

Weekly Publication of



**Cotton  
Association  
of India**

# COTTON STATISTICS & NEWS

Edited & Published by Amar Singh

2022-23 • No. 38 • 20<sup>th</sup> December, 2022 Published every Tuesday

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## Cotton Marketing in Maharashtra – Issues and Way Forward

### EXPERT'S Column



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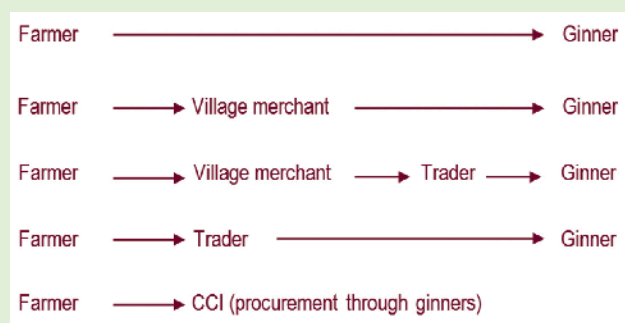
*Dr. C. Sundaramoorthy is Principal Scientist at ICAR-Central Institute for Research on Cotton Technology, Mumbai. He has 19 years of research experience as an agricultural economist in the field of Post-Harvest processing and value addition of cotton and its by-products, working in individual capacity as well as in a team comprising multi-disciplinary scientists.*

Cotton is the principal commercial crop of the country, whose value chain spreads across two sectors viz., agriculture and textiles. It addresses the livelihood needs of farmers on one hand and the value chain players' viz., traders, ginners, spinners, fabric and apparel manufacturers on the other. The farmer is the primary and most important stakeholder in the value chain and his action is loosely linked with the downstream activities. Small and marginal farmers predominate cotton cultivation in the country accounting for more than 80% share. The small volume of cotton produced for sale, owing to the small and marginal holdings, and the existing marketing practices doesn't provide the necessary leverage to the producers to fix the price for their produce and grossly remain as price takers in the market. India is the world leader in the acreage under cotton cultivation and production and Maharashtra state has the largest area under cotton cultivation (around 4.2 million hectares) within the country. The cotton cultivation in Maharashtra, unlike other cotton growing states, is mostly under rainfed conditions. A study of 300 farmers was conducted by ICAR-CIRCOT, Mumbai and ICAR-CICR, Nagpur during the year 2020-21. to examine the marketing behaviour of the cotton in Maharashtra up to the primary processing (ginning) and its implications from the farmers' perspective. A brief report of the study is presented in this article.

### Marketing of Cotton in Maharashtra:

Five marketing channels exist in Maharashtra through which raw cotton (kapas) from the farmers reaches ginning factories. The prominent players in these channels are village merchants and traders who act as middlemen between cotton farmers and ginners (Fig1). Cotton Corporation of India is another functionary in cotton marketing.

**Fig 1. Channels for cotton marketing**



### Cotton Farmers and Production Cost

On average, cotton farmers were incurring Rs. 77,882 towards the cost of cultivation of one

hectare and producing 17.8 q of seed cotton. The average price received by the sample farmers was Rs. 5,262 /q, thus receiving a gross income of Rs. 93,664 per ha. Farmers are getting net income of Rs. 15,782/ha in cotton cultivation. Human labour is the major cost component towards which about 31 percent of total cost is incurred followed by fertilizers (10.86), insecticides (7.96%) and machine labour (6.62%). Seed cost accounted for 4.22% of total cost. Fixed costs accounted for about 25 % of total cost.

Cotton picking is an important operation that accounts for about 20 percent of the total cost of cultivation. The price charges for picking vary from Rs.5-6/- per kilogram of cotton during the first picking to Rs.8-10/- per kilogram of cotton during the last picking. In recent times, there has been a sudden spike in the charges for picking due to the scarcity of labour for the operation. Around 15-20 per cent of the seed cotton is harvested in the first picking; 60-70 per cent of the cotton is harvested during the second picking and the remaining in the third picking. The last pickings are generally trashy and the price for the trashy cotton is less and the picking charges are higher.

