for their development programmes and that reasonable progress can only be achieved if export earnings are improved. At first sight this might not appear too difficult, for international trade continues to grow, but significantly the trend is for the major part of that growth to be between the industrial countries, notably those in Western Europe, Nevertheless, in theory at least primary producers in the developing countries should benefit from the steadily expanding demands of industry for raw materials, and the tendency for commodity prices to rise. This tendency is, however, by no means uniform for whereas tin and sugar have found better markets the price of rubber, for example, has steadily declined, and rubber is a very important exchange earner for many South East Asian countries. The lower price of the commodity has not only had an adverse effect on export earnings but has adversely affected the government revenue needed for the local expenditure on development schemes.

There are thus grounds for anxiety that the industrial countries will continue only to expand trade amongst themselves and even to discriminate against low-cost Asian manufactures, which would leave the developing countries further and further behind in the movement towards higher living standards. If the industrial countries allow this to happen they may not only encourage political unrest but may lose markets with enormous potential from rising living standards in these populous areas.

This problem will undoubtedly face the forthcoming United Nations Conference at Geneva on trade and development and if trade barriers are to be removed much will depend upon the attitude of the European Economic Community (EEC) to such important matters as the preferences at present enjoyed by the former French dependencies in Africa in their trade with the Community. Help may also come from a general lowering of tariffs through what is known as the Kennedy round, but finally whether the living standards in developing countries are raised will depend upon the willingness of the industrial countries to open their markets to these new nations of the East.

Around Bombay Markets

Fall In Equities Overdone

Wednesday, Morning

THE retreat developed into a rout last week. Equities suffered a further sharp decline. Dalai Street pushed through its January 31 low and a few counters fell even below the last November lows. The bear appeared to be in full command of the market. The Life Insurance Corporation and the Unit Trust were perhaps the only important buyers. Equities kept slipping despite substantial institutional support for some of the popular speculative counters. It was not that the political news was very disturbing; nor was the week's corporate news unencouraging. It was really the magic of fluctuations which was at work. The fall had been steep enough to unnerve even the strong bulls. The market was at its worst on Friday, March 20, the end-account day. The new account started on a fairly promising note and the lead was given by Telco which staged a spectacular recovery on sustained influential support and heavy short covering. Belatedly, speculators realised that the downward trend in equities could not be expected to continue too long in face of heavy institutional buying.

Recovery from Friday's panicky's lows is still too small— barring a few exceptions of course — to be regarded as anything more than a technical correction of the phenomenal post-Budget fall. But this rally could easily mark the beginning of an important upward move if the Finance Minister suitably modifies some of the highly controversial tax proposals without any significant loss in revenue to the exchequer. Remove the capital gains tax on bonus shares and the 7-1/2 per cent equity dividend tax; let there be small modifications in the sur-tax on corporate profits and the exorbitant excise duty on rayon yarn. And the stock market will be cheerful again. The capita] gains tax and the equity dividend tax are by no means the important features of TTK's Budget but their abolition will go a long way in reviving confidence in the investment market. These proposals might not mean much in purely financial terms but they have a considerable impact on investment psychology. Not to modify these proposals would be a grave tactical mistake. The stock market is eagerly awaiting TTK's final verdict on the various representations that have been made to him for modifying his tax proposals.

Cotton

Far Behind Target

THE target for cotton in the Second Plan had been originally fixed at 65 lakh bales but produc-

Post-Budget Fall in Shares

	Pre-Budget Closings	Last Week's Lows	Subsequent Highs
Century	702.00	610.00	629.00
National Rayon	422.00	371.00	386.50
Telco	318.50	284.50	305.00
Standard	808.00	644.00	678.00
Indian Iron	25.95	24.32	24.72
Tata Steel	151.25	143.75	147.75
Mukand Iron	18.12	16.76	17.24
A C C	155.00	146.00	148.50
Bombay Burmah	62.70	59.50	60.70
Premier Construction	182.00	179.00	184.00
Hindustan Motors	20.12	17.92	18.52
Premier Auto	108.00	99.25	103.00
Voltas	286.50 c.d.	259.00 x.d.	267.00
Indian Dyestuff	357.50	308.75	326.25
South India Viscose	143.50	128.00	135.00
Tata Chemicals	19.44	18.16	18.84

tion in 1960-61 came to no more than 53.9 lakh bales. During the course of the Plata, however, the target was revised down to 55 lakh bales so that the actual performance might not look altogether absurd. With production in the third year of the current Plan estimated at a record 58/59 lakh bales, the Union Minister for Food and Agriculture, Shri Swaran Singh, could scarcely be accused of being unduly pessimistic when he stated in his inau gural address at the 89th meeting of the Indian Central Cotton Committee that there was little prospect of fulfilling the Third Plan target of 70 lakh bales "unless extraordinary and unrelenting efforts are made by all concerned". The dismal performance in the past holds out little hope that such an effort would be forthcoming. The performance looks all the more disappointing when it is remembered that India has the largest area under cotton in the world, covering nearly a third of the total area sown to the important cash crops. The average yield in India is about the lowest, barely 20 to 25 per cent of the yield obtaining in other important cotton producing countries.

