

# Problems of the Jute Industry

## Modernisation' the Answer

*Within the next five years, the Indian Jute industry will have to solve two of its major problems. One is to produce quality raw jute in adequate quantities and the other is to reduce cost'.*

*Pakistan's jute industry may be in its infancy, but it is the most modern and efficient in the world. Continental manufacturers have also rationalised and modernised their plant.*

*Modernisation can be of immediate help to the Indian industry in manufacturing quality jute goods even with inferior raw-jute. This will automatically reduce India's dependence on Pakistan and modernisation is equally urgent for lowering production costs.*

IT needed courage for the Indian Jute Mills' Association to reach a decision to raise production in a year in which Pakistan devalued her currency, although 2½ per cent of the sealed looms were unsealed only from January 9, 1956. Ever since partition, the Jute industry has been under a double threat, East Bengal had a near-monopoly in raw jute and partition created troubles about supplies. Difficulties about supplies of raw jute plagued the industry during 1950-52, the shortage being particularly acute in the latter year. In quantity, the problem of raw jute has been solved. So far as the quality of jute is concerned, the problem persists.

Since partition, the Indian industry has also been under a constant threat of Pakistani competition. Pakistan's jute industry is still in its infancy. Pakistan's currency and exchange policies have hampered the growth of the industry until late 1955. But devaluation of currency has automatically enhanced Pakistani jute industry's capacity to compete in world markets. Karachi's raw jute policy underlines Pakistan's determination to emerge as a serious competitor as an exporter of jute goods in the long run. Meanwhile, Pakistan's decision to maintain the sterling price for raw jute at the pre-devaluation level has helped the Indian Jute industry to maintain its hold in export markets in competition with British and Continental manufacturers.

### Threat of Pakistani Competition

Even so, it would be idle to pretend that the Indian jute industry can easily overcome the growing Pakistani threat. Within eight years, developments in Pakistan have forced New Delhi to abolish the jute export duty for the first time in recent history. This is no mean achievement for Pakistan. In retrospect, it is evident that the Indian jute industry has had a breathing time because of Pakistan's decision not to devalue the currency some

years ago. When, late in 1955, New Delhi abolished the jute export duty immediately as Pakistan devalued her currency, it was argued that New Delhi's decision was hasty. On a closer examination, it would seem that the Government did well in freeing the jute industry of the burden of the export duty to enable it to prepare in advance to overcome the coming challenge from Pakistan. On current indications, Pakistan's challenge is not likely to be felt, acutely before 1960. Even then, India will remain the largest jute goods manufacturing country. But, within the next five years, the Indian jute industry will have to solve two of its major problems. One is to produce, quality raw jute in adequate quantities. Since partition, raw jute cultivation has grown enormously in India. But India is still short of quality jute needed by her industry to compete successfully in export markets.

### A Blessing in Disguise

Basically, the problem is to manufacture quality jute goods at com-

Production of Jute Goods (000 tons)				
	Hessian	Sacking	Others	Total
1948	480	540	28	1,048
1949	329	562	32	923
1950	318	485	34	837
1951	322	520	32	874
1952	312	607	33	952
1953	389	450	30	869
1954	389	506	33	928
1955 (estimated)	400	562	46	1,008

Exports of Jute Goods (000 tons)				
	Hessian	Sacking	Others	Total
*1948	472	451	34	957
1949	337	423	41	801
1950	294	343	41	678
1951	301	424	52	777
1952	288	419	27	734
1953	388	324	35	747
1954	370	430	43	843
1955 (estimated)	407	468	50	925

petitive prices. To solve this problem, India needs an adequate supply of quality raw jute. Equally, there is urgent need to modernise the industry. Pakistan's jute industry may be still undeveloped. But it is the most modern and efficient in the world. Since the war, Continental manufacturers have also rationalised and modernised their units. Modernisation can be of immediate help to the Indian industry in manufacturing quality jute goods even with inferior raw jute. This will automatically reduce India's dependence on Pakistan. Modernisation is equally urgent to lower production costs-

Devaluation of the Pakistani currency has, in a way, been a blessing in disguise. Modernisation of the Indian jute industry was going on at a snail's pace. But devaluation of the Pakistani currency has forced the realisation on both the Indian industry and the Government that, modernisation of the industry must be completed rapidly. Immediately after devaluation of the Pakistani currency, the National Development Corporation announced the formation of a Committee with headquarters in Calcutta, to investigate and to sanction requests for rehabilitation by the jute mills. Financial problems relating to modernisation have, thus, been solved partially. It is beyond the capacity of NDC to ensure the requisite finance for rehabilitation of the entire industry. But the abolition of jute export duties should enhance the industry's capacity to finance modernisation of plant and machinery out of its own resources.

### Seeming Contradiction

If the crisis relating to the raw material of the industry was solved by 1952, measures were initiated in 1955 which should enable the industry to make preparations for withstanding the growing competition from its rivals, and particularly from Pakistan. Since 1953, both production and export of Indian jute goods have been moving up, as will be

evident from the data accompanying this article. One should, therefore, expect that the Industry has been enjoying gradual prosperity since 1953. But dividend payments do not seem to corroborate any such expectation. To some extent, this seeming contradiction may be due to the fact that the industry has ploughed back profits to ensure resources for financing modernisation.

But the fact that the industry has not prospered as much as the improvement in output and exports would seem to indicate is partly due to the continued unfavourable, or less favourable, spinner's margin. In 1950-51, the industry faced a shortage in raw material. This was repeated in the two years, 1953-55. Throughout the second half of the 1954-55 season, scarcity of raw jute was a real threat. In the current season, both India and Pakistan have produced bumper crops. At the beginning of the season, it was widely hoped that simultaneous business would be more profitable this year. Devaluation of the Pakistani currency enhanced such hopes. But raw jute prices have not declined appreciably, partly because of Pakistan's decision not to lower the minimum sterling export price for raw jute. Anticipations that IJMA would decide to raise output by unsealing a percentage of sealed looms have led to relatively high raw jute prices. Thus, production and exports have expanded, but the margin of profit has not improved correspondingly.

There is no doubt that production costs are mounting. But the wage or tax burden has not increased recently. There has been some increase in the wage load after the recent Tribunal Award. But the higher wage cost is more than offset by the abolition of export duties. Despite the increased wage burden, the industry is now able to export goods at cheaper prices because of the abolition of the export duty. In the main, therefore, the industry's problem since 1953 has been its inability to ensure a favourable spinner's margin. Progressive modernisation will be a sure remedy to this continuing problem. Simultaneously, it will help the industry if the unduly wide fluctuations in raw material supplies can be avoided. More attention should be paid by the Central Jute Committee to ensuring steadier crop-supplies.

From IJMA's decision to expand output by unsealing 2½ per cent

of the sealed looms, it is clear that the industry has decided to push itself into export markets by cheapening prices. This is a constructive policy. But a recent trend in world exports of jute goods may be noted. Despite the recent increase in production, the world output and exports of jute goods remain well below the pre-war level. Post-war improvement in world output and exports of jute goods has not been proportionate to the increase in world trade, despite the supposed correlation between international trade and exports of jute goods. This

raises the question of substitutes. At current prices, the competition from substitutes like paper bags seems to have been checked. But it is not yet widely realised that the Western countries' demand for jute goods may never again improve to pre-war levels. This is not a plea that the Indian jute industry should ignore the American market. But recent trends and shifts in demand indicate that the industry should pay equal attention to undeveloped markets in Asia and the Far East. This is the region where the Pakistani threat will have to be faced and overcome.

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