

CHAPTER XVI

THE EXPORT MARKETS

In order to assess the degree of stabilisation that can be expected it is necessary to study recent trends in export markets. We have surveyed the general pattern of the export markets, and give in Annexures certain comparative statements showing exports of jute manufactures (Annexures XXI to XXIII) to different countries.

The U.S.A. has always occupied the predominant position in regard to import of hessian cloth. The offtake of burlap in the U.S.A. which was about 800 million yards after the war dropped by about 25 per cent in 1951-52. Though the demand was kept up to some extent by the tempo of the Korean War, factors like high prices of jute goods and lack of steady supplies has stimulated the use of substitutes. The use of multi-wall paper bags and of cotton bags began to grow on account of their relative cheapness. Production of paper bags has become a flourishing industry for packaging of fertilisers, potatoes and cattle feeds. Notwithstanding the present cheap price of jute goods and the advantages of hessian bags on account of their durability and capacity for reuse, it would appear that the ground already lost to paper bags and bulk handling, could be regained only with considerable difficulty.

United
States of
America.

It is contended that the level of the Indian export duty as had prevailed from time to time also made it possible for foreign competitors to get a larger foothold in the U.S.A. market. Thus, the share of India in the U.S.A. burlap market which was stated to be 97 per cent in the 1946 (when the consumption was 900 million yards) has gone down to 77 per cent in 1953 (when consumption is 800 million yards). Argentine has always been the second most important market for hessian and sacking cloth her offtake in 1953, being 30 per cent of our exports. It is reported that developments are afoot in that country for erection of grain elevators and introduction of bulk handling methods. This might seriously affect the level

Argentina.

United Kingdom.

of our exports. The U.K. and Canada have been the next largest buyers. The main purchases by the U.K. used to be standard B Twills Liverpools and flour bags but in recent years the quantity of hessian purchase has increased. With the development of her own industry and the removal of price control any further increase in the share of the U.K. market is doubtful. Trends so far as Canada is concerned would normally follow the pattern of the U.S.A. In Australia and New Zealand requirements are predominantly corn sacks and wool packs. Latin American countries and Egypt mainly import sacking. Burma and Thailand import mainly heavy cees bags and B Twills while Cuba, British West Indies and Mauritius import sacking for bagging sugar. The use of kraft paper bags in Latin American Countries *e.g.* Argentine and the development of a local packaging industry in Brazil and Cuba have further narrowed the American market. The desire for self-sufficiency, has led to the establishment of new units of production of jute goods in some of the European countries also, as well as in Egypt, Thailand, Japan and even smaller States like Israel. In the case of Australia and New Zealand which have been traditionally seasonal purchasers, bulk handling of grain has expanded. The demand for bags as well as for wool packs has not yet revived to the usual level. The I.J.M.A. delegation to Australia recently found that a feeling of insecurity of supplies was regarded as the main reason for the shrinkage of that market. Possibly large stocks bought up in earlier periods at high prices which had not been fully cleared, might also explain the hesitancy of Australian purchases, moreover, imports there-to are still controlled by a State Board.

Australia and other countries.

Seasonal demand.

Unlike the U.S.A. and the U.K. who buy throughout the year, Argentine and Australia have been traditionally seasonal buyers. The bulk of the purchases by Argentine are for agricultural crops like wheat, maize, oilseeds and for wool and the purchases are generally high in the August to January period. Australian demands for wool packs are mainly from March to May and for corn sacks from August to October. The I.J.M.A. have pointed out that latterly the uneven demands of these main consuming countries have been factors which were exploited by speculators. Speculative trends have been greatly accentuated as a result of the abnormal conditions occasioned by the Korean War as well as by large scale Government purchases for barter or stock piling. Any temporary fall

in demand of this type, once it has become pronounced, encourages buyers to depress the market still further and this in turn affects overseas demand because foreign buyers hold off in the hope of a further decline in prices.

An analysis has been made of the output of Indian Jute Mills for the years 1949-50, to 1952-53 in order to find out how much of the output has been sold to the Central and State Governments, other consumers, shippers, dealers and mills' own or associate foreign agencies overseas (*vide* Annexure XXIV). Less than 15 per cent of the output is for internal consumers and of this amount the share taken by the Governments is a small portion. Where there have been large transactions on Government account they were due on account of barter basis negotiated by Government and for packing imported foodgrain. From replies received from mills, it would appear that the share of the output sold to shippers and dealers varies; but that of the former has generally been increasing. Direct sales by mills to foreign buyers are comparatively small. The Gunny Trades Association has estimated the percentage of goods exported by mills or their managing agents or others connected with mills in term of their out put as follows:—

Mills role in export trade.