The point is often made that farm prices should be raised in order to step up agricultural production. But such a policy could have serious repercussions on the economy of the country which is already suffering from acute inflationary pressures. Shri Swaran Singh did well to remind those who have been pressing for a further increase in the ceiling prices that Indian cotton, which, not many years ago, was the cheapest in the world, is now quoted substantially above world parity and that this has already undermined the competitive strength of the Indian cotton textile industry in world markets. The case for higher ceiling prices loses all its force when it is realised that the farmer is not getting the maximum share of the rupee paid by the consuming mill due to lack of organised marketing facilities. Only the fringe of the problem has been touched in so far as improvement of the marketing of cotton in the uncountry markets is concerned, said the Union Minister for Food and Agriculture. It does little credit to the authorities that after some 13 years of planning, the Government is still investigating into the price-spread of cotton from grower to the mill.

Organisation — Main Problem

It would be foolish to think that the incentive of higher ceiling prices will bring about the desired increase in cotton production, not without upsetting the prospects for other crops anyway. The problem of increasing agricultural production is not one of adequate price incentives; it is essentially one of organisation. Proper husbandry is only possible when all the essential requisites of production, namely, water, seeds, fertilisers, credit, etc, are made available to the farmer in adequate quantities at a reasonable cost and in time. In his welcome address, the president of the India'n Central Cotton Committer Shri A D Pandit, has drawn pointed attention to the organisation problem. There was no dearth of knowledge of agronomy, soil chemistry, irrigation and so on. said Shri Pandit. What was lacking was a proper organisation to make adequate use of the available knowledge. If package programmes have failed to yield the desired results despite substantial Central assistance in the form of additional staff, provision of subsidies on seeds and other inputs, it is because the schemes have not been executed in the desired manner for which the States are largely to blame. It is comforting to hear from Shri Swaran Singh that at the instance of the newly constituted Agricultural Production Board at the Centre, all State Governments have agreed to reorganise the machinery at all important levels so as to secure efficieVit execution and maximum coordination between different functionaries. It is to be honed the Ministers optimism that this reorganised set up would be effective in not only making good the shortfall of the previous three years, but also in achieving the stipulated target for cotton production during the remaining two years of the current Plan does not prove misplaced.

From what Shri Swaran Singh has stated in his inaugural speech it is almost certain there would be no increase in the ceiling prices of cotton for the next season. Rut the floor and ceiling prices are likely to be determined with reference to technical considerations such as spinning capacity and other quality factors rather than basing them on mere staple length or the so-called trade practices. A schedule including such adjustments has already been presented to the Textile Commissioner. Such an approach, it is hoped, will not only lead to a scientific basis of price determination, but will also place every cotton in its rightful position on the merit of its intrinsic quality. This will meet fully the present criticism about the inappropriate classification of different varieties and it will also obviate all troubles of the type witnessed in the case of Deviraj cotton last year and of Digvijay cotton this year.

Slightly steadier conditions prevailed in the cotton market last week, particularly in futures. Apart from some apprehensions about the possible delay in the arrival of P L 480 cotton, improved sentiment in futures was due largely to technical considerations—strict survey results. The maturing March contract advanced from Rs 781 to Rs 792 which takes it extremely close to the ceiling rate of Rs 798 per 3 quintals. Tenders received against this contract up to 24th March totalled 2.600 bales. The strength in March induced considerable short covering in May which recovered from Rs 737 to Rs 749.75 and at its Tuesday's closing of Rs 747.50, the contract showed a net gain of Rs 10.25 over the week. In view of the favourable reassessment of the supply position, prospects of any big advance in cotton prices are generally discounted, unless, of course, all the expected foreign cotton does not reach the country in time. Despite the firmness in futures, the spot market continued to be rather subdued as mills seemed reluctant to buy more than their minimum requirements. With supply assured, there is little inclination on the part of mills to build large stocks. Speculators are anxiously looking forward to permission to trade in the August contract. Reports are that the Forward Markets Commission desires some chances to be effected in the contract winch will make somewhat bearish in character.

Oilseeds

G'nut Expeller At New High

THE oilseeds market has got over the psychological impact of the credit curbs against groundnut.

Prices are back again to the level obtaining before the Reserve Bank's announcement raising the minimum margin on bank advances against groundnut from 45 to 50 per cent. This is hardly surprising because there is no good reason to believe that groundnut prices have been rigged up with the help of bank credit. To the extent to which the rise in groundnut prices is due to speculative buying in futures and holding and hoarding of stocks, it is the large volume of unaccounted money rather than bank credit which has been utilised for financing such transations. Of course the basic reason behind the continuing strength in groundunt and other oilseeds prices is the persistent imbalance between supply and demand. This season, the small increase in groundnut production has been more than offset by the partial failure of the mustardseed crop.

