



## 7<sup>th</sup> – A Shirt in the Market

**A cotton farmer in Kurnool:** Swapna, a small farmer in Kurnool (Andhra Pradesh) grows cotton on her small piece of land. The bolls of the cotton plant are ripe and some have already burst, so Swapna is busy picking cotton.

- Once the cotton is collected, instead of selling it at Kurnool cotton market, Swapna and her husband take the harvest to the local trader. At the beginning of the cropping season, Swapna had borrowed Rs 2,500 from the trader at a very high interest rate to buy seeds, fertilizers, pesticides for cultivation.
- Cultivation of cotton requires high levels of inputs such as fertilizers and pesticides and the farmers have to incur heavy expenses on account of these. Most often, the small farmers need to borrow money to meet these expenses.
- At the trader's yard, two of his men weigh the bags of cotton. At a price of Rs 1,500 per quintal, the cotton fetches Rs 6,000. The trader deducts Rs 3,000 for repayment of loan and interest and pays Swapna Rs 3,000.
- Though Swapna knows that cotton will sell for at least Rs 1,800 per quintal, she doesn't argue further. The trader is a powerful man in the village and the farmers have to depend on him for loans not only for cultivation, but also to meet other exigencies such as illnesses, children's school fees.

**The cloth market of Erode:** Erode's bi-weekly cloth market in Tamil Nadu is one of the largest cloth markets in the world. Cloth that is made by weavers in the Villages Around is also brought here for sale. Around the market are offices of cloth merchants who buy this cloth. Other traders from many south Indian towns also come and purchase cloth in this market. These merchants supply cloth on order to garment manufacturers and exporters around the country. They purchase the yarn and give instructions to the weavers about the kind of cloth that is to be made.

**Putting –out system-weavers producing cloth at home:** The merchant distributes work among the weavers based on the orders he has received for cloth. The weavers get the yarn from the merchant and supply him the cloth. For the weavers, this arrangement seemingly has two advantages. The weavers do not have to spend their money on purchase of yarn. Also, the problem of selling the finished cloth is taken care of.

However, this dependence on the merchants both for raw materials and markets means that the merchants have a lot of power. They give orders for what is to be made and they pay a very low price for making the cloth. The weavers have no way of knowing who they are making the cloth for or at what price it will be sold. At the cloth market, the merchants sell the cloth to the garment factories. In this way, the market works more in favors of the merchants.

The arrangement between the merchant and the weavers is an example of putting –out system, whereby the merchant supplies the raw material and receives the finished product. It is prevalent in the weaving industry in most regions of India.

**The garment exporting factory near Delhi:** The Erode merchant supplies the cotton cloth produced by the weavers to a garment exporting factory near Delhi. The garment exporting factory will use the cloth to make shirts. The shirts will be exported to foreign buyers. Among the foreign buyers are businesspersons from the US and Europe who run a chain of stores. These large stores do business strictly on their own terms. They demand the lowest prices from the supplier. In addition, they set high standards for quality of production and timely delivery. Any defects or delay in delivery is dealt with strictly. So, the exporter tries his best to meet the conditions set by these powerful buyers.

Faced with such pressures from the buyers, the garment exporting factories, in turn, try to cut costs. They get the maximum work out of the workers at the lowest possible wages. This way

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they can maximize their own profits and also supply the garments to foreign buyers at a cheap price.

**Market and equality:** The foreign businessperson made huge profits in the market. The garment exporter made only moderate profits. On the other hand, the earnings of the workers at the garment export factory are barely enough to cover their day-to-day needs. Similarly, we saw the small cotton farmers and the weaver at erode put in long hours of hard work. But they did not get a fair price in the market for what they produced. Compared to the weavers, they have earned more but it is still much less than the exporter. Thus, not everyone gains equally in the market.

### Change Trends in Production and Marketing

**Direct marketing:** About fifty years ago, there used to be a silk handloom in front of almost every house in Kanchipuram. These were owned by the weavers themselves. The weaver bought silk yarn from Karnataka and zari (gold thread) from Surat or any local retailer. The weaver dyed the yarn to colour of his choice, selected the design he liked, and wove the saree. His whole family helped him at different stages of the making of the saree. When a customer approached him, he sold it to him directly at a small profit. This was direct marketing.

**Disadvantage:** There were, however, some disadvantage in this system of production and marketing. The weaver had to reinvest his money in buying yarn, zari, dyes, etc., and wait till the sari was sold to get his earnings. If a sari did not get sold, it was a loss for him. If customers had a particular pattern in their mind, there was no way for them to convey the idea to the weaver beforehand. Also, if there was a bulk order, one weaver could not supply the whole thing.

**Advantage:** The advantages were that the weaver was the master, and he decided the product. All the profit went to him. But things have changed now. The world has shrunk. Products have a market all over the world, as a result of which demand has increased. Big shops place specialized bulk orders. The demands of the changed market led to the demise of the system of direct production and marketing.

**Indirect Marketing:** Nowadays, there are a number of intermediaries between the farmer, the weaver and the consumer. This is called indirect marketing.

In the production of silk, agriculture plays a crucial role. To get better silk yarn, the cultivator needs better mulberry trees to feed the silkworms. For this, the cultivator needs fertilizers and pesticides. All these are provided for by the end buyer or the intermediary. Wholesalers or bulk buyers give specifications to dealers or the intermediaries who in turn visit the place of manufacture to place orders. The dealers convey the specifications given by the wholesaler to the weaver. This is called the putting-out system.

**Disadvantage:** In this system, the weaver is reduced to the level of a mere paid laborer where everything is taken care of and controlled by external agencies. It is disheartening that the weaver, who puts in the maximum effort and whose labour is indispensable to the silk saree production, gets paid the least. The intermediary comes next who gets a commission on the order and sales. But the one who makes maximum profit is the shop owner or the exporter. Thus, the distribution of profits is highly unequal.

**Advantage:** This system of indirect marketing, however, promotes job opportunities for everyone, especially the weaver need not worry about buying raw materials, waiting for customers etc. No stock would remain unsold with him as all the sarees are taken away from him he gets paid. These days, many weaver have joined together and formed cooperative societies to protect their interests. The government has also stepped in to help them in many ways.