ESTD : 1875



Government of Bengal

Department of Agriculture and Industries

Report of the Bengal Jute Enquiry Committee

Volume I

Superintendent, Government Printing
Bengal Government Press, Alipore, Bengal
1940

Price—Indian, annas 12; English, 1s. 4d.

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ZOOLOGICAL GARDEN
CALCUTTA.



BOOK NO.
454

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Agents in India.

Messrs. S. K. Lahiri & Co., Ltd., Printers and Booksellers, College Street, Calcutta.

Messrs. Thacker, Spink & Co., Calcutta.

Customers in the United Kingdom and the Continent of Europe may obtain publications either direct from the High Commissioner's office or through any bookseller.

ZOOLOGICAL SURVEY OF INDIA
Accn. 2017/06/07
dt. 26/06/07
CALCUTTA.

No. 2073.

FROM—L. R. FAWCUS, ESQ., C.I.E., I.C.S., *Commissioner of the Dacca Division,*

and

Ex-officio Chairman, Bengal Jute Enquiry Committee.

350 WES

TO—THE SECRETARY TO THE GOVERNMENT OF BENGAL, DEPARTMENT OF AGRICULTURE.

Dated Calcutta, the 27th November 1939.

SIR,

I have the honour to forward herewith the Report of the Bengal Jute Enquiry Committee. The facts and circumstances on which the Report has been based, and which have consequently affected its applicability to the present conditions of the trade and industry in jute have been indicated in the opening note prefixed to it by the Secretary of the Committee. A few words are, however, necessary to explain the form of the Report and the manner of its presentation. As has been pointed out in paragraph 5 of the Introductory Chapter, the final deliberations of the Committee proceeded on the basis of a Draft Report prepared by the Secretary, Mr. D. L. Mazumdar, I.C.S. At their last sitting, the Committee decided to consider the Draft Report chapter by chapter, and to strive for as large a measure of agreement as was possible on the principal issues discussed in it. Following this procedure, the Committee succeeded in reaching unanimity in regard to Chapters I to V and Chapter VIII, after some modifications in the text of these Chapters, acceptable to all had been made. In regard to Chapter VI, while unanimity was reached on several important matters, irreconcilable differences of opinion arose with regard to a few points. Similar divergence of opinion was also noticeable with regard to Chapter VII. In order to fit these different strands of thought into one report, as well as with a view to preserving the organic unity of the Draft Report, it was thought that the best course to adopt was to leave undisturbed the original arrangement of the various chapters, but to indicate alongside of the relevant Chapters, in the form of "Notes by the Majority of the Committee", the precise extent to which they differed from the Minority who approved of the Draft Report substantially as it stood. Consequently, the first five

Chapters of the Draft Report and Chapter VIII have been signed by all members of the Committee. As regards Chapter VI, the Minority have generally accepted it as it stood, but the Majority have differed in a few important particulars, which have been embodied in separate notes incorporated in this Chapter. In view of the nature of the conflicting opinions expressed in regard to the subject matter of Chapter VII, it was thought that the best thing to do would be to present two Chapters on this subject—Chapter VII(*a*), the original Chapter VII of the Report representing the views of the Minority and Chapter VII(*b*) those of the Majority. Chapter X had also been amended suitably, so that it may conform to the division of opinion in the Committee.

In conclusion I would like to place on record my appreciation of the manner in which our Secretary Mr. D. L. Mazumdar, I.C.S., has carried out his onerous duties: particular reference is due to the lucid and admirably worded Draft Report which has been a most valuable help in our final deliberations and I have no doubt whatever that every member of the Committee will endorse these sentiments.

We also wish to express our appreciation of the valuable services rendered by our clerical staff.

I have the honour to be,

SIR,

Your most obedient servant,

R. L. FAWCUS,

Commissioner, Dacca Division,

and

Chairman, Bengal Jute Enquiry Committee.

TABLE OF CONTENTS.

Page.

Chapter I.

1. Introductory 1-4

Chapter II.

2. Historical Survey 5-10

Chapter III.

3. The Problem of Prices 11-16

Chapter IV.

4. Factors affecting the Prices of Manufactures 17-27

Chapter V.

5. The Problems of Regulation of Production of Jute 28-38

Chapter VI.

6. The Marketing of Jute 39-61
7. Notes of Reservation by the Majority 63-70

Chapter VII.

8. VII-A—The Fixation of a Minimum Price for Jute (The Majority view) .. 71-76
9. VII-B—The Problems of Price-fixing (The Minority view) 77-82

Chapter VIII.

10. Other Improvements 83-88

Chapter IX.

11. The Jute Forecast and Statistics of Stocks 89-91

Chapter X.

12. A Plan of Action 92-95
13. Note of Reservation by the Majority 96

Chapter XI.

14. Summary of Findings and Recommendations 97-102
15. Note by Mr. S. N. Biswas 103
16. Note by Mr. S. A. Salim, M.L.A. 104
17. Report by Mr. S. N. Banerjee, M.L.A. 105-130
18. Appendices 131-165

Note.

At the last meeting of the Bengal Jute Enquiry Committee it was decided that the Secretary should prefix a Note to the Report, explaining the circumstances, in which it was written, and which have since affected its applicability to the changed conditions of the production of, and trade in, raw jute and jute goods. As will appear from the perusal of the Report, it was drafted not only long before the outbreak of the War in Europe, but also before the probability of its oncoming had entered into the thoughts and calculations of even those that habitually tread the high roads and by-ways of international trade and commerce. Consequently, the Draft Report was based on facts and assumptions, some of which have already lost their validity. At their last meeting, the Committee discussed this subject, and arrived at the unanimous conclusion that it was neither desirable nor possible for them, at that stage of their enquiry, to take account of the abnormal situation created by the war or to make recommendations on any but normal pease-time problems. They realise that this decision will affect the applicability of some of their recommendations to the altered conditions of the present; but believe that, with small adjustments, here and there, these can be easily adapted to the requirements of the special situation created by the war. Besides, they feel that, even after the war, the fundamental character of the more important normal, long-range problems of jute, which they have discussed in their Report are likely to remain substantially the same as they are to-day. Accordingly, they have thought it undesirable to base their conclusions on the changing phases of the present uncertain economic situation. But even if it be otherwise, and the contents of some of these problems suffer a sea-change after the war, the Committee expect that the formal exposition and analysis of the basic problems of jute, which they have presented in their Report, will enable the Government of the day to view them in their proper perspective and to formulate and work up to an appropriate Plan of Action, such as they have felt it necessary to outline in their Report.

There is another matter about which the Committee desire to add a word. As Government have already taken action on certain emergent matters covered by this Report, e.g., registration of areas under jute and regulation of markets, the views of the Committee may, to some extent, seem behind the times. It is hoped, however, that apart from the acceptability of their conclusions, the information collected by the Committee in respect of these subjects may still be of use to Government.

The Report should be read in the light of this Explanatory Note.

D. L. MAZUMDAR.

CALCUTTA :

The 16th November 1939.

ZOOLOGICAL GARDEN
CALCUTTA.

CHAPTER I.

INTRODUCTORY.

1. By their Resolution No. 5013Agri., dated the 27th July 1938, the Government of Bengal in the Department of Agriculture appointed a Committee "to investigate the Jute Problem as affecting the Province", consisting of the following members:—

(1) The Commissioner of the Dacca Division, President (*ex-officio*).
(2) Mr. Mukhlesur Rahman, M.L.C.
(3) Khan Bahadur M. Shamsuzzoha, M.L.C.
(4) Maulvi Md. Israil, M.L.A.
(5) Maulvi Abdul Hamid Shah, M.L.A.
(6) Maulvi Moslem Ali Molla, M.L.A.
(7) Mr. M. A. H. Ispahani, M.L.A.
(8) Mr. Birat Chandra Mondal, M.L.A.
(9) Mr. Monomohan Das, M.L.A.
(10) Mr. Kirit Bhusan Das, M.L.A.
(11) Rai Moongtu Lall Tapuria Bahadur, M.L.A.
(12) Mr. J. R. Walker, M.L.A.
(13) Mr. W. A. M. Walker, M.L.A.
(14) Mr. S. N. Biswas, M.L.A.
(15) Mr. Charu Chandra Roy, M.L.A.
(16) Mr. Sibnath Banerjee, M.L.A.
(17) Mr. D. L. Mazumdar, I.C.S.

Mr. D. L. Mazumdar was also appointed to act as Secretary to the Committee.

By subsequent notifications, the personnel of the Committee was increased, and the following additional members were appointed to it on the dates noted against them:—

(18) Mr. S. A. Salim, M.L.A., by Notification No. 9948-Agri., dated the 9th November 1938.
(19) Mr. A. M. Abdul Hamid, M.L.A., by Notification No. 10233-Agri., dated the 1st December 1938.
(20) Maulvi Azhar Ali, M.L.A., by Notification No. 10310-Agri., dated the 6th December 1938.
(21) Maulvi Giasuddin Ahmed, M.L.A., by Notification No. 10438-Agri., dated the 16th December 1938.
(22) Maulvi Shahed Ali, M.L.A., by Notification No. 10438-Agri., dated the 16th December 1938.
(23) Maulvi Kazi Emdadul Haque, M.L.A., by Notification No. 10438-Agri., dated the 16th December 1938.

Mr. J. R. Walker resigned his membership of the Committee on the 7th February 1939, as he was about to proceed to England on long leave. In the vacancy caused by his resignation, Mr. I. G. Kennedy, M.L.A., was appointed by Notification No. 717-Agri., dated the 8th March 1939. The present numerical strength of the Committee is thus 23.

The terms of reference to the Committee included particular consideration of the following subjects:—

(1) the regulation of the production of Jute;

(2) the marketing of jute;

(3) the improvement of the price of jute;

(4) the fixation of the price of jute; and

(5) the jute forecast, including the collection of information regarding stocks in hand.

2. Although the Committee was constituted at the end of July, it could not hold its first meeting till the 8th September 1938. Several factors contributed to this delay. The Legislative Assembly was in session till about the third week of August 1938. Apart from the normal preoccupation of the members, during the sessions of the legislature, the excitement aroused by certain political activities of this period rendered any meeting of the Committee at this time out of the question. Besides, neither the services of the Chairman of the Committee, whose headquarters were at Dacca, nor those of the Secretary, who was at that time employed in a different capacity, were available till about the middle of August 1938. A draft questionnaire was prepared by the Secretary, in consultation with the then Chairman (the late Mr. J. B. Kindersley, M.C., D.S.O., I.C.S.) and copies of it were circulated to the members towards the end of August. The Committee met for the first time on the 8th September 1938, to consider the draft questionnaire, which was finally approved in its present form, after considerable discussion, on the 9th September 1938. At a subsequent meeting of the Committee, the future programme of work including the list of witnesses to be examined by the Committee in Calcutta in due course, was drawn up. Two Sub-Committees were constituted to tour the principal jute-growing areas in North, East and Central Bengal. It was further decided that a suitable Bengali questionnaire, adapted to the needs and understanding of the ordinary cultivators, and mofussil merchants and middlemen should be drawn by the Secretary in consultation with the Chairman and copies of it should be circulated in the mofussil through Collectors of districts. Accordingly, a large number of these Bengali questionnaires were forwarded to the jute-growing districts about the middle of October.

