

CHAPTER XV

MILL PRODUCTION AND FACTORS INFLUENCING IT

So far we have dealt with changes in the pattern of mills' purchase of raw jute and their purchase procedure. Equally significant changes have occurred in the pattern of mill production since the War period, and the recent slump in the trade has raised the consideration of issues vital to the future of the industry.

After decontrol, prices of jute and jute goods rose rapidly in the second quarter of 1951. Thus, the ceiling prices of white *jat* bottoms per maund, hessians 40"×10 oz. 100 yards and B Twills 100 bags which were Rs. 35, Rs. 55 and Rs. 155-12-0 respectively till mid-February 1951 rose to about Rs. 108 for *jat* bottoms, about Rs. 106 for hessians and Rs. 272 for B Twills by first week of June 1951. These price levels, which could have been sustained only in conditions of short supply and a market dominated by sellers, could not last long. In the beginning of the jute season when the new crop began to arrive, prices began to fall both for jute and jute goods:—

Trends since
decontrol in
March, 1951.

TABLE XVI

Statement showing mid-monthly prices of jute and jute goods from July 1951 to December 1953

Months	Assam Bottom (Per Maund).	Hessian 40" × 10 oz. per 100 yards.	Sacking 44" × 26½ × 2¼ lbs. per 100 bags.
	Rs.	Rs.	Rs.
July, 1951 . . .	74 0 0	87 8 0	248 0 0
August, 1951 . . .	65 0 0	78 0 0	226 8 0
September, 1951 . . .	51 0 0	65 8 0	231 0 0
October, 1951 . . .	57 0 0	72 8 0	255 0 0
November, 1951 . . .	53 8 0	68 0 0	241 0 0
December, 1951 . . .	56 8 0	76 6 0	259 0 0

Months	Assam Bottom (Per Maund)	Hessian 40" × 10 oz. per 100 yards.	Sacking 44" × 26½ × 2½ lbs. per 100 bags.
	Rs.	Rs.	Rs.
January, 1952 . . .	62 0 0	74 8 0	247 0 0
February, 1952 . . .	48 0 0	60 0 0	206 8 0
March, 1952 . . .	29 0 0	51 4 0	157 0 0
April, 1952 . . .	39 0 0	53 0 0	157 0 0
May, 1952 . . .	27 0 0	46 12 0	133 0 0
June, 1952 . . .	27 0 0	47 0 0	121 0 0
July, 1952 . . .	26 0 0	45 8 0	110 8 0
August, 1952 . . .	26 8 0	46 2 0	111 0 0
September, 1952 . . .	28 8 0	50 4 0	119 0 0
October, 1952 . . .	26 8 0	50 12 0	115 0 0
November, 1952 . . .	25 0 0	49 2 0	107 8 0
December, 1952 . . .	23 0 0	44 0 0	94 8 0
January, 1953 . . .	22 8 0	41 2 0	90 0 0
February, 1953 . . .	21 8 0	43 12 0	95 8 0
March, 1953 . . .	19 8 0	40 14 0	92 2 0
April, 1953 . . .	20 0 0	39 0 0	87 4 0
May, 1953 . . .	25 0 0	42 6 0	96 10 0
June, 1953 . . .	27 8 0	46 6 0	103 10 0
July, 1953 . . .	25 0 0	45 8 0	99 12 0
August, 1953 . . .	29 0 0	45 6 0	103 2 0
September, 1953 . . .	26 0 0	42 0 0	94 2 0
October, 1953 . . .	24 8 0	45 3 0	95 4 0
November, 1953 . . .	28 8 0	49 6 0	104 14 0
December, 1953 . . .	28 8 0	47 1 0	105 12 0

(Figures taken from I.J.M.A.'s published statistics.)

Government
measures to
stop the
slump.

