

CHAPTER VII

MILLS STOCKS OF RAW JUTE

7.1. Purchase of Raw Jute by Mills.—The purchases of jute by mills and its stocks held by them at different periods have a significant impact on the market price of jute. If the mills by building up large stocks of jute can afford to keep off the market early in the harvesting season, the price of jute will tend to fall and the cultivators will suffer. Conversely, if the stock position is very low, jute prices will tend to rise. The quantity of stocks to be held by mills is dependent on several factors, such as availability of jute both in India and from Pakistan, price trends in the market, foreign demand for jute goods, etc., and ordinarily an individual entrepreneur is in a better position to decide about the quantum of his stocks of the raw material. So long as the market forces have their free play and there is no indication of the buyers or sellers exploiting the weak position of the other, there is no need for interference by an outside agency. We were told, however, that one consequence of the ban on the export of Indian Jute has been that the jute mills tend to go slow in making purchases when the Indian crop comes to the market and the Indian cultivator is keen to sell his produce. They know that the Indian crop will be available to them anyhow and they are in no hurry to buy this crop. On the other hand they try their best to purchase whatever they require from Pakistan during the earlier months of the season, lest it is taken up by foreign mills. This depresses the prices of Indian jute to the detriment of the cultivator's interest and when the cultivator's holding power is exhausted the mills build up relatively large stocks towards the end of the season at a relatively low price and these large stocks enable them to repeat the go-slow purchase policy during the early months of the next season. The following figures published by the IJMA will be interesting in this context:

TABLE No. 21

Monthly Purchases of Raw Jute by IJMA Mills

[Thousand bales of 400 lbs. each]

	1953-54	1954-55	1955-56	1956-57
July	306	292	284	341
August	222	361	265	493
September	232	374	406	503
October	445	472	558	509
November	465	684	579	661
December	436	411	391	713
January	331	542	597	464
February	222	321	346	423
March	267	255	405	294
April	290	219	376	..
May	254	179	385	..
June	323	309	378	..
TOTAL	3,787	4,419	4,970	4,401

7.2. It will appear that the allegation about mills buying much less in the beginning of the season is borne out to some extent by the above figures. Jute starts coming in the market from July and it is in the early months of the season that purchases by mills ought to be heavy. But, as the above figures show, only about 20% of the total purchase of Indian jute by mills are made during the first three months of the season (July to September) with the result that prices of raw jute in mofussil centres are almost lowest during these months. The information available with the Indian Central Jute Committee shows that in West Bengal about 85% of the total production of raw jute and in Bihar about 75% of the total production comes into the market by December. As against this, the purchases made by the mills upto December are only about 50% of their total purchases.

7.3. **Stocks of Raw Jute with Mills.**—The tendency of the mills to keep away from the market during the beginning of the season is also borne out by the following figures of stocks of raw jute with mills:—

TABLE NO 22
Stocks of Raw Jute*

(Thousand bales of 400 lbs. each)

	1954	1955	1956	1957
January	1,495	1,364	1,179	1,364
February	1,524	1,432	1,316	1,426
March	1,429	1,413	1,370	1,384
April	1,298	1,274	1,319	
May	1,243	1,105	1,090	
June	1,151	900	839	
July	992	656	639	
August	810	433	542	
September	705	386	503	
October	818	532	625	
November	1,110	805	902	
December	1,303	1,010	1,144	

7.4. It will be observed that the stocks of jute with the mills are highest at the end of the season and these are drawn upon by the mills during the period when the new crop comes into the market—a phenomenon which is *prima facie* abnormal. The reduction in stocks of jute with the mills during the period July to September is generally more than 50%; this tends to support the view held by some that the mills being sure of the supply of the jute in the country tend to take advantage of their monopolistic position in the market.

*Figures relate to I.J.M.A. Mills and Press Houses in the membership of the Calcutta Baled Jute Association.

7.5. Minimum safe Stocks.—The representatives of the various jute trade associations and the Chairman of the Indian Jute Mills Association informed us that, as against the stocks of about 3 to 6 months maintained by the mills before the war, they are now maintaining stocks of 2 to 3 months' requirements. In fact, at times the stock has been as low as 2 to 3 weeks' requirements. The reasonable monthly requirements of jute and mesta by the industry, with 12½% looms sealed, is considered to be about 5 lakh bales. These representatives further felt that though, the minimum safe stocks would be about 1½ months' requirements, the reasonable level of stocks should be reckoned at about three months' requirements while the maximum stocks to be held at any particular time, might be about four to five months' requirements.

7.6. Regulation of mills' stocks of raw jute.—We have mentioned in a previous chapter on minimum prices that one of the methods by which support can be given to the prices of jute is to require the mills to maintain a minimum level of stocks at the harvesting season. This would ensure a regular and stable demand in the market, particularly during the harvesting period when the cultivator is keen to sell his produce. We feel that the tendency of the mills to keep away from the market at a time which is crucial to the cultivator, is undesirable. They could not afford to do so if exports of raw jute were not banned. The problem of supporting prices will be solved to a considerable extent, if the mills voluntarily undertake to maintain a reasonable stock and ensure the flow of demand at the harvesting time. In our view about two to three months' stock, *i.e.* roughly 10 to 15 lakh bales, ought to be built up by the mills particularly during the first five months of the season, (*i.e.* from July to November) when most of the produce is marketed by our cultivators. It is likely that if the desirability of maintaining a minimum level of stocks is brought home to the Indian Jute Mills Association, it might be able to persuade its member-mills not to desist from buying jute in the early months of the season and to maintain a reasonable stock during these months. If, however, voluntary efforts do not bring about the desired change in the stock policy of mills the Government may consider the adoption of some other measure for the purpose. The regulation of import policy, as suggested by us, can be of great help in this respect, for if imports are restricted to the minimum in the beginning of the season, the mills will have to buy in the home market.

7.7. Buying Programme.—We have already referred to the 'buying programme' which was laid down by the Indian Jute Mills Association, for their member-mills in 1940-41 for giving support to the falling jute prices. The need for such a programme is great in the larger interest of the cultivator as well as for the achievement of the jute production target. We are sure, the Indian Jute Mills Association will not be wanting now, as they were not in 1940-41, in extending their full co-operation for solving this basic problem of the jute economy.

7.8. Long-term Solution.—The more permanent and long-term solution of the problem would, of course, be provided by setting up either a Government organisation or a Co-operative Marketing Organisation which would buy jute from the cultivators at a reasonable price at the harvest season and sell to the mills later at a competitive price. Such an organisation alone will be able to protect the interests of the cultivator effectively. Till, however, such a system is put into operation and adequate warehousing facilities are available a regulated stock policy for the mills as suggested above will go a long way in solving the problem.

7.9. Co-operative Marketing Board.—The minimum stock policy as suggested above will not be able to meet a situation when, as a result of either increased production of jute or any other market factor, prices of jute fall heavily and minimum purchases by the mills are not sufficient to impart the necessary strength to prices. In such an event, either the mills will have to be required to buy more than their 'normal' requirements of two to three months, or the Government organisation will have to step into the market and purchase large quantities of jute. It may not be fair to compel the mills to buy more than their 'normal' requirements unless the Government is prepared to finance them and bear the loss that might be incurred by them by holding larger stocks than they would have done otherwise. This will cause complications and may not be considered desirable. The only alternative in that case seems to be to set up a government organisation or a Co-operative Marketing Board which would buy the required quantities of raw jute at minimum prices fixed by the government. Such an eventuality, however, is unlikely to occur and we hope that the regulation of the buying policy of mills and imports from Pakistan will be sufficient to impart the necessary strength to market prices.