3. Contrary to expectations, for many different reasons, no tours could be undertaken in the first two weeks of November 1938. The East Bengal Sub-Committee commenced its tours from the third week of November, and the North and West Bengal Sub-Committee from the middle of December 1938. The two Sub-Committees concluded their tours by the third week of January 1939. The following statement

will show the places visited by them, and the number of meetings held at those mofussil centres :—

East Bengal Sub-Committee.		North and West Bengal Sub-Committee.	
Names of places.	No. of sittings.	Names of places.	No. of sittings.
Dacca	3	Pabna	1
Chaumohani ..	1	Sirajganj	1
Madaripur	1	Bogra	1
Rajbari (Faridpur) ..	1	Rangpur	1
Kishoreganj ..	1	Berhampore ..	1
Mymensingh ..	1	Kusthia	1
Sarisabari	1		
Total .. 7	9	6	6

A detailed list of the witnesses examined in the mofussil is given in Appendix II. Précis of the evidence collected by the two Sub-Committees was prepared by the Secretary, and circulated among the members, along with other papers, before the examination of Calcutta witnesses commenced.

4. The original decision to examine the representatives of Commercial bodies and selected Government officials in Calcutta from the middle of February 1939 had to be subsequently abandoned. The majority of the members expressed their inability to sit on the Committee during the sessions of the Legislature; and, accordingly, the examination of Calcutta witnesses was deferred till April 1939. For various reasons this was further delayed. Eventually, they were examined on the 7th and 8th August 1939. The Committee sat for 3 more days to consider the evidence recorded by them and the two Sub-Committees, and to formulate their recommendations. Altogether 12 meetings of the main Committee were held. Although the term of the Committee extended from the 29th July 1938 to the 15th July 1939, it is necessary to point out that its deliberations covered only 56 working days, including the tours of the Sub-Committees.

5. We think it will be convenient, if we indicate, at this stage, the scope of our report, and the arguments underlying the subsequent chapters of it. As we had the advantage of having the report of the Bengal Jute Enquiry Committee, 1934, before us, we decided, at an early stage of our deliberations, that we should eschew the ground already covered by the Finlow Committee, except where the elaboration of our point of view required further consideration of the same issues or where we were unable to agree with the recommendations of that Committee or felt that a different approach was necessary. In regard to historical and descriptive matters, we have contended ourselves with only such reference to them as seemed to us to be necessary to give completeness to our report. Accordingly, in Chapter II, we have summarized the historical development of the industry, and its present position in as few words as possible. In Chapter III, we have analysed the problem of prices in general terms, emphasising the particular nature of the demand for raw jute, and the fundamental factors on

which, in the last analysis, its price depended. In Chapter IV, we have examined in detail some of these factors which affect the price of jute manufactures, on their supply and demand sides. In Chapter V, we have examined the essential prerequisite of a rise in the price of raw jute, viz., the regulation of its output in relation to its demand. In Chapter VI, we have examined the other factors which affect the price of raw jute, distinguishing between frictional impediments, and the basic weaknesses in the bargaining position of cultivators. This analysis has led us to an examination of the existing system of marketing and several possible alternatives. In Chapter VII, we have examined the scope and possibility of direct manipulative action designed to raise the price of jute. In Chapter VIII, sundry other factors which influence the price of raw jute have been considered. In Chapter IX, we have discussed very briefly the question of the jute forecast and the problem of collectng statistics of raw jute held in India and *ex-India*. Chapter X is intended to correlate our principal recommendations into a coherent policy. This we have sought to do by working out a short Plan of Action. Chapter XI contains a summary of our recommendations.

We feel we need also add a few words to explain the form of our Report. Basing our deliberations on the comprehensive Draft Report prepared by our Secretary, we were able to reach unanimity with regard to the matters discussed in Chapters II to V, and VIII to IX of our Report. But in regard to some of the issues discussed in Chapter VI, and the problem of the fixation of a minimum price for raw jute examined in Chapters VIIA and VIIB, we were unable to arrive at an agreement. In order to obviate the necessity of writing two separate Reports,—for which there did not seem to us to be adequate justification in view of the very large measure of agreement that we had already attained,—we decided that the Majority of us, who were unable to agree with all the recommendations of Chapter VI and with the arguments of the Draft Report as to the fixation of a minimum price for raw jute should append separate notes on the main points of our disagreement. In view of the fundamental nature of this disagreement as to the latter point, we have considered it desirable to write two separate chapters on this subject, viz., Chapters VIIA and VIIB. For the rest, the notes appended to the relevant Chapters will indicate the nature of the disagreement between the Majority and the Minority of the Committee.

CHAPTER II.

A GENERAL SURVEY.

(1)

Historical Retrospect.

6. Several paragraphs were devoted to the early history of the Jute Industry and trade both in the Majority and the Minority Reports of the previous Jute Enquiry Committee (hereinafter to be called the Finlow Committee). It is, therefore, unnecessary to traverse the same ground again*. For our present purpose, it will suffice to bring out the principal points of interest that emerge from the available records of the past.

7. Up to the first half of the 18th Century, jute appears to have played a very insignificant role in the economy of the province. It was not till the second half of this century, that hand-woven jute goods gradually began to make their appearance in the export trade, but even then they hardly ever figured in the East India Company's Export List. From the beginning of the 19th Century, however, the trade in jute products began to assume importance and with the restoration of normal conditions of trade and commerce after the Napoleonic wars, jute manufactures became one of the principal articles of export from this province. Simultaneously, with the growing interest taken in raw jute by the flax manufacturers in Dundee, the exports of the fibre also began to increase. Dr. J. Forbes Royle in his interesting, though somewhat prolix, essay on the "Productive Resources of India" (1840) records that in 1828-29, 14,565 maunds of raw jute and 1,013,277 pieces of Gunny and Gunny bags were exported, "while in the following year no less than 9,006,415 were exported." These figures began to rise rapidly till the trade in the fibre and the fabric went into several lakhs of rupees, as the following table compiled by Dr. F. Royle in 1850-51 will show†. The table was quoted in the Minority Report of the Bengal Jute Enquiry Committee; but in view of the very interesting information it contains as to the volume and the direction of the Export Trade, it will bear recitation here.

Exports to—	Jute.	Gunnies and gunny cloth.
	Mds.	Nos.
United Kingdom	768,945	69,636
France	13,931	..
Hamburg	128	2,180
North America	9,242	2,290,427
Coast of Coromandel	598	1,955,150
Malabar	..	2,054,075
Penang and Singapore	..	1,043,600
Ceylon	..	357,290
New South Wales	54	32,125
Trieste	401	..
Java	..	242,550
Pegu	..	672,950
Mauritius	..	213,980

* Those, who are interested in details, may refer to Dr. Forbes Royle's standard work on the "Fibrous Plants of India" (pages 240-251) and to Wallace's "Romance of Jute" for the rise and progress of the Indian Jute Mill Industry from the middle of the 19th century to the end of the Great War.

† "Fibrous Plants of India" by Dr. J. F. Royle, page 251.

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† "Fibrous Plants of India" by Dr. J. F. Royle, page 251.

Exports to—	Jute.	Gunnies and gunny cloth.
	Mds.	Nos.
Cape of Good Hope	..	82,750
Guam	..	15,000
Arabian and Persian Gulfs	..	4,000
Total ..	793,299	9,035,713
Value	Rs. 19,70,715	Rs. 21,59,782

The second quarter of the 19th Century may well be called the golden age of the jute handloom industry. From being a subsidiary industry of very minor importance, it had succeeded, within the short space of half a century, in supplanting cotton-weaving as the "grand domestic manufacture of all the populous Eastern districts of Bengal".*

The story of the second half of the 19th Century is the story of the decline and fall of the jute handloom industry, and of the rapid rise and amazing progress of the Jute Mill Industry both in this province and abroad. It is unnecessary to dwell at any length on this aspect of recent history; the relevant facts may be readily obtained from any book of reference.† But it will be interesting to peruse the following illustrative figures, which show, at a glance, the rapid strides, which the trade and industry have made during the last three-quarters of a century.

Volume and value of exports.

	Jute.		Jute goods.	
	Quantity in lakhs of bales.	Value in thousands of rupees.	Quantity in tons.	Value in thousands of rupees.
1850-51	1·99	19,70		21,60
1887-88 ——‡ 1891-92	28·54	7,40,56	Tonnage figures not available for this period.	2,42,88
1902-03 ——‡ 1906-07	39·31	15,75,49		11,31,84
1912-13 ——‡ 1916-17	36·84	20,54,35		31,31,95
1922-23 ——‡ 1926-27	36·71	27,26,96	780,408	49,31,38
1929-30	59·62	27,17,38	957,955	51,92,68
1937-38	41·86	14,71,92	1,020,399	29,07,76
1938-39	..	..	..	..

* In the words of one Mr. Henley, a local businessman of that period—quoted by Dr. J. F. Royle in his "Fibrous Plants of Bengal," page 249.

† An eminently readable account is contained in "The Romance of Jute" by D. R. Wallace, to which a reference has been already made.

‡ Quinquennial average figures.

*Productive capacity of the Jute Mills in India.**

Year.	No. of mills.	Looms.			Spindles.
		Sacking.	Hessian.	Total.	
June 1859	..	..	..	192	..
April 1877	19	2,948	910	3,858	..
January 1901	27	8,613	6,600	15,213	..
January 1910	38	13,421	18,334	31,755	677,070
January 1920	72	16,124	24,353	40,477	869,879
July 1930	100	22,066	36,073	58,139	1,224,982
January 1937	82	22,693	37,704	60,397	1,202,000
January 1938	82	22,693	37,704	60,397	1,202,000

8. Of the many far-reaching economic consequences of the mechanization of the jute industry, one of the most important was the rapid increase in the acreage under jute. Dr. J. F. Royle, quotes Ram Kamal Sen, a reputed pamphleteer of those days, as stating that the fibre was grown principally in Purnea, Dinajpur, Malda, Rungpore and Dacca. Even allowing for the fact that these districts embraced more extensive areas than those included within their present limits, the statement appears to have been an under-estimate. A subsequent writer—Mr. Henley who has been already cited elsewhere—stated that the plant was the most important fibre that was grown extensively all over the Gangetic delta. It is unfortunate that no recorded figure of the total acreage under jute is available till the last decade of the 19th Century. But there can be no doubt that between the sixties and the nineties, the total area must have quadrupled. In 1872-73 Mr. H. C. Kerr estimated the total area under jute at about a million acres. Within twenty years of it, the area had increased to nearly two millions of acres. After this, for about a decade, the total acreage remained more or less constant, although the fluctuations from year to year, within this period, were by no means insignificant. With the turn of the century, the area began to increase again, reaching the record figure of 3·88 millions of acres in 1907-08. After this year, the acreage began to move up and down irregularly with the uncertain fluctuations in trade demand. The amplitude of these oscillations varied enormously, but we need not enter into these details. The following table will show the variations in acreage and yield since the nineties of the last century :—

Year.	Acreage (in millions).	Yield (in lakhs of bales).
1892-93 ——† 1896-97	2·17	..
1897-98 ——† 1901-02	2·01	..
1902-03 ——† 1960-07	2·79	..