Groundnut April which had been marked down to Rs 232.50 in the preceding week were bid up to Rs 239.97 by the end of last week. Linseed June recovered from Rs 40.25 to Rs 41.25 and castor June were marked up from Rs 171,25 to Rs 173.25 though Tuesday's closing was lower around Rs 171.87. Cottonseed futures continued to be neglected. But it was really groundnut expellers which made news and scaled a new peak of Rs 417 and showed a net rise of Rs 21 over the week. The proximity of ceilings in groundnut and linseed has diverted speculators' attention to groundnut expellers where speculation is believed to have assumed serious proportions. The oilseeds trade has decided to trade in the new contracts for oilseeds with the existing ceilings instead of accepting the Forward Markets Commission's proposal for higher ceilings with margins and restrictions on the volume of business. The July contract in groundnut which had been bid up unofficially to Rs 244 made its official appearance on the Board at Rs 235.87 on 23rd March. After easing a little to Rs 234.87 it firmed up to Rs 236.87.; The only plausible explanation for the July contract being quoted at a discount in relation to the nearby April position seems to be that speculators are reluctant to extend support to the distant contract as the possible reward is rather small in relation to the risk involved. Anything could happen to upset the market—Government action or political developments — whereas the profit to be made is limited by the statutory ceiling of Rs 241.

The rise in ready groundnut expellers has not been less marked than in futures. Spot expellers have shot up from Rs 406 to 427 in a matter of days. This has hit hard extraction manufacturers. Several manufacturers are said to have been obliged to close their plants partially due both to inadequate supplies of expellers and unremunerative working on the basis of prevailing prices of expellers. Recently, groundnut extractions have also recorded substantial improvement due to hectic covering by shippers who had made huge commitments abroad but had not purchased the goods in the hope that prices would decline because of the normal seasonal slackness. The market has been greatly enlivened by continued large purchases by Communist countries. Within a fortnight or so, groundnut extraction prices have advanced from Rs 354 to Rs 380 per ton and the remarkable firmness in the Indian market has obliged the overseas buyers to mark their prices up. The U K quotation for extractions has shot up from £ 33 to £ 35-15 in a matter of weeks. Groundnut extraction is about the only item that is doing well at present. Export of groundnut oil is at a standstill and business in castor oil consists of small parcels sold to the U K now and then. Shippers reported small business in linseed oil last week. Linseed cake and cottonseed cake did not evoke much interest.

Business Notes

Chartered Bank

ANY international organisation must be prepared to face the challenge of political and economic changes in the areas of its operation. The challenge is particularly formidable for an organisation which carries on a substantial part of its activities in the newly-independent countries where the changes arc often cataclysmic. The Chartered Bank is such an organisation, but i! has met the challenge successfully so far. In 1963 it more than maintained its business. A number of new branches were set up in countries in which it was already operating: at the same time it extended its activities into new areas. This is important because it makes the organisation as a whole better placed to withstand setbacks in particular countries.

The consolidated Profit and Loss Account of the Bank and its subsidiaries, other than the Allahabad Bank, for the year ended December 31, 1963 shows that the net profits after providing for taxation and making allocations to inner reserves as usual are only slightly less by £ 7,370 at £ 1.069,378. But with a larger brought forward balance from last account, the amount available for disposal is more by £ 13,003 at £ 1,630,399, Allocation to reserve has remained the same at £ 450,000. Dividend has been maintained at IS per cent absorbing £ 606.375. Carry-forward of £ 574,024 is higher by £ 13.003 than in the past year.

The Bank's current and other accounts and fixed deposits increased by about £ 35 million to £ 463 millions, while its advances recorded a rise of £ 11 millions at £ 213 millions. The total of assets increased by £ 33 millions and reached £ 580 millions, the highest so far achieved.

The Bank has announced a rights issue in the proportion of one £ 1 share for every £ 6 of stock held at a price of £ 2 per share.

The Allahabad Bank, the Bank's Indian subsidiary which is India's oldest-established bank, has earned £ 112,286 during 1963 as against £ 99,741 in 1962. Fixed, savings and current deposits increased by £ 4 millions to £ 51 millions and advances by £ 4 millions to £ 30 millions. Allocation to Reserve is stepped up by £ 6,000 to £ 39,750. Dividend for the year at 15 per cent (same) on an increased canital absorbed £ 75,398 (£ 55,687). Balance carried forward is less by £ 12,177 at £ 35,073. The total resources of the Bank have increased from £ 51.2 millions to £ 55.9 millions during the year.