

### Low-Grade Tobacco

NATURE has obviously been as kind to tobacco as it has been to many other crops, ie, to the point of causing some embarrassment to growers and to others. The pressure of unsold stocks was felt very acutely last year because of the bumper crop of 1952/53 amounting to 240 million lbs after the modest crop of 206 million lbs in 1951/52. The special measures adopted to cope with the situation are believed to have helped to bring about steadier conditions in the tobacco market, so that further increase in the size of the crop in 1953/54 to 256 million lbs, despite a slight decline in the area under cultivation, does not really represent a problem of the magnitude which the latter figure might suggest. The measures adopted were reduction in excise and export duties, drawback on import duty on wrapping tobacco used in the manufacture of cigars for export, and issue of *ad hoc* import licences to those who could find a market for the carry over of the old crop. The last was subject to a number of conditions, one of them being that export of low grades of flue-cured tobacco pertaining to the pre-1954 harvest would have to be effected within a period of four months.

A delegation was also sent out to find a market for surplus stocks in the countries of South-East Asia and as a result of its efforts, an agreement was signed with China for the export of 4.7 million lbs of tobacco from the 1953 crop and 9 million lbs from the 1954 crop. As the export notification giving effect to this agreement was issued only late in October, it is not possible to judge the success of any of these measures from the latest *Accounts Relating to Foreign Trade*, which is for the month of October, though a general improvement in the exports may be noted, export of tobacco for the seven months ending October 1954 being around 55 million lbs compared to 49 million lbs in the same period in the previous year. As exports for the same period in 1952 were higher, being 56 million lbs and this, in a year when the crop was much smaller, the net improvement in the export situation is problematical.

when the crisis was debated last year, the consensus of opinion was that the quality of tobacco had to be improved and that the outlook

case, would continue to remain bleak. The concessions of excise duty announced this week are intended to meet precisely the situation that was anticipated, viz, over production of non-flue-cured tobacco. The excise duty of 6 annas per lb normally leviable has been reduced to one anna per lb on non-flue-cured tobacco from the 1953/54 crop which might be lying with producers on the 5th of this month and which is purchased from them for warehousing or cleared on payment of duty on or after that date.

### Monopoly Buying

THE hard core of the problem appears to be the disposal of inferior varieties classified as non-flue-cured tobacco. The importance and significance of this class of tobacco has only lately been appreciated. Even a separate classification for non-flue-cured tobacco in foreign trade statistics is as recent as April last from which month, for the first time, the exports of non-flue-cured tobacco is being specified separately in the monthly *Accounts Relating to the Foreign Trade of India*.

So it is not possible to say from figures of exports, the comparative performance of non-flue-cured as against flue-cured tobaccos. In this category however, production of *biri* tobacco, it is reported, has shown a welcome decline with consequent improvement in the price trend of this particular variety. But there has been no corresponding fall in the production of other varieties of non-flue-cured tobacco. Hence the necessity of relief given in the shape of reduction of excise duty. The press note announcing this reduction emphasises, however, that it is purely temporary and is liable to cancellation at any time when warranted by a change in the conditions. This is presumably to avoid creating an impression that the Government is committed in any way to maintaining the prices of this or any other agricultural produce. The selective assistance that is now being given, however, provides yet another example of price support at work, notwithstanding professions to the contrary, though the acceptance of the principle is only indirect and very general.

Apart from any special distress that might have been caused to any particular group of producers, the marketing of tobacco has some features which need immediate attention and remedial action, if the growers are to be assured a reason-

able price for their produce. The delegation which visited the countries of South East Asia to find a market for unsold stocks drew pointed attention to some of them. In their report, which was never published, they highlighted the serious difficulties encountered by producers and dealers in the marketing of tobacco arising from the practice, increasingly being followed by tobacco importing countries, of channelling their purchases through monopoly organisations.

The delegation had recommended to the Government that an official or non-official organisation should be set up in India, representing all interests, particularly the interests of growers, for negotiating with such monopolies effectively. Is the Ministry of Commerce and Industry reluctant to accept this recommendation and take action on it, lest it be accused of countenancing State trading?

The other suggestions made by this delegation were:

(1) Indian tobacco enjoys certain advantages in the markets of South-East Asia on account of its better quality and comparative cheapness. In order to face competition from USA and Rhodesia, it is necessary that there should be frequent contacts between our exporters and foreign buyers to keep these aspects before the importers.