* Compiled from statistics available in Wallace's "Romance of Jute," Investors' India Year Book (1938) and Official Year Book of the Calcutta Stock Exchange.

† Quinquennial Annual average.

Year.	Acreage (in millions).	Yield (in lakhs of bales).
1907-08 —— 1911-12*	3·00	86·46
1912-13 —— 1916-17*	2·91	92·68
1917-18 —— 1921-22*	2·41	83·52
1922-23 —— 1926-27*	2·61	93·24
1929-30	3·13	109·08
1930-31	3·48	101·53
1931-32	1·86	65·57
1932-33	2·14	87·96
1933-34	2·51	87·14
1934-35	2·49	97·93
1935-36	2·18	85·53
1936-37	2·86	108·61
1937-38	2·89	86·81
1938-39	3·15	66·95

N.B.—The acreage figures are based on the Final Forecast figures, but the yield figures for all the years except 1937-38 and 1938-39 are based on actuals (*i.e.*, Mill Purchases Actual Exports and Estimated Country Consumption). The figures for the last two years are forecast figures.

It is permissible to argue that even without the expansion of the mill industry, the production of the crop would have substantially increased on account of the enormous increase in world trade and commerce during the latter half of the nineteenth century. While this is partially true, there can be no question that it was the mechanisation of the industry that enabled jute products to be turned out on a scale and at a price, commensurate with the rapid expansion of demand for them, and thereby induced the striking increase in the cultivation of the crop.

(2)

The Present Position.

9. The above running commentary conveniently paves the way for a rapid general survey of the present position in regard to jute, both in its agricultural and industrial aspects. Those who are interested in details, should turn to the admirable account of this subject contained in Chapter I of the Minority Report of the Finlow Committee. On the Agricultural side, the most striking fact about jute is the tremendous influence it exerts on the economic life of this Province, although its cultivation is restricted to less than 10 per cent. of the total net cropped area and is concentrated in a relatively few districts of Bengal. Jute is no doubt grown in as many as nineteen districts of Bengal, covering, on an average, an area of over 4,000 square miles, but as the following table will show the density of cultivation is surprisingly low in all but a few districts, Tipperah, Mymensingh, Dacca, Faridpur, Pabna, Bogra and Rangpur, and Rajshahi account for nearly four-fifths of the total acreage under jute in this Province.

* Quinquennial annual average.

1937-38.

District.	Total net area sown (in acres).	Area under jute (in acres).	Percentage of column 3 to column 2.
1	2	3	4
Tipperah	1,137,800	213,000	18·7
Mymensingh	2,379,000	524,500	22·0
Dacca	1,446,100	259,000	17·9
Faridpore	1,448,100	196,000	13·5
Pabna	934,000	76,000	8·1
Bogra	554,200	79,000	14·2
Rungpore	1,752,900	258,000	14·7
Rajshahi	988,200	76,800	7·7
Total of the eight districts ..	..	1,682,300	..
Total acreage under jute in Bengal ..	..	2,160,900	..

Similarly, in Bihar, over 90 per cent. of the cultivation is concentrated in the district of Purnea; in Orissa, about 92 per cent. of the jute comes from Cuttack; and in Assam, cultivation is concentrated almost wholly in the Western districts of the Brahmaputra valley, and in Sylhet in the Surma valley.

10. The reason for this pre-eminence of jute in the agricultural economy of this Province is, of course, the well-known fact that it is by far the most important money crop of the Province. In an agricultural system still predominantly based on subsistence farming, the overwhelming importance of a money crop can be easily understood. For, apart from the fact that such a crop alone can enable the cultivators—the vast majority of the population of this Province—to repay their monetary obligations, it provides the only source of purchasing power in their hands, which they can spend on their consumption of non-agricultural commodities and services. The serious consequences of the rapid fall in the price of a money crop—and the most important money crop at that—are not, therefore, difficult to visualize. A statistical measure of the loss sustained by the growers of jute, during the period of declining prices since 1930, was essayed by the Minority of the Finlow Committee at page 69 of their Report. We would refer the interested reader to this very interesting compilation.

11. Coming to the manufacturing side of the trade, the following table will illustrate the position of the jute industry in the national economy of this Province :—

Year.	Authorised capital.	Paid-up capital.	Average daily number of hands employed.	Total quantity of raw jute purchased (in lakhs of bales).	Total quantity of coal consumed (in tons).
1936-37 ..	Rs. 29,13,82,000 £3,175,000	Rs. 19,13,13,966 £2,525,000	252,887*	63·56	707,247*
1937-38 ..	..	..	287,940*	66·60	744,633*

*The figures are those of the mills within the membership of the Indian Jute Mills Association and refer to the calendar years 1937 and 1938.

The magnitude and distribution of the industry outside India will be apparent from the following figures:—

Name of country.	No of mills.	No. of looms.	Purchase of raw materials (in lakhs of bales).
Great Britain and Ireland	..	8,500	8·11
Germany	..	9,600	9·24
France	..	7,000	3·64
Italy	30	5,000	4·20
Belgium	22	3,000	2·90
America	5	2,750	5·55
Czechoslovakia	12	2,000	..
Poland	8	1,600	·42
Austria	..	1,100	..
Sweden	5	1,000	·36
Russia	..	1,000	1·06
Spain	12	800	1·94
Yugoslavia	3	400	..
Estonia	1	230	..
Norway	3	200	..
Bulgaria	1	100	..
Finland	1	75	..
China and Japan	6	1,200	1·54

Outside India, Great Britain, Germany, France, Italy, Spain, Belgium and United States of America appear to be largest manufacturers of jute.

12. The role of jute in the foreign trade of this Province and of India as a whole is no less significant than its agricultural and industrial importance. As the Minority of Finlow Committee discussed this aspect of the jute trade in considerable detail, no useful purpose would be served by our going over the same ground again. We shall only cite the following up-to-date figures to show the dimensions of this trade:—

Year.	Export of jute goods abroad (converted in lakhs of bales).	Exports of the raw materials.
1932-33	38·39	31·13
1933-34	37·32	41·90
1934-35	39·98	42·15
1935-36	41·84	43·19
1936-37	57·22	45·91
1937-38	52·31	41·86

For details and direction of this trade, reference should be made to the Review of the Trade of India (1937-38), page 239 *et seq.*

CHAPTER III.

THE PROBLEM OF PRICES.

13. Against the background of facts narrated in the preceding chapter, we shall now proceed to analyse the problem set us by the Provincial Government. Comprehensive that the task assigned to the Committee is, it is necessary, for a correct and balanced view of the entire subject, to recognize at the outset that the fundamental problem of jute is the problem of jute prices, with special emphasis on the price of raw jute. To say this is not to take a sectional view of the subject matter of our enquiry. For, as we have endeavoured to show in the foregoing chapter, the national economy of the Province is so intimately bound up with the price of raw jute that it may without exaggeration be called *the* problem of jute in Bengal. Nor does this assertion imply a denial of the importance of the other issues connected with the trade. The statement merely seeks to set the problem before the Committee in its true perspective.

14. In the previous chapter, reference was made to the fall in the total value of the jute crop. It may be interesting to record here the measure of this fall, and to compare it with a similar fall in the prices of other agricultural staples, and of jute manufactures:—

Index Number of Wholesale Prices in Calcutta.

July 1914=100.

Year.	Jute (raw).	Jute (manufactured).	Cotton (raw).	Cotton (manufactured).	Cereals.	All commodities.
1928 ..	100	150	167	150	133	145
1929 ..	95	122	146	160	125	141
1930 ..	63	88	91	139	120	116
1931 ..	49	76	83	123	76	96
1932 ..	45	75	92	119	68	91
1933 ..	41	77	80	113	66	87
1934 ..	39	77	73	115	69	89
1935 ..	50	74	78	117	75	91
1936 ..	50	64	89	111	79	91
1937 ..	56	67	89	117	77	92

15. The two striking facts which emerge from this table are the disproportionate fall in the price of raw jute as compared with (*i*) other agricultural products and (*ii*) with the price of the jute manufactures till the end of 1934. It may be argued that the great changes in the conditions of supply, and in the structure of relative demand of raw materials and manufactures during and after the Great War render comparison of relative prices with the pre-War year 1914 as the base, largely invalid. But even if we take 1927—the year in which according

to Bowley and Robertson a relative equilibrium of prices appears to have been reacted in India after the disturbances of the Great War*— as the base year for the purposes of our present enquiry, the same conclusions as to the nature and extent of price-changes of raw jute and jute manufactures emerge. The following table will illustrate this statement: —

Year.	Raw jute.	Manufactured jute.	Raw cotton.	Manufactured cotton	Cereals.
1927 ..	100	100	100	100	100
1931 ..	48	51	60	81	55
1932 ..	47	57	63	74	49
1933 ..	42	52	70	74	43
1934 ..	39	49	67	72	45
1935 ..	52	53	80	76	54
1936 ..	53	44	76	73	54
1937 ..	54	44	76	74	48

It will appear from this table that by the end of 1934, the price of raw jute had declined by as much as 61 per cent. The fall was not only out of proportion to the similar decline in prices of all other commodities, but the spread between the prices of raw jute and jute manufactures had increased to as much as *10 points*.

16. It is unnecessary for the purposes of our present enquiry to discuss at any considerable length the causes of this general fall in the prices of agricultural staples, including raw jute, or of the disparity between the prices of raw and manufactured jute. As every student of recent economic history knows, the phenomena represented by these price falls were the resultant of a large number of diverse factors— some international and others domestic, some of a general character affecting all commodities and others more specific and connected with the peculiar conditions of supply and demand of particular commodities. No simple analysis can adequately explain the complicated price-movements of raw jute and jute manufactures during this period of falling prices, but one generalization can perhaps be safely made. While the decline in prices, compared with those of the base year, of both raw jute and jute manufactures were largely the consequence of international and general factors, in which we need not enter at present, the disparity between the two sets of prices was essentially due to domestic and specific causes of a different character. General causes could and did no doubt account for some of this disparity. As the Minority of the Finlow Committee quoted approvingly from the League of Nations Memorandum on Production and Trade (1925-1929-30), "in so far as prices follow costs during a period of economic depression, the prices of manufactured products tend to fall relatively little, because manufacturing industry contains a high proportion of fixed and inelastic costs, such as capital charges, wages, taxes, etc., which do not fluctuate as much or as rapidly as the prices of raw materials". But the disparity in the prices of this group was greater than that in the case of another comparable composite group like, say, cotton and cotton

Cf. Page 44 of the Report on an Economic Census for India by Bowley and Robertson.

manufactures—a fact which proves that specific causes were at work to account for this differential disparity. These factors were briefly:—

(*i*) Absence of any concerted action to regulate production of raw jute till 1934. This is not to say that no action was taken in the earlier years by the Department of Agriculture to conduct propaganda among the jute-growers of this province. We are aware of the efforts of the Department to persuade the cultivators to grow less and less jute in the years immediately following the onset of the great depression in 1930. What, we fear, was lacking at this time was the concerted employment of all the agencies of Government on the restriction campaign, such as we witnessed for the first time in 1934.