TABLE XXI

Year	Percentage	Year	Percentage
1938	21.6	1949	24.0
1946	27.3	1950	52.3
1947	20.7	1951	48.8
1948	21.7	1952	42.4

The steep increase in 1950 was attributed to the large margin allowed to exporters over the control price which acted as an incentive to mills stepping in to the export business. Doubtless during that period high profits were made, and the export business then built up has continued

Some witnesses representing the trade have complained that "in the jute goods market in India there is a particular set of business interests who are in this business for about half a century and Government during the last few years of the controls have always supported these speculators by their rules making it possible for such business interests to obtain licences for export, as export licences or

import licences are granted only to those who could have proved their past export figures of the commodity". They have contended that a considerable part of the export interests is controlled by foreigners and that the licensing should be free from all differentiation between old exporters and importers and newcomers. On the other hand, we consider that the suggestion that Indian business interests do not carry weight in the jute trade is not correct. Over three-fourths of the import trade in raw jute (from Pakistan) is by Indian firms and in the export trade in jute goods, the share of Indian firms has risen to two-thirds. Appendix VII gives a list of leading firms in the gunny export trade.

Need for
proper standardisation.

We have tried to assess the extent to which the marketing of Indian jute goods has been affected by the absence of proper standard specifications both in the home market and in external markets (we have already dealt with the case of standardisation of grading for raw jute). The replies received from the I.J.M.A. and others state that the present specifications are satisfactory and that nothing further is required to be done in this direction. They further emphasise jute goods do not lend themselves to precise specifications. Moreover, the existing standards have served the trade well for nearly 80 years. Further, the jute goods rely for their attractiveness as a packaging material largely on their cheapness, and any insistence in precise standards or specifications would inevitably increase the cost of the goods. It has also been stated that it is the customers' requirements which must ultimately determine standards of manufacture and the industry must be and is prepared to alter the existing specifications as and when necessary to meet the needs of the former. We have been informed that the present elasticity in specifications should not be sacrificed for precision and rigidity as this would increase the cost of this cheap packaging material.

Another view is that as far as raw jute is concerned, there have been enormous claims on account of quality and moisture and that the jute goods trade also has been handicapped to some extent for want of proper standard specifications but that this need is served by the Bemis classification. The Indian Standards Institution has been considering the subject of laying down specifications for jute and jute goods since 1948 and has already prescribed certain specification for grading of raw jute (No. IS. 271—

1950 and IS. 272—1950). Its sub-committees have been considering detailed specifications for loose jute in *kutchka* bales, jute in *pucca* bales, jute manufactures, bales trusses and bundles. The Institution has sought collaboration with similar institutions in the U.K. and U.S.A. as well as trade associations like the Textile Bag Manufactures Association and Burlap Importers Association in the U.S.A. Although a draft Indian Standard specification for hessians has been drawn up, progress has been halted as the trade is not supporting these standards. It is difficult to avoid the impression that the Indian jute industry is taking a complacent attitude on the question of specifications, because as far as the hessian market is concerned, the classification of Bemis Brothers satisfies the main U.S.A. market. Many witnesses regard it as a matter for regret that this country though the biggest producer of jute goods has not taken the lead in fixing necessary and adequate specifications for its standard products. They pointed out that there are already in the country institutions like the I.J.M.A.R.I.* whose services can be utilised to see whether goods conformed to Standards and Specifications. The non-observance of standards has given rise to complaints, particularly in regard to exports of heavy goods, where most of the trade is now done on the basis of the vague trade description 'fair average quality'. Most replies that we have received on the subject are from selling organisations who have told us that the existing system is satisfactory.

Certain witnesses have stated (e.g. East India Co. Ltd. and Agarwal & Co.) that they have had from foreign importers complaints that Heavy Cees bags were not of specified weights or size and sub-standard goods have been found inside unbroken bales; and porter and shot are not of specification as entered in contracts. They have therefore stressed the need for sellers covering their goods with survey certificates. On the other hand, if a sound futures market is to be set up it would also require the type and quality of goods tenderable under contract to be carefully defined. In view of the growing challenge to the Indian jute industry from its competitors abroad, it seems to us essential that the industry should give the highest priority to the laying down of proper standards and to their adoption by the mills as well as the exporters, so that stable market conditions can be achieved and every source of friction on this score avoided.

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Need for
market re-
search and
diversified
production.

The jute industry at present produces only certain types of goods required traditionally so far in certain markets. In its struggle for building up and retaining its market in the future, it must continue vigorous market research and make a more positive endeavour to diversify its pattern of production.