

A Good Year For Oilseeds and Oils

Oils and oilseeds have, made a substantial and all round recovery. Production has steadily improved, exports have greatly expanded and prices at the end of the year reached peak levels.

Extension of hedging facilities to oilseeds under the aegis of the Forward Markets Commission and a substantial increase in the target for production in the Second Plan period are important developments during the year.

ON all counts, 1955 was a good year for oilseeds and oils. Oilseed crops were larger than in the previous two years. The crippling shortage of 1952-53 were left far behind and the gains in 1953-54 were not only maintained but improved upon. Thus, the output of groundnuts in 1954-55 at 3,823,000 tons was higher by 250,000 tons over the previous year, while that of linseed increased by 14,000 tons to 3,88,000 tons and castor seed production rose by 4,000 tons to 1,12,000 tons.

Export demand was reasonably brisk, especially in the second and last quarter of the year. The export of groundnut oil in the first eight months to end of August at 1,31,367 tons was the highest achieved so far, as against 26,822 tons in 1954 and a smaller quantity in 1953. Even more spectacular was the jump in linseed oil exports from 2,743 tons in 1954 to 55,161 tons in the first eight months of 1955.

Forward Markets Commission

An important development of the year was the extension of the control of the Forward Markets Commission to oilseeds, the Government having accepted the Commission's recommendation that hedging facilities should be provided for the oilseeds trade and that for this purpose, all varieties of castorseed, groundnut and cottonseed should be included while in respect of linseed, only the bold variety should be covered. The fears about imposition of restrictions on organised oil crushers continued to haunt the oil trade and the dispute between village ghanis and mills dragged on. Government has referred this issue to a committee of inquiry.

Another important development was the proposal of the central oilseeds committee to expand the output of oilseeds to 67 lakh tons by the end of the second Plan. The target of production for the first Plan which had been put at 55 lakh tons had been exceeded in 1953-54, output in that year having reached 56 lakh tons.

'Thanks mainly to improvement in production, Government was able in the second half of 1954 to relax

some of the restrictions on the export of oils and oilseeds. There was further liberalisation of exports during the year under review, and with the exception of groundnut oil, all the other oils were freely licensed. Larger production and liberal policy led to an appreciable increase in exports of oils.

Alternate Phases

Prices of oilseeds and oil in 1955 passed through alternate phases. The first - up to end of April - was one of heavy decline, mainly due to anticipation of larger crops and larger arrivals in the primary

markets. Other factors which accentuated the downward trend were lack of sufficient overseas demand, higher export duty on HPS variety of groundnuts, higher freight rates etc.

The subsequent three months saw a recovery in prices. As in the case of some of the other agricultural products, Government had to support oilseeds and oil prices by liberalisation of export quotas. A revival in overseas demand and smaller arrivals owing to heavy rains in Saurashtra and in the South, were some of the other contributory factors.

Area and Production of Oilseeds

	Area ('000 acres)		Production ('000 tons)			
	1952-53 (Revised Estimates)	1953-54 (Revised Est.)	1954-55 (Final Est.)	1952-53 (Revised Est.)	1953-54 (Revised Est.)	1954-55 (Final Est.)
Groundnut (Nuts in Shell)	11,848	10,869	12,647	2,883	3,573	3,823
Castor Seed	1,326	1,373	1,273	102	108	112
Linseed	3,366	3,360	3,290	306	374	388
TOTAL (including other minor oilseeds)	27,615	27,482	29,335	4,569	5,462	5,877

Exports of Oilseeds and Oils

	(in tons)					
	Groundnut	Groundnut Oil	Castor Seed	Castor Oil	Linseed	Linseed Oil
1953-54	5,326	1,500	No Export Allowed	19,013	No Export Allowed	3,872
1953-54	22,837	80,654	"	28,460	"	9,635
1955-56 (April Sept.)	13,327	70,649	"	20,880	"	52,355

Oils and Oilseeds—Trend of Prices in 1955

	(In rupees and annas)			
	Previous Closing (31-12-54)	1955		Closing for 1955 (31-12-55)
Seeds		Highest	Lowest	
Groundnut Bold (cwt)	22- 6	29- 0	19- 0	28- 2
" Khandesh "	22-13	29- 4	19- 4	28- 2
Castor Ready "	16-15	23- 0	13- 8	22- 4
• " Sept '55 (Candy)	—	107- 8	72-10	—
" May '56 (")	—	121- 4	83-12	116-14
Linseed (cwt)	22- 6	31- 0	20- 4	30- 0
Kardi (Bold)	15- 8	16-12	10-14	15-12
Niger (Madras Qty)	19- 6	25-10	15- 4	24- 4
Oils:				
Groundnut oil RR (Quarter)	11- 5	15- 0	10- 2	14- 8
Castor oil (")	8-14	12-12	8- 1	12-10
Linseed oil (")	12- 8	18- 4	12- 3	17-12

