

## CHAPTER XII

### ORGANIZATION AND GROWTH OF THE INDUSTRY

In this Part we examine briefly the organization and growth of the jute industry, the set up of the trade and extent to which market operations are influenced by mills and dealers. We also examine the various methods of costing of jute goods and suggest a basis for fair prices of jute goods in relation to a fair price for raw jute.

The Indian mill industry had a somewhat later start than the industry in Great Britain, France or Germany and has at no time had a monopoly of the industrial output (*vide* Annexure XII). Its capacity nearly doubled between 1880 and 1900 and again between the latter year and 1930. Of the 84 mills in the Indian Union at present 73 with 95 per cent of the loomage are located round Calcutta and its suburbs. Andhra has 4 mills, Bihar 3, Uttar Pradesh 3 and Madhya Pradesh 1. The total capacity of the mills has been estimated to be about 1,00,000 tons per month on the basis of a single shift of 48 hours week; but production has been consistently below this capacity since May 1949 (*vide* Appendix IV).

The importance of the jute industry in the economy of the whole of India and West Bengal in particular can be gauged from the fact that 80 mills out of the total had a fixed capital of 29.81 crores and a working capital of 37.4 crores in 1950 (*vide* Planning Commission's Report). The average labour strength of these mills excluding clerical and other staff is about 3 lakhs.

The value of the output of the industry at present levels is over Rs. 150 crores per year. Its share of the export trade of India is the largest for any single commodity accounting for Rs. 129 crores and 23 per cent of the total trade during 1952-53 (*vide* Annexure XIII). It is also the biggest dollar earner. Besides the employment of nearly

3 lakhs of workers, the industry gives employment to a large section of intermediaries in the trade. Its demand for raw material furnishes also the means of livelihood of nearly 2 million agriculturist families.

I.J.M.A.'s  
place in the  
organised  
Industry.

The Indian Jute Manufacturers' Association, constituted in 1884 and renamed the Indian Jute Mills Association in 1902, has a membership covering 75 miles. The Association affords a common forum for discussion of all matters relating to the collective welfare of its constituents and has been able to initiate common policies regarding the conduct of trade, adjustment of production, form and nature of contracts, arbitration in cases of dispute, collection and dissemination of necessary statistical information for use of members, encouraging and financing technical developments in plant and equipment and scientific and market research. The sub-committees of the Association handle all matters of common interest relating to the various interests of trade and commerce affecting the Association. The Association also runs a first rate Research Institute and assists the mills regarding labour policy.

Other principal Associations dealing with the jute goods trade are the Calcutta Jute Fabric Shippers' Association and the Indian Jute Fabric Shippers' Association whose constituents are mainly concerned with the export of jute fabrics from Calcutta. The Gunny Trades Association which has the largest number of members (including dealers, shippers, mills and brokers) and the Jute Fabric Brokers Association are connected with the marketing of jute including exports. The East India Jute and Hessian Exchange functioned mainly for the purpose of future trading.

System of  
management.

The great majority of jute mills in India are worked by managing agency companies, some of whom run as many as 9 mills. Seventyfive per cent of the number of mills is under the control of a dozen managing agency houses, of whom four control about 45 per cent of the loomage. A concentration of business in the hands of managing agents and the large returns that the jute industry has in general been able to give in the past, have made the shareholding in the managing agency firms attractive quite apart from the dividend normally paid by the mills under own control (see Appendix VI).

The production side of a mill includes six main departments, namely batching, preparing, spinning, winding, weaving and finishing. The raw jute received by mill is, after inspection, carefully estimated as regards its content of fibre of hessian and sacking quality. In the batching department the fibre is blended and softened by being passed under pressure through an oily emulsion. Preparation includes the process of carding and roving. In the spinning department are prepared different types of yarn required for different types of cloth. In the Winding department the processes of winding warp and weft yarn and dressing or beaming of warp yarn are carried out. In the Weaving department the looms which prepare the final fabrics are located. Cloth is woven in lengths and is produced to different specifications of weave required. Finally in the Finishing department a series of processes are carried out such as cropping, and calendaring, to press and smoothen out the fabric for texture. Where sacking bags have to be made, the cutting and sewing is also done in this section and also the packing and baling of the finished products. We understand that for the purpose of costing, it is usual to estimate the results for each department and process for the type of products manufactured.

