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A Cotton Farmer in Kurnool

Swapna is a small cotton farmer from Kurnool, Andhra Pradesh. She grows cotton on a small piece of land and harvests the cotton bolls over several days as they ripen. Instead of selling her cotton at the local market, she sells it to a local trader to whom she had borrowed money at a high interest rate for cultivation inputs like seeds, fertilisers, and pesticides. The trader requires her to sell all her cotton to him.

Cotton cultivation requires high inputs and expenses, often forcing small farmers like Swapna to borrow money. At the trader's yard, the cotton is weighed and priced at ₹1,500 per quintal. Swapna's cotton fetches ₹6,000, but after deducting ₹3,000 for loan repayment and interest, she receives only ₹3,000. Despite knowing cotton sells for at least ₹1,800 per quintal, Swapna accepts the low price due to her dependence on the trader for loans and other needs.

This situation highlights the challenges small farmers face in getting fair prices and the power imbalance between traders and farmers.

Exam Questions

Did Swapna get a fair price on the cotton?

No, Swapna did not get a fair price because the trader deducted a large amount for loan repayment and paid her less than the market price.

Why did the trader pay Swapna a low price?

The trader paid a low price because Swapna was dependent on him for loans and had agreed to sell all her cotton to him, giving the trader power over pricing.

How is the situation of large farmers different from Swapna?

Large farmers usually sell their cotton directly at the market and have better bargaining power, unlike small farmers like Swapna who depend on traders.

Cotton Production and Processing

The journey of cotton from the farm to the market involves several stages:

1. **Sale at Kurnool Cotton Market:** Farmers or traders sell raw cotton with seeds.
2. **Ginning Mill:** Buys cotton and removes seeds, pressing cotton fibers into bales.
3. **Spinning Mill:** Purchases bales and spins cotton fibers into yarn.
4. **Yarn Dealers:** Buy yarn to supply to weavers and textile industries.

This chain links the producer to the final product, with buying and selling at each step.

Exam Questions

What is the role of the ginning mill in cotton processing?

The ginning mill removes seeds from raw cotton and presses the cotton fibers into bales for easier handling and transport.

Why is cotton spun into yarn?

Cotton fibers are spun into yarn to create continuous threads that can be woven into fabric.

The Cloth Market of Erode

Erode in Tamil Nadu hosts one of the largest bi-weekly cloth markets in the world. Weavers from surrounding villages bring cloth made on order from merchants who supply yarn and instructions. Merchants buy cloth from weavers and sell it to garment manufacturers and exporters.

The putting-out system is prevalent here, where merchants provide raw materials and receive finished cloth. Weavers depend on merchants for yarn and market access but receive low payments and have little control over pricing or buyers.

Exam Questions

What is the putting-out system?

It is a system where merchants supply raw materials to weavers who produce cloth at home and sell it back to the merchants.

What are the disadvantages of the putting-out system for weavers?

Weavers depend on merchants for raw materials and market access, receive low prices, and lack information about buyers and final prices.

Weavers Cooperative

Weavers cooperatives help reduce dependence on merchants by collectively procuring yarn and marketing cloth. This allows weavers to earn fairer prices. Governments sometimes support cooperatives by purchasing cloth for programs like school uniforms and selling through stores like Co-optex.

Exam Questions

How do weavers cooperatives benefit the weavers?

They reduce dependence on merchants, help procure raw materials collectively, and ensure better prices through collective marketing.

What role does the government play in supporting cooperatives?

The government buys cloth from cooperatives for public programs and sells it through cooperative stores, supporting fair trade.

The Garment Exporting Factory Near Delhi

Garment exporting factories use cloth from weavers to make shirts for foreign buyers, mainly from the US and Europe. These buyers demand low prices, high quality, and timely delivery. To meet these demands, factories cut costs by paying low wages and employing many women on temporary contracts.

Workers earn low wages, with tailors earning about ₹3,000 per month and helpers earning less. The factories maximize profits by minimizing labor costs.

Exam Questions

Why do garment exporters agree to the demands of foreign buyers?

Because foreign buyers control large markets and demand low prices and high quality, exporters comply to maintain business.

How do garment exporters meet these demands?

By cutting costs, employing workers on temporary contracts, and paying low wages.

