between counts is brought out graphically. (See Graph 2)

Hence the increase in CCC is relatively more in coarse yarn compared to finer yarn. In fact in the case of 20<sup>S</sup> the increase was very sharp since 1980-81 though it has declined to some extent in the last two years.

Given the above differential rates of increase in CCC, the latter as a proportion of total cost has increased for the coarser counts vis-a-vis the finer counts. From the same table we can see that in the case of 20<sup>S</sup>, CCC as a proportion of total cost increased from about 72 per cent to 77 per cent; in the case of 40<sup>S</sup> the increase was from 62 per cent to 65 per cent. However in the case of 60<sup>S</sup> the proportion remained the same, while for 80<sup>S</sup> and 100<sup>S</sup> it showed a sharp decline (these data were available only for the last five years)

The above analysis clearly shows that the increase in CCC is much higher in coarse counts compared to finer counts. To the extent that prices of coarser counts are controlled by the Directorate, in the interests of the handloom cooperatives, this creates a difficult situation for the CSMs. On the one hand, they are obliged to produce the coarser counts for handloom cooperatives; on the other given the fact that CCC has been rising much faster for coarse varieties of yarn, the contribution on such counts would be lower and hence would act as a disincentive to the mills to undertake their production, despite their social obligation. We now examine average and count-wise contribution as also the count-wise ex-mill selling prices.

Graph 2: Indices of CCC - Count Wise



Note: Based on figures given in Table 4.2. 1975-76 = 100

4.4 Contribution

The quantum of contribution as noted earlier is one of the major factors that decides the degree of profitability of a mill. Table 4.3 gives average contribution per mill from 1973-74 to 1983-84 as also the

Table 4.3: Sale Value of Production and Component Shares

(Rupees in lakhs)

Year	Sale value of production	Contribution	Contribution as a proportion of Sale Value of production	CCC as a proportion of sale value of production	CC	CC as a proportion of Sale values of production
1973-74	135.24	59.86	44.26	55.74	38.77	28.67
1974-75	114.39	36.29	31.72	68.28	36.67	32.06
1975-76	140.29	39.56	28.20	71.80	51.45	36.67
1976-77	238.66	72.04	30.16	69.84	53.70	22.50
1977-78	177.72	50.04	28.16	71.84	47.26	26.59
1978-79	236.79	95.86	40.48	59.52	57.44	24.26
1979-80	281.12	145.19	51.65	48.35	81.48	28.94
1980-81	346.36	148.29	42.81	57.19	107.79	31.12
1981-82	411.17	142.73	34.71	65.29	125	30.04
1982-83	434.53	191.30	44.02	55.98	162.	37.28
1983-84	517.06	207.36	40.10	59.90	188.04	36.37
Growth Rates:						
1973-74 to						
1983-84	14.98	17.47	2.50	-1.38	16.76	1.79
i. Sub-period I						
1973-74 to						
1977-78	12.82	3.27	-9.55	5.30	7.77	-5.05
ii. Sub-period II						
1978-79 to						
1983-84	15.38	13.28	-2.45	1.73	23.26	7.89

Source: As in Table 4.1

sale value of production. The ratio of contribution to sale value as also CCC to sale value, the two together being equal to unity<sup>4/</sup> indicate the ability of the mills to earn a margin, both in terms of the prices they are able to obtain as also the extent to which a reduction in CCC is effected.

The table reveals that the contribution available over time has steadily increased especially since the late seventies; in terms of value contribution increased from Rs.59.86 to Rs.207.36 lakhs between 1973-74 and 1983-84. However, what is more interesting is the ratio of contribution to sale value of production. This ratio varies from 28 percent to 52 per cent during the whole period. It was relatively lower in the period upto the late seventies and rose thereafter maintaining a relatively higher level. Hence we find that contribution as a proportion of sale value of production grew at a rate of 2.5 per cent per annum during this period. However, in both the sub-periods it revealed a negative growth rate, which was lower in the second sub-period. That its behaviour is linked to the changes in CCC as a proportion of sale value of production is evident. Thus the latter grew at a negative rate of 1.38 per cent during the 11 year period; the growth rates being positive in the two sub-periods, being higher in the first and lower in the second, 5.30 and 1.73 per cent respectively.

