

# PRICE ANALYSIS OF COTTON IN SINDH PROVINCE OF PAKISTAN

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## INTRODUCTION

Pakistan is an agricultural country. Agriculture is the largest single sector of Pakistan economy it contributes 36% to GNP, accounts for 40% of export earnings, employs 50% of civilian labour and meets raw material requirements of most industries.(1) Cotton occupies a unique position among the various field crops in Pakistan because it provides four "f" such as food, feed, fibre and fuel. It sustains millions of people for their livelihood at farms, ginning factories, textiles and edible oil mills etc. Cotton is therefore rightly called the life blood of Pakistan economy. The cotton crop is, therefore, kept under constant watch, as the production of quality cotton, not only to meet the changing patterns of demand for the textile mills at home but also to earn the much needed foreign exchange through increase in exports.(2)

## PRICE

Price being one of the 4 Ps. of the marketing mix plays a vital role in all systems of marketing which covers consumer marketing, industrial marketing and the agricultural marketing. In economics, price is defined as the amount of money we must sacrifice to acquire something we desire. That is, we consider price as a formal ratio indicating the qualities of money needed to acquire a given quantity of goods or services. The following formula is given to calculate the price.(3)

Price =  $\frac{\text{quantity of goods and service provided by the seller}}{\text{quantity of money or goods and services given up by the buyer}}$

Prices of agricultural products serve as guide to producers in making production and market plans. An efficient marketing system helps in the distribution of commodities over different periods of time in different areas. If the price system works effectively. It will tell producer what consumer wants, when they want it and in what form they want it.(4)

#### SIGNIFICANCE OF PRICE DECISIONS \*

Pricing a product or service is one of the most vital decisions made by the management. Price is the only marketing strategy variable that generates income. All the other variable in the marketing mix generate costs advertising product development, sales promotion distribution, packaging all involve expenditures.

#### PRICING STRATEGIES

To cope with these environmental pressures, many sellers are placing relatively greater emphasis on costs, profits, and availability of raw materials, and less emphasis on building sales and satisfying customers. If anything, there is almost a returns to a productions or cost orientation, all the decision objectives seem to be (i) reduce the risk of low-margins products; (ii) avoid bottlenecks; and (iii) improve cash flows.(5)

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**PRICE ANALYSIS OF COTTON IN SINDH**

Price of agricultural commodities, including cotton serve as a guide to producer in making production and market plans. An efficient price system helps in the distribution of commodities over different periods in different areas. A price system is a need of hour. A price tells producers what consumers want, when they want it and in what form they want it.<sup>(6)</sup> The proper operation of the price system is essential.

Cotton growers in Sindh are of the opinion that value added to the market cost is mainly taken by the other agencies. The market of cotton is dominated by intermediaries and farm retail price spread is higher than the cost involved in the movement of cotton (Kapas) from production to consumption. The risk of price involved or borne by the growers is higher but they earn low rate or returns on cotton (Phutti).

The growers of cotton are confronted with the funding problems and are compelled to seek loans from cotton ginners and wholesaler to meet the needs specifically at sowing time and the cotton (Phutti) is sold to the cotton ginners wholesalers commission agents below the government prices. Thus for controlling the situation the stable pricing system is needed at all stages if cotton marketing to give better incentive to the growers. In short the price structure of cotton average per maund price received by various agencies were investigated.

**RESEARCH METHODOLOGY**

For the purpose of this study, the sample survey method was developed and the sample was based on random sampling method. The data collected were analysed. The sample characteristics are shown in the following tables:-

TABLE - 1

THE STATEMENT SHOWING THE SAMPLE OF GROWERS, GINNERS-CUM-WHOLESALEERS, RETAILERS-CUM-COMMISSION AGENTS TRADERS IN THE SAMPLE OF DISTRICT SANGHAR AND HYDERABAD OF SINDH

S.No.	District	Type of Sample	No. of Respondents
1. (i)	Sanghar	Sample of Growers	20
(ii)	Hyderabad		
2. (i)	Sanghar	Sample of Ginnners	20
(ii)	Hyderabad		
3. (i)	Sanghar	Sample of Retailers	20
(ii)	Hyderabad		
Total Sample			60

The questions asked were related to identify cost of production incurred by the growers, sales to various agencies which includes ginnners-cum-wholesalers, retailers-cum-commission agents traders, and the marketing cost incurred by the growers while selling to these intermediaries.