(*ii*) Increase of stocks of raw jute. The average surplus stock for the period 1930-33 was 3·76 lacs of bales or nearly twice the highest average surplus stock of raw jute during the whole of the War or post-War period. In other words, the surplus stock nearly doubled in a period of abnormally low and declining prices.

(*iii*) The policy of controlled production pursued by the jute mills between 1930-32, and, in a more rigid and drastic form from 1932 to the middle of 1935.

17. From 1935 onwards, the disparity between the prices of raw and manufactured jute began to disappear; and, as the preceding table will show, by 1937, the gap between the two sets of prices had very nearly closed. It will appear from the following table that this position was reached as much by the appreciation of raw jute values as by the decline in prices of jute manufactures. It might indeed be said that, till the middle of 1938, the price indices had been definitely moving in favour of raw jute and against jute manufactures. The problem of prices, with which the Committee was faced at the time of its appointment, was, therefore, analytically very much different from that which had confronted the Finlow Committee. Although the position has since somewhat moved again in favour of jute manufacturers, as a result of the Jute Ordinance and the recent Jute Mills Working Agreement, the problem still remains somewhat different from what the Finlow Committee was called upon to tackle.

Year.	Raw jute.	Percentage of fall (−) or rise (+), over the previous year.	Jute goods.	Percentage of fall (−) or rise (+), over the previous year.
	1	2	3	4
1927	100	..	100	..
1934	39	−61	49	−51
1935	52	33	53	8
1936	53	2 (approx.)	44	−17
1937	54	1·9 (approx.).	44	..

18. As we have endeavoured to show in the foregoing paragraphs, and as the Minority of the Finlow Committee had the acuteness to discern, two logically distinct sets of circumstances were responsible for the decline of raw jute prices in the early years of the present decade. Although it is nowhere explicitly stated so, the whole trend of the Majority Report of the Finlow Committee as well as of the principal recommendations of the Minority is to emphasize the deviation of raw jute prices, from a pre-established norm, *vis-á-vis* the price of jute manufactures, as the principal problem confronting the Committee. The following quotation from the Minority Report of the Finlow Committee appears to support this interpretation. After a remarkably lucid analysis of the price spread between raw and manufactured jute, the Minority observed, "The above survey makes it abundantly clear that, apart from the general world depression, the absence of proper organized action on the part of the cultivators has been responsible for an excess of production of jute, which, together with the fact that the cultivators, being hard-pressed for ready money, are often compelled to dispose of their products, without waiting for better times, accounts for the present acute and singularly depressed state of the jute market." While two different trends of thought are visible in this except from the Minority Report, its opening lines as well as the principal recommendation of the Minority tend to show that it was the disparity between the prices of raw jute and jute manufactures, which weighed most with them, and engaged most of their attention. This disparity having largely disappeared at present, the problem of prices now assumes a new complexion and calls for a different line of approach.

19. If the relationship between the prices of raw and manufactured jute has been restored to its predepression equilibrium, the problem now before the Committee resolves itself into an analysis of the factors which govern the price of raw jute. The fundamental fact to remember in this connection is the nature of the demand for raw jute. It is a truism—which, however, is very often forgotten like many other truisms, in the dust and heat of controversy—that the demand for raw jute is not a direct but a derived demand, i.e., its demand is derived from those directly serviceable commodities, into whose manufacture it enters. In other words, to use the technical but convenient jargon of economists, raw jute has no independent demand schedule of its own, but derives its demand schedule from that of jute manufactures. If we remember this simple fact, from our general observations in the above paragraphs the following conclusions will emerge:—

(1) First, other things being equal, under conditions of perfect competition the price of raw jute can increase, in *the long run*, if the price of manufactures increases. While this proposition is but a common sense deduction from the law of derived demand, the converse of it does not necessarily follow. Apart from the circumstances, which are indicated in the second proposition enunciated below, a rise in the price of jute manufactures is a condition precedent to the rise in the price of raw jute. But it does not follow from this that a rise in the former prices must also result in the improvement of the latter. As the Bengal Chamber of Commerce rightly point out in their reply to our questionnaire, "A rise in the price of manufactured goods would normally bring about an improvement in the price of the raw material, provided there was no undue discrepancy between the supply of jute and the demand for it".

In its practical consequences, this condition implies that if the increase in the price of jute goods is due to an increase in demand, the supply of the fibre should not exceed the calculated increase in demand for it; and if the increase in the price of jute goods is due to restriction of supply, the supply of the fibre too should not remain unchanged, but should be reduced proportionately. In other words, the statistical position as regards demand and supply of the fibre must be adjusted to the variations in demand and supply of jute goods before the growers of raw jute can share in the increased prices of jute manufactures.

(2) Secondly, assuming the prices of manufactures to be given, the price of raw jute can increase only if—

(*a*) the other factors that enter into the production of jute goods are squeezable; and/or

(*b*) the cost of manufacture of jute goods can be reduced, and the benefit of this reduction can be appropriated by the growers of raw jute.

As regards (*a*), it is necessary to point out that the other factors can be squeezed only if their earnings are above the general level of remuneration of similar factors engaged in other comparable industries. Two different methods have been suggested from time to time to achieve this purpose, viz., (*i*) restriction of output of the fibre, and (*ii*) direct manipulation of the price of the fibre. As we shall examine, in due course, the implications of these methods, we do not propose to enter into the analytical ramifications of this argument at this stage As regards (*b*) the benefit of the reduction of the cost of manufacture will accrue to the jute-growers provided the manufacturers do not modify but adhere to their pre-existing price-policy. That this proviso is of considerable importance in real life is exemplified by the following reply to our specific question on this subject by the Bengal Chamber of Commerce. In reply to our question as to whether it was possible to improve the price of raw jute by reduction in the cost of manufacture, they stated "the price-factor being a vital one in the maintenance and expansion of markets for manufactured jute goods in competition with substitutes, the saving in the cost of production will in all likelihood and at least in some measure, be sacrificed to maintain and expand these markets". We make no comments on the policy advocated in these lines, but cite the reply merely to show the bearing of the price-policy pursued by the manufacturers on the price of raw jute.

20. Throughout the above arguments, we have assumed that bargaining between the different factors of production engaged in the jute industry proceeds on the basis of "perfect competition". But as every student of current affairs knows the imperfections of the market and the competitive weakness of the jute-growers *vis-a-vis* the buyer of his produce depress the price of raw jute below the level which it might otherwise have attained. In so far as these imperfections can be removed and the bargaining strength of the jute-growers increased, the price obtained by him for his produce will automatically increase.

Apart from the imperfections of the market, in practice another positive factor may also invalidate the assumptions of "perfect competition", on which we have based the analysis of the previous paragraph. This is the possibility of monopolistic action on the part

of the manufacturing side of the trade. As we write this report, no such danger is yet discernible. The object of the recent Jute Mills Working Agreement seems to us to be primarily the sterilization of surplus productive capacity in the industry. In paragraph 28 of our Report we have argued that such an agreement should be distinguished from monopolistic action on the ground that its underlying motive is not the realization of extra-normal profits, but the adjustment of prices to long-period average costs. But if ever the mills should utilize this agreement or enter into a fresh agreement, expressed or implied, to prevent the remuneration of the other factors of production from increasing in right proportion to the increase in their earnings, that would be an indication of the exercise of monopolistic power. In that case, it is conceivable that the scope for squeezing the other factors of production in favour of raw jute will have increased. It will be noticed that the analysis of paragraph 19 (2) (*a*) is wide enough to cover this situation. It is, therefore, unnecessary for us to discuss this question at any further length.

It follows from the analysis of the foregoing paragraphs that the problems of practical policy which confront us to-day centre round—

(*i*) Improvements in the price of jute goods.

(*ii*) Regulation of production of raw jute according to the changing conditions of its demand.

(*iii*) Measures intended to increase the price of raw jute at the expense of the other factors of production.

(*iv*) Removal of the imperfections of the market, and improvement of the competitive position of the jute-growers.

To the detailed examination of the implications of these problems we shall now turn in the following chapters.

CHAPTER IV.

FACTORS AFFECTING THE PRICES OF MANUFACTURES.

(1)

21. The first of our propositions was that apart from temporary deviations or short period maladjustments, the price of raw jute could rise in the long period if there was a rise in the price of jute manufactures. It is the object of this chapter to discuss briefly the principal factors which govern this latter price.

22. Apart from deliberate restrictive action, which we shall have occasion to consider in subsequent paragraphs, the prices of jute goods like other manufactures can rise only if the aggregate demand for them rises. The consumption and stock figures of the British and foreign mills are not, unfortunately, available over a series of years. If, however, we assume that there were no substantial variations in the stocks of raw and manufactured jute held by the foreign mills, the demand for manufactures appears to have reached its peak in 1936-37. After this there seems to have been a steady falling off in demand up to the time of our writing this Report. The following table compiled by the Indian Central Jute Committee will be found instructive in this connection :—

Total World Consumption of Jute.*

(Lacs of bales.)

Year. (July-June).	Production by Indian mills.	Export of raw jute.	Consumption of raw jute in villages.	Total consumption.
1932-33	50·8	35·1	1·5	87·4
1933-34	50·8	42·5	1·5	94·8
1934-35	54·1	43·9	1·5	99·5
1935-36	58·9	41·4	1·5	101·8
1936-37	70·6	48·8	1·5	120·9
1937-38	75·4	37·3	1·5	114·2

**Vide* Indian Central Jute Committee, Bulletin No. 12 (March 1939).

The following table, showing the exports of raw jute and manufactured goods, also confirms the above impression :—

Year.	Export of raw jute in tons (000's).	Percentage variation as compared with 1935-36.	Export of sacking bags and cloth in tons (000's).	Percentage variation as compared with 1935-36.	Export of hessian bags and cloth in tons (000's).	Percentage variation as compared with 1935-36.
1935-36 ..	771	100	438	100	354	100
1936-37 ..	821	106	519	118	488	138
1937-38 ..	747	97	523	119	478	135

23. The explanation for this falling off in demand is not difficult to find. The movement of indices of industrial activity from about the second quarter of 1937 to the middle of 1938 disclosed a serious undertone of weakness. In particular countries, e.g., the United Kingdom, the decline was masked by the constant acceleration of the rearmament programme, while in the totalitarian states of the Continent a variety of reasons, which we need not discuss here, kept economic activity at a high level. But, in the world as a whole, both production and trade showed a continuous decline from about the middle of 1937. The index of world production fell from a maximum of about 106 (1929=100) in May 1937 to 92 in December 1937, and 89 in March 1938. Similarly the index of world trade receded to 88 (1929=100) at the end of the first quarter of 1938, after reaching its peak at the end of 1937, when for the first time it touched the pre-depression level. The position in U. S. A. in which country, perhaps more than in any other, the jute industry of this Province is most keenly interested was particularly discouraging. The recession began there about the middle of 1937, and developed at an accelerating rate till the end of the year, and continued into the second quarter of 1938. It was no wonder that, in face of this decline in production and trade, the demand for jute manufactures showed a following off after 1936-37. Although the progress of the recession was arrested about the middle of 1938, the subsequent consumption figures in U. S. A. still revealed an undertone of nervousness and hesitancy. Total consumption during the past six months has been estimated at 366 million yards against 398 million yards during the corresponding period of 1937-38. This decline of 8 per cent. during a period of halting recovery need not raise undue alarms, but the consumption figures for January and February 1939—normally two of the most active months—have again given rise to doubts and anxieties. Whatever be the future of world trade, it will be safe to proceed on the assumption that unless the international political situation improves very remarkably meanwhile, the demand for jute goods is not likely to exceed the peak figures of 1936-37 in the near future.