Hence for the period as a whole, we find that contribution as a proportion of sale value of production has registered a positive though low rate of growth. Whether this has also implied a cash gain or loss to CSMS would be seen from a

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4. This is so since  $C = SV - CCC$ ; where C is contribution, SV is sale value of production and CCC is clean cotton cost. Dividing by SV we have

$$\frac{C}{SV} = 1 - \frac{CCC}{SV}; \text{ therefore } C/SV + CCC/SV = 1.$$

study of the behaviour of CC as a proportion of sale value of production. The fact that the ratio of CC as a proportion of sale value of production has been growing at a lower rate than contribution as a proportion of sale value of production leads us to believe that for the period as a whole the mills have made a cash gain.

We now examine the count-wise behaviour of contribution per kg of yarn as also the ex-mill selling price of yarn.

#### 4.4.1 Contribution-Count-wise

In terms of value, between counts we see that lower the count lower the contribution and higher the count higher the contribution (Table 4.4) Combed yarn fetches a higher contribution than carded yarn as for instance in the case of 100<sup>S</sup>. An analysis of contribution as a proportion of selling rate and CCC as a proportion of selling rate reveals interesting inter-count variation.<sup>5/</sup> We have noted in the previous section that CCC has grown at a much faster rate for the coarser counts. In relation to selling rate per kg of yarn we find that CCC has declined for all counts; however it is significant to note that while the rate of decline was 2.04 per cent for the 20s and 2.38 for 40<sup>S</sup>, it was as high as 4.04, 4.22 and 6.78 per cent for the 60<sup>S</sup>, 80<sup>S</sup> and 100<sup>S</sup>. Hence contribution as a proportion of selling rate has grown at a much higher rate in the case of finer counts. It grew at a rate of 6 to 6.5 per cent for 60<sup>S</sup> and 80<sup>S</sup> and 8.4 per cent for 100<sup>S</sup>, while the rate of growth was around 5 to 5.5 per cent for the lower counts.

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5. It may be noted that the denominator here is different since it refers to ex-mill selling rate, while in the earlier section it referred to sale value of production.



Table 4.4: Components of Selling Rate as a Proportion of Selling Rate

Year	CCC as a proportion of selling rate					Contribution as a proportion of selling Rate					CC as a proportion of Selling Rate				
	20 <sup>S</sup>	40 <sup>S</sup>	60 <sup>S</sup>	80 <sup>S</sup>	100 <sup>S</sup> C	20 <sup>S</sup>	40 <sup>S</sup>	60 <sup>S</sup>	80 <sup>S</sup>	100 <sup>S</sup> C	20 <sup>S</sup>	40 <sup>S</sup>	60 <sup>S</sup>	80 <sup>S</sup>	100 <sup>S</sup> C
1975-76	77.73	75.07	69.63	68.27	63.25	22.27	24.93	30.37	31.73	36.75	-	-	-	-	
1976-77	81.60	72.55	74.28	64.22	73.93	18.40	27.45	25.72	35.78	26.07	-	-	-	-	
1977-78	75.24	71.80	66.56	66.36	66.08	24.76	28.20	33.44	33.64	33.92	-	-	-	-	
1978-79	68.46	63.21	58.15	58.20	50.58	31.54	36.79	41.85	41.80	49.42	-	-	-	-	
1979-80	57.62	52.12	45.88	54.83	38.20	42.38	47.88	54.12	55.17	61.80	22.18	32.34	40.30	47.80	38.98
1980-81	68.64	60.97	53.62	55.25	43.52	31.36	39.03	46.38	54.75	56.48	20.91	33.10	42.54	44.42	39.14
1981-82	77.47	68.63	61.00	59.16	48.22	22.53	31.37	39.00	40.84	51.78	17.92	30.40	45.74	57.14	45.19
1982-83	63.49	58.25	50.26	47.26	35.21	36.51	41.75	49.74	52.74	64.79	32.53	36.43	52.71	67.81	48.06
1983-84	68.03	63.96	54.26	48.96	48.53	31.97	36.04	45.74	51.04	51.47	20.04	34.28	46.63	55.89	61.18
Growth Rate 1975-76 to 1983-84	-2.04	-2.38	-4.04	-4.22	-6.78	5.51	5.01	6.71	6.21	8.43	2.39	2.12	5.06	7.36	11.07

