CHAPTER XXVI

FUTURE OF JUTE INDUSTRY

Diminishing market advantages

We have reviewed one aspect of the changes in the industry, namely its shrinking export market. The effects of partition on the industry's capacity to combat competition and to maintain its position has to be examined. The market appreciation of an industrial unit is generally a proper measure of its strength. Shares in jute mills were fancied as a steady investment so long as the mills in India were good dividend paying concerns. Even in the depression of the 1930, mills were able to declare dividends. The war years naturally meant prosperity to the mills and, as production was maintained and the market was assured, gains due to managerial efficiency were not pronounced. The main attraction of jute as a packaging medium being its cheapness India's monopolistic advantages in its production enabled it to maintain the position. This monopoly no longer exists. Even in lines in which Indian jute mills have specialised, competition by foreign manufacturers has begun to be felt. The advantage of more modern machinery, *e.g.*, circular looms, labour saving devices and efficient production technique of these manufacturers, have begun to outweigh the traditional advantages of the Indian jute mill industry. These advantages were principally their low capital cost (being old units, much of whose capital at charge has already been earned back), availability of cheap raw material near at hand and capacity to use to advantage jute cuttings and lower grades of jute, which are not generally fancied by overseas purchasers. These advantages are now wearing off. To rehabilitate the industry and replace old and worn out machinery, considerable finance will be required. Certain estimates place the funds required at Rs. 40 crores spread over a period of ten years. While the threat of a shrinkage in the market can be met only by a continuous endeavour to maintain production costs at as low a level as possible, the need for rehabilitation finance and the higher incidence of depreciation on new additions to block, would lower the initial advantages of low capital costs of old units.

At the same time, the modernised methods of production of new mills abroad, which presumably work without restrictions on working hours unlike (as in the case of) Indian mills, would again be a factor in their favour which would outweigh the advantage of lower wages in India. The only advantage which is the price of raw material is governed naturally by the fiscal policy and jute policy of Pakistan. The working time agreement of the mills, although it has succeeded in avoiding unhealthy competition and ensured a fair measure of advantage to different producing units and a degree of stabilisation in the industry, can no longer be a substitute for the long term advantages which can come only from rationalisation.

plies of raw jute at the most economic costs are available —economic in the sense that it would allow a fair price also to the grower. Supplies of quality jute would be no less important. We have already dealt with the manner in which this objective can be implemented. Requisites for stabilisation of market.

Reduction in labour costs is also equally essential to make jute goods cheap enough to gain further ground in the market from substitutes which have secured a foothold. At the present price level for raw jute, which is considered economic, it accounts for about 60 per cent. of the cost of jute goods, while direct labour would account for about 15 per cent. In the manufacturing costs which represent 40 per cent., the share of fixed charges like depreciation on capital can be reduced only by increased output, *i.e.*, working longer hours. The need for the mills themselves to finance rehabilitation and development from their own resources, would necessitate their keeping down dividends at the lowest possible level. In this context, modernisation of equipment becomes as essential as longer working hours. Reduction of costs.

The problem of rationalisation naturally raises the human problem of how best to achieve rationalisation without a sudden displacement of labour. Since the industry is localised in Calcutta, this problem has special significance for West Bengal. Responsible opinion in West Bengal agreed with the view that the future of the industry lay in improving the quality and output of the jute and in the rationalisation of the industry. Rationalisation might temporarily cause unemployment but it is the lesser evil compared to permanent damage to the industry and labour and to the growers who depend on it if the Industry should Rationalisation of industry.

be allowed to perish. Any relaxation in the working time agreement would necessarily involve some amount of competition in which some of the more efficient units would benefit while older and weaker units might have to close down. The possibility of avoiding a large scale displacement of labour by affording reemployment in mills which are able to work longer time will have to be considered. At the same time, till the industry is in a position to rehabilitate itself and production can be rationalised, additional heavy burdens might not be sustainable without doing damage to the structure of the industry. Hence we consider that the long terms interests of the industry require forbearance on the part of both labour and capital—an agreement on the part of the former not to press for wage increases and on the part of the latter voluntarily to limit dividends.