The questions related were asked to collect the relevant data for the purpose of this study which were analysed in the following sections:

#### Average Price Received by the Growers of Cotton

It was found that the main share of the produce was sold and very little quantity, rather ignorable, was retained for personal or domestic consumption, whereas some quantity was spoiled in transporatation process. The analysis is made below for the marketing of cotton (Phut-

ti) by the cotton growers. It was investigated that the sample of cotton growers, on the average, sold desi cotton (Phutti) to the ginners-cum-wholesalers at the rate of Rs.179.50 per maund in the district of Sanghar and Rs.184.50 per maund in the district of Hyderabad. Thus the summary shows that the growers on an average sold desi cotton at the rate of Rs.182.00 per maund in Sindh. In the same way it was also investigated that the sample of cotton growers on the average, sold desi cotton (Phutti) to the retailers-cum-commission agents, village buyers/traders (Waparies) at the rate of Rs.174.00 per maund in the district of Sanghar and Rs.179.00 in the district of Hyderabad during the year 1984-85. Thus the average price received by the growers from the retailers-cum-commission agents in Sindh was Rs.176.00 per maund 1984-85.

The cotton (Phutti) was sold by the growers at different prices during the month of October and November 1984. It was indicated that the growers did not received uniform prices for the product in the same market. While selling to the ginners the different growers obtained different prices in the months of October and November 1984 and the prices of desi cotton (Phutti) ranged from Rs.170 to Rs.205 in the district of Sanghar and from Rs.175 to Rs.205 in the district of Hyderabad, and in the same way while selling to the retailer-cum-commission agents/village buyers/traders the different growers obtained different prices of desi cotton (Phutti) ranging from Rs.168 to Rs.200 in the district of Sanghar and from Rs.168 to R.190 in district of Hyderabad during 1984-85. The result of this study are similar to the studies of Memon (1984, p.40)<sup>(7)</sup> and the study of Syed, (1989) <sup>(8)</sup> who also concluded that different growers received different prices from the same agency at the same time. The quantity marketed by the cotton growers is analysed in the following tables:

**TABLE-2**  
**SHOWING AVERAGE PRICE PER MAUND OF COTTON (PHUTTI) RECEIVED BY THE GROWERS WHILE SELLING TO GINNERS-CUM-WHOLESALEERS IN SAMPLE DISTRICT OF SANGHAR DURING THE YEAR 1984-85**

No. of Growers	Quantity in (Maunds)	Values in (Rupees)	Per Maund in (Rupees)
1.	25	4375	175
2.	40	7200	180
3.	250	41250	185
4.	65	11375	175
5.	70	14350	205
6.	60	10200	170
7.	50	8750	175
8.	80	14400	180
9.	75	13125	175
10.	350	67250	175
<b>Total</b>	<b>1065</b>	<b>182245</b>	<b>1795</b>

Average Rs.179.50 per maund

Source: Questionnaire Survey Based on a Sample of Ten Growers (1985), (9)

**TABLE NO. 3**

**AVERAGE PRICE PER MAUND OF COTTON (PHUTTI) RECEIVED BY THE GROWERS WHILE SELLING TO GINNERS-CUM- WHOLESALEERS IN SAMPLE DISTRICT IN - HYDERABAD DURING THE YEAR 1984-85**

<u>NO.OF GROWERS</u>	<u>QUANTITY IN (MAUNDS)</u>	<u>VALUES IN (RS)</u>	<u>PER MAUND IN (RS)</u>
1.	95	17765.00	187.00
2.	150	27000.00	180.00
3.	90	33820.00	178.00
4.	85	15725.00	185.00
5.	60	12300.00	205.00
6.	140	26600.00	190.00
7.	85	14875.00	175.00
8.	80	14240.00	178.00
9.	85	15470.00	182.00
10	80	14800.00	185.00
<b>10</b>	<b>1050</b>	<b>192595.00</b>	<b>1845.00</b>