Source: As in Table 4.1

However, the extent to which cash gain/loss could have been made on the different counts would depend on the behaviour of CC as a proportion of selling rate. We have been unable to obtain count-wise conversion costs for the first four years, 1975-76 to 1978-79. Hence the data relate to the period 1979-80 to 1983-84. The ratio of CC as a proportion of selling rate shows that it is lower for the lower counts and higher for the higher counts. However, except for the year 1982-83 in which CC as a proportion of selling rate increases sharply for all the counts, it has not registered any substantial change for the various counts. There is a slight upward tendency in respect of the higher counts; in the case of 100<sup>s</sup> it has risen. Hence, we observe that there was a definite tendency for cotton costs to increase at a much higher rate for coarse counts and contribution to increase at a relatively lower rate vis-a-vis finer counts. Furthermore, given the fact that CC as a proportion of selling rate has not changed significantly for any of the counts except for 100<sup>s</sup>, it appears that the production of coarser counts would have been increasingly becoming less profitable.

#### 4.5 Prices

Table 4.5 gives average ex-mill selling price of yarn-count wise. It can be seen from the table that higher the count higher the selling price. The count-wise rates of growth of selling prices reveal that these have been more or less similar for the coarse and finer counts viz; 6 to 7 per cent per annum (except 80<sup>s</sup>). Hence, in the context of what has been noted in the previous section, while raw cotton costs have increased at a much faster rate for the coarser counts and selling prices have risen at almost the same rates across counts, contribution as a proportion of selling

Table 4.5: Count-wise Selling Rate Per kg of Yarn

(Figures in Rupees)

Year	20 <sup>S</sup>	40 <sup>S</sup>	60 <sup>S</sup>	80 <sup>S</sup>	100 <sup>S</sup> C
1975-76	11.36	15.16	20.02	26.06	45.39
1976-77	16.58	21.06	25.04	33.51	41.31
1977-78	17.53	22.13	28.05	38.94	49.09
1978-79	15.57	22.26	29.32	37.77	51.03
1979-80	17.58	26.84	36.20	45.48	70.91
1980-81	18.27	25.62	32.58	44.93	65.35
1981-82	21.48	26.55	31.13	36.12	62.32
1982-83	21.86	27.81	34.66	40.14	64.61
1983-84	22.80	29.38	37.36	45.55	74.82
Growth Rate 1975-76 to 1983-84	6.97	6.64	6.31	4.66	6.78

Source: As in Table 4.1

price has risen at a much slower rate for coarse counts. This has another interesting implication. While on the one hand, the handloom cooperatives face the problem of obtaining adequate quantities of coarser yarn as was brought out in Chapter 3; on the other hand, prices of such yarn have been increasing almost as rapidly as of finer counts. Hence, the CSMs, it would appear have been unable to fulfill their objective of selling yarn at reasonable prices to handloom cooperatives. Nor have the mills adhered to the

stipulation that prices charged by them to Cooptex should not be higher than the open market prices. This is brought out by our sample mill data.

In general, the mills follow a dual price policy, that is one for the Cooptex and the other for the open market. Prior to 1959-60, the price was being fixed by the SICSM itself, the only CSM then in existence, on the basis of the market conditions and in consultation with Cooptex. Now pricing is done by the Directorate especially for the coarser varieties. As this yarn is primarily required by the handloom cooperatives, the Directorate fixed keeping in mind the cost of production and market conditions. The fact that ex-mill selling rates of the coarsest counts have risen at almost similar rates as finer counts indicates to some extent the pressure of rising cotton costs on the Directorates' decisions. As we noted earlier the mills enjoy considerable flexibility in open market sales, subject to the Directorate's stipulation that prices charged in the open market should not be lower than prices charged to Cooptex.

