

FAO on Jute in the Post-War Period

THE partition of the country transferred the main jute growing areas of undivided India to Pakistan, but subsequently the position of India as the major producer of raw jute has been restored. Not so, however, the virtual monopoly of jute enjoyed by India. Many changes have taken place in jute economy, among others, in jute manufacture also. Pakistan has emerged as an important manufacturer, and the rapid modernisation of the jute industries in the countries of Europe has meant a shift in the relative positions of different countries in the field of jute manufacture. The results of a recent FAO survey of raw jute production, consumption of raw jute (providing an index of production of jute goods' and of consumption of jute goods, set out in the three tables below, bring out some of these changes.

The concentration of raw jute in the Ganges and Prahmaputra valleys continues, though the relative share of India and Pakistan has changed, so that India, has actually become the world's major producer. India and Pakistan together produce 97 per cent of the world's output of raw jute and allied fibres (principally mesta), roughly in about equal proportions. There has been a sharp change in the proportionate shares of the two countries during the post-partition period, as can be seen from Table I.

The importance of climate and rainfall in raw jute production is well known. But that the supply of labour in growing areas also plays a part, is not always realized. In the jute growing areas, the cultivation of jute forms part of a traditional rotation with rice. The FAO found a marked correlation between the ratio of jute to rice prices and the area under jute. Before World War II, nearly two-thirds of the variations in jute acreage in Bengal were attributable to variations in this price ratio. That the consequent variation in the area under jute are wide and are not compensated for by variations in yield is well-known. This results in wide variations in raw jute production from year to year.

The demand for jute depends upon the state of world economic activity as well as the price of jute. Variations in demand were found to coincide with variations in supply in

two-thirds of the years, but over the whole period, the variation in demand was not as wide as the variation in supply. It is this relation between demand and supply which has caused the wide fluctuations in the price of jute and jute goods.

In the period after the partition, the fact that area under jute in Pakistan has been subject to licensing has prevented over-expansion. Planting in India has depended to some extent on the price of the marginal imports from Pakistan. The relatively high value of the Pakistani currency between 1919 and 1955 and the limitation of production in that country were, according to the FAO, the reasons for the stimulation of production in India. In the early post-Partition years, short-crops and trade and currency difficulties restricted supply and stocks reached low levels, particularly as a result of the Korean boom. Later, however, the raw jute output expanded more rapidly than demand and in 1951-52 and 1952-53, there was little demand and in Pakistan, jute was purchased officially at minimum prices.

In 1955-56, the demand was somewhat better and supply was reasonably adjusted to it. The FAO report suggests that "The recent devaluation of the Pakistani currency could very well have the effect of increasing the incentive to grow jute there; but the effect of increasing Pakistan supply being minimised as far as external prices are concerned, discouragement to jute growing in India may not be very great." The study also points out that Pakistan authorities are giving consideration to limiting the growing of jute to the extent planted this season.

Sixty per cent of the total manufacture of jute is at present concentrated in the main jute growing region. While all the mills were in India at the time of Partition, Pakistan has been attempting to establish a jute industry and her achievements so far can be seen in the table below, 3 per cent of total raw jute consumption for manufacture being in Pakistan in 1954, against 57 per cent in India. The fall in India's share from 65 per cent on the average during 1948-50 to 57 per cent in 1954 is explained, however, by the

Table I - Production of Raw Jute

	1948-50 average	1951-53 average	1954
	Million metric tons		
World Total	1.54	1.82	1.48
	Percentage of world total		
Pakistan	61	53	47
India	33	*45	*49
Others	*2	*2	*3

* Including allied fibres e.g. mesta

Table II - Consumption of Raw Jute

	1948-50	1951-53	1954
	Million metric tons		
World total	1.62	1.79	1.92
	Percentage of world total		
India	65	57	57
United Kingdom	6	7	7
Germany	3	4	5
France	4	5	5
Belgium	3	4	4
Pakistan	—	1	3
United States	4	5	3
Italy	2	3	3
Spain	2	2	2
Brazil	2	2	2
Japan	1	1	1
Others	7	9	8

