# Post-Devaluation Problems of Jute

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THE DEVALUATION of the rupee and the refusal of Pakistan to follow suit only adds to the difficulties that the jute industry has had to face since the partition. The jute mills are all located in India and are concentrated mostly round about Calcutta, while 75 per cent of the raw jute—mainly of the best quality, used in the manufacture of hessian—is produced in Eastern Bengal. The partition cut across the economic life of Bengal and overnight, the jute mills became dependent on a foreign country for their supply of raw material. Such position was highly unsatisfactory, specially in view of the tension prevailing at the time, and India decided to become self-sufficient in the matter of supply of raw jute for feeding the mills, within as short a time as possible.

Special and vigorous steps have been taken during the two years after partition for increasing the production of jute in India. This could be done in two ways: by increasing the jute acreage, and by increasing the yield per acre, A rapid survey conducted by the expert staff of the Indian Central Jute Committee revealed that there were enough culturable waste lands available in the jute-growing provinces in India which could be opened up for jute cultivation under favourable conditions. Without interfering with food crops, the production of jute could be substantially increased by means of double-cropping: jute could be grown, for example, as a subsidiary crop on some lands in Bengal, now used exclusively for production of *aman* paddy. The yield per acre is rather poor in Western and Northern Bengal. It is about 2.4 to 2.6 bales of 400 lbs. per acre in Western Bengal against 3.5 bales in Eastern Bengal, where the soil is richer and more suitable for growing the finer variety of jute. By the use of chemical fertilizers and seeds of improved variety, and by the adoption of improved methods of cultivation *(e.g.* of line-sowing) the Agricultural Research Section of the Indian Central Jute Committee has demonstrated that the yield per acre can be substantially increased.

The following table gives the estimates for the. jute crops in India and Pakistan during the years 1947-48 and 1948-49, and the forecast for the current year:

(IN LACS OF BALES)

| | India | Pakistan | Total |
|---|---|---|---|
| 1947-48 | 17.0 | 68.4 | 85.4 |
| 1948-49 | 20.3 | 54.8 | 75.1 |
| 1949-50 | 30.0 | 33.3 (Official) | — |
| | | 60.0 (trade estimate) | 90.0 |

Official estimate not available (trade estimate)

The official forecast of the jute crop in India for 1949-50 has not yet been published, but it is expected that about 28 lacs of bales will be produced this year, although the trade estimate is nearer 30 lacs. Pakistan's figure of 33.3 lacs of bales for 1949-50 is obviously an under-estimate. The trade expects a crop at least equal to last year's,—if not 60 lacs, It will be seen that while India in her own interests is making an all-out effort to increase production, Pakistan has no similar incentive, and production of jute, according to official figures, has declined in Pakistan.

The mills in India consume roughly 60 to 65 lacs of bales every year: about 20 to 25 lacs are exported, and internal consumption in India and Pakistan accounts for 6 to 8 lacs approximately. The total production in Pakistan and India should, therefore, be between 86 to 100 lacs of bales, or 10 million bales roughly.

Although there has been some loose talk in high circles, the realities of the situation have never been lost sight of either by India or by Pakistan. Trade and Commerce between the two sister Dominions are inter-dependent, and high level Conferences resulted in short-term trade agreements which, until recently, appeared to work satisfactorily on the whole. In 1948-49 Pakistan contracted to sell 50 lacs of bales of raw jute to India on condition that (a) India did not export any part of this jute, and not more than 9 lacs of bales of her own jute grown in India, and (b) facilities were given for the export of raw Pakistan jute from the Port of Calcutta. During the current year, Pakistan agreed to make at least 40 lacs of bales available to India. The demand for raw jute outside India is limited, while the demand for jute-goods, particularly hessian, the greater part of which is exported to the U.S.A., has shown a marked decline on account of high prices, and the resultant growth of substitutes. If the prices can brought down to a reasonable level, the industry is confident that the overseas market for jute goods will show a marked improvement.