Modernisation and rehabilitation

It has been stated that as the period of greatest expansion in the Indian jute industry was in the first decade of this century, most of the machinery installed would by now be largely obsolete This is so, because when first installed, wage levels were low and saving in labour costs was not a governing criterion in determining the type of machinery to be used. On the other hand, most of the postwar expansion in foreign countries has been in the direction of introducing types of machinery which achieve considerable labour saving. Drawing and spinning frames have been greatly improved and high speed sliver spinning has been introduced. Improvements in preparing and spinning machinery are also matched by developments in jute weaving. The Saint Frer'es circular lcom, which weaves tabular cloth for sacking and shuttle loaders have increased the quality and output of weaving departments in mills. The continental mills and the mills in Dundee are reported to have some of these advantages, while it is understood that even the new mills being set up in Pakistan will use similar modern machinery.

Dealing with these deficiencies in the Indian Jute goods industry and the need for modernisation Mr. J. G. Walton, the Deputy Chairman of the I.J.M.A., has observed as follows in the article contributed by him to the 'Commerce' of December 1953:

"The industry is keenly alive to the need for reducing its manufacturing costs by continued and increased modernisation of machinery. It is not a question of increasing production which could easily be achieved with the existing plant but of producing the finished products more cheaply. This is probably not appreciated by those who may disparage the Indian industry on the score of old type of machinery, as if the machinery now in use were inefficient and incapable of producing high quality goods. Such a view reveals ignorance of the true position. It is important to realise that (apart from a very small number of circular looms the possibilities of which are being examined by the Indian industry) the loom now being installed in new mills in other countries are of exactly the same type as those used in India. Modernisation in the jute industry thus means not a replacement of looms but the installation of new preparatory machines which supply looms with yarn and the reason for installing such machines is not that they produce a superior yarn but that they work at high speed and produce the yarn more quickly and more cheaply. While machines are themselves expensive the economy resulting from their use is considerable and in recent years the Indian industry has spent more than 6 crores of rupees on their installation."

We have had an opportunity to see the pattern and effects of modernisation in typical mills where an old unit and a new one are working side by side. Because of the low working hours and high capital cost, the mills have laid out the new plant for the present on a smaller scale for preparation and spinning and are working it double-shift to meet the needs of the weaving mill which works only a single shift of 42½ hours.

We understand however that the cost of rehabilitation and modernisation if confined to the stage of preparation and spinning, could be effected at a cost of Rs. 9,000 per loom. As against this, the cost of erection of a new mill will be Rs. 25,000 or more per loom in a country like Pakistan. If these estimates are correct, there is a considerable margin of advantage that can accrue to Indian mills from modernisation. The I.J.M.A. are, we understand, submitting to Government a plan of modernisation, and in recommending for assistance they will be supporting only cases of mills whose modernisation will be worthwhile. The I.J.M.A. have also told us, "what is normally meant by modernisation in the jute industry is the installation of modern preparatory machinery, such as breaker cards, finisher cards, drawing frames and spinning frames which supply the looms with yarn, and the loomage figures given relate to the number of looms in respect of which this modern preparatory machinery has been installed or is in order. Such modernisation therefore does not increase the productive capacity of the industry, which ultimately depends on the looms; its object is rather to enable the mills to supply their looms with yarn more economically by operating a much smaller quantity of modern high speed machinery and running it on double shift." On this basis, out of a membership of 75 mills under the I.J.M.A. group with total looms hessian and sacking of 65,749, 15 mills with a loomage of 6,495 have been already modernised in whole or in part at an approximate cost of Rs. 4·87 crores. Another 13 mills with a loomage of 4,830 are in process of modernisation at an approximate cost of Rs. 3·6 crores. A further expenditure of about Rs. 40 crores is anticipated if the entire industry has to be modernised and it is in this context that the I.J.M.A. have approached Government with a scheme for grant of assistance. The total cost of modernisation is reckoned at Rs. 50 crores and is estimated to take a minimum of five years to be completed.

Some witnesses have told us that there are plans for developing the industry on a substantial scale in Pakistan and Burma, and that these might be discouraged if the Indian industry would publicise its resolve to meet overseas competition by every possible means. The present size of the market that India holds can be retained only by accelerating the pace of modernisation and showing potential competitors that the Indian industry is determined to spare no efforts to keep its markets and will be taking all reasonable steps to increase efficiency and reduce costs. We recommend that the problems connected with modernisation of plant and machinery in the jute mill industry should receive the highest consideration of Government. If our recommendations regarding setting up of a panel for the jute industry and appointment of a Jute Commissioner are accepted, Government will have an agency for making an objective appraisement of the merits of the case for modernisation for each unit in the industry, so that the country's resources are used intensively and to the best advantage.