

CHAPTER II

JUTE—A HISTORICAL RETROSPECT

We are required to examine and inquire into the tiers of the jute trade and industry from the grower to the seller of the jute goods. In this part of the report we briefly traverse the subject and in particular the progress of jute cultivation, the handicaps and the problems of the jute grower and how best they could be tackled, and also the question of over-all importance to the agriculturist—how to secure a fair price for raw jute that will at the same time enable the manufacturer to obtain a fair price for jute goods.

We have not attempted a full historical retrospect of the subject, as this has been covered in detail in the majority and minority reports of the Bengal Jute Enquiry Committee, 1933 (Finlow Committee) and the Bengal Jute Enquiry Committee, 1940 (Fawcuss Committee). Moreover, useful and comprehensive information on the subject can also be found in the reports of the Indian Central Jute Committee on Marketing and Transport of Jute in India, 1940, and Marketing of Jute and Jute Products, 1952. We have therefore confined our attention to the significant changes as regards jute and jute goods that have occurred since the partition of India.

The partition of India has had far-reaching effects on jute growing and the jute industry. Before partition the bulk of the jute (over 80 per cent.) produced in undivided India was grown in the State of Bengal. The areas in that State producing the best quality jute and accounting for almost three-fourths of its production passed to Pakistan. On the other hand, the mill industry remained located at Calcutta and its raw material requirements had to be met by an intensive effort to increase indigenous production of raw jute. Before partition, India had virtually a monopoly in the production and supply of raw jute to the Indian Mills and the principal overseas manufacturing countries where production had come to be established mainly for local or regional requirements. Average exports between 1932—39 accounted for 40 per cent. of the jute crop of undivided India. As the indigenous production of jute after partition was inadequate even for the requirements of the indigenous mill industry, stopping

Main effects of partition on jute economy.

of exports was necessary and India has ceased to be an exporter of the raw product and can never recover that position.

Before partition, the position was that a certain amount of imbalance existed in the industry. Its capacity had outgrown the demand for its products abroad and a system of restriction in production had already been in vogue for many years. Similarly, for many decades before partition the cultivation of jute had also expanded to such an extent that prices had slumped and it had become necessary for Government to consider restriction in acreage. With partition the situation about raw jute changed; but the position in overseas markets for jute goods worsened as during the inter-war periods the jute industry in various foreign countries had expanded and the use of substitute materials and bulk handling methods had grown. The position of vantage of India as the biggest producer of jute goods altered. There was no possibility of a common jute policy with Pakistan and the risks of competition including the emergence of Pakistan as a producer of jute goods with inherent advantages have arisen. So long as a near-monopoly position existed for Indian jute goods, Calcutta prices dominated world market prices. In the years following partition the position has totally changed. A buyer's market has come to stay after the cessation of the intensive demand during the Korean hostilities. In the new situation Indian mill production can maintain its market only by an all-out effort to keep down production costs, by modernisation and rationalisation and by obtaining its raw material requirements at the most economic price. While the problem of a fair return to the grower of jute still remains, the objective has to be achieved by various comprehensive measures. In other words, intensive cultivation of high quality jute, increase in yield and reduction in grower's expenses of production have become more significant factors in the jute economy. In the marketing of jute also, the withdrawal of India from the position of the leading exporter of raw jute has disrupted the jute baling industry which was once a thriving one, and has affected certain tiers of middlemen in the jute trade. While the above are some of the more significant effects of partition they are merely referred to briefly here and will be explained at length when dealing with the several factors connected with jute and jute industry.

It was towards the second half of the nineteenth century that the jute industry in Bengal, which till then was a local handloom industry, was transformed into a mechanised industry and made rapid strides in its expansion. By the turn of the century there were 29 mills with a loomage of 15,000 and the number increased to 42 with 32,000 looms in 1910, 51 mills with 40,000 looms in 1920 and 68 mills with a loomage of 59,000 in 1930. At the present time for 84 mills the loomage is about 69,000. (Vide Annexure I).

The growth of jute acreage and the development of the industry.

One of the direct consequences of the mechanisation of the jute industry has been an increase in the acreage under jute. Jute cultivation began to expand from the middle of the nineteenth century, when Dundee developed the jute industry, and the United Kingdom began importing large quantities of the fibre. There are no statistical data available for the early period but the following table of acreage would indicate the quinquennial trends from the close of the last century till the partition of India:—

TABLE I

(Figures in Million)

Years. July—June.	Forecast	
	Area (in acres)	Crop (in bales of 400 lbs.)
1892—1897	2·212	6·261
1897—1902	2·019	5·641
1902—1907	2·756	7·218
1907—1912	3·132	7·901
1912—1917	2·864	9·031
1917—1922	2·417	6·895
1922—1927	2·863	7·853
1927—1932	3·057	9·480
1932—1937	2·699	8·102
1937—1942	3·408	8·786
1942—1947	2·468	7·149

(Figures taken from Mr. J. A. Todd's report and the I. J. M. A. reports).

The position at the time of partition was that of the total acreage in India of 2·4 million acres over 2 million was in undivided Bengal, and the rest mainly concentrated in the districts of Purnea in Bihar, Cuttack in Orissa and the western districts of the Brahmaputra valley in Assam. On partition, the jute growing areas in eight main jute growing districts of Bengal, which accounted for an acreage of 1·7 million passed to Pakistan.