Whatever politicians may say, it would be as difficult for India to be self-sufficient in jute of the required quality within a short time, as it would be for Pakistan to establish mills in Eastern Bengal in the near future. India cannot produce an additional 20 lacs of bales either this year or the next year. It is doubtful if she can produce an extra 4 million bales within three or four years, as predicted by some of her statesmen. Pakistan has undertaken to establish three mills with 3000 looms, within two or three years. Modern machinery is very expensive, and its procurement is extremely doubtful. 3000 looms are expected to produce 50,000 tons of jute goods—sacking and hessian. How far would this small quantity meet the world demand? Besides, without coal and iron, can Pakistan seriously embark on a programme of establishing mills in Eastern Bengal? Everything therefore points to the necessity for a long-term trade agreement between Pakistan ond India, which should provide for—

(a) the supply of the required quantity of raw jute from Pakistan to India, in return for iron, coal and other articles of trade normally exported to Pakistan; and

(b) a reasonable level of prices for raw jute which, while not being uneconomic for the growers, should not be too high for the mills.

The difficulties of the situation have been considerably enhanced by the contrary policies followed by India and Pakistan in the matter of devaluation of their currencies. It has been stated that the devaluation of the Indian rupee was a "defensive measure" forced on India by the devaluation of the pound, as the major part of her export trade is with the Sterling areas, which have also devalued their currencies. The cheapening of the rupee in relation to the dollar was also expected to stimulate her exports to the hard currency areas. But devaluation brought inflationary tendencies in her train, and the Government of India had to devise special measures, in collaboration with the Indian Jute Mills Association, to combat such inflationary tendencies and check speculation in the prices of raw jute and jute goods. The maximum prices of loose jute have been fixed by Ultimately she will have to come the mills at Rs. 40 for Tops, Rs. 38 for Middles, and Rs. 35 for Bottoms, irrespective of quality, mark or place of origin. The maximum prices of pucca bales also have been fixed by the Government of India. With effect from October 10, 1949, the Government of India have fixed the ceiling prices for the sale of jute goods for export abroad, "in order to stabilize prices for overseas buyers and to develop the export trade". Maximum prices have been fixed at Rs. 55 per 100 yards of hessian cloth (40in., weighing 10 oz.), and Rs. 1,550 per ton of sacking. The export duty on hessian has been raised from Rs. 80 per ton to Rs. 350 per ton,—that on sacking remaining unchanged. The price of hessian, before devaluation, was slightly above Rs. 52 per 100 yards (40in., 10 oz.), and with a rate of duty at Rs. 80 per ton, the cost plus duty was about 589 dollars per ton; the cost now, with the price of the cloth at Rs. 55 per 100 yards, and a duty at Rs. 350 per ton, would be about 487 dollars per ton. The reduction in the cost per ton may stimulate the export of jute goods, but the total volume of export of jute goods is not likely to increase materially, to compensate for the loss in total dollar earnings.

The decision of Pakistan not to devalue her rupee may have been taken on purely economic grounds, but its effect on the jute trade, both in Pakistan and in India, has been disastrous. The mills under the lead of the Indian Jute Mills Association, have stopped buying jute from Pakistan. In view of their reduced stock of raw jute certain steps had already been taken by the mills: 12½ per cent of their looms had been sealed previously, and in July last the mills decided to restrict production further by closing down one week every month. To keep the mills going, it has been decided to give them the first priority to purchase all Indian jute. The export of raw jute has virtually been banned by the Government of India. The Indian Jute Mills Association has been given special facilities for quick transport of raw jute from distant corners of the country to the mills. The mills are also investigating the possibility of using other fibres —such as *mesta*—in conjunction with jute, in the manufacture of hessian and sacking.