However, sample mill evidence suggests that prices charged to Cooptex by CSMs can in fact in many instances be higher than prices charged in the open market. It is also important to note that in the case of latter, even for the same count of yarn selling rates between mills differ significantly. For instance, the Anna CSM at Andipatti sold its yarn at the rate of Rs.152 per bundle of 5 kgs, whereas a similar count of yarn was sold at Rs.168 per bundle by the Bharathiyar CSM.<sup>6/</sup>

Table 4.6 gives the prices charged per kg of yarn for different counts to Cooptex and open market by sample mill 1. It is interesting to note that

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6. Indian Express, June 19, 1985

Table 4.6: Yarn Price to Cooptex and Open Market

(Figures in Rupees per kg)

Count Group and Price Charged	1973	1974	1975	1979	1980	1981
11-20 <sup>s</sup> To Cooptex	11.47	11.60	12.54	17.54	18.77	21.60
To Open Market	10.79(0.68)	12.93	12.86	17.33(0.21)	17.87(0.90)	-
21-30 <sup>s</sup> To Cooptex	11.17	15.35	11.51	17.99	19.99	21.80
To Open Market	10.71(0.46)	16.07	13.55	19.20	19.96(0.03)	-
31-40 <sup>s</sup> To Cooptex	15.37	18.25	13.86	23.96	25.11	25.92
To Open Market	13.93(1.44)	17.55(0.70)	15.49	23.06(0.90)	25.04(0.07)	25.88(0.04)
41-60 <sup>s</sup> To Cooptex	22.12	26.30	20.43	34.64	36.41	32.65
To Open Market	19.64(2.48)	26.00(0.30)	22.78	35.24	36.03(0.38)	30.07(2.58)
61-80 <sup>s</sup> To Cooptex	30.50	35.05	29.57	44.72	44.00	42.07
To Open Market	23.89(6.61)	39.67	29.86	47.50	44.88	38.22(3.85)
More than 80 <sup>s</sup> To Cooptex	38.07	50.67	46.75	61.77	65.24	60.67
To Open Market	39.00	51.75	47.00	63.33	68.20	57.50(3.17)

Source: Compiled from the Sample Mill Ledgers and Registers

Notes: 1. Figures in brackets refer to the amount over charged to Cooptex in relation to Open Market.

2. Price for each count is calculated by dividing the total amount in value by total quantity sold of the various counts to each category of buyers.

in the case of all counts price charged to Cooptex is relatively higher in a larger number of years. In fact in the case of counts 31-40<sup>s</sup> the production of which was observed to be much higher than the requirements of handloom cooperatives (in the aggregate) price charged to Cooptex is higher in all the years except 1975.

This is indeed an anomalous situation given the procedure of yarn supply to handloom cooperatives. The cooperatives have to make purchase of yarn only from the Cooptex. This is binding because the societies are eligible for rebate on cloth only if the cloth is produced out of the yarn sold by Cooptex. Further, when a particular count of yarn is not available in the yarn depots of the Cooptex, the societies can buy yarn in the open market with the sanction of the Cooptex and the cloth so produced would be eligible for rebate.

The yarn is supplied by CSMS to Cooptex at rates fixed by the Directorate. However, the delivery of yarn from the depots to handloom cooperatives normally takes about a month. The prices charged are the ones fixed at the beginning of the month without taking into consideration, the fluctuations in yarn prices. Hence it would appear that the discrepancy is by and large a case of information gap. In fact the Directorate itself accepts that it is unable to revise prices according to the price changes, due to delay in receiving market information. Hence, while on the one hand this would induce the cooperatives to maintain their dependence on the open market despite the exhortations of the Directorate to procure their yarn requirements from Cooptex, on the other hand, given their financial weakness they are forced to depend on Cooptex. Evidence suggests that

financially sound cooperative societies prefer to purchase yarn either directly from CSMs or open market.

4.6 Summing up

Thus we find that the handloom cooperatives are in a vulnerable position as borne out by our analysis on costs and prices which reveals that,

- a. between counts there is a marked disincentive in the production of coarser counts; and
- b. prices of coarser counts do not seem to have been maintained at reasonable levels, added to which is a further anomaly<sup>viz.</sup> prices charged to Cooptex can in fact be higher than the open market prices.

## CONCLUSION

Our study was concerned primarily with assessing the role of CSMs in meeting the yarn requirements of handloom cooperatives. While a number of studies have examined the functioning of cooperative organisations, as far as we know, no detailed economic analysis of CSMs has been undertaken.