Till March 1952 it will be seen that prices did not fall below the levels maintained during the control period. The first wave of the slump when it came in March 1952 was keenly felt because of the short lived boom during the period immediately following decontrol. A feeling of business optimism was engendered in the mills in which they were persuaded even to raise the working hours to 48 from 10th December, 1951. Similarly, the satisfactory prices that had prevailed till the sowing season in 1952 had also led the cultivator to maintain the large increase in acreage. The sudden fall was partially arrested in the case of hessian, which first felt the recession in foreign

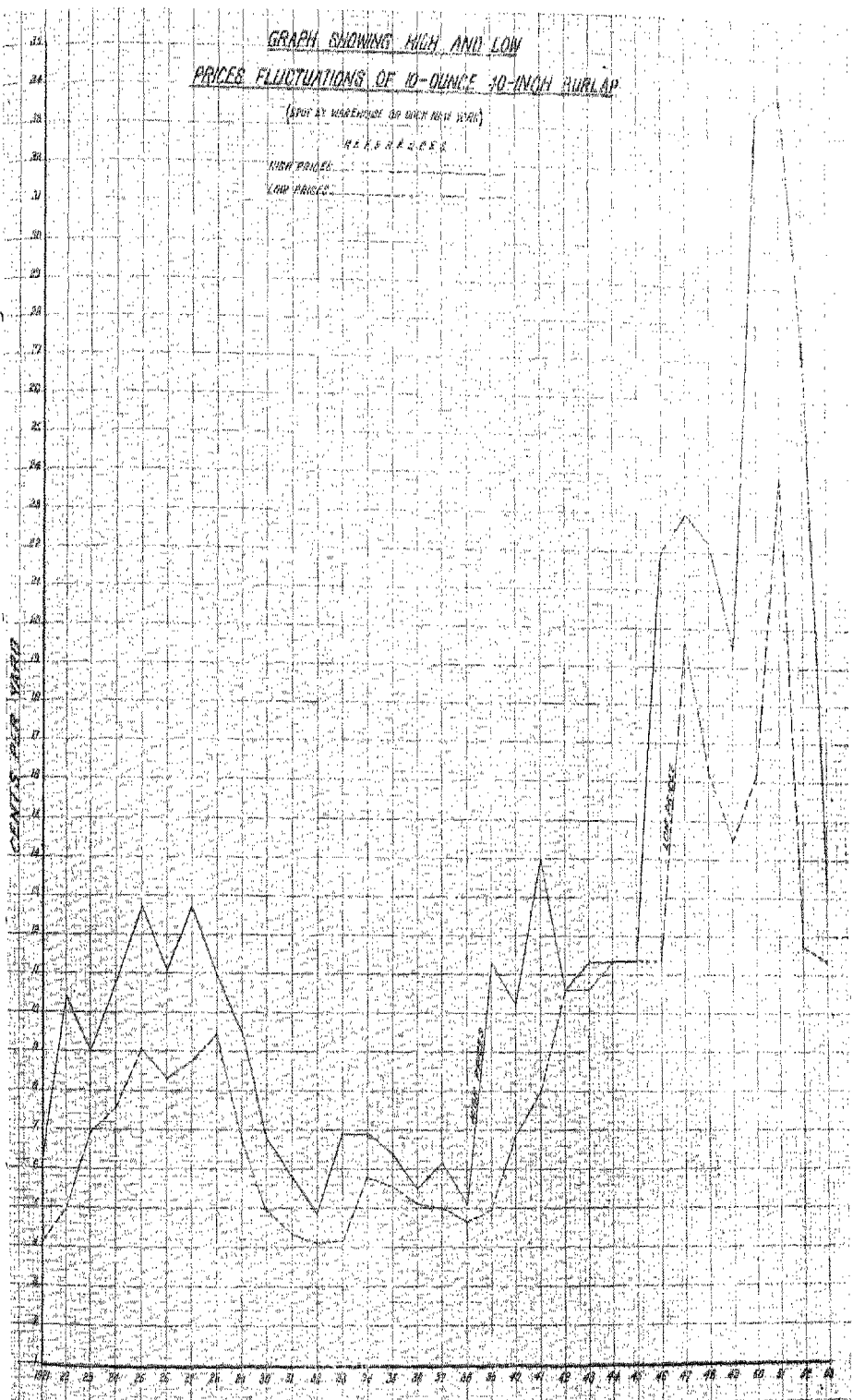
GRAPH SHOWING HIGH AND LOW
PRICES FLUCTUATIONS OF 10-OUNCE 30-INCH BURLAP

(SPOT BY WEIGHT OF 50 BURL BAGS PER)

100 LBS PER BAG

HIGH PRICES

LOW PRICES



YEARS

markets, by a reduction in the export duty from Rs. 1,500 to Rs. 750 per ton effective from 18th February, 1952. The system of export quotas also was abolished a month later in order to widen the market. Despite these steps the shrinking market demand led the mills to reducing their working hours from 31st March, 1952 to 42½ hours and thus contract production. The duty was reduced again from 7th May 1952 on hessians from Rs. 750 to Rs. 275 per ton and on sacking from Rs. 375 to Rs. 175 per ton. Then there were only moderate increases in prices of jute goods till October 1952 when a second cycle of fall in prices started. The decline continued during the period of six months till the lowest level was touched in April 1953. Similarly reviewing the trends of raw jute since the 1951 season it will be seen the fall became steeper only later in the season with the coming in of the new crop. The slight upward trend in the second half of 1952 was only due to the improved level of U.S. burlap consumption and anticipation of large orders for hessian from Argentine. Throughout this period mills stocks had been increasing. As in the wake of the slender improvement in export demand speculative forces had come to play in the market, it was apprehended that this would further depress prices. 'Futures' trading in jute goods was banned in December 1952.