Prices, however, weakened subsequently in the months of August and September partly due to enhancement in export duty and partly to weakening in overseas demand. There was a remarkable recovery, of prices in the last quarter of the year. Prices advanced to about their best levels in the third week of December. Anticipation of a smaller crop due to excessive rains in some of the oilseeds growing areas strengthened the bullish sentiment. The upward trend was further accentuated by smaller arrivals of oilseeds in the local markets and

strong import demand from Continental, US and Australian markets,

Groundnut bold, opening firm at Rs 22-10, touched the lowest level of the year at Rs 19 in February, following crop arrivals. The highest level at Rs 30 was touched towards the end. Khandesh quality followed the same pattern, the lowest touched being Rs 19-4 in February and the highest at Rs 31-0 in December. Groundnut oil also showed a similar trend and closed around the best levels of the year.

Linseed, bold ready which was dealt in at Rs 22-4 early in January

declined to Rs 20-4 in April. The trend was irregular until October. The highest level for the year was Rs 31, recorded on December 23. Linseed oil followed a similar course and closed at Rs 17-12, the highest touched being Rs 18-4.

Castor ready Madras quality declined from Rs 16-12 in January to Rs 13-8 in April but subsequently recovered and reached the highest level of the year at Rs 23 towards the close of the year. Castor oil (commercial) followed a similar pattern before closing: at Rs 12-10 on the last day of the year.

Expansion of Money Supply in 1955

THE expansion in the monetary and credit spheres which set in during 1954 assumed substantial dimensions in 1955. Money supply with the public recorded a sharp rise of Rs 205 crores or about 11 per cent as compared with a rise of Rs 117 crores or 7 per cent in 1954. It is also significant that 80 per cent of the expansion during 1955 was in currency, as against 50 per cent in 1954. This as well as the substantial increase in money supply reflect the rising tempo of development expenditure and the growing budgetary deficit.

The increase in the portfolio of rupee securities of the Reserve Bank of India, namely, about Rs 100 crores, provides a rough measure of the budgetary deficit in 1955, since Government balance showed a net fall of Rs 7 crores only for the year. The expansion of bank credit (by Rs 88 crores in the case of scheduled banks, which was substantially higher than the expansion of Rs 53 crores in 1954) was almost an equally important contributory factor to the rise in money supply, assisted to some extent by the surplus in balance of payments.

In the above computation of money supply, time deposits, which constitute near money, are not included, though they should be taken into account in any estimate of inflationary financing. During 1955, net time deposits of scheduled banks recorded a rise of Rs 48 crores as compared with a rise of Rs 35 crores in 1954. Thus in the case of scheduled banks the net rise during 1955 in demand and time deposits taken together amounted to Rs 90 crores, which was almost the same as the expansion in 1954.

It is of interest that in spite of the sharp increase in money supply,

the wholesale price index showed hardly any net change over the year, though in the second half there was a steady rise in the index, amounting in all to about 7 per cent. The rise was to a large extent due to Governmental measures such as price support and export promotion and also to natural factors such as floods and drought. Industrial production was higher by over 10 per cent. As regards other economic indicators, share prices have a recorded rise of about 15 per cent and bullion prices by 7 to 13 per cent.

From the trends of these indicators alone it is difficult to say if we are witnessing the beginnings of an inflationary spiral. What would happen if this rate of expansion in the monetary sector were to continue, however, is a different matter. Over the five year period 1951 to 1955, which practically coincides with the first Five-year Plan period, money supply with the public recorded a relatively small rise of about Rs 180 crores or about 10

per cent only; even taking into account the increase in time deposits of scheduled banks of Rs 130 crores, the expansion is very moderate, having regard to the substantial rise in agricultural and industrial output. The substantial net rise of about 30 per cent in schedule bank credit during these five years does not so far appear to have been harmful to the economy. The price level at the end of the five year period was about 10 per cent lower than at the beginning.

The relatively small magnitude of effective deficit financing (in the accounting sense) is, apart from external assistance in the form of wheat loan and the drawing down of our foreign assets by about Rs 100 crores, perhaps due as much to better mobilisation of resources as to sheer inability of Government to spend. Whether the experience of the second Plan will be similar in relation to present estimates, is more than what can be said now.

Changes in Money Supply in India
(Crores of rupees)

	1955	1954	Five year 1951-55
1 Currency	163	58	150
2 Demand Deposits (of Scheduled Banks)	42	59	29
3 Total Money Supply (1+2)	205	117	179
Related series			
4 Government deposits with the Reserve Bank	7	57	115
5 Foreign assets held by the RBI	4	8	99
6 Rupee securities held by RBI	96	3	53
7 Time liabilities (net) of scheduled banks	48	35	130
8 Scheduled bank credit	88	53	156
9 Scheduled bank investments in Government securities	37	12	21

N.B.—The table has been drawn up in a simplified way, leaving out minor items.