**AVERAGE RS: 184.50 PER MAUND.**

**SOURCE: QUESTIONNAIRE SURVEY BASED ON A SAMPLE OF TEN GROWERS 1985(10)**

# Grassroots

**TABLE NO.4**

**AVERAGE PRICE PER MAUND OF COTTON (PHUTTI) RECEIVED BY THE GROWERS WHILE SELLING TO RETAILER-CUM- AGENTS/VILLAGE BUYERS/TRADERS (WAPARIES) IN SAMPLE DISTRICT OF SANGHAR DURING THE YEAR 1984-85**

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NO.OF GROWERS :	QUANTITY IN (MAUNDS) :	VALUES IN (RS)	PER MAUND IN (RS)
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1.	20	3400.00	170.00
2.	15	2550.00	170.00
3.	50	8600.00	172.00
4.	60	10680.00	178.00
5.	100	20000.00	200.00
6.	172	29240.00	170.00
7.	40	6880.00	172.00
8.	65	11050.00	170.00
9.	20	3360.00	168.00
10	20	3400.00	170.00
10	562	99160.00	1740.00

**AVERAGE RS: 174.00 PER MAUND.**

**SOURCE:QUESTIONNAIRE SURVEY BASED ON A SAMPLE OF TEN GROWERS WHILE SELLING TO RETAILERS 1985(11)**

**TABLE NO.5**

**AVERAGE PRICE PER MAUND OF COTTON (PHUTTI) RECEIVED BY THE GROWERS WHILE SELLING TO RETAILER-CUM- AGENTS/VILLAGE BUYERS/TRADERS (WAPARIES) IN SAMPLE DISTRICT OF HYDERABD DURING THE YEAR 1984-**

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NO.OF GROWERS :	QUANTITY IN (MAUNDS) :	VALUES IN (RS)	PER MAUND IN (RS)
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1.	22	3740.00	170.00
2.	25	4750.00	190.00
3.	36	6480.00	180.00
4.	55	10175.00	185.00
5.	80	13760.00	172.00
6.	100	18200.00	182.00
7.	25	42000.00	168.00
8.	30	5400.00	180.00
9.	40	7200.00	180.00
10	50	9150.00	183.00
10	463	83055.00	1790.00

**AVERAGE RS: 174.00 PER MAUND.**

**SOURCE:QUESTIONNAIRE SURVEY BASED ON A SAMPLE OF TEN GROWERS WHILE SELLING TO RETAILERS 1985(12)**

## AVERAGE PRICE RECEIVED BY GINNERS-CUM-WHOLESALERS.

The ginnerers of cotton perform two functions, (i) the processing and wholesaling of cotton. They buy cotton (Phutti) in big quantity after finalizing the processing, convert it into cotton (Kapas) and sell it at different rates according to the quality. The prices received by cotton growers (Phutti) were the prices paid by cotton ginner for the cotton (Phutti) they bought in the sample districts of Sanghar and Hyderabad; and (ii) in order to analyse the wholesale pricing structure of desi cotton (Phutti) the average price received by the sample of ginnerers were investigated. The following tables show the average wholesale price for cotton (Kapas) as received by cotton ginnerers in selected sample districts of Sindh during the months of October and November, 1984.

TABLE NO. 6

## AVERAGE PRICE PER MAUND OF COTTON (KAPAS) RECEIVED BY THE SAMPLE GINNERS IN DISTRICT SANGHAR DURING YEAR-1984-85

NO. OF GINNERS	SALES OF TEXTILE/CEC/ CONSUMERS DESI COTTON (KAPAS)		SALES TO GHEE CORP: CONSUMING CENTERS (SEEDS)	PER MAUND IN RUPEES.
	(QUALITY SOLD IN MAUNDS)	PRICE (IN RUPEES)	QUALITY SOLD (IN MAUNDS)	PRICE (IN RS)
1.	50666	480.00	25333.00	75.00
2.	73333	485.00	36666.00	80.00
3.	88666	500.00	44333.00	85.00
4.	79166	490.00	39583.00	78.00
5.	88666	475.00	44333.00	80.00
6.	79166	500.00	39583.00	82.00
7.	73333	510.00	36666.00	85.00
8.	88666	500.00	44333.00	90.00
9.	50666	490.00	25333.00	90.00
10	75000	495.00	28500.00	85.00
10	279328	4925.00	3646666.00	83.00

AVERAGE PRICE RS: 492.50 PER MAUND.