This last step failed by itself to stop prices falling further. The decline continued till May 1953 when the fall was arrested and since then a degree of stabilisation has been maintained, though at price levels which the trade do not still regard as satisfactory. The dissatisfaction may be regarded as justified in the case of prices of sacking which are stated to be still below the economic level. This has been mainly due to the greater accumulation of stocks of sacking during the preceding year due to poorer sales and the time taken to make readjustments between production of hessian and sacking when the demand for the former had relatively improved. To give further relief to the industry and to maintain the level of exports, Government further reduced the duty on sacking from Rs. 175 to Rs. 80 per ton from 27th February 1953 and the duty on hessian from Rs. 275 to Rs. 120 per ton from 15th September 1953. These drastic cuts in duty, although in themselves, they would have been sufficient to make the price of Indian jute goods surmount any competition in the foreign markets, did not achieve the full

expected effect on exports. This is partly due to the fact that a certain amount of stock-piling at high rates had occurred and the foreign buyers' reluctance to enter the Indian market was due to expectation of further cuts in duty. Failure of sellers to alter prices in conformity to the reduced duty has also been a factor in keeping off buyers. There have been demands from many quarters that the export duty on jute goods must be removed. It has been stated that there is pressure for this even from overseas buyers. On the evidence of informed witnesses with first hand knowledge of continental markets, we are satisfied that with the existing rates of duty it would not be possible for overseas manufacturers to under-sell Indian goods. We therefore do not support the demand for the removal of the existing duties.

