

Market Survey

Cotton Licensing At Last

AHMEDABAD textile circles proved right, after all. The Government of Bombay did decide to prohibit the sale and purchase of raw cotton without a licence. That cotton stocks would be requisitioned and rationed out to the Mills was equally a foregone conclusion.

The Government published this week the Bombay Cotton Licensing Order, 1949. The order prescribes that no person shall, after 30 days from a date hereafter to be notified, purchase, sell, store or carry on business in cotton or shall hold cotton in hypothecation or against pledge except under and in accordance with the conditions of the licence granted under the order. The Bombay Government have decided to licence all persons who hold stocks of cotton or with whom cotton is hypothecated with a view "to keeping a check over raw cotton stocks so as to make it possible to requisition, them for the use of mills if and when found necessary".

The conditions attached to the licence provide, among other things for fortnightly returns to be submitted to the licensing authority for each type of cotton held by the licensee. The licensing authority under the order will be the Secretary to the Government of Bombay, Finance Department for the Greater Bombay area and the District Magistrates concerned for other areas. The order will be brought into force by a subsequent notification.

This is the first time in the history of cotton trading that traders have to take out a licence and have to fill up a number of forms periodically. This is the first time also that the Finance Department of the Government of Bombay will have to do the additional job of issuing licen-

ces. The order, even before it has come into force, has sounded the death-knell of free trading. Henceforth, it will be the cotton farmer at one end and the mill-owner at the other while the Government will be functioning as the sole distributor. Gone is the middleman with his vast experience and his technical knowledge of all that concerns cotton. Thanks to the Himalayan volume of cotton carry-overs, the normal functions of cotton middleman in India never came into jeopardy even while the second World War was on.

Today, however, the times have changed. We no longer possess the large cotton carry-overs. In fact, our carryover has nearly disappeared on account of the restrictions put on the production of cotton.

India diverted over 8 million acres of cotton land to the production of foodgrains. What was the result? We produced shortages of both cotton and food. In fact some of the cotton lands devoted to foodgrains have gone out of cultivation. This meant a multiple famine,—a famine of cotton, foodgrains, cotton seeds, animal feed, oilcake, vegetable ghee and a series of other commodities which inevitably added to the inflationary pressure.

The one remedy to put an end to the man-made famine in raw cotton is to permit unrestricted growth of cotton on these which had been previously growing cotton areas and has been diverted during the war, unwisely it now seems, to the production of food grains. This will keep the mills going and make it possible for India to increase her foreign exchange earnings through increased exports of raw cotton or of cotton piece-goods or of both.

It is on records that before the war, the geographical terri-

tory now known as the Indian Union used to produce a crop of over 50 lakhs of bales each year. If only so much of the crop is allowed to be grown, the inflationary pressure will be substantially mitigated so far as the influence of cloth, seeds, oil milk, vegetable ghee, etc. on the cost of living and on wages is concerned.

Failing this, India each year will have to import increasing quantities of raw cotton from foreign countries, just as she has to import foodgrains at the moment.

If, due to any reason the actual volume of cotton imports falls short of the requirements of the Indian mills, how would the latter be able to produce yarn and piecegoods at the rates prescribed by the Government planned dependence of India mills on supplies of foreign and Pakistan cotton will, moreover, lend support to the demand for higher prices of raw cotton. In fact the present firmness of U.S. Cotton is as much due to exports to European Recovery Programme countries as to the virtual exhaustion of exportable surpluses of Indian and Brazilian cotton.

Be that as it may, the Bombay futures market, so far as its existence and functioning is concerned, is in the stage of coma. There is very little business passing. Any passing event may take up the contracts to the ceiling and bring forward business to a standstill. The February maturity remains firm rivetted to the ceiling. The difference between February and the subsequent positions amounts hardly to a rupee.

Bombay received this week about 30,000 bales of Pakistan cotton. But, as compared with 1947-48, the arrivals so far are 56 per cent lower, ginning 52 p.c. down, and exports have declined by 81 per cent. Once the arrivals of Pakistan cotton reach the prescribed volume, long staple cotton may begin to ease. But this is yet far off.