It is expected that these measures will give the mills a sufficient supply of the raw material to keep them going at the restricted rate of working, for a period of six months. What will happen at the end of this period of six months is, however, not clear. Meanwhile, this refusal of the Indian mills to purchase jute from Pakistan has brought the jute cultivators in Pakistan almost to the verge of ruin. Transactions are at a standstill, but some "distress" sales at very low prices, are reported to have taken place. The agriculturists cannot hold their stock of jute long, although high officials of Pakistan arp daily exhorting them to do so. There are no co-operative warehouses where jute can be stored, and the growers must sell off their jute soon after harvesting, or suffer a loss. They need money badly to purchase their food and other necessaries of life. We are told that the Government of Pakistan are planning to buy up the entire stock of jute. Assuming that the production in Pakistan is not below 50 lacs of bales, and Government offer a low "uneconomic" price of say Rs. 20 per maund to the growers, a total outlay of Rs. 50 crores of rupees will be immediately required. Other practical difficulties of a serious nature can be visualized. Where and how long will the Pakistan Government hold this huge stock? ultimately she will have to come to terms with India regarding the sale of her raw jute to the mills in India. There is no other alternative, And the sooner the two sister Dominions leave off the present "economic war" and sit down together and come to a lasting understanding, the better for both. *

# Crop and Cattle Insurance

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THE PROBLEM of crop and cattle insurance has now come to the forefront. Till now no serious attempt has been made to provide this most essential protection to the cultivator. Agriculture in India is said to be a gamble on the monsoon. Some Joint Stock Companies tried to cover the risk of the livestock, but their attempts proved to be abortive. A time has come when the Government should protect the cultivator from the frown of nature or from loss of cattle. It is good the Government of India decided last year to undertake crop insurance, as an experimental measure, under the aegis of the Central Ministry of Agriculture. An officer has also been appointed to prepare a detailed scheme for crop and cattle insurance on an experimental basis. Experimental schemes have also been prepared which will operate in selected areas.

More often than not cultivators borrow money either from moneylenders or from Co-operative Societies, purchase seed, manure etc. and, in short, spend all they have borrowed in the fields expecting a good return; but the monsoon may fail, pests may ravage the fields: or diseases of plants may set in causing a considerable loss to the crops. If we want to create a sense of security in the cultivator, we must provide against such risks. This will go a long way in raising his standard of living and the productivity of his calling. He need no longer worry about fluctuation in prices, as he ran always depend upon the insurance to fill the gap of his losses.

The scheme of Insurance is not new. The villagers are always known for their charitable disposition and we can establish organisations on co-operative principles in every village under the aegis of a Central Organisation. Given the full sympathy and support of the Government, we can provide for an organisation which can tackle this problem.

We have different varieties of soil. We have, secondly, wet and dry lands. The.magnitude of risk varies according to these features. One great difficulty is lack of statistical data about the average yield of land. In the beginning, if we depend upon the cultivators, for information, there may be false statements, or lethargy may result in unreliable statistics. We must also select personnel to conduct the Organisation with adequate knowledge and sincerity of purpose. We require actuarial guidance in the preparation of the tables of premium. But all these difficulties can be met. The only major obstacle is finance. In Western countries, where such organisations are conducted on a co-operative basis with governmental backing, the Government provides the necessary funds to start the scheme. The provision of such assistance is eventually to the advantage of Government, as the scheme obviates remissions of taxation. Other investors would contribute, provided Government backing was there to guarantee the soundness of the scheme.

In a scheme prepared by the Hyderabad Co-operative Insurance Society, a suggestion has been made, that to start with 50 per cent of the capital should be subscribed by the Government and the remainder by the Co-operative Banks and other individuals. The Government should guarantee 4 per cent interest on the funds of the Organisation, and should further show a lead by insuring all their farms and livestock. They should make available the services of the Agricultural, Veterinary and Co-operative Departments, and also collect premiums along with revenue remitting them to the organisation free.

The risk may be covered in full or part. Premiums may be allowed to be paid in cash or kind. For