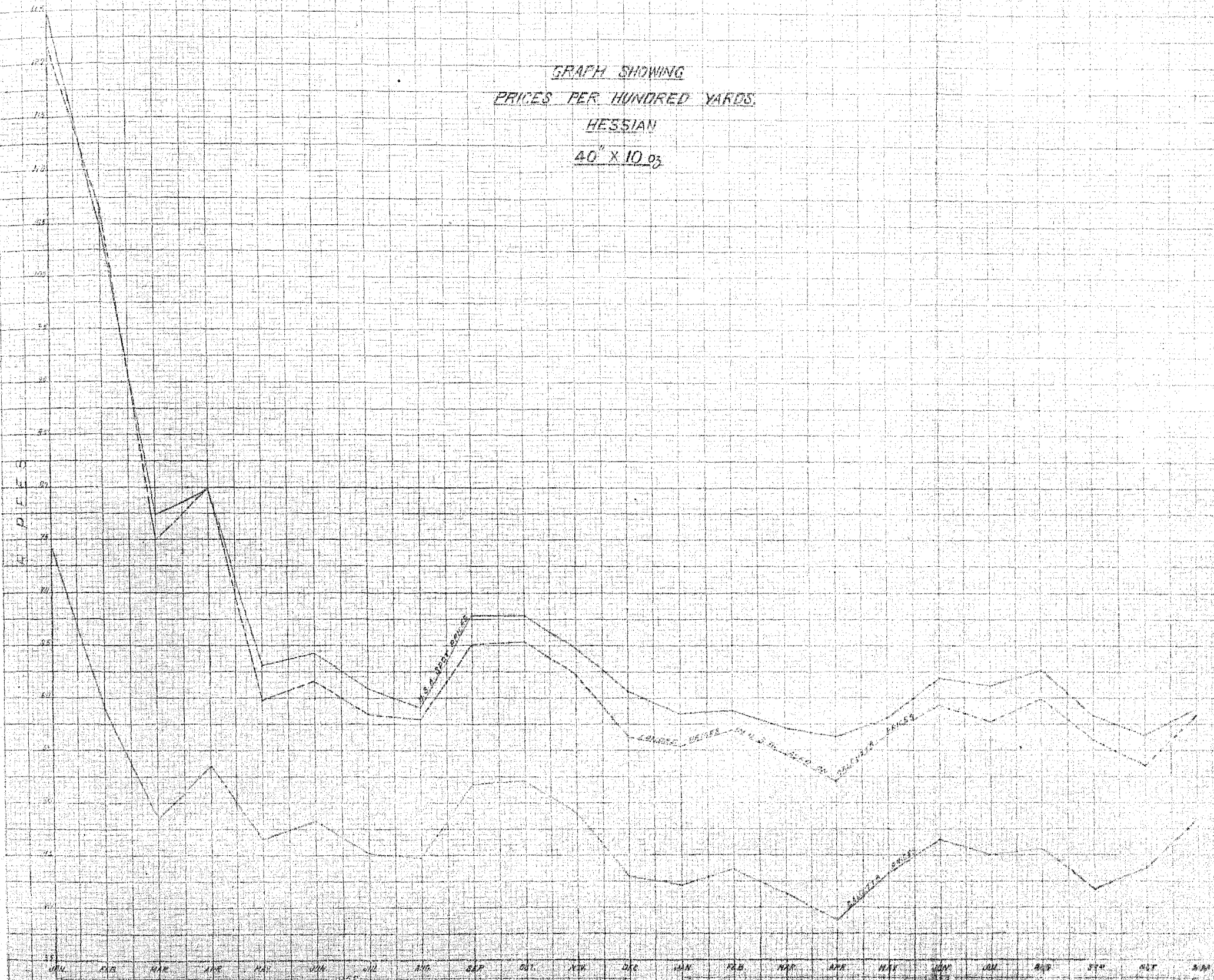
It will be seen from Table XVII that the cuts in duty have invariably been passed on to the foreign buyer and have only to a decreasing extent contributed directly to an enhancement of the quantum of exports.