24. The above inference—it is no more than that—is not likely to be materially vitiated by the recent order for sand bags placed with the Indian mills by His Majesty's Government in the United Kingdom. Welcome as this extension in demand must have been to the mill industry, at a strategically difficult time in its history, it would be futile to expect any substantial amelioration in the demand position from this source. The size of the particular order for sand bags accounted for little more than 3 per cent. of the total exports of gunny bags in 1937-38. Besides, the exports are scheduled to be over by the end of July this year. Even if by the end of this month, the normal trade requirement of jute goods reaches the figures of 1937-38, and the sand bag order can be treated as a net addition to the total demand, the present weakness in the supply position of manufactured goods, to which we shall presently turn our attention, will render any material rise in their prices highly improbable. A series of further sand bag orders spread over a number of months, during which only rumours of war would circulate, but, to the inside knowledge of the trade, no major engagements would take place anywhere in the world, might give a fillip to the demand for jute goods. But this convenient concatenation of circumstances is too fanciful a hypothesis on which to base any reasonably sober estimate of trade requirements.

25. There is another aspect to the question of demand for jute goods, to which a special reference is necessary. Apart from the adventitious aid of sand bag orders, there is one very definite source, from which an extension of demand can be expected. We refer to new uses for jute other than its employment as packing material. A sub-committee of the Indian Jute Mills Association went into this subject, in 1933, along with the allied subjects of competition and expansion of markets, and produced a comprehensive and eminently practical report. We note with pleasure that one of our colleagues, Mr. W. A. M. Walker, was a member of this sub-committee. In view of the fact that the whole report with its enclosures was published as Appendix VII to the Finlow Report, and the carefully worded examination, which it underwent at the hands of the Minority of the Finlow Committee, we do not propose to dilate on this subject at much length. The evidence before us does not indicate the extent, if any, to which the Jute Mill Industry has carried out the recommendations of the sub-committee into practice. But from such materials as we possess, we are inclined to think that very little substantial progress has been achieved in any of the directions indicated by the sub-committee. The further fact that the Indian Jute Mills Association was unable to supply us with information showing the percentage of productive capacity devoted to the new lines of manufacture leads us to conclude that hardly any action worth mention has been taken on the report of the Association's own sub-committee. And yet, as the sub-committee pointed out, the possibilities in this direction were enormous. In his comprehensive report on the jute industry published in the end of 1935, Dr. S. G. Barker, the Technical Expert of the Indian Jute Mills Association, indicated some new lines of manufacture. The principal items were as follows:—

(*a*) Housing—Heat insulation.
Plastic furniture.
Carpets and curtains.
Upholstery.
Blankets.
Wall coverings, etc.

(*b*) Transport—Car upholstery.
Waterproof covers.
Tarpaulins.
Canvas.
Fire-proof, water-proof and rat-proof materials.
Cordage and ropes.

(*c*) Industry—Electric insulation.
Plastic reinforcement.
Wool packs and cotton containers from later proposed materials.

(*d*) Clothes—Mercerised and bleached fibres blending with wool and cotton, etc.

For detailed information, reference may be made to the chart appended to page 40 of Dr. Barker's Report. It is not so much the failure of the jute mills of this country to take to these new lines of manufacture as the prevailing complaisant attitude of the majority of the jute mills towards this far-reaching problem of re-organisation that is a matter of serious practical concern to us. The problems of change-over from the present standardized lines of manufacture to the new types are not

very easy of solution. The difficulties are not merely technical and financial, but also involve problems of marketing and risk-bearing on a scale hitherto unknown to the management of the jute industry. While we realize the magnitude of these problems, we are at the same time convinced that it is only on their successful solution that the long-range future prosperity of the industry will depend. The present seems to us to be a particularly opportune time for the majority of the jute mills to embark on a forward policy and to evolve constructive schemes to adapt themselves to the changing currents of demand. Instead of using their financial reserves merely to offset their losses when these occur, they might with greater advantage, and perhaps with more lasting benefit to themselves divert their resources to specially selected lines of manufacture. This is an aspect of constructive rationalization, which we strongly commend to the management of the jute mill industry of this country. For, apart from "world causes", over which they have little or no control, this is the only way, in which they can permanently increase the demand for jute goods, and through them the demand for raw jute. The recent developments in the policy of restriction of production adopted by the Jute Mill Industry of this country have raised this question to the level of an urgent practical issue. The reduction of working hours to 40 from the maximum of 54, which prevailed till about the middle of last year, coupled with the latest Indian Jute Mills Association plan of sealing up a number of hessian looms is tantamount to a curtailment of productive capacity to the extent of over 30 per cent. This reduced capacity will necessarily involve a proportionate reduction in the consumption of raw jute. It has been estimated that, under the existing arrangements, the Indian jute mills will require barely 50 lacs of bales a year. If the purchasing power in the hands of the jute-growers is not to be substantially reduced, this decline in the normal consumption of raw jute by the jute mills has to be offset by a corresponding increase in its uses along other new and hitherto untried lines of manufacture. It is difficult to foresee how long the present restrictive arrangements of the jute mills will last, in any event, having regard to the trend of world consumption, which we have already examined, it will be extremely hazardous to assume that the mills will revert to very much longer working hours in the immediate future. The odds are heavily against the restoration of the pre-restriction working hours, at any rate, during the currency of the Jute Mills Working Agreement. If this forecast is even approximately correct, the urgency of the need for diversion of productive capacity to new lines of manufacture becomes manifest.

Some of us consider that Government should take a more active interest in this question than they have done hitherto, and if the jute mills continue to persist in their complaisant attitude, should take all possible steps to induce the more enterprising and far-sighted among them to transfer or invest resources in new lines of manufacture. We are unable to prescribe any particular line of action for Government to adopt, but we hope that, with Government encouragement and support, some of the mills, at any rate, will find it worth their while to explore the possibilities of new lines of manufacture.

26. There is another aspect to this question of finding new uses for jute which deserves more than a passing notice. In course of our historical retrospect, we have already referred to the once flourishing condition of the handloom industry in jute, and how it gradually decayed on account of the rapid mechanization of the industry. The

Minority of the Finlow Committee recommended that the potentialities of the dying handloom industry in jute for turning out speciality articles like *satranchis*, *asans*, carpets, etc., should be fully explored. The present Director of Industries in his interesting work on a "Recovery Plan for Bengal" published a few years ago also indicated the possibilities of the development along this new line. We understand that the efforts of the department along this direction have been hitherto confined to demonstration lessons given at different places by a number of peripatetic demonstration parties. It is not for us to evaluate the work of these departmental demonstration parties, but we are inclined to think that no large scale increase in demand for jute goods is likely to result from the activities of these peripatetic parties. Here, as in the case of many other cottage industries in this country, the fundamental problems appear to us to be those of efficient production and up-to-date marketing. These have to be satisfactorily solved before any substantial results can be achieved. But we have no doubt that the rehabilitation of the handloom industry in jute, in the way we have indicated, will go far to increase the demand for raw jute and to diversify the subsidiary occupations now available to the peasantry of Bengal. We therefore recommend that a determined effort should be made by the Department of Industries to exploit the possibilities of jute in this direction.

(2)

27. Apart from increase in demand, the only other ways in which the prices of jute goods can be increased are (*i*) control of production, and (*ii*) direct manipulation of selling prices. The first method is familiar to all students of recent jute history, and will be presently discussed at length. The other method, which now appears to have been discarded by the industry once for all, was not without its interest to an earlier generation. On two different occasions—once in 1890 and again in 1900-01—this method was tried but found wanting. If a policy of direct price-agreement failed in those earlier years, when competition within the local industry as well as outside it was less severe than it is to-day, it is definitely not a practical proposition at present. A variant of this method has however been suggested from time to time. Its object is not to manipulate the prices of the local products, but to force up the prices of the products of the competitive sources of supply abroad and thus to increase the relative competitive advantage of the local industry. The possibilities of this latter type of manipulation arise from the fact that raw jute is still a conditional monopoly of the jute-growing Provinces of India, and by the exploitation of this monopoly position, we can, within limits, and subject to well-known conditions, affect the price of manufactures not only of this Province, but also of other producing countries as well. As the analytical and practical problems, involved in these two methods are essentially different, it is necessary, in the interests of clear thinking, that they should be discussed separately from each other. We, therefore, propose to consider the policy of control of production before we examine the implications of the other method.

28. Unlike the cultivation of raw jute, the manufacture of jute goods is not a monopoly of this Province. Consequently, the adoption of restrictive policies by the jute mills of Bengal has seldom been directly inspired by the desire to secure monopolistic profits far in excess of the return legitimately due to the capital invested in them. On the contrary, their *raison d'etre* has usually been the maintenance

of prices in right relation to long-period average costs through the temporary sterilization of surplus capacity. To say this is not to justify the restrictive policies pursued by the jute mills from time to time; our comments are intended merely to interpret and explain them. The most outstanding fact about the history of the Calcutta Jute Mill Industry during the last fifty years has been the race between expanding demand and increasing productive capacity, in which the latter has almost invariably outdistanced the former*. The following table will show the rate of increase of productive capacity as compared with the Indian Jute Mills Association consumption of raw jute. The latter figures have been taken to represent the volume of actual production of jute goods:—

†Year quinquennial.	Total loomage.	Increase (+) or decrease (−) over the previous average.	Indian Jute Mills Association consumption of raw jute (tons).	Increase (+) or decrease (−) over the previous average.
1897-98 to 1901-02 ..	14,098	..	413,000	..
1902-06 ..	19,705	+39·0	550,000	+33·2
1907-11 ..	30,159	+53·1	707,000	+28·5
1911-16 ..	36,919	+22·4	900,000	+27·3
1917-21 ..	39,858	+7·9	912,000	+1·3
1922-26 ..	46,833	+17·5	940,000	+3·1
1927-31 ..	54,092	+15·9	957,000	+1·8
1932-36 ..	60,397	+11·3	801,000 (average for four years from 1932-36).	−16·3

It will appear from the above table that while Indian Jute Mills consumption of the raw material abruptly slowed down after the Great War, their productive capacity continued to increase at a rapid rate. This was, of course, largely due to the increased investment of capital in the industry as a direct result of the high profits earned by the jute mills during the Great War. This incentive of high profits continued to exist not only throughout the Post-war years, but also after the onset of the world depression in 1929. The total loomage of the jute mills in 1932 registered an increase of 11·3 per cent. over the quinquennial annual average of the years 1927-31, although the average consumption of raw jute by the Associated Mills had increased by only 1·8 per cent. during this period. The productive capacity continued to increase uninterruptedly till, at the end of 1938, the total loomage had increased by 9·4 per cent. over the figure for 1932. The consumption of raw jute during this period had fallen by over 15 per cent. This widening maladjustment could continue only on account of the almost continuous policy of restriction of output pursued by the mills till the beginning of 1936. In its immediate effects, the policy undoubtedly succeeded.