Trends in
the Inter-
War Periods
1919-1939.

Before the War, in an agricultural system predominantly based on subsistence farming, jute was vital to the economy of Bengal, as it was her important money crop. The inter-war period witnessed a steady expansion of the jute industry and increase in acreage, while side by side, important changes took place, which reduced the scope of India's monopoly. Besides Great Britain which was earliest in the field, Germany, France, Italy, Belgium and the United States of America expanded their production of jute goods as well as their purchase of raw jute from India. Though the growing export demand for raw jute served to increase the acreage, the new developments had the effect of bringing down the price of raw jute particularly since 1930. With a similar trend emerging in the price of jute goods also, since the capacity of the industry had been raised in excess of the market for its output, the situation was met by regulation and curtailment of output.

Finlow
Committee
and Fawc
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Recommend-
ations.

Under their terms of reference, the Fawcus Committee were asked to examine the regulation of the production of jute, its marketing and fixation of its price. The fundamental problem that confronted them was, as in the present enquiry, the problem of prices with special emphasis on the price of raw jute. Since World War I, when expansion in the jute industry had taken place, a change had occurred in the price parity of raw jute, not only in its relation to jute manufactures but also in relation to the trends in prices for cotton and cotton manufactures, cereals and other commodities in general. (*Vide* Table—II).

TABLE II

Index Number of Wholesale Prices in Calcutta of certain Staple Commodities
(Price in July, 1914—100).

	Jute (raw)	Jute (Manu- factured)	Cotton (raw)	Cottonma- nufactured)	Cereals	Pulses	Tea	Oil Seeds	All Com- modities
1928 .	100	150	167	159	133	157	154	142	145
1929 .	95	122	146	160	125	152	140	155	141
1930 .	63	88	91	139	100	119	114	127	116
1931 .	49	76	83	123	78	89	86	82	96
1932 .	45	75	98	119	68	92	61	76	91

	Jute (raw)	Jute (Manufactured)	Cotton (raw)	Cotton (Manufactured)	Cereals	Pulses	Tea	Oil Seeds	All Commodities
1933									
January	39	71	87	113	66	87	62	78	88
February	36	68	79	113	66	88	74	74	86
March	38	68	79	112	61	81	70	65	82

(Figures taken from Fawcus Committee's report)

The Fawcus Committee pointed out that even with reference to 1927, (which has been generally regarded by economists as a year when relative equilibrium of prices was reached after the disturbances of the Great War) the declining trend was further accentuated up to 1934 in the case of raw jute, in comparison with the other commodities mentioned. It was in such a situation that the minority in the Finlow Committee had observed: "apart from the general world depression, absence of proper organised action on the part of cultivators has been responsible for an excess of production of jute, which together with the fact that the cultivators being hard pressed for ready money are often compelled to dispose of their products without waiting for better times, account for the present acute and singularly depressed stage of the jute market". Notwithstanding the change in many basic circumstances, these words could equally apply to the situation as it developed at the end of the 1952 season.

The main conclusions of the Fawcus Committee set out in the following paragraphs equally hold good now. Apart from temporary deviations or short period maladjustments, the price of raw jute could rise in the long period only if there is a rise in the price of jute manufactures. Barring unpredictable factors like wars, in the prevailing state of world trade and growth of competitive production abroad, the demand for the ordinary types of manufactured products turned out by Indian mills is not likely to increase substantially in the future. Investment of productive resources in new lines of manufacture and discovery of new uses for jute, such as manufacture of carpets, curtains, upholstery cloth, tarpaulins, canvas

etc. should be explored. The Fawcus Committee further thought that the fundamental weakness of the jute industry was the existence of a large surplus capacity which would act as a perpetual drag, and that the jute mills' working agreement was a step in the right direction. But this they considered would only be a palliative and believed that a policy of rationalisation which would enable the surplus capacity to be eliminated as early as possible, had to be pursued.

Hold good
in today's
conditions.

These observations are relevant even in the present day situation. If anything, the market potential for Indian jute goods has now shrunk owing to the growth of the industry in Europe and U. S. A., not to mention its inception in Pakistan. This industry is also affected by the use of alternative cheap packaging materials like multiwall paper bags or cotton bags and extension of bulk handling for cargos like grain and sugar. With the partition, Pakistan has emerged as a competitor and so India has no longer a near monopoly of the production of raw jute. Hence the internal price policy has to be based solely on the world market demand for jute products.

At the time the Fawcus Committee reported, a controllable factor affecting raw jute prices was its expanding acreage. They realised that the essential condition for maintaining raw jute prices at an economic level was to regulate cultivation so that supply as far as possible was equated to the demand for the fibre. Accumulated stocks of the previous season were also a main depressing factor in keeping down the price of raw jute. As the voluntary method of regulation, which had prevailed in Bengal, was not effective to regulate the acreage, the Committee recommended a scheme of compulsory regulation, under administrative supervision and control. They also mentioned that it was necessary to persuade other jute growing provinces to adopt a uniform policy and a common plan. In this respect the above proposals have an altered significance. They stand as a warning to avoid indiscriminate expansion of acreage causing a glut in raw jute production, since the capacity for absorption by Indian mills is now more limited and the potential for export of raw jute is also circumscribed by competitive advantages which Pakistan possesses.