TABLE XVII

Statement showing prices at the various Stages of Changes in the Export Duty of Hessian

Date	Rate of export duty on Hessian per ton (Rs.)	Quotation for 40" x 10 oz. Hessian (100 Yds.)		
		Date	At Calcutta (Rs.)	In U.S.A. (Rs.)
18-1-49	80	17-1-49	41 20	
		24-1-49	40 0 0	
		12-9-49	54 12 0	
29-9-49	350	10-10-49	55 0 0	
		16-10-50	55 0 0	
20-10-50	750	13-2-52	61 4 0	109 8 0
21-11-50	1,500	14-2-52	59 0 0	
		16-2-52	58 0 0	
		18-2-52	59 0 0	104 12 0
18-2-52	750	19-2-52	66 0 0	
		20-2-52	65 0 0	107 2 0
		21-2-52	63 8 0	
		22-2-52	62 4 0	
		23-2-52	60 10 0	
		25-2-52	60 10 0	
		26-2-52	61 8 0	
		27-2-52	61 0 0	
		28-2-52	60 14 0	
		5-5-52	46 12 0	
		6-5-52	46 4 0	

GRAPH SHOWING
 PRICES PER HUNDRED YARDS
 HESSIAN
 40" X 10.03



Quotation for 40'15 oz Hessian (100 Yds)					
Date	Rate of export duty on Hessian per ton (Rs.)	Date	At Calcutta	In	U.S.A.
7-5-52	275	7-5-52	51 0 0	69	1 0
		8-5-52	49 4 0		
		9-5-52	47 4 0		
		10-5-52	47 8 0	67	14 0
		12-5-52	46 4 0		
		13-5-52	46 6 0		
		14-5-52	47 4 0	65	8 0
		15-5-52	47 14 0		
		16-5-52	46 8 0		
		17-5-52	46 0 0		
		31-8-53	43 12 0	60	0 0
		12-9-53	41 11 0		
		14-9-53	41 13 0	58	5 0
		15-9-53	120	15-9-53	43 9 0
16-9-53	43 8 0				
17-9-53	42 15 0				
18-9-53	41 15 0				
19-9-53	41 12 0				
21-9-53	42 12 0				
22-9-53	42 5 0				
23-9-53	41 12 0				
24-9-53	42 10 0				
25-9-53	42 8 0				
30-9-53	..			54	1 0

Since the second quarter of 1953 the price of raw jute has firmed up. The low prices that prevailed before the 1953-54 season have no doubt been responsible for a fall in acreage. The rise in prices since October 1953 however has been maintained. Moreover, the expectation of an overall lower crop both in India and Pakistan are factors which would tend to keep the present prices stable. This may also improve the prospects of expanded acreage for the next season. So long as the Indian crop does not exceed the requirement of Indian mills at current level of production and imports of raw jute are regulated, the present price level can be sustained.

Can present level of prices be maintained.

Despite the crisis which the industry faced at the beginning of the year, the production of hessian in 1953 was much higher than for the two preceding years. There has also been a steady improvement in offtake of hessian from mills both for consumption as well as for export, as will be seen from the Table XVIII and XIX below. The improvement has been noticeable since May 1953 and from

July the despatches have exceeded production thus enabling the mills to clear accumulations of stock that had taken place in the months when shipments were poorer and the industry was in the grip of a slump in the middle of 1952. Doubtless, with improvement in despatches and with reduction in stocks, the industry feels that the present prices are remunerative and there has been a switch-over of looms from sacking to hessians.

Readjust-
ment in pro-
duction.

As regards sacking, production has fallen below the 1951 level and the offtake from mills was poor. (Table XIX). The unfavourable position in comparison with 1951 is partly due to the fact that in the boom period with large orders from the U.S.A. and attractive prices, production of hessian had been stepped up. The recession in the U.S. market began with the tapering off of the intense war-time demands after the armistice in Korea. This disturbed old parities between prices of raw jute and jute goods, and there was an increase in mill production of sacking during the period November 1951 to July 1952. There was also increased offtake by the U.K. The poorest offtake in sacking was between November 1952 and March 1953 but it has improved since September 1953 as in the case of hessian. As a result mills appear to have reduced the production of sacking and increased the production of hessians towards the last quarter of 1953.