SOURCE: QUESTIONNAIRE SURVEY BASED ON A SAMPLE OF TEN GINNERS 1985 (13)

TABLE NO.7

**AVERAGE PRICE PER MAUND OF COTTON (KAPAS) RECEIVED BY SAMPLE OF GINNERS IN DISTRICT HYDERABAD DURING THE YEAR-1984-85**

NO. OF GINNERS	SALES OF TEXTILES/CEC CONSUMERS, DESI COTTON (KAPAS)		SALES TO GHEE CORPORATION COBUMING CENTERS (SEEDS)	
	(QUALITY SOLD IN MAUNDS)	PRICE (IN RUPEES)	QUALITY SOLD (IN MAUNDS)	PRICE (IN RS)
1.	60000	485.00	30000	80.00
2.	80000	490.00	40000	75.00
3.	68666	485.00	44333	80.00
4.	90000	480.00	45000	85.00
5.	110000	478.00	55000	88.00
6.	100000	480.00	50000	95.00
7.	115000	485.00	57500	90.00
8.	60000	480.00	30000	90.00
9.	70000	475.00	35000	75.00
10.	58000	480.00	29000	78.00
10	831666	481.80	415833	83.60
AVERAGE PRICE		481.80		83.60

SOURCE: QUESTIONNAIRE SURVEY BASED ON A SAMPLE OF TEN GINNERS 1985 (14)

The above tables indicate that the cotton ginner-cum-wholesalers received the wholesale price of cotton (Kapas) Rs.492.50 per maund in district of Sanghar and Rs.481.80 in the district of Hyderabad. In addition to that the cotton ginner-cum-wholesalers sold cotton seed at average price of Rs.83.00 in the district of Sanghar and Rs.83.60 in district Hyderabad. The price was mainly received on one variety of cotton-grown i.e. desi cotton (Phutti).

#### AN AVERAGE PRICE RECEIVED BY RETAILERS OR SMALL TRADERS/VILLAGE BUYERS/COMMISSION AGENTS

The retailers or small traders are the last link with the consumers'. They also play the role between cotton ginner and consumers in the market of desi cotton (Phut-

ti) for the variety mainly grown. The retailers are concerned to have a look at the demand of the consumer and purchase them. The price of desi cotton (Phutti) varies from month to month. In order to compute the prices of cotton at various stages of marketing the prices are calculated into per maund price.

The tables 9 and 10 show the analysis of average price received of desi cotton by sample of retailers of small traders in the selected sample district during the months of October and November 1984.

The table of district Sanghar show that the retailer/ commission agents/traders received Rs.188.00 per maund of cotton while selling to ginnerers and Rs.186.70 in district Hyderabad in the months of October and November, 1984-85.

TABLE NO.8

PRICE PER MAUND OF COTTON (PHUTTI) RECEIVED BY SAMPLE OF RETAILERS-CUM-COMMISSION AGENTS WHILE SELLING TO GINNERERS IN DISTRICT SANGHAR DURING THE YEAR-1984-85

NO.OF GINNERERS	(QUANTITY SOLD IN MAUNDS)	SALE PRICE PER MAUND IN RS	TOTAL AMOUNT (IN RS)
1.	100	188.00	18800
2.	80	187.00	14960
3.	120	190.00	22800
4.	150	190.00	28500
5.	160	188.00	29600
6.	130	182.00	23660
7.	150	190.00	28500
8.	170	195.00	33150
9.	150	195.00	29250
10	160	188.00	29900
10	1370	186.70	255870

AVERAGE PRICE RS: 186.70

SOURCE: QUESTIONNAIRE SURVEY BASED ON A SAMPLE OF TEN RETAILERS 1984 (15)