Organisation  
of a typical  
mill.

The main types of manufacture are hessians and sacking, the size and width of the cloth and the texture being according to the specifications required by buyers. Under sacking, the main variety is "B Twills". Other popular varieties are Heavy Cees, Australian cornsacks, Cuban sugar bags and Australian wool packs. Other manufactures include canvas, yarn and twine. A statement indicating the quantum of mill production among the above broad categories for the years 1938-39 to 1952-53 is given in Annexure XIV. The output of each mill varies according to its capacity to produce hessians and sacking or only sacking. In regard to hessians, as the bulk of the manufacture is for the export market, the production lines are in accordance with the foreign market appreciation of the output of a mill. In the export trade in hessian the classification or grading of mills according to their output by the Bemis Bag Co., U.S.A., is a standard classification accepted by buyers in the U.S.A. as well as in other principal overseas markets. The classification is periodically revised and lower category mills have always a chance if they improve their output to get upgraded (Annexure XV).

Typical mill  
products.

Functionaries in the gunny trade.

The main categories of functionaries in the jute goods market are well known. We shall not therefore describe their functions but only refer to them so that their respective roles can be appreciated. The shipper or gunny exporter normally buys according to orders he has secured from overseas buyers. There is also the dealer or shipper who buys and sells in the Calcutta market, working on the margin of fluctuations in prices, though also conducting some export business. Dealers and merchants, popularly described as "the bazar", buy from mills on a forward delivery basis, hoping to sell later at a profit to shippers or to other dealers. The broker-cum-dealer is usually an intermediary working on a commission basis; which he collects from the seller in accordance with normal trade practice. He might also occasionally 'take a view of the market' and do business on his own. There is also the broker who is a pure commission agent acting as an intermediary between buyers and sellers.

It has been brought to our notice that from the beginning of the century the share of the trade in gunnies handled by dealers and shippers as distinct from the industry had increased. While in the Inter-war period the mills had confined themselves normally to their role of manufactures, it was the bazar which had imparted a degree of stability to the market by buying up and holding against future sales the bulk of the mills' output. Before World War II, however, we were told, the number of big dealers who could hold or sell goods worth crores had begun to dwindle and the bulk of the operators both in the export trade as well as in the bazar have been unable to wield the same influence as certain big gunny traders in the Inter-war periods.

Increased participation of mills.

Increasingly the mills have directly entered into the export business in the last few years and have built up their own export departments. The percentage of exports by mills or the managing agencies to the total exports, now stands at about 42, having doubled since the war (reply from the Gunny Traders Association). This development has taken place in the same way that mill managements had built up their own raw jute purchase organisation for either buying directly from secondary markets or through dealers in the Calcutta market. The entry of the mills or rather their managing agencies into

the trade in gunnies has been criticised by the sections of intermediaries whose business has naturally contracted. We are referring to this aspect of the case because it has affected to some extent the influence of mills on the market trends. The entry of mills in competition might be considered as a factor to keep export prices as low as possible and to even out fluctuations. But as only some mills have the advantage of direct export connections and as the benefit of valuable contacts which exporters of long standing in the trade develop is a factor for stabilising the level of exports, it has been contended that there should not be large scale displacement of the latter category.

It has been mentioned that right from the time that the industry began to expand on a large scale, the market holding of stocks was done by large dealers and shippers commonly described as the bazar, who have carried the main risks of the market. <sup>Role of the 'Bazar'.</sup>

This is apparent from the fact that mills stocks both of raw jute and of ready goods, have steadily declined over the years (*vide* Annexure XVI). Except when the ban on futures was effective, the fluctuations in the market were evened out by the operation of raw jute dealers and balers as well as of gunny traders and shippers in these markets. The emergence of the mills themselves as exporters, while carrying relatively lower stocks of raw jute goods and at the same time entering into forward commitments on a long term basis, renders it necessary that the manufacturer should also have a proper hedge in the market. We are referring to this subject later in Part III of the report.