The Shirt in the United States

Shirts sell in the US for about \$26 (₹1,800). The cost structure includes purchase price, storage, advertising, and profit. For example, the businessperson buys the shirt for ₹300, spends ₹200 on storage, ₹400 on advertising, and makes a profit of ₹900.

The garment exporter sells the shirt at ₹300, with costs including raw materials (₹100), wages (₹25), and office expenses (₹25). The profit for the exporter is the difference between selling price and costs.

Exam Questions

Calculate the profit per shirt for the garment exporter.

Profit = Selling price (₹300) – (Raw materials ₹100 + Wages ₹25 + Office expenses ₹25) = ₹50.

Compare the earnings of the worker, exporter, and businessperson.

Workers earn the least, exporters earn moderate profits, and businesspersons make the highest profits.

Who Are the Gainers in the Market?

The market links cotton producers to buyers through many intermediaries. Not everyone benefits equally. Small farmers and weavers work hard but earn little. Merchants earn more, exporters earn moderate profits, and foreign businesspersons earn the most.

The poor depend on the rich for loans, raw materials, and employment, leading to exploitation. Cooperatives and strict laws can help reduce this inequality.

Exam Questions

Why do some people gain more than others in the market?

Because of differences in power, ownership of resources, and control over production and marketing.

How can the poor overcome exploitation in the market?

By forming cooperatives, accessing fair loans, and enforcing laws that protect workers and producers.

Market and Equality

The market offers opportunities but also creates inequalities. Democracy involves fair wages and equal opportunities. Families that do not earn enough cannot see themselves as equal. The rich and powerful benefit most, while the poor face exploitation.

Efforts like cooperatives and government support aim to create fairer markets.

Exam Questions

What is the relationship between market and equality?

The market can create inequalities, but fair wages and opportunities are essential for equality in a democracy.

What measures can promote equality in the market?

Forming cooperatives, providing fair loans, and enforcing labor and trade laws.

Solved Examples

Example 1:

Question: Swapna sold cotton worth ₹6,000 but received only ₹3,000 after loan deductions. What was the amount deducted for loan repayment?

Answer: ₹3,000 was deducted for loan repayment and interest.

Example 2:

Question: If the garment exporter sells a shirt for ₹300 and incurs costs of ₹150, what is the profit?

Answer: Profit = ₹300 - ₹150 = ₹150.

Practice Set

Easy

- What is the putting-out system?
- Who are the main participants in the cotton market chain?

Moderate

- Explain the role of weavers cooperatives in improving weavers' income.

- Why do garment factories employ more women workers?

Challenging

- Discuss the reasons for unequal gains in the market and suggest measures to promote fairness.
- Calculate the profit margin if a shirt sells for ₹1,800 and the total cost is ₹900.

Answer Key

Easy

- Putting-out system is where merchants supply raw materials to weavers who produce cloth at home and sell it back.
- Main participants include farmers, traders, ginning mills, spinning mills, weavers, merchants, garment exporters, and businesspersons.

Moderate

- Cooperatives reduce dependence on merchants, procure yarn collectively, and market cloth to get fair prices.
- Women are employed for tasks like sewing and buttoning, often at lower wages, and are preferred for detailed work.

Challenging

- Unequal gains arise from power imbalances and resource ownership; cooperatives and laws can promote fairness.
- Profit margin = $(\text{Selling price} - \text{Cost}) / \text{Selling price} \times 100 = (1800 - 900) / 1800 \times 100 = 50\%$.

Quick Reference

- **Putting-out system:** Merchant supplies raw materials; weavers produce cloth at home.
- **Ginning mill:** Removes seeds from cotton and presses fibers into bales.
- **Weavers cooperative:** Collective group to improve income and market access.
- **Garment exporting factory:** Produces clothes for foreign buyers under strict conditions.
- **Market inequality:** Unequal gains due to power and resource disparities.

Glossary

Ginning mill

A factory where seeds are removed from cotton bolls and cotton is pressed into bales.

Exporter

A person or company that sells goods to other countries.

Profit

The amount earned after deducting all costs from revenue.

Putting-out system

A production system where merchants supply raw materials and receive finished goods from producers working at home.

Cooperative

A group of people working together for mutual benefit, often to improve economic conditions.