

Our Calcutta Letter

The Black Year in Jute

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DEPRESSING, bleak, comfortless—nineteen fifty was all these, Mr Acheson has christened it a 'black year'. If allowed, the jute industry would use much stronger terms. It has many reasons. What is attempted here is not to chronicle them, unprofitable as the revival of past memories are, but only to draw attention to some of the problems, important in themselves, which have been left to 1951 to find an answer to.

Dr Johnson found in the poetry of Pope a rare quality—of new things being made familiar and familiar things new. That way the jute industry also savours of Pope's poetry, ever so faintly. The problems of raw material, of processing it, of rationalisation of the industry, of salesmanship, of the fight against substitutes and of finding a place for new jute products in the future are all, in one way or another, brought to the public's notice from time to time. Apparently there is nothing-new in them. But in each there lurks something new, something hidden behind the obvious, something which might, if properly analysed, help to solve the problems.

The problem of ensuring an adequate and an even flow of raw jute at a reasonable price has been the most intractable. As a contemporary remarks, "Making due allowance for the squeeze, the graft, the greed, the dishonesty and all the rest of the failings' to which the human flesh is heir, the hard core of the jute industry's problem is its raw material". Many will trace it back to the beginning of 1950—a convenient date after devaluation—or to another landmark three years earlier, the division of the country. As an immediate base of reference, both are valid. Partition did deplete the Supply of raw jute and 1950 demonstrated the acute seriousness of the position. But for those connected with the industry, shortage had been looming ever since 1940, when the acreage under jute was cut down arbitrarily to near about half. The wisdom of that decision may legitimately be questioned today. But at the time and till partition, restriction of cultivation seemed quite justified. If the officials had not enforced it, cultivators, of their own, would, have cur-

tailed production. For, throughout, the area under actual cultivation was lower than mat licensed. So much admits of no dispute. But what is disquieting is that though the shortage was apprehended sufficiently early, it should now be allowed to overwhelm the industry, that it has not been forestalled and the production of jute goods adjusted to the restricted supply of the raw material. We have now fallen between two stools.

Division of the country had given a rude shock to the industry. No one expected Pakistan to encourage a 'free-for-all trade in the one bargaining counter she had; even had jute not been a bargaining counter, as a prospective source of revenue, it was too import for the Pakistan Government to be left alone. The intentions of that Government were not left long in doubt. A steep export duty was imposed on raw jute soon after partition. Within the limits set by the handling capacity of the Chittagong port and what could be conveniently diverted *via* Calcutta, a schedule of priorities was drawn up in which, India was to be relegated to a not very leading position in the coming years. What was amateurish and doubtful of success was converted into a workable policy by a succession of short crops. The jute Board and the minimum schedule of prices for the different varieties of raw jute gave the administration useful bargaining counters. And a revived world demand for jute and jute products strengthened its hands further. That even at the non-devalued rate of exchange jute continues to be marketable speaks volumes for the jute policy of the Pakistan Government to which Mr Boldy, President of the Dacca-Narayanganj Chamber of Commerce, paid tribute. This policy, he said, had succeeded beyond expectation.

The reaction in India to these various essentially economic measures was unfortunately not quite realistic. Early in 1949, when there was a sharp recession in the world demand for jute goods and the Calcutta prices fell to very uneconomic levels, it was justifiably thought—and in some cases wished too—that Pakistan would collapse earlier than

the jute industry in this trial of strength. What was deplorable was that all sorts of political considerations were allowed to bedevil this clear economic issue. The first shot may have been fired from across the border; but it would be profitless to apportion praise or blame for what is now accepted to have been a very sorry state of affairs.

In the light of subsequent developments, another factor that strikes me is whether in the bilateral trade agreement made with Pakistan after the lapse of the stand still agreement, would it not have been better to arrange the import of the contracted quantity of raw jute on Government account? True, the mills would have objected to it. True also, technical considerations could also be put forward against it. But has not the Export Promotion Committee categorically stated that central purchase would not only be very helpful in such cases but also inevitable? If it did nothing else, monopoly purchase would have removed Pakistan's suspicion that mills' agents were exploiting the cultivators a charge which had been upheld by more than one Committee appointed by the previous Government of Bengal,

In suspecting Pakistan of ill will towards India, in letting individual mills to enter and to leave the raw jute market as and when they pleased, in their unseemly haste to be completely independent of Pakistani jute, and by failing to arrange for a system of central purchase!, the industry will be seen to have erred seriously. But many of these, if not all, would have had a chance of being acclaimed as wise and many of the present day rigours in production and distribution could be avoided had the production of raw jute in India been increased correspondingly. Here, as elsewhere in India's agricultural policy, there was much planning and no plan. Self-sufficiency in jute within 1951 was taken for granted and made an article of faith.

We were enjoined from time to time on the other hand not to approach Pakistan for raw jute; for, it was said, it would expose our weakness! But it was apparently forgotten that the official estimate of Indian production for the

season 1950-51, for example, put it at 34 lakh bales and the average annual mill consumption even at the present attenuated schedule of work at 50 lakh bales; the facts were in any case exposing our position, whether we liked it or not. It is a pity that even today no one in the industry knows what will happen between say, April and September this year.