In Maharashtra, most of the cotton producers sell their produce mainly through village merchants, traders (aggregators) in the nearby towns. The marketing scenario is dominated by the presence of the middlemen/traders which makes the linkage of the farmers with the cotton value chain weaker. Studies show that highest price is realised by the farmers when sold directly to ginners and lowest when sold to village merchants (Table 1).

**Table 1. Price received by the farmer through various agencies (Rs./q) (2020-21)**

Agency	Sale Price	Marketing cost	Net price
Village Merchant	5166	0	5166
Trader	5332	145	5187
Ginner	5584	125	5459
CCI	5387	152	5235



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• Madhya Pradesh : Khargone • Karnataka : Hubli • Punjab : Bathinda • Telangana: Warangal, Adilabad



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## Village Merchants

The village merchants purchase cotton from farmers in the village itself and sell it to the ginning factories or traders in the nearby towns. This channel is preferred by more than 70 per cent of the farmers to avoid additional expense towards the transportation (which was worked out to be about ₹ 250 per quintal) and loading and unloading charges as the seed cotton is lifted by the merchant at farm gate/house. In addition to this, the farmer get immediate cash payment, no issue of rejection on account of poor quality and the village merchants will entertain even small quantities of cotton. The farmers receive comparatively lower price than the prevailing rates in the market. Though this is a simple and risk-free channel, there is a compromise on the quality to a greater extent, the chances of adulteration and moisture addition are more prevalent which has a negative impact on the cotton quality and its processing in the value chain.

## Traders (aggregators)

Traders are present in nearby towns and collect cotton directly from the farmers and village merchants. In turn they sell it to ginners. In this channel, farmers bring their cotton to the nearby trader and sell at the prevailing market price. The price is determined by the trader based on subjective quality grading and on acceptance of the quoted price, the farmers sell their produce. Here also farmers have same advantages as when they sell to village merchants except for the addition of transport as well as loading and unloading charges. The disadvantages like low prices, malpractices in weighing and compromise on the quality is present. In turn, the traders sell their cotton to ginning factories that pay higher price, either in their vicinity or in nearby districts/ states.

**Fig 2. Farmers selling cotton to traders (aggregators)**



## Ginners

This is supposed to be the most profitable channel as farmers get the highest price. Due to the disadvantages like non acceptance of small quantities, delay in payment, fear of rejection on account of quality, transport charges, waiting period and less bargaining power make this channel less preferable by small and marginal farmers. Big farmers with enough cotton prefer to sell their produce to ginners instead of village merchants and traders. Traders and village merchants who buy cotton from farmers also sell to ginners. Quality cotton is rewarded by the ginner in this channel.

**Fig 3. Trucks loaded with cotton waiting for unloading at ginning factory**



## Cotton Corporation of India

The role of Cotton Corporation of India (CCI) is critical in cotton marketing whenever the market price of cotton falls below MSP. CCI purchases FAQ cotton directly from the farmers, registered with APMC, through its purchasers and pays the price as per the quality. This is done to ensure that the farmers are at least able to recover the cost incurred in the production of their produce. Many farmers who are confident of the quality of their produce prefer to sell to CCI. Long waiting periods, fear of rejection, delays in payment and other procedures deter the small and marginal farmers to come to CCI for selling their produce and they resort to the assistance of the middleman in this channel resulting in realising lesser price.

## Issues and the Way Forward

Major issues faced by the cotton farmers include immediate cash needs, less bargaining power, transportation charges, lower marketable quantities, complicate quality parameters and subjective assessment. As most of the cotton farmers are small and marginal, the quantity of cotton available to sell each time will be less than 5 quintals. Pressing cash needs compel them to sell their produce immediately after each picking.

# COTTON ASSOCIATION OF INDIA



**COTTON  
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**A CHILD'S CHILDHOOD IS FOR LEARNING  
DON'T USE THEIR CHILDHOOD FOR EARNING  
SAY NO TO CHILD LABOUR**

As the quantity is very small, its transportation became costly, and they cannot take it to the ginner or bargain strongly with the buyers for better price. Quality parameters associated with cotton are complicated and most of the times their assessment is subjective which makes cotton marketing more complex.