*For further details the inquisitive reader may refer to Chapter X and the subsequent chapters of Wallace's "Romance of Jute" (1928).

†Compiled from statistics collected from the "Capital," Jubilee number, 1938, pp. 40-43.

It is difficult to see how else the prices of manufactured goods could have been maintained, at the levels which they reached, during all these years. But it was essentially a short-period result; and in the short period, the effect of this policy on raw jute prices was bound to be deleterious particularly if the statistical position of the fibre was already weak. The policy could be justified only as a stepping stone to a long-period stable policy of rationalized and co-ordinated production. This argument gains additional strength from the fact that there are reasons to believe that, even if the demand for jute goods of the class, which the Indian mills manufacture, were to attain its probable maximum level, it would not suffice to absorb the aggregate potential productive capacity of the mills. The case for a policy different from that of mere control of output thus becomes increasingly urgent. What the present circumstances of the industry call for is a cure and no mere palliative. Commenting on a situation similar to that of the jute industry in this Province, a competent critic has thus observed in a different context:—

"under the most favourable conditions, the benefits of restriction are mostly doubtful, and depend very largely on chance. In actual practice such conditions are most unlikely to be fulfilled. It is obviously most difficult to prevent some addition to capacity, for usually there will be some outsiders, who, being on full production, will be making good profits, and who will be perfectly safe in expanding capacity, provided it is of the most up-to-date character. It may also be difficult to prevent expansion by the low-cost producers..... Finally experience shows that once a restriction scheme is firmly established, the temptation to raise prices so as to give the high-cost concerns some profit is very great. Restriction, if successful, is in practice a slippery slope"*. The history of the restriction policy pursued by the Indian Jute Mills fully illustrates this remark. In their memorandum addressed to the Indian Jute Mills Association in August 1935, the Government of India appear to have had similar long-range considerations in mind, when they impressed upon the industry the need for rationalization of the industry. Notwithstanding the stringent terms of present Jute Mills Working Agreement, these considerations have lost none of their validity; and we strongly suggest that the breathing space afforded to the industry by the present Agreement should be utilized to examine constructively this question of elimination of surplus capacity, in all its bearings.

29. There are two other aspects of this question of surplus capacity which deserve more than a passing notice. (1) Firstly, as the surplus capacity of the industry has not been decapitalised, but only kept in cold storage for the time being, presumably the burden of service of the capital invested in it as well as its maintenance must continue to be borne by the industry. The precise nature of this burden will depend *inter alia* on the particular way in which this surplus capacity has been financed. If the investment has been of such a nature as to require regular and peremptory service, this may induce an element of weakness in the price-policy of the mills, which many partially offset the advantages to be derived from the policy of control of production. The absence of any widespread phenomenon of weak selling, however, suggests that the investment in the industry is perhaps very largely of a different character. (2) Secondly, the existence of large surplus

*J. W. F. Rowe—Economic Journal, September 1930, pages 405-406.

capacity implies that, in the long run, a portion of the price realized by the sale of goods would be appropriated by the capital idly locked up in the surplus capacity. The cumulative result of these processes would be to reduce the balance available to the other active factors of production, including the growers of raw jute. Viewed in this light, the surplus capacity of the jute mills is a concern not merely of the manufacturing industry, but of the jute industry as a whole.

30. We regret that, on these highly interesting aspects of the problem, the existing statistical information at our disposal is extremely meagre, and no quantitative analysis has been found possible. It is unfortunate that our efforts to obtain some of the relevant statistics on this subject from the Indian Jute Mills Association met with little success. It is true that in 1935, the Association, in their reply to the Government of India Memorandum, pointed out the financial difficulties in the way of any workable scheme of elimination of surplus capacity. But the reply of the Association does not obviously contain the last word on this subject. In view of the importance of this question and of our inability to examine it adequately, for lack of data and other reasons beyond our control, we consider that it should be the subject of a detailed examination by a small Committee of experts, including representatives of Government and the manufacturing industry. Elsewhere we have mentioned a number of other subjects connected with the manufacture of jute goods, which should, in our opinion, be also the subject of enquiry by an expert Committee. We suggest that all these technical questions affecting the industrial side of the problem might be conveniently referred to one such competent Committee, which should be vested with the authority to call for all necessary data and information from all branches of the industry.

(3)

31. In the foregoing paragraphs, we have endeavoured to examine the influences at work on the side of demand as well as of supply, which are likely to affect the prices of jute goods in the near future. The few recommendations and suggestions that we have been able to make have been designed to increase the competitive strength of the industry in the world market. In this, our object has been to secure a reasonable price for the products of the industry. For, as we have already stated, in the long run, the prices of raw jute must follow in the wake of the prices of manufactured products. At this stage, we must, however, enter a caveat against a form of argument which is apt to overlook or deliberately ignore the limitations under which the pricing policy must always work. Whether the prices of jute manufactures are raised by normal competitive methods, or by the exercise of monopoly power, there must be a limit beyond which it would be highly imprudent, on the part of the industry to push up prices. Even if the rise in price of the jute goods manufactured by the local mills does not deprive them of their competitive advantage in the world market, there is the perpetual potential risk of alternatives and substitutes taking the place of jute or of alternative methods of handling goods being adopted on a large scale. The following extract from the reply of the Committee of the Indian Jute Mills Association to the memorial addressed to the Bengal Chamber of Commerce by the Dundee Chamber of Commerce and the London Jute Association many years ago

are so obviously to the point that we make no apology for quoting it *in extenso*—"The argument used or implied, by the jute interests of the United Kingdom is that jute, being an absolute monopoly of India, and being also a commodity essential in the carrying trade of the world, an advance in price need not occasion any concern to producers and manufacturers. For the past history of the fibre shows, according to this view, that a great and permanent advance in price has failed to bring any competitive fibre into existence; and that there is no reason to apprehend any different result from a still higher range of prices. There is, of course, much to be said for this argument, but the Committee do not find it to be altogether convincing. They take the view that there must be a limit to the price, and that when that limit has been reached competitive substitutes will come into use. In other words they do not consider the monopoly to be absolute, but conditional, the condition being the price." This was written as long ago as 1917. Bulk-handling and the use of alternative and substitutes have increased enormously in the intervening years, and have greatly strengthened the force of the above argument. We regret that the present state of our knowledge does not enable us to state precisely the quantitative loss of trade in jute goods, which the industry has suffered as a result of the competition of cheaper alternatives or substitutes, or in consequence of the adoption of the method of bulk-handling. In real life, so many other factors—including those of a non-economic character—affect the course of consumption, that it is extremely difficult, if not impossible, to state, at any particular time, how much of one particular trade has been displaced by another merely on account of the price factor. The evidence that we received on this subject did not indicate that there was any large-scale displacement of jute by the use of substitute fibres; nor did it show that the volume of jute substitutes actually in use at the time of writing our report was appreciable. We were also told that the search for substitutes, which has been intensified since the onset of the trade depression in 1929-30, was primarily inspired by nationalistic motives and the desire to be self-sufficient. These facts show that with prices, ruling as they are at the time of our writing this report, the danger from substitutes at present is comparatively remote. Nevertheless, we realise that the existence of such alternatives and substitutes sets a limit to the increase of prices of jute goods. In the present state of our knowledge, this limit can be determined only empirically, but a limit exists none the less. As both the Majority and the Minority Reports of the Finlow Committee discussed this subject at considerable length, and much of the information contained in them still retains its value, we do not think any useful purpose will be served by our going over the same ground again. Instead, we enclose, as an appendix to this Report (Appendix III), the valuable memorandum, which we received on this subject from the Indian Central Jute Committee. We are gratified to find that this Committee have kept this question in the forefront of their enquiry, and have been publishing valuable materials on this point, not easily available elsewhere, in their monthly Bulletins. We make two suggestions, however, in this context, which we expect it will be possible for the Judian Central Jute Committee to accept at once. Much of our present talks about the effects of price movements on consumption—a vitally important matter for the jute trade—is of a somewhat "woolly" character, as they lack statistical background. It would be a very useful addition to our knowledge

if the technical staff of the Indian Central Jute Committee could be employed on detailed quantitative investigation into the conditions of demand for jute goods both in this country and abroad, and also into the conditions of demand and supply of other competitive fibres, so that the relative strength or weakness of jute *vis-á-vis* its substitutes and alternatives could be assessed quantitatively with reasonable precision. Detailed investigations on these lines should enable the Indian Central Jute Committee before long to throw sufficient light on the elasticity of demand for jute goods—enough light, at any rate, to dispel the darkness and confusion, which at present hinders the adoption of an enlightened and assured price-policy. Secondly, we suggest that the Indian Central Jute Committee should compile index number of the prices of (*i*) raw jute, (*ii*) jute goods, and (*iii*) other manufactures which are used as substitutes for jute goods, e.g., roselle bags, cotton bags, sisal products. It would be also desirable to have composite index numbers of the more important manufactures, which may be used as substitutes for jute goods. It is not to be thought that these statistics would transform the present empirical methods into a mechanical business, and would enable the industry to mark with absolute precision the exact point up to which prices can increase without any substantial fall in consumption. Empiricism, which is sometimes but another name for business acumen, will continue to exist. But the existence of a range of relevant and reliable data will be a gain not merely to clarity of thought but also to informed action, if they succeed, even though to a very limited extent in helping us to escape from our present state of almost complete nescience on this subject.

