

The industry had been static for the past 25 to 30 years. In view of the growth of the population, effective steps should be taken to step up production which, in turn would be reflected in better economic conditions.

The Board was vested with the necessary authority to look after the various aspects of production and marketing of produce, and it was now necessary for the new Board to reorganise its activities, with a view to contributing their maximum for the industry. The contract for the bulk supply of oil with UK and Pakistan was ended at the instance of the Minister of Commerce and Trade. Ceylon, as result, was now

getting a higher price for its produce in the open market

Dealing with the suggestion of the Coconut Commission to establish a Central Statutory Board to deal with matters relating to the industry, the Minister pointed out that the recommendation could not be implemented because the industry fell within the purview of four separate Ministries.

As the Board had not the requisite personnel, it was not in a position to take over the Coconut Sales Room and so the Minister stated that he would be introducing a short bill in the House of Representatives in that connection.

Groundnuts bold, December-January contract, receded to Rs. 40-10, firmed up to Rs. 42-2, again declined to Rs. 40-5 on rumours of export duty but eventually recovered to Rs. 41-14. At the fag end of the fortnight, after receding to Rs. 41-6, the closing was better at Rs. 41-12.

Movements in linseed continued to be restricted due to paucity of interest while castor seeds, speculative positions, witnessed erratic and wide movements both ways. The Rajkot market was the centre of speculative operations and prices moved both ways between Rs. 235 to 245 to finish at a higher level. Forward business in the reconstituted Bombay Oilseeds Exchange, it is gathered, may commence officially after six weeks, though unauthorised business on the terms of Rajkot market is passing on a very large scale locally.

As long as the international situation remains tense and the latent forces of inflation threaten to become active, prices are not likely to recede to any notable extent and even if an export duty is levied, on oilseeds, it may not lead to a sharp decline in prices at the moment. It is considered likely that Saurashtra and the Hyderabad States may lift the ban on the export of groundnuts following the Central Government's directive to remove all inter-strict restrictions on the movement of seeds or oils.

Gur Business

The expected official announcement regarding the differentiation

Commodities

Twin Scare of War and Export Duty

WAR scare has once again gripped the commodity markets and after moving irregularly, prices have started firming up in view of the ominous developments. Reverses suffered by US forces on the Korean front at the hands of Chinese troops have led to a feeling that America may declare war against Communist China in view of the latter's alleged intervention in Korea. Our economy, which is already in a moribund state, will be further strained by the potentialities of war and the inflationary psychology which goes with it, both of which will have a particularly severe impact on our price structure. The food supply situation being so precarious, even controls will be difficult to enforce.

Recurrent rumours regarding the levy of export duty brought forth alternate bouts of selling and buying. But as these rumours did not materialise, short sellers were caught badly and were forced to cover in an advancing market, developments in Korea having fanned bullish enthusiasm. Informed sources are still inclined to believe that the Government of India is contemplating to take some action to bring down prices of groundnut and groundnut oil for the benefit of domestic consumers. For this purpose the levy of an export duty has been suggested but it appears that the Government has not been able to make up its mind yet.

in the meanwhile, the Export Trade Controller announced on November 27 that further sales of

groundnut oil for shipment till March 1951 would be banned. Sales of hand picked groundnuts, hitherto freely allowed to be exported, have also been suspended for the same period. That these measures have had no effect on prices except for a temporary recession indicates the tone and temper of the market. Export business to the tune of 40,000 tons of groundnut oil, it is estimated, has been put through, so far, against outstanding commitments which will not be affected by the recent notification banning further exports.

Trend of Oilseeds Prices

(Seeds per cwt. and oil per quarter in Rs. and As.)

	Nov. 15	High	Low	Nov. 29
<i>Groundnuts</i>				
Khandesh quality	41-14	43-3	41-8	42-11
Coromandel	44-14	42-10	40-8	42-3
Bold Ready	40-10	42-1	40-0	41-10
Bold Dec.-Jan.	40-9	42-3	40-0	41-10
Bold Feb.-March	40-8	42-5	40-4	41-11
<i>Linseed</i>				
Bold Ready	41-12	41-10	41-0	41-4
Bold December	41-13	41-12	41-2	41-6
Bold Feb.-March	39-14	40-4	39-6	40-2
Bold April-May	39-8	39-12	38-10	39-10
<i>Castorseeds</i>				
Fair Average	37-8	39-3	37-10	38-12
Madras quality	37-12	39-8	37-14	39-2
Madras December	37-8	38-12	37-4	38-6
Madras January	36-8	37-14	36-4	37-8
Madras Feb.-March	35-8	36-10	35-0	36-8
<i>Oils</i>				
Groundnut ex-mill	22-14	23-10	22-10	23-4
Groundnut Rly. Receipt	22-0	23-0	22-2	22-12
Groundnut December	21-14	22-10	21-10	22-7
Linseed	21-10	21-10	21-6	21-8
Castor-Commercial	19-6	20-8	19-8	20-6

by the Central Government of producers' and wholesalers' prices of gur has not been made so far. Merchants, therefore, find it difficult to do any business in gur without infringing the control regulations. It is gathered that, the Ministry of Agriculture has clarified the position with regard to the ceiling prices fixed for gur as follows:

Ceiling prices are applicable both to the new as well as the old gur, and for all the qualities of such gur. The Bombay Government had urged the Central Government to differentiate prices according to qualities of gur, but the suggestion has not found favour with the Central Government.