Farmers Producer Organisation (FPO) are emerging as an alternative channel that has the capacity to aggregate the produce and can enable the quality based marketing of cotton with more benefit to the farmers. This is one of the ways to overcome most of the issues faced by the cotton producers in marketing. By being organised as FPO, farmers can overcome the issues of quantity, transportation, bargaining power and rejection. The FPO's can enter into contract with the ginner/traders regarding price. They can perform lint-based marketing also and can sell lint and seed separately as they have large quantity of cotton and can get additional revenue. In Maharashtra, many FPOs were formed with the assistance of NABARD and ATMA and many are conducting marketing activities on a small scale. Most of them are involved in output marketing, input supply and custom hiring of implements and machinery.

Our study points out that output marketing done by FPOs was limited to red gram, gram, soybean and wheat, but they are now exploring the potential in marketing of cotton. The major limitations of the FPO in cotton marketing are huge capital requirement and adequate storage facilities. Capital is very crucial as they have to pay for the produce they purchase from the farmers. Due to the pressing cash needs, farmers will prefer the market players who will give the money without delay. Similarly, FPOs need storage space to keep the purchased produce from the farmers so that they can capitalise on the price movements over time. Price risk and lack of professional marketing skills are other constraints faced by the FPOs. Most of the FPOs are managed voluntarily by some of the members who are functioning as directors. These managers do not have adequate professional skills of marketing and cannot follow market trends. As most of the FPOs are in their initial stages of development and are having limited capital; their risk bearing ability is less. Hence, their activity in cotton marketing is limited

Very few NBFCs (NABKISAN, Anaya and Samunnati) and banks (SBI, UBI, BoB select DCCBs and RRBs) in the government sector are financing FPOs. These banks need collateral security which FPOs are unable to provide due to poor resource

base. Policies and schemes of Government of India such as Producers Organisation Development Fund (PODF), Small Farmers' Agri-business Consortium (SFAC), Venture Capital Assistance Scheme, Equity Grant Fund Scheme, Credit Guarantee Fund Scheme, etc. need to be linked to FPOs for providing capital. Central Warehousing Corporation (CWC) is providing its storage facility at 30% discount to the FPOs. FPO needs to be registered with Warehousing Development and Regulatory Authority (WDRA) to avail this facility.

Besides CWC, state warehousing corporations are providing their unutilised storage facilities to FPOs at subsidised rates. FPOs should be encouraged to utilise these provisions to overcome the bottle necks of storage facility. Employing skilled manpower is beyond the capacity of the FPOs and hence the existing manpower needs to be trained. Under the Recognition of Prior Learning (RPL) Programme, Maharashtra State Skill Development Society's (MSSDS) is providing training to the members of FPOs. Similarly, National Skill Development Corporation (NSDC), ICRISAT's Agribusiness and Innovation Platform (AIP) and many other organisations are imparting marketing skills. FPOs need to be encouraged to make use of these organisations for up grading their skills.

To reduce the price risk, FPOs need to resort to hedging and forward trading. National Commodity and Derivatives Exchange Limited (NCDEX) is facilitating to open trading account by FPOs and are also offering the quality assessment service and storage facilities at concessional rates. Around 300 FPOs have registered with NCDEX and around 100 are trading on its platform.

## Conclusion

The reform in cotton marketing should focus more on transparency and adoption of the objective grading-based marketing. These initiatives will have a greater impact as the entire value chain, will benefit from the quality cotton produced in the country and the farmers will realise better price for the good quality produce. The institutional mechanism has to be streamlined to overcome the operational limitations of the commodity group-based associations and enable a transparent marketing system for cotton.