TABLE XVIII

Production and despatches of hessian

(In thousands of tons)

	1951		1952		1953	
	Prod.	Desp.	Prod.	Desp.	Prod.	Desp.
January	29.6	25.4	29.1	22.5	30.4	26.2
February	26.6	21.3	26.0	15.1	29.1	26.7
March	19.5	22.0	25.7	24.5	31.9	27.0
April	28.0	30.6	24.5	17.7	32.2	26.1
May	31.5	30.7	24.2	28.3	31.9	28.7
June	28.4	28.0	21.6	23.9	31.9	33.7
July	27.9	22.3	26.3	23.6	35.5	35.9
August	29.8	28.6	24.2	29.3	30.8	33.7
September	24.4	26.2	23.3	24.9	33.8	37.9
October	23.6	21.7	27.7	30.1	31.5	35.9
November	26.4	20.6	26.9	24.4	32.8	37.2
December	26.3	27.2	32.0	27.1	37.1	34.8
TOTAL	322.0	304.6	311.5	291.4	388.9	383.8
(Percentage)	100.0	100.0	96.7	95.7	120.8	126.3

TABLE XIX

Production and despatches of sackings.

(In thousands of tons).

	1951		1952		1953	
	Prod.	Desp.	Prod.	Desp.	Prod.	Desp.
January . . .	45.0	27.0	60.2	50.9	39.7	17.4
February . . .	41.4	31.6	55.3	38.5	37.2	21.2
March . . .	30.3	31.9	54.8	38.8	40.0	39.4
April . . .	41.1	30.7	54.8	42.9	39.8	30.3
May . . .	45.1	25.9	55.7	47.6	38.3	30.2
June . . .	40.3	40.2	49.1	39.3	38.1	34.8
July . . .	41.1	49.7	54.4	42.9	40.8	30.1
August . . .	43.6	43.2	47.3	39.1	35.0	28.7
September . . .	40.0	37.7	44.1	32.3	36.8	42.2
October . . .	43.5	28.6	45.9	28.7	33.1	35.8
November . . .	53.0	37.7	42.0	21.7	33.7	24.9
December . . .	55.8	46.2	43.6	23.4	38.0	26.5
TOTAL . . .	520.0	430.4	607.2	446.1	450.5	361.5
(Percentage) . . .	100.0	100.0	116.8	108.7	86.6	82.0

These trends will be noticed from the comparative statement (Table XX) given below of the production, internal consumption and exports as well as closing stocks with mills for the years 1948-49 to 1952-53. It will be seen from the Statement that the internal consumption of hessians is less than 5 per cent of the total production while that of sacking is less than 25 per cent of the total production. The year 1953 began with heavy accumulation of stocks both of hessians and sacking; but exports have exceeded the production during the greater part of the year so that the accumulations have been brought down resulting in a readjustment of mill production.

TABLE XX

Statement showing production, internal consumption, exports and closing stocks with the I.J.M.A. Mills during the years 1948-49 to 1952-53
(Figures shown in 000 Tons)

Jute Years	Production			Internal consumption			Exports	Closing Stocks	
	Hessian		Total	Hessian		Others			Total
	Sacking	Others		Sacking	Others				
1948-49	433.8	29.1	1,039.6	15.2	111.4	14.8	141.4	902.5	77.5
1949-50	285.4	34.4	824.6	11.8	89.9	15.4	117.1	733.9	51.1
1950-51	329.7	493.0	857.9	11.9	86.3	15.9	114.1	712.5	82.4
1951-52	309.5	606.7	945.0	17.9	115.6	13.2	146.7	784.7	96.0
1952-53	346.7	510.4	891.5	19.0	131.2	17.4	167.6	686.1	133.8
July-December 53	201.5	217.4	433.6	9.4	45.1	6.8	61.3	407.7	99.0

[Figures taken from I.J.M.A.'s published statistics.]