(4)

32. In sub-section (2) of this chapter, apart from the control of production, direct manipulation of the prices of competitive foreign sources of supply, through the price of the raw-material, was mentioned as a possible method of increasing the differential advantage of the local mill industry. It was implied that the induced rise in the prices of local manufactures would be a net addition to the profits of the local manufacturers and would enable them to share these increased earnings with the growers of raw jute. We have carefully considered the possibilities of this method. The present does not seem to us to be an opportune moment for trying this method. The condition of world trade in jute is far too disturbed at present, and it is difficult for us to foresee the repurcussions of such a policy. It may well be that any such action on our part may give a strong impetus to the principle of self-sufficiency, which is already a regulator of national economic policy in most countries of the West, and may stimulate researches for the discovery of substitutes or a change-over of consumption from jute to other substitutes. All that we have observed in general terms in the previous sub-section, as to the limits of a rise in the price of jute goods, applies equally well to the method under discussion here. Beside the adoption of the method would, in its practical consequence, amount to a subsidy to the local industry. Its present competitive position in the world does not call for any such measure of assistance. Besides, as long as the jute industry does not set its house in order but maintains potential capacity in excess of the needs of the market, the consequences of such a policy would be to encourage either actual production or the use of the extra margins to increase the profitability of the mills, which

is already at a low ebb. Apart from these, there is the fiscal consideration, into which we need not enter. We do not, therefore, look for any material improvement in the position of the local industry or any substantial rise in the price of local products from any policy of discrimination against foreign producers at present. The problems of our industry are at present essentially domestic, and must be satisfactorily solved before any other manipulative action can be contemplated.

33. It would be convenient at this stage to say a few words about another source from which increased profits, and perhaps increased earnings to growers of jute might accrue, viz., a reduction in the cost of manufacture of jute goods. In paragraph 19 of chapter III, we pointed out that the efficacy of this method for this purpose would depend primarily on the price-policy of the jute mills. If, however, the price-policy remains unchanged, and the mills are already earning a normal profit, the economy effected by lower costs of manufacture will be the maximum measure of the increase in raw jute prices that might be secured by the jute-growers. That substantial amelioration in the position of jute-growers might have been expected from this source, only a few years ago—particularly in the pre-depression years—would be evident from the table of jute manufacturing profits which we have included in paragraph 92, chapter VII, of our report. *Prima facie* no such scope exists at present. But we are not on sure ground as to what the prospects of "tapping" this source are, in the near future, when the fortunes of the jute industry may be expected to improve. Our greatest handicap has been the almost complete lack of data as to costs of production of manufactured goods, and as to the relative proportions, which the earnings of the different factors of production constitute of the total cost. We have already recommended the appointment of a competent expert committee to go into the entire manufacturing side of the trade. We suggest that one of the most important terms of reference of his committee should be the ascertainment of these costs of manufacture. Since industrial costing is nowadays largely a reflex of the structure of the industry concerned it should also be a function of this committee to examine carefully the competitive efficiency of the present organization and system of management. Till we possess reliable information on all these matters, and authentic data as to costs of production, it is useless to pursue this subject any further. The data that we seek to obtain will be also essentially necessary to enable Government to arrive at their conclusion on some other aspects of the jute question. In chapter VII of our report we have discussed some of these considerations.

CHAPTER V.

THE PROBLEMS OF REGULATION OF PRODUCTION OF JUTE.

34. In the previous chapter, we have discussed the factors which affect the price of jute goods. We have seen that on the demand side, apart from the discovery of new markets and new uses of jute, the scope for effective unilateral action by this country to stimulate the demand for this fibre is small. On the supply side, however, as we have tried to show, the position of the industry is intrinsically much stronger, although for some years now it has suffered from a surfeit of productive capacity. We have argued that once this capacity is reduced to the normal requirements of the trade, the industry's position would be stronger and its ability to influence prices would be much greater. From this, however, it does not follow, as we have pointed out earlier, that the prices of raw jute will automatically follow the course of prices of jute goods. In order to get the full measure of the benefit of any rise in the price of manufactures, some further conditions must be fulfilled. As we pointed out in paragraph 19 of chapter III, it will be necessary, in the first place, that the production of raw jute should be appropriately regulated. Secondly, the considerations mentioned in paragraph 20 of the same chapter should be borne in mind. It will be necessary to ensure that the imperfections of the market do not affect the pricing processes to the detriment of the growers of raw jute. This brings us face to face with some of our specific terms of reference, to the first of which, viz., Regulation of Production, we shall now address ourselves. In the following chapter, the problems of marketing and their bearing on raw jute prices will be considered.

35. Before we proceed further, we consider it necessary to distinguish between two sets of analytically different considerations which may inspire a policy of regulation of cultivation of jute. In paragraph 19 of chapter III, we argued that the price of raw jute could benefit from a rise in the price of jute manufactures, only if cultivation of jute was regulated in accordance with the effective demand for it. This was one reason for the adoption of a policy of regulation of cultivation of jute crop. We also argued that, given the price of jute goods, the price of the raw material could be raised by restriction of its output. Analytically such a policy is essentially different from the other type of regulation. As we indicated there, this latter type of regulation could succeed only if some definite conditions were fulfilled. Not only must the other factors of production be "squeezable," but it was also necessary that the price of raw material should constitute a small proportion of the total cost of jute goods, and the demand for these goods should be inelastic. We do not think

that, in the case of jute, these conditions are always amply fulfilled; certainly they are far from being fulfilled now. In the history of the jute industry of this Province, there may have been many periods when such a policy was perhaps justifiable. But whatever might have happened in the past, at present we do not advocate regulation of cultivation based on this motive. The object of the regulation that we contemplate should be to equate the supply of the fibre with the effective demand for it. In order to achieve this object, it will be necessary to ensure that, at the end of the season, there is no excess of raw jute, after due allowance has been made for the stock requirements of the industry. To the parctical problems raised by this policy we shall now address ourselves.

36. It may be useful to point out at the outset that the circumstances which face us to-day are somewhat different from what they were when the Finlow Committee reported in 1933. Although there is no clear indication of appreciation of this particular position anywhere in the Report, it was the large accumulation of stocks of raw jute, when the Committee reported at the end of 1933, that provided the principal motive and justification for the policy of restriction which they recommended. It was not so much the excess of annual production over current demand as the existence of accumulated stocks which primarily kept prices low during this period. The nature of the influence, which stocks can exert on prices is well described in the following excerpt from a note written by a competent observer in 1932:—"In considering the causes of the slump in prices since 1929, the influence of over-supply, particularly in the form of accumulated stocks, is frequently overlooked or unduly minimised. It may be true that over a long period the increase in production has not been abnormal * * * but it seems equally true that in the period since 1929, an entirely exceptional and unprecedented position has arisen owing to the world's markets being burdened with enormous stocks * * * In some cases demand declined, but the essential fact was that stocks, having been once accumulated, could not be reduced because annual production continued to be approximately equal to current demand. These stocks dominated the market, and produced a condition of over-supply which was a major influence in the fall in prices." As Mr. (now Hon'ble Mr.) N. R. Sarker, a Member of the Finlow Committee, pointed out later on, "The position of the trade to-day is that the yearly yield and consumption of jute are practically equal—if anything, the position has come under pressure of various circumstances such as depressed level of prices, crop restriction propaganda, etc., to be distinctly favourable to supply". It was not the annual overproduction of jute but the heavy stocks of the raw material with the jute mills that kept prices depresed during the early thirties. The primary object of regulation at this time was, therefore, the reduction of stocks.

37. This position has obviously changed in course of the last few years. Reliable information as to the stock position of the foreign mills is difficult to obtain, but there can be little doubt that during the last two years their stocks of the raw material have been considerably depleted. The stocks of raw jute in the hands of middlemen both in Calcutta and up-country are, on all hands, estimated to have been

brought down to an irreducible minimum. The following statement* will show that since 1934 there have been hardly any net additions to bazar stocks, while mill stocks have fallen heavily.

(The figures are in lacs of bales.)

	1934-35 (July-June).	1935-36 (July-June).	1936-37 (July-June).	1937-38 (July-June).	1938-39 (July-June).
1. Total receipts in Calcutta, Chittagong and non-jute growing areas.	102·58	85·76	112·24	104·25	89·65

Vide page 13, World Agriculture—An International Survey (1932).

*The figures for the years 1934-35 to 1937-38 have been supplied by the Indian Central Jute Committee. Those for 1937-38 have been compiled from trade statistics obtained from different sources.

(The figures are in lacs of bales.)

	1934-35 (July-June).	1935-36 (July-June).	1936-37 (July-June).	1937-38 (July-June).	1938-39 (July-June).
2. Village consumption of jute-growing areas and purchase by Bihar mills.	1·25	1·50	2 31	2·38	2·38
3. Total (1+2) ..	103·83	87·26	114·55	106·63	92·03
4. Exports ..	43·86	41·36	48·84	37·28	39·00 (approximately).
5. Balance ..	59·97	45·90	65·71	69·35	53·03
6. Purchase by Indian mills.	60·54	47·78	63·56	66·60	53·75
7. Balance ..	−0·57	−1·88	+2·15	+2·75	−0·72

Statement of variations of mill stocks.

(In lacs of bales.)

	1934-35 (July-June).	1935-36 (July-June).	1936-37 (July-June).	1937-38 (July-June).	1938-39 (July-June).
1. Purchase by Indian mills.	60·54	47·78	63·56	66·60	53·75
2. Consumption of raw jute by Indian mills.	54·14	58·94	70·60	75·42	60·67
3. Variations in stocks ..	+6·40	−11·16	−7·04	−8·82	−6·92

It will appear from this statement that during the last four years, mill stocks were depleted by over 27 lacs. At the end of June 1938,

the total mill stocks were authoritatively estimated at 29·23 lacs of bales. At present they appear to be a little over 22 lacs of bales, which is equivalent to a consumption of about five months and half, at the present rate of production. When it is remembered that the mills must retain from five to six months' consumption of raw jute for their continuous working, their present stocks appear to be the minimum that they must retain. It will be seen that the problem of regulation has, thus, acquired a new orientation. It is no longer a question of mere reduction of excessive stocks; it implies continual adjustment of supply to demand as part of the process of orderly production.

38. We need hardly emphasize the point that our advocacy of this policy does not imply that we are in favour of restriction of cultivation, irrespective of whether the conditions of supply and demand for the fibre warrant this step. It is quite conceivable that if the present strong statistical position of raw jute can be maintained, we may well arrive at a situation, in the not too distant future, when restriction will cease to be a practical issue. But, even then year to year adjustment of supply to demand would be necessary. What is therefore of major practical importance is to lay down a normal programme of work for regulation of the crop in accordance with the effective demand for it. It will be for the responsible Government of the day or the particular *ad hoc* body entrusted with this work to prescribe the extent of regulation from year to year, but this can be only done if the essential preliminaries necessary for this course of action have been already taken in hand.