TABLE NO. 9

AGVERAGE PRICE PER MAUND OF COTTON (PHUTTI) RECEIVED BY SAMPLE OF RETAILERS-CUM-COMMISSION AGENTS/TRADERS(WAPARIES) WHILE SELLING TO GINNERS IN DISTRICT HYDERABAD DURING THE YEAR-1984-85

NO.OF RETAILER	(QUANTITY SOLD IN MAUNDS)	SALE PRICE IN MAUNDS (IN RS)	TOTAL AMOUNT PAID (IN RS)
1.	150	195.00	29250
2.	180	200.00	36000
3.	200	180.00	36000
4.	140	185.00	25900
5.	120	190.00	22800
6.	160	190.00	30400
7.	180	185.00	33300
8.	200	180.00	36000
9.	210	182.00	38220
10	220	180.00	39600
10	1760	1867.00	327470

AVERAGE PRICE RS: 186.70

SOURCE: QUESTIONNAIRE SURVEY BASED ON A SAMPLE OF TEN RETAILERS 1985 (16)

### PRICE STRUCTURE OF DESI COTTON

In order of have an examination in the price structure as prevailed in the marketing of desi cotton in the selected districts of Sindh, the average prices of desi cotton were calculated at the various stages of marketing.

The following tables would reveal the average prices of desi cotton (Kapas) and seed as received at various stages of marketing during the year 1984-85.

**TABLE NO.10**  
**AVERAGE PER MAUND PRICE OF DESI COTTON (KAPAS) AND SEED AT VARIOUS STAGES OF MARKETING IN SELECTED DISTRICTS OF SINDH DURING THE YEAR 1984-85**

**AVERAGE PRICES RECEIVED BY**

VARIETY	GROWERS OF COTTON		GINNERS OF COTTON		RETAILERS OF
	SELLING TO GINNERS	SELLING TO RETAILERS	(KAPAS)	(SEED)	COTTON (PHUTTI)
DESI COTTON AT BANGHAR	179.50	174.00	492.50	83.00	188.70
DESI COTTON AT HYDERABAD.	184.50	179.00	481.80	83.60	186.70
<b>TOTAL</b>	<b>364.00</b>	<b>353.00</b>	<b>974.30</b>	<b>166.60</b>	<b>375.40</b>
<b>AVERAGE:</b>	<b>182.00</b>	<b>176.50</b>	<b>487.15</b>	<b>83.30</b>	<b>187.70</b>

SOURCE AVERAGE OF GROWERS, GINNERS, RETAILERS BASED ON A SAMPLE OF TEN GROWERS, TEN GINNERS, TEN RETAILERS (1985) 17

It was examined that on an average cotton (Phutti) sold by growers while selling to ginnners-cum-wholesalers was at Rs.182.00 per maund in selected districts of Sindh. In the same way it was investigated that an average cotton (Phutti) sold by the growers while selling to retailers-cum-commission agents/village buyers/traders (Waparies) was Rs.176.50 per maund in selected districts of Sindh during 1984-85. The average wholesale price of kapas was Rs.487.15 per maund, Rs.83.30 per maund of cotton seed and Rs.187.70 per maund was on retail basis during the year 1984.85.

### CONCLUSION

This study revealed that the growers on an average sold cotton (Phutti) to the ginnners at the rate of Rs.182.00 per maund in Sindh. Similarly it was also investigated

that the growers on an average sold their cotton (Phutti) to the Retailer-cum-Commission agents at the rate of Rs.176.50 per maund during the year 1984-85 in Sindh.

The results of this study also indicated that the average price received by ginners of cotton (Kapas) at the rate of Rs.487.15 per maund and the cotton (Seed) at the rate of Rs.83.30 per maund during the year 1984-85. Meanwhile Rs.187.70 per maund of cotton was retail price during the year 1984-85.

Finally, it may be suggested that there seems strong case for consideration of the Federal Government to revise the price mechanism based on cost of production to make this crop more viable and economical.

It may also be suggested that the Sindh Government should attach more importance to the infrastructure development of the rural areas and in particular, construction of pacca roads to enable the growers to sell their produce at market prices in the open market. This may also help to earn more foreign exchange for Pakistan. This also hopefully will improve the standard of living of the growers.

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