

## CHAPTER XXVII

### SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

With partition, Pakistan has emerged as a competitor and India has become an importer of raw jute. Hence price policy is determined solely by world markets for jute products. p. 10.

The impressive rise in the size of the Indian crop is due both to addition of new areas not previously under jute cultivation and to extension of jute cultivation in the old areas. p. 14.

As a result of the drive to grow more jute, production of the Indian Union has risen from 13 lakh bales to 47 lakh bales in 1952-53, and both the acreage and the crop targets fixed by the Planning Commission are being reached. p. 14.

We consider however that the object of the grow more jute campaign should be a more restricted one, namely, attainment of relative rather than absolute self-sufficiency. p. 17.

In the long-term interests of jute growing in India and of the jute industry, the import of jute from Pakistan should be restricted to grades which are not yet available in the required quantity in India. p. 18.

Prices of raw jute since 1947 have been uneconomic to the cultivator in the 1952-53 season. p. 19.

The endeavour should be in favour of intensive cultivation and improvement in quality rather than to offer inducements for jute cultivation on a widely dispersed basis. p. 20.

We support the view of the Expert Committee that in U.P. as well as other States a cautious policy of re-examininaing the areas under jute cultivation should be pursued, and cultivation restricted only to places where good retting water is *freely* available and other serious handicaps like transport difficulties are not great. p. 23.

Marketing conditions and practices have remained unchanged. Deductions and allowances and use of non-standard weights persist. p. 31.

The cultivator sells the bulk of the crop in the village and no portion direct to the mills. Mills carry less stocks than before. p. 33.

By the decline of pucca balers one tier in the trade and industry has gone out. p. 33.

Railway authorities should examine freight rates and consider the possibility of reduction in rates in view of the export importance of the industry and the incidence to the grower. River transport companies should also evolve a more equitable freight. p. 43.

Transport is one of the biggest handicaps for growers, beginning from the village. Lack of adequate facilities is most keenly felt at rail transshipment centres, particularly in the busy season. (Chapter V) To meet difficulties for allocation of wagons State Advisory Committees will be helpful. p. 44.

Indebtedness is still extensive. State Governments should enforce laws against usurious practices strictly. p. 47.

Only the strict enforcement of standards which can come from extension of regulated market or growth of public opinion can eradicate abuses like *dadam* and *delta*. p. 50.

Market information can be improved but lack of holding power is the most serious handicap. p. 51.

The specification of the Indian Standards Institution regarding grades of raw jute should be adopted and applied by the trade and industry. p. 54.

A rational utilisation of the storage accommodation available at Calcutta requires that buying agencies and dealers should buy regularly in secondary markets and move their stocks to Calcutta throughout the season. p. 55.

We recommend the establishment of regulated markets at important centres in the jute growing areas of each State. Warehouses should also be set up at such markets. p. 56.

For bettering the conditions of the cultivator the organisation of multi-purpose co-operatives is essential and State Governments should give all possible help for this purpose. The scheme should be tried out as an experimental one at important centres. p. 59.

As jute is the raw material of an important industry, we consider the State Governments should not levy sales tax or similar taxes on raw jute. p. 60.

The demand for establishment of more research-demonstration farms should be given sympathetic consideration. p. 62.

Use of manures and improved seed should be encouraged with a view to obtaining the Planning Commission's target yield (54 lakh bales) from the minimum acreage. p. 63.

The present price spread between mofussil price and the Calcutta price varies from Rs. 1-4-0 to Rs. 2-12-0 per maund excluding freight. p. 66.

Export of raw jute even as a measure to support prices is not recommended. p. 67.

Zonal distribution is impracticable. p. 68.

Prescription of minimum prices for raw jute is inadvisable as it will affect prejudicially the interests of both growers as well as the industry. The implementation of the measures regarding regulated markets, organisation of co-operative societies and other ancillary recommendations will be more helpful in the long-term interests of the grower. p. 74.

The benefit of these alternative measures is estimated to reduce the differential in the price of raw jute in the primary and Calcutta markets to Rs. 5 per md. inclusive of freight. p. 74.

Statutory controls are not advisable. Voluntary regulation is preferred. p. 75.

To assist and stabilise the industry the appointment of a Jute Commissioner, the establishment of a Jute Board and setting up of a Development Council for the jute industry are recommended. p. 75.

Indication of fair prices for raw jute in relation to jute goods prices should be an important function of the Board. Notification of such parity of prices is of particular significance to the grower before the sowing season. The prescription of such a price would improve the morale of

the grower and support him in his unequal struggle with the middlemen in the trade. p. 75.

