Cotton Market

Delhi Conference Decisions

THE Conference of representatives of provincial and state governments and cotton interests, which met at New Delhi this Monday, arrived at some decisions which, if implemented, may well remove the uncertainties which have been plagueing our cotton men throughout the country. A clear lead has been given both in respect of cotton supplies and prices; nothing has been left to chance.

The Board of the East India Cotton Association, in a recent statement, had criticised the raw deal that had been meted out by the Government to the producers of Surat and East Punjab 289 F cottons. The Board had compared the domestic ceilings for these cottons with the landed cost of comparable Pakistan growths, which included Pakistan taxation and several other charges to the extent of Rs. 187/11. While the price" actually received by the Indian and Pakistan farmers for comparable growths may have differed only a little, the contention of the Board appeared to be that the Indian farmer deserved a price which matched the landed price of Pakistan cottons. To the extent that such a price Increase or an increase in price differential is granted, the growth of superior varieties may, no doubt, be stimulated. But such a stimulant is certainly not needed for the current crop, which has already been grown and can hardly be influenced by it. So, in essence, the Board's contention is valid only so far as it applies to the next crop, and it been accepted by the Conference.

But the point the Board makes about the increase in the basic ceilings and floors in the previous years has not been and cannot be substantiated. Between 1944-45 and 1948-49, the ceilings and floors for basic Jarilla, ¾ in fine, were raised by Rs. 50 and Rs. 125 respectively. No one would seriously dispute that the sizeable increase that took place in the basic floors between the two seasons more than compensated the grower for the possible losses that he may have suffered because the basic ceiling had not been raised adequately. It is, indeed, wrong in principle to leave the initiative in this matter in the hands of foreign governments. Yet this is what it would amount to, if we tried to keep pace with whatever taxes the exporting countries chose to levy on cotton, even though we may have to get our imports from them. The level of Indian cotton ceilings, and differentials, in particular, must relate to the costs of production within the country rather than to the oscillations in the incidence of taxation on cotton imposed by governments other than our own.

The Cotton Conference, therefore, deserve to be congratulated for their realistic handling of the issues which confronted them.

First and foremost, the Conference expressed the view that there should be no "unnecessary" restrictions on the movement of raw cotton from one province or state to another. For instance, it is ridiculous to ban inter-provincial movements of cottons for which there is no consumption demand within the province. At the same time, movement of certain cottons has to be banned in order to prevent the mixing of low grades with standard cottons. This is freely resorted to by cotton dealers in order to evade the ceiling restrictions. Restrictions in such cases have to be imposed and strictly enforced', if the purity of seeds of improved strains is to be maintained.

Secondly, the Conference felt that in view of the favourable cotton situation outside India, imports should be liberalised. That such imports are necessary and possible has been repeated *ad nauseum* in these columns. Imports of American middling or Californians, for instance, may well operate as a price stabiliser, both in India and Pakistan. The subject will be reverted to in a subsequent paragraph.

Thirdly, the meeting agreed, and this is the most important part of the decision, that "whatever revision might be necessary in the prices of cotton, the new prices should come into force from the next crop year Only, (i.e. the 1949-50 cotton season), and should not, in any way, affect the present cotton crop and stocks." Government's decision in this behalf is likely to be announced before the end of the month, the under-lying idea being to provide the necessary stimulant for encouraging more intensive production of desirable growths during the next season. It was therefore a constructive step that the Conference took to set up an *ad hoc* committee, consisting of representatives of provincial and state governments concerned, to examine and report what revisions, if any, should be made in the premia for superior varieties and staples of cotton as related to the price of the basic type, namely 25/32 "Jarilla".

Lastly, it was generally, agreed that (a) cotton prices should be correlated with the' prices of foodgrains and other competing crops, so that provincial plans for increasing food production are not adversely affected and (b) the production of cotton could "be increased without in any way affecting the plans for growing more food. This probably refers to the cotton lands lying waste and to prospective arrangements for procuring and distributing large quantities of fertilizers.

Although experience shows that relatively high prices of food-grains (at Hapur, for instance, wheat is selling at nine times the pre-war price) have not so far brought forth bountiful food crops, there is certainly a case for keeping cotton brices, particularly in the irrigated areas, at such a level as will not act as a deterrent to the production of food-grains.

It was only meet and proper that the provincial and state governments should be asked not to hesitate in using their requisitioning powers, wherever necessary. Requisitioning is so very necessary to eliminate the artificial bottlenecks that have been created in the way of cotton distribution. It is constructive, however, that the governments in question have been warned to take care that bona fide purchases by mills are not interfered with.

The Textile Advisory Committee which also met in Delhi this week has recommended comprehensive measures for the disposal of accumulated cloth stocks. The accumulation of yarn is believed to be a larger than that of cloth. It is pertinent here to remark that in the case of mill cloth, the inflationary spiral has been broken. It is rather the case of reduced purchasing power fighting shy of buying cloth.

As regards cotton production in India, the latest-official estimate indicates a crop of 2,300,000 bales in 1948-49 against 3,190,000 bales in 1947-48. The 1948-49 crop in Pakistan is now being assessed at 1,050,000 bales.

In America, the winter wheat crop has been the second largest in history. Cotton crop which has been seeded also promises to be a bumper one. According to the Administration's new farm plan, farming incomes would be supported rather than prices and federal price controls on food would become unnecessary. Meanwhile, U, S. government's investment on 4,469,000 bales of pledged cotton has readied the figure of 693 million dollars. Government's cotton holdings are expected to increase far more in the coming season.

Leaving out of consideration the question whether it is right or wrong for India to keep on piling up dollar liabilities, the significance of a Washington message hinting at the probability of the U. S. Government granting India's request for a loan of 76 million dollars from the Export-Import Bank cannot be ignored. The Administration is credited also with the intention to support India's desire to borrow 200 to 300 million dollars from the International Bank. While the first credit is obviously meant to finance the purchases of U. S. raw cotton and food grains, the second is apparently meant to finance the various development projects, undertaken by the Government of India, If, indeed, the Government of India have approached the Export-Import Bank through the U. S. Government for a dollar credit and a long term loan, the impact of the first part of the news on the Indian cotton price structure cannot but be unpleasant to those who are holding and hoarding cotton at the moment in this country. The effect of actual imports of U. S. cotton on prices of Pakistan cottons should also merit close observation.

It appears that the downward spiral of prices has continued in Egypt almost non-stop. At lows India has been lending support to the market for forward shipments. The spot market at Sewree (Bombay) has recorded considerable price falls in Egyptians. Karnak T. 154 which, for various staple lengths, had been selling between Rs. 2,275 to Rs. 2,400 in the second week of February, is now selling at Rs. 1,850 for June-July shipment and Rs. 1,660 for October-November shipment. Zagora 12 has been done at Rs. 1,295 for prompt shipment. With new crop acreage and crop in Egypt expected to show a rise of 15 to 22 per cent, with the current slack demand both on European and American account, and with a large quantity of unsold cotton lying with the Egyptian Government, the future trend of Egyptian cotton can better be imagined than dilated upon. Meanwhile, it should be noted that the recent price declines in Alexandria were precipitated by the banks who liquidated cotton pledged against advances with low margins to merchants and growers in the interior.

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