*(The views expressed in this column are of the authors and not that of Cotton Association of India)*

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UPCOUNTRY SPOT RATES								(Rs./Qtl)					
Standard Descriptions with Basic Grade & Staple in Millimetres based on Upper Half Mean Length [ By law 66 (A) (a) (4) ]								Spot Rate (Upcountry) 2021-22 Crop December 2022					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Gravimetric Trash	Strength /GPT	12th	13th	14th	15th	16th	17th
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 – 7.0	4%	15	-	-	-	-	-	-
2	P/H/R (SG)	ICS-201	Fine	Below 22mm	5.0 – 7.0	4.5%	15	-	-	-	-	-	-
3	GUJ	ICS-102	Fine	22mm	4.0 – 6.0	13%	20	15550 (55300)	15550 (55300)	15466 (55000)	15410 (54800)	15353 (54600)	15297 (54400)
4	KAR	ICS-103	Fine	23mm	4.0 – 5.5	4.5%	21	16872 (60000)	16872 (60000)	16872 (60000)	16872 (60000)	16816 (59800)	16816 (59800)
5	M/M (P)	ICS-104	Fine	23mm	4.5 – 7.0	4%	22	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)
6	P/H/R(U) (SG)	ICS-202	Fine	27mm	3.5 – 4.9	4.5%	26	-	-	-	-	-	-
7	M/M(P)/SA/TL	ICS-105	Fine	26mm	3.0 – 3.4	4%	25	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)
8	P/H/R(U)	ICS-105	Fine	27mm	3.5 – 4.9	4%	26	-	-	-	-	-	-
9	M/M(P)/SA/TL/G	ICS-105	Fine	27mm	3.0 – 3.4	4%	25	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)
10	M/M(P)/SA/TL	ICS-105	Fine	27mm	3.5 – 4.9	3.5%	26	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)
11	P/H/R(U)	ICS-105	Fine	28mm	3.5 – 4.9	4%	27	-	-	-	-	-	-
12	M/M(P)	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)
13	SA/TL/K	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)
14	GUJ	ICS-105	Fine	28mm	3.7 – 4.5	3%	27	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)
15	R(L)	ICS-105	Fine	29mm	3.7 – 4.5	3.5%	28	-	-	-	-	-	-
16	M/M(P)	ICS-105	Fine	29mm	3.7 – 4.5	3.5%	28	-	-	-	-	-	-
17	SA/TL/K	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	-	-	-	-	-	-
18	GUJ	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	-	-	-	-	-	-
19	M/M(P)	ICS-105	Fine	30mm	3.7 – 4.5	3.5%	29	-	-	-	-	-	-
20	SA/TL/K/O	ICS-105	Fine	30mm	3.7 – 4.5	3%	29	-	-	-	-	-	-
21	M/M(P)	ICS-105	Fine	31mm	3.7 – 4.5	3%	30	-	-	-	-	-	-
22	SA/TL/K/TN/O	ICS-105	Fine	31mm	3.7 – 4.5	3%	30	-	-	-	-	-	-
23	SA/TL/K/TN/O	ICS-106	Fine	32mm	3.5 – 4.2	3%	31	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	-	-
24	M/M(P)	ICS-107	Fine	34mm	2.8 - 3.7	4%	33	20106 (71500)	19965 (71000)	19825 (70500)	19825 (70500)	19684 (70000)	19543 (69500)
25	K/TN	ICS-107	Fine	34mm	2.8 - 3.7	3.5%	34	-	-	-	-	-	-
26	M/M(P)	ICS-107	Fine	35mm	2.8 - 3.7	4%	35	20668 (73500)	20528 (73000)	20387 (72500)	20387 (72500)	20246 (72000)	20106 (71500)
27	K/TN	ICS-107	Fine	35mm	2.8 - 3.7	3.5%	35	-	-	-	-	-	-

(Note: Figures in bracket indicate prices in Rs./Candy)

