

CHAPTER XVIII

BASIS FOR THE PRICES OF JUTE GOODS

We have given the reasons in Chapter XI and XVII why we are not in favour of fixing prices for raw jute and jute goods. However, we have indicated what would be fair inter-relation of prices for raw jute and jute goods. The difficulties which have existed in the matter of prescribing statutory prices on the basis of cost data and cost of living will equally apply to the prescription of fair prices for jute goods. We have given a range of prices rather than a fixed price for a basic grade of raw jute. This range of prices is used in order to obtain a correlation between the prices for the raw material and the finished product.

As far as raw jute is concerned, a fair price can be determined with reference to the terminal market (Calcutta) where it is used directly by the industry who are its consumers. This price is susceptible of being formulated in terms of a standard grade e.g. Assam bottoms. The price is ex-mill, that is, the price the mills will have to pay as a reasonable price. Whether the price is fair and reasonable can again only be determined in relation to the mill's cost of production and the sale price it can realise. The costs of production of different units in the industry vary widely even though they may use the same raw material. While at present price, jute accounts for over 60 per cent. of the cost of the finished product, there is considerable scope for variation in the cost of the jute batching for each mill or for each product. This depends on the admixture of different types of jute including *meste* and cuttings, for which the scope for variation is considerable. Apart from direct wages which is a rigid item, the residual elements in cost of production such as overheads and depreciation account for large variations. A very large number of units in the industry require rehabilitation. Those units which have not already built up adequate reserves, will have to spend large sums on rehabilitation and modernisation. The heavy capital outlay involved would make it difficult to correlate the fair price for raw jute with the price of jute goods.

Constituent elements of costs in relation to raw jute.

Derivation
of fair prices
for gunnies.

In suggesting a basis for correlation of fair prices earlier we have taken account of the above considerations. Thus, having regard to the present market sentiments in important buying countries like the U.S.A., the existing level of export and the present prices of raw jute (Rs. 25 to Rs. 27 per maund Assam bottoms), the level of Rs. 44 to Rs. 46 may be regarded as a fair price for hessian 40" 10 oz. 100 yards. This price has been checked with reference to the present prices current in the U.S.A. markets after making allowance for the Indian export duty and c.i.f. charges which work out to about Rs. 10 per 100 yards hessian 10 oz. Due allowance has been made in the above calculations for the full processing costs including fair profit (*vide* estimate of fair prices in Chapter XVII). Prices will ultimately be governed by consideration of costs of competitive suppliers, market sentiment and other factors. Our recommendation is that for a given price level of jute goods, the level of prices for raw jute should be in fair parity. This is the only way of ensuring stabilisation of gunny prices in general as it is inter-dependent with stability in supply of the raw material. Similarly, a price of Rs. 109 to Rs. 114 would appear to be a fair price for B Twills 100 bags 44"×26" weighing 2½ lbs. on the price basis for raw jute referred to above. In indicating this level due consideration has been given to the fact that there is greater scope for lowering of costs in jute batching for this type of construction and the conversion costs are also lower by about Rs. 100 to Rs. 180 per ton in their case. We consider therefore a liberal allowance has to be made in fixing fair price for jute goods in a competitive market.

Present levels
considered
fair for sta-
bilisation.

There is general agreement among trade Associations and other witnesses whom we examined that prices of jute and jute goods since September 1953 have been more stable than for a similar period in the recent past *vide* Annexure XXV. Even mill interests admit that this is a fair level. The I.J.M.A. however pointed out that under the system of simultaneous buying and selling at the present price of Assam bottoms of Rs. 27 per maund, the price of Rs. 46 to Rs. 47 for hessian was yielding a meagre profit margin, but that of Rs. 105 for B Twill was insufficient and they were losing about Rs. 50 per ton over the cost of sacking production.

For gunnies
and for raw
jute.

This is the only way of ensuring stabilisation of prices in general, as it is interdependent with stability in supply of raw material. When the above range of fair prices are obtainable for the gunnies construction mentioned above

the fair price for raw jute payable ex-mills at Calcutta would be reckoned at Rs. 25 to Rs. 27 per maund in terms of Assam bottoms.

It would not be possible to prescribe a price to the grower, as growers in various areas have different situational advantages, the quality of jute produced varies and costs of transport both from the village to the primary markets and therefrom to Calcutta also diverge widely. The marketing charges payable for the service of intermediaries in the trade also differ and we have suggested measures whereby this margin could be reduced and the benefit thereof accrue to the grower. On this assessment we consider that making a deduction of about Rs. 5 for transport and cost of middlemen's services a fair price to the grower, on a proper quality basis, should be not less than Rs. 20 per maund when the price in terms of Assam bottoms is Rs. 25 ex-mills at Calcutta. For poorer qualities prices will have to be lower. Any benefit by way of reduction of middlemen's charges or lower transport charges because of nearness to the Calcutta market or on account of production of higher grade or quality of jute will, however, accrue to the grower in the shape of a proper price increase on the above basis. We have already referred to the role of the Jute Board in indicating fair prices and in the orderly dissemination of price information.