For twelve months ended December, 1950, production has been 110 thousand tons lower than that in 1949 and about 82 per cent of the peak post-war production in 1946 as shown below:

Jute Goods	Production	
	Output ('000 tons)	As % of 1946 output
1946	10,89	100.0
1947	10,52	96.6
1948	10,91	100.2
1949	946	86.9
1950	836	81.5

This by itself would not reveal a fearful prospect if consumption were near to the early 1949 level. But unfortunately for the jute industry, various reasons have combined to set the trend in the opposite direction, particularly alter the Korean war. What with stockpiling panic buying, etc., there is in evidence a world boom. The demand for jute products in US does not depend so much on their price as on the level of industrial production in the country itself. Early in 1949 on account of a fear of general slump, the rate of consumption of burlap fell though the Calcutta prices were attractive: but since the latter half of 1950, the demand has gone¹ up phenomenally and even a rupee a yard has not deterred that demand. Other countries have taken the cue from the United States and with indications of a general war getting nearer, consumers are making frantic efforts to stock themselves well not only with the essential produces, to pack which jute goods are required, but with jute goods themselves, not knowing what the supply position would be in the next and subsequent years if war interrupted shipping.

It would have been good salesmanship, if taking advantage of the present boom, we could increase production, compete with paper and cotton and re-establish jute as the best packing material. No better world situation could be thought of. But as today jute goods are scarce in the various markets, it is to be feared that their position

would be far weaker when normal conditions return, markets slump and demand contracts. Other competing products would have established themselves and jute would not get a dog's chance. This may particularly be so of the United States markets. That the consumption level of burlap in 1950 has been comparably good is no reason for satisfaction, for, in contrast with the rise in the level of industrial production in that country, the rate of burlap consumption has been static and has even fallen.

There is yet another danger which is not receiving proper attention. By-passing the market in India, Pakistan has been exporting a good deal of her jute to countries who have an industry for processing jute. Belgium, France, Czechoslovakia, Holland, Western Germany and Japan are some of the prominent consumers and they have taken the fullest advantage of the present imbroglio between the two neighbours. Since price is no matter now, the higher processing cost in these countries has not deterred them from appearing in the United States market as sellers of those very qualities which were at one time thought to be the monopoly of India. Many other smaller countries have, in addition, set to grow jute or other similar fibre and establish manufacturing units so as to be independent of India in meeting their respective requirements of packaging. Mentionable are Thailand, Philippines, Israel, South Africa and Pakistan itself.

Control on the export prices of both hessian and sacking continued to be enforced, which is saying that the siege economy continued. Advice was given to the Government from right and left regarding its administration. Almost always volatile, the market was divided into three broad sections on this issue. One stood for complete decontrol and restoration of free market; another was for the continuation of control but for a revision of prices upward to approximate to the free market rate; and the third was for control and the present maximum prices, but for a stricter administration of them. At one time expectations came very near to the first section being correct. In September-October, 1950 the prospect of a sufficient raw jute supply on the strength of a satisfactory crop both in India and in Pakistan and the chances of the IMF taking a decision on the Indo-Pakistani currency differences ac-

counted for optimism. The mills were advised by the Indian Jute Mills Association to switch back to full production, if their stocks permitted. This was interpreted as signs of the coming in of a free market. Unfortunately the IMF shelved the issue and the prospect of obtaining jute in quantity from Pakistan, in turn, receded. The jute Mills Association revoked its earlier sanction, and mills continued to work at 42½ hours a week with 12½ per cent looms sealed.

Any doubt about the intentions of the Government on the question of controls came to be finally removed when the export duty on hessian and sacking was increased and both the Commerce and the Finance Ministers confirmed that the Government could not think of decontrol. In fact the emphasis shifted violently to very rigorous administration of the price schedule, and went a step further, to prospects of outright State trading.

Discussion on these control measures has been more often than not from the sectional as contrasted with the wholesome point of view. To the Government the difficulty has been to make trade behave in a way which is good for it rather than do what it would like to do, left to itself. The object of the Government is clear. As the Finance Minister said, the "inflationary psychology" which would be evident if the price schedule on jute and jute goods were removed, would be disastrous, indeed. Stated baldly thus there is no criticism to it, whether from the trade or from the public. It is also accepted that if there is a difference between the free market rate and the control rate, as there is, particularly in hessian, the difference should go to the Exchequer. But what the trade has been objecting to is that these principles are watered down when the controls are actually in operation. In this it gets support from some of our main consumers also. As an instance, the redirection procedure by the Jute Controller has never had a favourable reception whether in Calcutta or in New York. It is a particular sore point in the latter market that the resultant uncertainty of offers far outweighs any advantage that might be expected from such redirection. And since price appears for the moment to be of secondary importance, the New York market would prefer to have abundant supply in a free market than cheaper goods, but on fitful offers.