Capacity of the mill industry has doubled between 1880 and 1900 and again between the latter year and 1930. p. 79.

75 per cent. of the mills are under the control of a dozen managing agency houses; of whom 4 control 45 per cent. of the loomage. p. 80.

Increasingly the mills have directly entered into the export business in recent years. p. 82.

Forward purchases of raw jute by mills are generally reported to cover specific orders received for finished goods. p. 88.

The normal size and quantity of purchase of jute is dictated by extent of forward sales of gunnies. p. 91.

After partition Indian mills have adapted their production to use increasingly types and varieties of jute grown in India. p. 92.

So long as the Indian crop does not exceed the requirements of Indian mills at current level of production and imports of raw jute are regulated, the present price level can be sustained. p. 97.

The year 1953 began with heavy accumulation of stocks both hessian and sacking but offtake have exceeded production during the greater part of the year so that accumulations have been brought down resulting in a readjustment of mill production. Mills appear to have reduced the production of sacking and increased the production of hessian since the last quarter of 1953. p. 99.

Although a draft Indian standards specification for hessians has been drawn up, progress has been halted as the trade is not supporting it. It is essential that this country being the biggest producer of jute goods, should take the lead in fixing necessary standards and specifications for its products. p. 105.

In its struggle for building up and retaining its market in the future, the jute industry must continue vigorous market research and make a more positive endeavour to diversify its pattern of production. p. 106.

At present there is no uniform system of cost accounting maintained by mills. The standard cost system although adopted for purposes of cost control by a large

section, is not regarded generally by the industry as offering a suitable basis for pricing. p. 108.

As far as processing costs are concerned, analyses by experts show a common trend. p. 110.

In a standard estimate based on the price of raw jute at Rs. 26 to Rs. 27 per maund, the cost 100 yds. of hessian 40" x 10 oz. works out to Rs. 43.6 of which Rs. 24.32 represents the cost of jute and Rs. 19.28 the processing costs, overheads and profits. A similar estimate for 100 bags B. Twill shows a total cost of Rs. 114.45 comprising Rs. 57.07 as cost of jute and Rs. 57.38 as element of processing, overheads and profits. p. 111.

No recommendations regarding fixed prices for jute goods in general are made. p. 113.

Observers with intimate knowledge of overseas markets have stated that a pattern of stabilisation of jute goods prices will be more welcome to foreign buyers than even a drastic reduction in prices. p. 114.

As far as raw jute is concerned, a fair price can be determined with reference only to the terminal market, Calcutta. p. 115.

Our recommendation is that for a given price level of jute goods, the level of prices for raw jute should be in fair parity. p. 116.

Prices of jute and jute goods since September 1953 have been more stable than for a similar period in the recent past. p. 116.

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. p. 117.

Divergence between price trends of raw jute and jute goods is not normally great but there is always a time-lag in the movement. p. 118.

If Government tax policy has affected the market for Indian jute goods it was not on account of the fact that duties at the level they were in force were excessive and had engendered opposition in buying countries, but it was for the reason that the purchasing policy of overseas buyers

was influenced by their constant expectation of the inevitable reduction in the rates of duty in a falling market. p. 119.

Prices being determined by world market factors, with the scaling down of export duty by India the competitive advantages of foreign mills have been reduced. p. 120.

We consider that the indication of fair prices together with other measures suggested will allow scope for competitive market factors within limits and secure a degree of stability for raw jute prices on which depends also stability of jute goods prices. p. 122.

I.J.M.A. consider that till rationalisation of old mills is achieved to the extent of covering at least 50 per cent. of the units, scrapping of the Working Time Agreement would spell cut-throat competition and disaster to mill production. p. 125.

The installed jute manufacturing capacity is greater than the world demand for jute goods, with the result that market potential for Indian jute goods is to that extent restricted. The effect of the agreement is that the fall in output has been spread out uniformly over all sections of the industry irrespective of relative efficiency, resources and costs. If efficient mills work to full production, lower costs would increase their competitive power. p. 126.

The process of change in working hours can be effected in stages or by sections. As a first step working hours may be raised to 48 or those incurring considerable expenditure for modernisation could be exempted from the working hour restrictions. p. 127.

Labour displaced from units which close down should largely be absorbed in mills working longer hours. p. 127.

At the present stage, the jute mill industry in India have a capacity not only in excess of its present market but also in excess of any possible expansion of such markets. The erection of new units are not therefore favoured. p. 128.

The Jute Board should examine appropriateness of the present contract forms in use for markets overseas and make suitable changes in the forms used in India. p. 132.