Table III - Consumption of Jute Products

	1948-50	1951-53	1954
	Million metric tons		
World total	1.69	1.77	1.85
	Percentage of world total		
United States	19	18	15
United Kingdom	15	14	13
India	10	10	12
Australia	6	5	7
Germany W.	2	3	4
Argentina	5	4	4
France	4	4	4
Italy	1	2	3
Pakistan	1	2	2
Cuba	3	3	2
Belgium	1	1	2
Brazil	2	2	2
Spain	2	2	2
Canada	2	2	2
U. of S. Africa	1	1	1
Burma	1	2	1
Indonesia	1	1	1
Netherlands	1	1	1
Egypt	2	1	1
Japan	1	2	1
Thailand	1	1	1
New Zealand	1	1	1
Philippines	1	1	1
Others	17	17	16

increase in the shares of the United Kingdom, West Germany, France, Belgium and Italy, whose combined share increased from 18 per cent on the average of 1948-50 to 24 per cent in 1954. India's present position is to be compared with her 50 per cent share before the war.

As compared with the pre-war period, the study notes, there has been a reduction in installed capacity in British industry and a sealing of a proportion of the looms in India's industry, but this has been offset by expansion of capacity in other countries. There has also been widespread modernisation in Europe as well as in India.

The entry of Japan into the field of jute manufacture, with a roughly one per cent share in the total consumption of raw jute, is also a notable development. The competitive position of different countries is affected by the availability of cheap and abundant raw material, abundant labour supply, modernisation of machinery and location of markets-

Manufactured jute is principally used as a container and its utilisation for the purpose is geographically widespread. The use of jute has not, however, kept pace with the growth in agricultural output. The

study ascribes this to the following three reasons:

(a) Production or movement into commercial (including export) channels of some agricultural commodities for which jute packaging is particularly suited, has expanded less markedly than that of commodities for which jute packaging is less suited;

(b) Development of bulk handling facilities (inland and at ports) and of pre-packaging for the retail trade, eliminating the traditional type of container; and

(c) displacement of jute containers by those made from other fibres or materials, notably paper.

Evaluating long-term prospects for jute, the FAO study finds that there are conflicting trends. Increasing population and rising standards of living suggest the possibility of increasing demand. The adoption of jute either by itself or in combination with other materials for other uses through research will open up new possibilities.

As agricultural production of such commodities like rice expands in the Far East and there is a freer flow of trade in them, demand for jute bags is likely to rise. Coffee and cocoa are other products whose output is likely to expand as new

plantations mature. Even in cotton where, pending surplus disposal, expansion is likely to be arrested, the long-run trend appears to be towards an expansion of output and trade, and hence of the demand for jute.

At the same time, increasing use of bulk handling, which becomes economic as full employment is reached, indicates the possibility of a reduction in demand for jute. The lower levels at which agricultural prices are tending to stabilize will also stimulate research into alternative packaging materials and cotton textile and paper bags may be increasingly utilised. At present, however, paper prices appear to be on the upgrade and the same tendency is likely to prevail in cotton textiles also. The problem is, therefore, ultimately largely one of price.

The FAO's conclusions are interesting. The market for jute depends on two factors. A reasonable degree of price stability will impart confidence to users and slacken the search for alternative containers. Paper prices have such stability while jute prices do not. This conclusion reinforces the argument or the Indian Jute Enquiry Commission that price stability is necessary, if the industry in the country is to develop.

