

All Time Record for Cotton

It seems possible now that India may be able to grow enough cotton to supply the demands of her cotton mills, both for the needs of an expanding home market 'and' keeping up the export of Indian textiles, and yet be in a position steadily to increase her exports of raw-cotton.

True, it is not the policy of the Government, nor is it in the country's interest, to encourage exports of raw materials.

The advantage that India obviously possesses for the cultivation of short staple cotton, which the Indian mills cannot or will not use, however, points to the distinct possibility of India emerging once again as an exporter.

WHAT brings this possibility sharply into focus is the comfortable supply position during 1954-55 cotton season when the country was favoured with a record crop and could conveniently handle cotton supply running to the phenomenal total of 75.85 lakhs bales. This was made up of 51.30 lakh bales from the current crop, a carry over from the previous season of 20.01 lakh bales and imports during the season of 4.54 lakh bales.

Damage to New Crop

Cotton acreage has been going up by leaps and bounds. Good weather, so necessary for ensuring a good crop, in quantity as well as quality, had favoured the farmer both in 1953-54 and 1954-55. The last season's crop did not suffer from the vagaries of weather.

Floods in the Punjab, West Khadesh and Berar districts, which came in the later part of the year, have done considerable damage to the new crop for the cotton year which began in September. There has been both a deterioration in quality, and a reduction in quantity. But none of these affected to any material extent the cotton economics of the year 1955.

Record Exports

On the export front also, cotton put up a bright show and as 1954-55 season drew to its close, the trend of exports left no room for doubt that this country was well on its way to regain its position as a net cotton exporter. Exports continued to be restricted by quota and confined to those types of cotton for which the Indian mills had no use. But subject to these, exports were licensed more liberally than in earlier years, in keeping with the general policy of supporting agricultural prices. Export quota issued were of the order of 7.81 lakh bales—a post-Independence record—and the total quantity exported during the season was almost twice that of the previous cotton season. But for the shortage of shipping space and

dock labour strikes, exports would have been even larger.

Among the steps taken by the Government to help cotton exports was the reduction in export duty from Rs 125 to Rs 50 per bale, following the devaluation of the Pakistani rupee on July 31, 1955. Earlier, the export duty on non-Deshi varieties had been reduced and the duty on Bengal Deshi had been raised when it was found that non-Deshi varieties were encountering price resistance in foreign markets.

The volume of cotton exports, by destination during the last two cotton years, was as follows:

Cotton Exports (In bales of 400 lbs)		
Destination	1954-55	1953-54
Japan	143.5	75.8
Europe	76.4	27.1
UK	46.8	16.1
Hong Kong	25.2	0.3
USA	19.0	13.3
China	15.0	—
Others	2.8	1.6
TOTAL	328.7	134.2

Consumption has been steadily increasing since 1950-51, and mill consumption of Indian cotton in 1953-54 at 41.38 lakh bales set up an all time record, leaving far behind the previous record of 31.24 lakh bales reached in 1948-49. The steady decline in the consumption of foreign cotton during these years is a clear indication that the country is fast progressing towards self-sufficiency in cotton.

Cotton Imports		
	1954-55	1953-54
East African	257,609	162,237
Egyptian	123,964	279,381
American	75,911	185,573
Sudan	66,713	31,435
Others	5,382	19
TOTAL	529,579	658,645

Imports Lowest in Years

Apart from the phenomenal increase in home production the factor that was responsible for the smallest in-take of foreign cotton in the last eight years was the uncertainty about the attitude of the Government of India to US aid cotton. A proposal for getting US aid cotton had been mooted as early as in De-

TABLE I
Statistical Position of Cotton: 1954-55 Season
(in lakh bales of 400 lbs)

	Indian	Foreign	Total
Supply :			
Carryover with mills & trade on Sept. 1, 1954	17.43	2.58	20.01
Commercial crop (final trade estimate)	51.30	—	51.30
Imports	—	4.54	4.54
	68.73	7.12	75.85
Distribution :			
Mill consumption—September 1914 to June 1955 (actual)	33.99	5.39	39.38
Mill consumption—July and August 1955 (estimated)	6.80	1.08	7.88
Exports	3.28	—	3.28
	44.07	6.47	50.54
Estimated carryover with mills & trade on Sept. 1, 1955	24.66	0.65	25.31
	68.73	7.12	75.85

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ember 1954, but the final decision on it was taken only in September 1955. There was also growing concern in world cotton markets about American cotton policy, particularly in regard to export subsidy, which had remained rather vague. A sharp decline in the exports of fine and superfine cloth for the manufacture of which long staple cotton is imported, and a corresponding increase in exports of coarse and medium varieties, which are manufactured from Indian cotton, also reduced the demand for foreign cotton.

BULLISH Trend

The trends in cotton futures, however, remained predominantly bullish throughout the year, despite a record crop and record exports. There were occasional breaks, of course, sometimes prolonged and at others short. As usual, there were three contracts during the 1954-55 cotton season. The relative price movements of the February, May and August contracts bring out clearly the changing pattern of trading.

	February	May	August
	Us	Rs	RS
Opening	635- 4	618	570
Highest	643	633	710
Lowest	563	543- 8	554-12
Closing	617	573- 8	700

The spectacular rise in the August contract, and the abnormally wide spread of Rs 155 between the lowest and the highest rates, convey a fair idea of the mounting volume of speculation. This was the first contract under the amended by-laws of the East India Cotton Association, controversy over which, it may be recalled, led to suspension of futures trading from August 26 to October 6.

Forward trading in the new crop also came under suspension, although for an entirely different reason. It was the Forward Markets Commission which came out against rigging up of prices by speculation. On the advice of the Commission, Government declared an emergency and imposed a ban on trading in futures from December 23 onwards, for a period of one week. Although the suspension order was lifted and futures trading was allowed to be resumed, no trading could be possible in view of the ceiling that has been fixed for it. Inactivity in the futures market was compensated, however, by brisk activity in the spot Section "in which also prices threaten to pierce the ceilings fixed for the current crop year.

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