The normal arbitration practice should be followed and award should be precise and complete and not leave the door open for any option to be exercised by either party later. The Indian Chamber of Commerce should also be included in the arbitration panel. p. 133.

The Pucca Delivery Order has been so far regarded as a document of title to goods on the basis of which discounting facilities have been given freely by banks. p. 134.

The drawback in the present system of P.D.Os. is the absence of a provision regarding the period within which delivery should be effected by the mills. p. 135.

The practice of issuing P.D.Os. partly in anticipation of production and the feeling that this could legally be done so long as no ultimate default in delivery occurs, was a contributory factor favouring the gross over-issue of P.D.Os. in the speculation racket of 1952. p. 136.

Standard form of contract of the I.J.M.A. as well as the P.D.Os. form should refer to the period of delivery in the case of P.D.O. and bear an endorsement or declaration that the goods are ready and will be available for inspection or delivery within a specific period. p. 137.

A system of verifying goods against uncashed P.D.Os. is desirable. p. 137.

If steps are taken to accelerate process of compilation and the jute development organisations in the different States are further strengthened so as to enable them both to make these compilations in time and to give sufficient publicity to them, particularly statistics of current prices, the utility of Government statistical publications will be enhanced. p. 141.

The operations in the futures market in November 1952 were essentially an attempt to corner the market which resulted in violent price fluctuations and thereafter led to a disastrous decline in the price of jute and jute goods. p. 142.

The defects brought to light were inadequacy of the regulations and omission on the part of the personnel concerned of the Calcutta Jute and Hessian Exchange to take action to prevent over-trading; laxity in the system of issuing P.D.Os. without full cover which enabled mills as well as dealers to speculate, and the serious dangers to the

246 C. P.

financial system of the country if banks undertake financing transactions in speculative markets. Authorities concerned should take steps to initiate necessary measures to prevent such recurrence. p. 151.

We have carefully considered all views on the subject and the reports of Mr. J. A. Todd and recommend the establishment of a futures market for jute and jute goods. A single well knit and regulated organisation like the East India Cotton Association, Bombay, should be set up. It is for those who desire to promote or revive an association to run such a market, to frame a suitable constitution and submit the same for approval of the Forward Markets Commission. p. 166.

Price agreements among manufacturers would be impracticable in a buyer's market. Direct exports by manufacturers would upset established channels. The trade is uniformly opposed to regulation and control. There is therefore no alternative to the establishment of a proper futures market. p. 168.

The need for the mills themselves to finance rehabilitation and development from their own resources necessitates keeping down dividends. p. 170.

Rationalisation might cause in the short run a contraction in employment and this problem has to be settled as best as possible if permanent damage in the long run to the growers, trade and industry, involving widespread distress is to be avoided. p. 170.

The future of the industry demands adequate supplies of raw jute at reasonable prices and a reduction in production costs. We consider that the long term 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 increase and on the part of the latter voluntarily to limit dividends. p. 171.

Modernisation as carried out 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 run it on double shift. p. 172.

Out of 75 mills, partial modernisation has been carried out in the case of 15 mills and another 13 are in the process of modernisation. p. 173.



Expenditure so far incurred is about 3 crores and the total cost of modernisation is reckoned at 50 crores. p. 173.

The present size of the market that India holds might be retained only by accelerating the pace of modernisation. We recommend that problems connected with modernisation of plant and industry in the jute mill industry should receive the highest consideration of Government. p. 173.

We wish to convey our thanks to the Ministries of the Government of India and the State Governments for the facilities they have afforded us in conducting our enquiry. Our thanks are also due to the Indian Jute Mills' Association, the Indian Central Jute Committee, the managing agents of mills and all others who have replied to our questionnaire. We thank the many witnesses with whom we had an opportunity of discussing the problems relating to jute during our tours and our sessions at headquarters. We have been greatly helped in our task by the published papers of the Indian Central Jute Committee and in particular the report on Marketing and Transport of Jute, 1940, and the report on Marketing of Jute and Jute Products, 1952, from which we have drawn data for our report. Shri K. C. Basak, Director of Economic Research, Indian Central Jute Committee, placed at our disposal the data and results of economic investigations in jute conducted by his organisation. Our thanks are due to him and to the jute development staff in the various States who accompanied us during our tours in the states. The Commission are conscious of drawbacks in their report resulting from the fact that the Members have had to carry out this laborious and comprehensive enquiry in addition to their normal duties. The Commission also acknowledge with pleasure the valuable assistance cheerfully given by their energetic Secretary, Shri T. S. Seshukutty, who was very well informed in the subject connected with the enquiry. Their thanks are also due to the office staff placed at their disposal by the Ministry of Commerce and Industry.

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