(2) Arrangements for inspection to ensure that consignments come upto 'Agmark' standard should be tightened.

(3) The quality of Indian tobacco should be improved.

(4) Facility should be provided for issue of Quarantine Certificates to comply with Import Regulations in the country to which tobacco is exported to avoid fumigation at the other end.

It is high time that Government took the public into its confidence and told them what action it has already taken or proposes to take on these points.

### World Rice Survey

AFTER being a nightmare for nearly a decade for the whole of monsoon Asia, the world rice situation took a definite turn for the better in 1952/53, better, that is, from the point of view of the consumers. Indeed, the sharp rise in global rice production which continued at an unslackened pace in 1953/54 would have created an even greater problem of 'disposal

had not Japan experienced her worst rice harvest in 20 years and India not come to the aid of Burma. While the latest FAO Commodity Report on rice assures the consumers that at least for the next year or two, they need not harbour fears regarding the recurrence of a world wide scarcity, the expert opinion is that both exporting and importing countries should make it a regular practice to hold larger stocks, in order to smoothen out fluctuations, to which the rice crop is more susceptible than most others.

The complete crop estimates for 1954 are not yet available. Burma and Thailand, however, are not expected to have as good a crop as a year ago. Nevertheless, both the countries are likely to have a substantial carry-over, in view of reduced import programmes of the major importing countries. The amount available for export in 1955 is, therefore, expected to be as great as in 1954. Imports on the other hand may show a considerable fall among the countries which have been the major importers during the last few years, India and Indonesia are likely to drop out altogether, Japan has also decided to cut imports, and switch over to wheat and barley to a greater extent than before. The relative prices of rice and other cereals have now become the most important determinant for demand in the rice importing countries and the price ratio, until very recently, was in favour of other cereals. It is only during the last few months that the fall in prices of rice has been sharper than that of competitive cereals.

The easing of the supply situation has made some selective buying possible for the first time in many years. This was reflected in the increasing spread between the prices of higher and lower grades which has been a feature of world markets in 1954 and against this has to be viewed the new export policy of the Government of India. India is, however, following the lead given by Egypt and Pakistan and more of quality rice coming on world markets may halt this spread between higher and lower grades. The spread in India, itself, however will not be narrowed by the latest decision of reducing the export duty of 20 per cent *ad valorem* to a nominal specific duty of 2 as 3 pies per maund.

#### **Pre-War Pattern?**

**D**OES the emergence of India as an exporter of finer qua-

lity rice presage a return to the pre-war pattern when she used to import eight times as much rice as she used to export (annual average of exports for 1934-38 2,160,000 tons and of imports 277,000 tons)? The ceiling for export has been put at 200,000 tons of special high quality rice while 900,000 tons are being exported from Burma under the special agreement. The emergence of selective buying and such cross movements might suggest a return to pre-war pattern but it would be entirely misleading, considering that there is nothing like a world rice market today and none is likely to reappear in the near or foreseeable future. In the largest exporting countries as well as in the main importing ones, decisions regarding the price policy and trade are made by their respective Governments. Among the former, again, Burma has been more sensible and successfully concluded long-term contracts, eg with India, for disposal of stocks, while Thailand has been less successful in adjusting her exports to the changing market situation.

More significant perhaps than the selective buying of finer grades is the unexpected development of new markets for inferior grades. Japanese insistence on importing rice with a high percentage of broken rice, for example, has led to the development of an exclusive market in broken rice. Thailand, similarly, has successfully developed processing of lower grades rice into rice cakes which is finding a market as animal feed. Indeed, as the problem of selling grows, rice is again being used more and more as feeding stuffs for animals.

This may be regretted when population in the rice consuming countries is growing and nutrition standards leave so much to be desired. Some day, some when, rising standards of consumption may lead to a decline in the share of cereals in the diet. When this happens, the growing use of rice as animal feed could be welcome, but not today, when the poorer half of the world is still underfed. It is, therefore, not a little disturbing that so many of the rice consuming countries are being driven to try for self-sufficiency at high cost. Some programme for increasing production and better distribution of rice in monsoon Asia could well be the foremost plank in the councils of the nations of South-East Asia when they meet to discuss the question of closer economic integration between themselves.

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