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Standard Descriptions with Basic Grade & Staple in Millimetres based on Upper Half Mean Length [ By law 66 (A) (a) (4) ]								Spot Rate (Upcountry) 2022-23 Crop December 2022					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Gravimetric Trash	Strength /GPT	12th	13th	14th	15th	16th	17th
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 – 7.0	4%	15	17828 (63400)	17997 (64000)	17997 (64000)	17997 (64000)	17575 (62500)	17659 (62800)
2	P/H/R (SG)	ICS-201	Fine	Below 22mm	5.0 – 7.0	4.5%	15	18025 (64100)	18109 (64400)	18109 (64400)	18109 (64400)	17687 (62900)	17772 (63200)
3	GUJ	ICS-102	Fine	22mm	4.0 – 6.0	13%	20	-	-	-	-	-	-
4	KAR	ICS-103	Fine	23mm	4.0 – 5.5	4.5%	21	-	-	-	-	-	-
5	M/M (P)	ICS-104	Fine	23mm	4.5 – 7.0	4%	22	-	-	-	-	-	-
6	P/H/R(U) (SG)	ICS-202	Fine	27mm	3.5 – 4.9	4.5%	26	17519 (62300)	17519 (62300)	17659 (62800)	17603 (62600)	17547 (62400)	17266 (61400)
7	M/M(P)/SA/TL	ICS-105	Fine	26mm	3.0 – 3.4	4%	25	-	-	-	-	-	-
8	P/H/R(U)	ICS-105	Fine	27mm	3.5 – 4.9	4%	26	17716 (63000)	17716 (63000)	17856 (63500)	17800 (63300)	17744 (63100)	17462 (62100)
9	M/M(P)/SA/TL/G	ICS-105	Fine	27mm	3.0 – 3.4	4%	25	-	-	-	-	-	-
10	M/M(P)/SA/TL	ICS-105	Fine	27mm	3.5 – 4.9	3.5%	26	-	-	-	-	-	-
11	P/H/R(U)	ICS-105	Fine	28mm	3.5 – 4.9	4%	27	18250 (64900)	18250 (64900)	18250 (64900)	18165 (64600)	18081 (64300)	17800 (63300)
12	M/M(P)	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	-	-	-	-	-	-
13	SA/TL/K	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	-	-	-	-	-	-
14	GUJ	ICS-105	Fine	28mm	3.7 – 4.5	3%	27	-	-	-	-	-	-
15	R(L)	ICS-105	Fine	29mm	3.7 – 4.5	3.5%	28	18503 (65800)	18503 (65800)	18559 (66000)	18475 (65700)	18390 (65400)	18109 (64400)
16	M/M(P)	ICS-105	Fine	29mm	3.7 – 4.5	3.5%	28	18559 (66000)	18475 (65700)	18559 (66000)	18503 (65800)	18306 (65100)	18081 (64300)
17	SA/TL/K	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	18615 (66200)	18531 (65900)	18615 (66200)	18559 (66000)	18362 (65300)	18137 (64500)
18	GUJ	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	18756 (66700)	18700 (66500)	18784 (66800)	18643 (66300)	18362 (65300)	18137 (64500)
19	M/M(P)	ICS-105	Fine	30mm	3.7 – 4.5	3.5%	29	18643 (66300)	18559 (66000)	18643 (66300)	18587 (66100)	18419 (65500)	18278 (65000)
20	SA/TL/K/O	ICS-105	Fine	30mm	3.7 – 4.5	3%	29	18728 (66600)	18643 (66300)	18728 (66600)	18672 (66400)	18503 (65800)	18362 (65300)
21	M/M(P)	ICS-105	Fine	31mm	3.7 – 4.5	3%	30	18981 (67500)	18840 (67000)	18981 (67500)	18897 (67200)	18700 (66500)	18559 (66000)
22	SA/TL/K/TN/O	ICS-105	Fine	31mm	3.7 – 4.5	3%	30	19065 (67800)	18925 (67300)	19065 (67800)	18981 (67500)	18784 (66800)	18643 (66300)
23	SA/TL/K/TN/O	ICS-106	Fine	32mm	3.5 – 4.2	3%	31	-	-	-	-	19122 (68000)	18981 (67500)
24	M/M(P)	ICS-107	Fine	34mm	2.8 - 3.7	4%	33	-	-	-	-	-	-
25	K/TN	ICS-107	Fine	34mm	2.8 - 3.7	3.5%	34	20809 (74000)	20668 (73500)	20387 (72500)	20387 (72500)	20246 (72000)	20106 (71500)
26	M/M(P)	ICS-107	Fine	35mm	2.8 - 3.7	4%	35	-	-	-	-	-	-
27	K/TN	ICS-107	Fine	35mm	2.8 - 3.7	3.5%	35	21371 (76000)	21231 (75500)	20809 (74000)	20809 (74000)	20668 (73500)	20528 (73000)

(Note: Figures in bracket indicate prices in Rs./Candy)