Ceiling prices for gur fixed for various States cover both wholesale and retail transactions and no gur is to be sold or purchased above these ceilings.

These prices are inclusive of all incidental merchandising charges and cost of packing etc. and profit of wholesaler and retailers; f.o.r. quotations are also subject to the ceiling price fixed for the area concerned. These prices, however, are exclusive of duty, if any, levied by the State concerned on the import of gur. These prices do not apply to

palm or palmyra gur.

Needless to say, the clarification has not improved the position in any way.

The Central Government, however, has not placed any restrictions on storage of gur nor is there any ban at present on the inter-State movement of gur and khandsari. Gur Control has not benefited the consumers so far and black markets are flourishing in good quality gur.

Cotton Waste

The deadlock reached in cotton waste trade following the imposition of *ad valorem* export duty of 50 per cent from November 9 has been resolved at last by the decision of the Government to reduce the duty temporarily to 20 per cent until further notice. While giving this concession, the Government has warned the exporters in general to take into consideration prospects of any change in duties before entering into export commitments. Anyway the exporters have heaved a sigh of relief over the Government action.

Prices of non-ferrous metals, mercury, chemicals and dyes have started moving up and there are indications that prices of these, goods may go up further.

has been extended to cover 'shipments upto June 30, 1950. It is true that imports continue to remain restricted because of non-availability of goods and of scarce shipping facilities. Even so, there is a possibility that imports may improve: in the near future.

Whether or not the recent decline in securities is due to the growing tension in the Far East or to fears of increased taxation, it is apparent that the debacle is not due to increased demand for funds or to adverse developments in the foreign trade section. It is arguable that the sharp recession in gilt-edged prices is due to the belief that the third world war cannot be financed on the basis of a three per cent interest rate without accentuating inflationary tendencies. And the belief is widely held that the authorities are determined to avoid inflation.

Apart from the wider issue whether war or near-war economy can prevail without inflation, the criticism has been made that the Government should have entered the gilt-edged market to halt the downward trend. Last week the Finance Minister stressed the limitations to open-market operations by the Reserve Bank. That policy statement was subjected to criticism in some quarters that the bank's limitation in relation to structure or to resources is not a valid plea for inaction.

Latest Reserve bank returns reveal an increase of Rs. 1.24 crores in the bank's investments. It may be a mere coincidence, but it is significant that open-market operations by the authorities, though modest but judiciously undertaken, have checked the downward trend in securities. In the absence of a further deterioration in the Far Eastern outlook, the market looks like getting stabilised at prevailing levels.

He that as it may, the future outlook remains uncertain. Evidence accumulates- that both the Union and the State Governments may have to raise the level of taxation. In the next financial year, the States will cease to have authority to levy sales taxes on goods in transit. This will triable inter State trade and commerce to flow more freely, but may force the States to take resort to increased taxation.

Nor does the budgetary position of the Union Government seem encouraging. Neither the expected increase in capital outlay nor enlarged disbursements in rehabilitation of displaced persons need affect the revenue budget. Even so, appre-

Money Market

Clouded Outlook

LAATEST financial statistics reveal that neither the increased trade demand for money nor the shrinking volume of bank deposits is responsible for the recent decline in securities. Incidentally, despite the "renewed weakness in bonds in London and in New York, the Indian gilt-edged market has not been affected by the sudden worsening of the military situation in Korea.

In retrospect, it appears that the usual trade demand for funds during the busy season has not yet begun to make its influence felt. Recent increases in loans and advances by scheduled banks were probably due to emergency but temporary demand for funds for the *Puja* and the *Dinasti* holidays. After registering increases for two or three successive weeks, scheduled banks' advances declined by Rs. 11 crores in the week ended November 17, 1950.

Despite the sharp increases in loans and advances the scheduled banks' deposits did not appreciably decline in recent weeks. On the contrary, bank deposits improved by Rs. 7 crores during the week

ended November 17, 1950. Similarly, banks' interest-free balances with the Reserve Bank registered a rise for the second week in succession. In the week ended November 25, 1950, banks' balances with the bank improved further by Rs. 5 crores.

Latest Reserve Bank returns also indicate that the sharp distinction between the export and the import season is gradually being blurred. In the week ended November 24, 1950 the Reserve Bank's holdings of "balances held abroad" declined by over Rs. 6.75 crores. Though exports continue to be encouraging, the decline in the Bank's holdings of foreign assets, coupled with the persistent contraction in the volume of currency in active circulation, indicates that the policy of issuing open general licence for imports of many articles is gradually having its effect.

Some months ago import restrictions were liberalised and many articles were included in the open general licence for imports. Recently the period for importing goods under open general licence