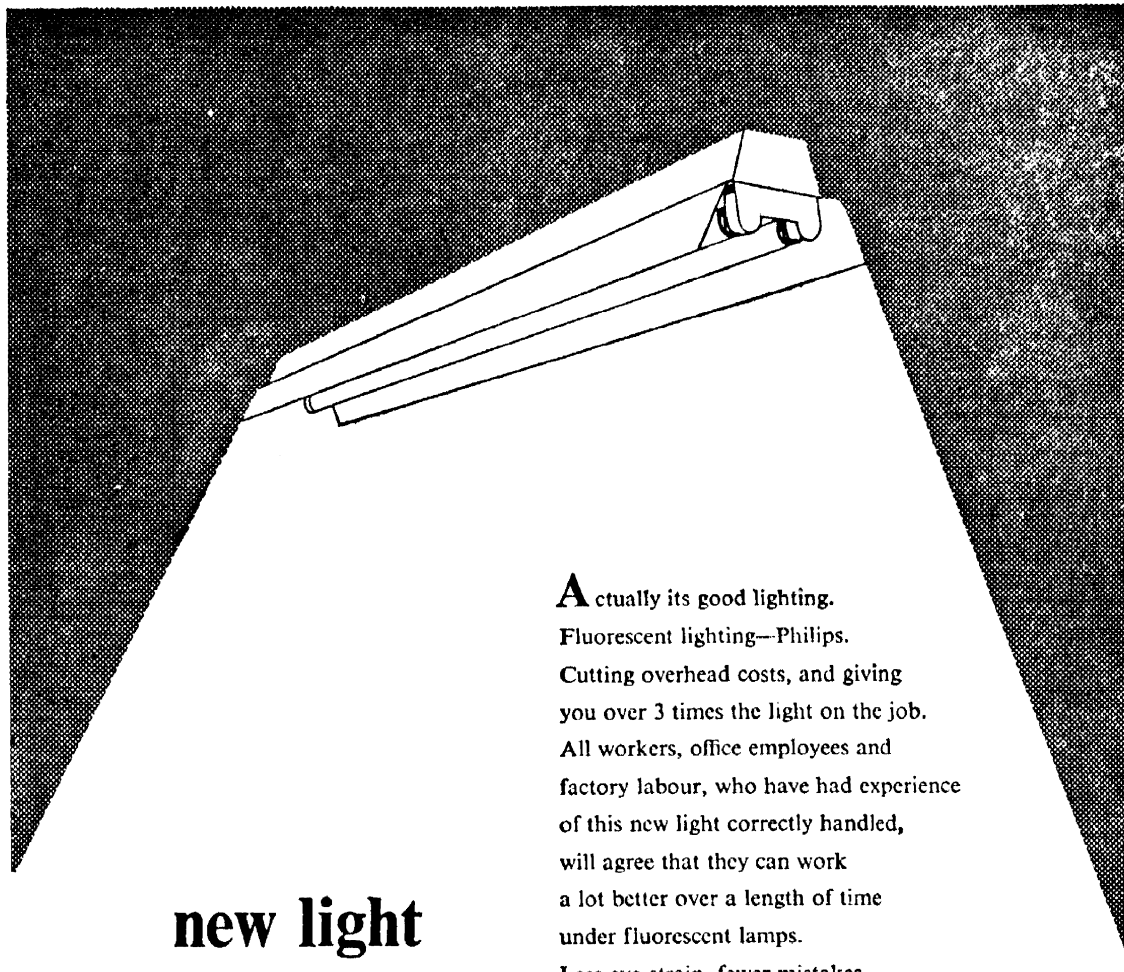
The second conclusion of the study is that as freight rates form an element in the landed cost of jute and jute goods, an upward trend in these rates will be generally adverse to jute prospects, particularly in the more distant markets of the West where substitute materials are locally produced and manufactured.

With all respect to FAO experts, however, the prospects for jute cannot be fully studied in terms of relative prices without some consideration of the technical qualities of jute which makes it the packaging material of world trade. Its resilience, resistance to climatic conditions and other qualities also require a careful assessment without which the competitive position of jute vis-a-vis substitutes cannot be fully understood.

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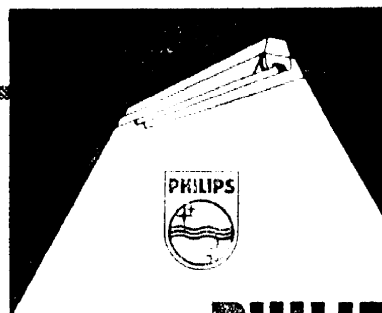
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