Given the traditionally important position of the handloom industry in Tamil Nadu, and the very elaborate institutional structure catering to the yarn requirements of handlooms, especially under cooperatives, we thought it would be meaningful to do an analysis of CSMs in this region.

Though the cooperative spinning sector is of relatively recent origin, the state has between 1958 and 1966 witnessed a substantial growth in the number of CSMs. These mills have been organised primarily as handloom weavers cooperatives, with heavy state participation in share capital and management. In contrast the CSMs in Maharashtra are basically cotton growers/powerloom weavers cooperatives and also relatively more autonomous.

This had serious implications for the functioning of the CSMs as well as in fulfilling the fundamental objective of ensuring adequate supply of yarn at reasonable prices to handloom cooperatives. Our study revealed that the institutional arrangements, with the Directorate at the top and CSMs and Cooptex under it seemed in practice unable to coordinate demand and supply of yarn. Thus we observed that there were serious limitations



both in the systems of procurement of cotton and marketing of yarn. In view of the fact that Tamil Nadu is deficit in cotton production the various arrangements which were worked out for procuring cotton failed to ensure total supply of raw cotton to CSMs. Consequently the latter were forced to depend on the open market.

In so far as yarn marketing was concerned, notwithstanding the Directorates' directives, the CSMs and Cooptex were unable to fulfil the total as also count wise yarn requirements of handloom cooperatives. This suggested considerable autonomy enjoyed by CSMs in their functioning which seems to have come about as a consequence of the change in objective since 1966, viz, permitting CSMs to partially cater to the open market.

However, besides such institutional constraints, our study also revealed the existence of considerable economic pressures that seemed to militate against the basic objectives of the CSMs. The count-wise production pattern showed significant discrepancies between production by CSMs and requirements, availability and consumption of yarn by handloom cooperatives. Hence we observed insufficient production of coarser counts, and excess production of certain other counts particularly fine, which were required to a much lower extent. Further, over allotment of finer counts was noted, thus forcing the weavers to make do with the latter in the absence of the required counts. In this context, we have critically evaluated the role of Cooptex. The latter has still not been able to meet 100 per cent of the requirements of handloom cooperatives though claims were made for the same since 1966. The discrepancies are particularly sharp with respect to coarse counts.

In an effort to sharply pinpoint the reasons for the mismatch between demand and supply of yarn we undertook an analysis of the cost and prices of the different counts of yarn. This clearly revealed that raw cotton costs have risen much faster for the lower counts of yarn while selling prices have risen at almost the same rate for all counts. Hence contribution as a proportion of selling price has grown at much slower rates for the coarse counts. This appears to be at least partially responsible in explaining the much lower than required production of lower counts.

Another significant fact revealed by our study of the sample mills was the difference between the prices charged to Cooptex and the open market. The former was in fact higher than the latter in a larger number of years and across counts despite the directive that open market prices should not be lower than prices charged to Cooptex. Even in the case of 31-40s, whose production is far in excess of requirements, this was so. On the basis of the available evidence it would seem that this discrepancy is essentially the outcome of the inability of the Directorate to keep abreast of fluctuations in market prices of yarn. However, upto the period of our investigation, there were no signs of any corrective measures being adopted to rectify this anomalous situation.

From the above observations it is clear that the CSMs have not been able to fulfil their objectives. Apart from the institutional constraints, there are also serious economic compulsions which appear to have been responsible for this situation. Thus notwithstanding the claims of the Directorate, the handlooms continue to be in a vulnerable position. Our

study underlines the need for a serious rethinking on the functional structure such that the Directorate is able to exercise a greater control over the production pattern of the CSMs. Presently the situation is somewhat paradoxical in that while the institutional mechanism provides for close control of the CSMs through government participation in share capital and management, yet in practice the mills enjoy considerable autonomy. Above all the system of monitoring and assessing yarn requirements of handloom cooperatives needs to be tightened and streamlined. However, there also appear to be serious limits to the extent to which the institutional mechanism can be made more responsive to the requirements of the handlooms. In the ultimate analysis market forces tend to predominate.

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