39. Before we come to methods and details, it is necessary to refer to one theoretical objection of considerable force. It is sometimes argued that, what the cultivator is interested in is not the price per maund but the total receipts from the sale of this output of jute. In so far as regulation may involve restriction, it is contended that a reduction in the output may not proportionately raise its price, with the result that a cultivator's receipts from the sale of his stock of jute may fall below his income from this source before restriction was enforced. In this hypothetical form, the argument is certainly plausible. While we recognize this, we regret to say that, by its very nature, the argument is one which is more easily stated than answered. If the bargaining strength of buyers and sellers had been equal, and the market for jute had been properly organized, we would have said that, other things being equal, the effect of a reduction in output on the price of raw jute would depend primarily on the elasticity of demand for the fibre. That would have taken us one step further in the solution of our conundrum, but after all not very far. For, in the present state of our statistical knowledge, it is impossible for us to express any definite opinion on the nature of the demand for raw jute. Elsewhere, we have suggested that the Indian Central Jute Committee should engage in investigations into this subject. Till more reliable data are obtained, we shall have to rely on the empirical judgment of witnesses best qualified to speak on this point. From the balance of opinion we have received on this subject, as well as on *a priori* grounds we are inclined to think that at a time, when stocks of the fibre have been reduced to the minimum, even a small reduction in the total output is bound to be felt as a severe pinch, and is likely to lead to a substantial increase in the price. This will be particularly so when

business and trade are on the upgrade. The price movements since the beginning of this year seem to us to support this argument. Without committing ourselves—as, indeed, in the present state of our knowledge we cannot do—to any more precise conclusion, we may state that as long as the statistical position of raw jute remains as strong as it is now, a reduction in output will substantially raise the price of raw jute. As we have already indicated, the relative low bargaining strength of the cultivators may very well prevent them from getting the full share of this rise. That is, however, a matter which raises issues of a different kind, which we shall discuss in the following chapter.

40. There are some further relevant considerations, which detract from the force of the above objection. Even if it were proved that the demand for raw jute was highly elastic, and a reduction in the total supply would fail to raise its price proportionately, that would not affect the case for restriction provided the existing statistical position justified this course. The alternatives are not between the income of the cultivator from his sale of jute before and after the prescribed measure of restriction was enforced; but between his *net* earnings for jute on the restricted area *plus* those from alternative crops grown on lands released from jute on the one hand, and, on the other, his *net* earnings from jute grown on the unreduced area. On a careful consideration of these alternatives, we are inclined to think that, unless the cultivator is suddenly called upon to withhold sowings from a large percentage of his jute lands—a contingency which we do not foresee in the near future—the majority of the cultivators are likely to gain by appropriate action under the former alternative. This objection on the score of a possible reduction in the jute-grower's income does not, therefore, appear to us to be valid against a policy of regulation involving restriction of output.

41. Two other practical difficulties, which go to the very root of the principle of regulation of output deserve to be separately considered. In the first place, there is the problem of the co-operation of the other jute-growing provinces. Although Bengal produces over 85 per cent. of the total jute crop every year, a policy of regulation, to be fully successful, must embrace the other provinces as well. We are not acquainted with the views of any of the Provincial Governments, but we have no reason to suspect that in a common policy, initiated for the benefit of the jute-growers as a whole, the other two provinces would not co-operate. What is good for the cultivators of Bengal must ultimately be also good for the cultivators of Assam, Bihar and Orissa. It should be further remembered that the market for Bihar and Assam jute, which is of a definitely inferior quality to that of Bengal is very much limited, and that the premium which the jute of these two provinces enjoys at present by its free entry into Bengal and unchecked adoption of Bengal marks can be maintained only if these two provinces agree to co-operate with Bengal in a common policy of good for all. If the Bengal Government approach the other provinces with a definite workable scheme of regulation, we have no doubt that prudence as well as self-interest will induce the other provinces to join in it. Apart from the fact that negotiations cannot for very long proceed *in vacuo*, we think it would also be a tactical mistake to stay all action and wait indefinitely till an agreement

between the jute-growing provinces has been reached. We therefore recommend that, Government should take steps to work out the details of the organization that would be necessary to implement a policy of regulation, and then enter into negotiations with the other jute-growing provinces to adopt a uniform policy and a common plan of action.

42. The other major practical difficulty which has been brought to our notice is the absence of any suitable *kharif* crop, which might be used as a substitute for jute on the lands released from the cultivation of this crop. As this question was gone into carefully by the Finlow Committee, we do not propose to examine it at much length. In our view, the difficulty is real, and cannot be altogether ignored. Sugarcane is not an exact substitute even in those areas where it can be grown on lands suitable for jute. For one thing, it is not a seasonal crop in the sense that jute is. Secondly, unlike jute, sugarcane is a perishable crop, which must have a ready market as soon as it is taken off the field. As long as a sufficient number of sugar mills is not established in the cane areas, so as to ensure a steady demand for the sugarcane grown there it would be futile to ask the cultivators to grow this crop on an extensive scale. The cultivators of Sarisabari, in Mymensingh, complained to us bitterly of their experiences in this respect, and we were constrained to admit that there was considerable substance in their grievances. Lastly, as the Finlow Committee pointed out, the total acreage under sugarcane, necessary for the current requirements of the province, would constitute a very small percentage of the present area under jute. In spite of all these drawbacks, we think sugar could be a substitute for jute in most of the comparatively high lands which now grow this fibre; and, with the increasing establishment of sugar mills in this province, substitution of sugarcane for jute will perhaps render the jute-growers' problem easier of solution than they otherwise would have been. The only other crop that in our opinion could be used as a substitute for jute is deep-water *aus*. We believe the province could easily absorb an addition to its existing supply of the food-crop to the extent of a minimum of a lakh of tons at the present low level of consumption. At a higher rate of consumption, the substitution might, of course, go very much further. Apart from these two crops, there do not seem to be any other suitable substitutes for jute. In particular, in *Char* and *bil* areas, and in low-lying areas, jute must continue to be the principal crop as long as no other suitable, seasonal, *kharif* crop is found out. Special provision for such areas must be made in any scheme of regulation of production.

43. Coming to methods and organisation, it seems to us that in view of the very limited results achieved by voluntary propaganda, the case for the principle of compulsory regulation of production is logically irresistible. That voluntary method succeeded in the first year of the concerted restriction propaganda started since 1934 (1934-35) was admitted to us by all shades of opinion; but its failure in subsequent years was also no less strongly emphasized. That voluntary propaganda has had enormous educative influence has also been generally recognized. It is also arguable, as some competent witnesses observed, that, but for the voluntary propaganda, the acreage under jute would have increased substantially—at any rate, in the

earlier years of the policy of regulation. Into the details of these arguments, we do not consider it necessary to enter. In view of the consensus of opinion on this subject, and the statistical information at our disposal, we are constrained to observe that if an adequate measure of correlation between supply and demand has to be achieved, we must in future depend more upon compulsion than upon the unenlightened self-interest of the average cultivator.

44. The principal difficulties in the way of giving effect to any scheme of compulsory regulation are essentially (*i*) statistical, and (*ii*) organizational and administrative. The statistics of demand are largely based on trade estimates and we understand the efforts of the Indian Central Jute Committee to obtain more accurate figures have not yet met with complete success. We may note here that the statistics of demand include not merely authoritative estimates of future consumption but also compilation of existing stocks of the raw material throughout the world. Our Commercial Intelligence Service will have to be very much strengthened before we can obtain reliable data on this subject. For the present, however, we can proceed on such estimates of consumption and stocks as can be readily collected with the resources available at our disposal. In a subsequent paragraph, we have recommended that Government should at a very early date, arm themselves with the necessary legislative powers to obtain figures of stocks from local middlemen, merchants and consumers. When these statistics are available, forecast of demand will stand on a comparatively sure basis. Besides the Indian Central Jute Committee might help the Government a good deal on this point. It is the statistics of supply that present more formidable difficulties. In a later chapter, we shall examine the reliability of our present forecast figures. But for our present purpose, we shall require not merely the aggregate acreage figures, but also the acreage under jute held by each cultivator. The necessity of this latter set of figures arises from the fact that, in our judgment, any workable scheme of regulation must proceed on the ultimate basis of allocation of acreage quotas to individual cultivators. No other short-cut scheme of control, however simple it might look on paper, is likely to be effective. Any practical scheme of restriction, in this country, must directly attack the source of production and give a definite and unambiguous direction to the average jute-grower. We are aware of the common objection that regulation of acreage may not ensure regulation of output. We recognize that, in order to correlate acreage reduction to the extent of crop restriction that we desire to achieve, it will be necessary for Government to improve the figures of standard yield as well as the methods of measuring variations in the seasonal condition factors. With the co-operation of the Indian Central Jute Committee, it should not be difficult to effect these improvements in course of a few years. And once this is done, in the existing condition of agricultural production in this country, it will be possible to deduce the output of the crop from the acreage figures with a reasonable degree of accuracy. We expect that the scope for intensive cultivation will remain comparatively small in this country for some years to come. Nevertheless, it will be necessary to make due allowance for this factor in arriving at the estimate of the total acreage of land to be sown with jute, and we recommend that this factor along with the others that we have mentioned towards the close of this paragraph should be carefully considered by the department or the *ad hoc* body

entrusted with the execution of the scheme of regulation. In an Appendix (IV) to this Report we include a critical note on this subject prepared by our Secretary which discusses the administrative and practical difficulties in the way of some alternative schemes, which adopt a different basis of regulation. As we are generally in agreement with the views set out there, we need not not labour this point any further. In order that the acreage under jute held by each jute-grower may be ascertained, we propose that a registration of all jute lands should be made every year, well in advance of the sowing season. The details of the process of registration, which we envisage have been worked out in a Note on this subject, submitted by the Director of Land Records, Bengal, which we enclose as an Appendix (V) to this Report. Further elucidation of this aspect of the problem is therefore unnecessary in this context. We would merely note that even in class II jute districts it is essentially necessary that registration should be accompanied by adequate checking. Otherwise it will be difficult to obtain reliable figures of acreages under jute held by the growers in these districts. As soon as we have got reasonably accurate figures of the jute holdings of the individual cultivators, we can proceed, on the basis of our statistics of demand, to allocate acreage quotas to them. These are the bare outlines of the statistical part of the work that we contemplate. As we have already indicated, several other considerations, e.g., seasonal condition factors, errors of estimation, etc., will have to be taken into account in the compilation of necessary statistics. Needless to say, these details will be the primary concern of the particular body entrusted with this work.

45. We now turn to the organisation that will be necessary to enforce regulation on the basis of the allocated quotas if and when it is decided to do so. It will be enough for our purpose if we indicate only the broad outlines of this organisation, leaving the details to be worked out by the competent body that might be set up to administer the scheme of regulation. Logically, the following distinct stages are involved:—

(*i*) allocation of quotas,

(*ii*) enforcement of quotas, including punishment for breaches of the regulations, and

(*iii*) supervision and control.

(*i*) The allocation of quotas will have to be made through licenses to be issued to the jute-growers well in advance of the sowing season. This will be conveniently done by the agency appointed to register the jute lands. For, once the registration has been done accurately, the issue of licenses becomes largely a mechanical process, except where some special provisions have to be made. As we have already indicated, the low-lying areas which can grow nothing but jute will require such special treatment. Such special provisions will have to be made, under rules prescribed for this purpose, by the thana jute

officers, whose appointment in all jute-growing thanas we suggest for the effective administration of the scheme. (*ii*) The next stage in the scheme would be the enforcement of the quotas allotted to the individual cultivators. Here we suggest that Government should, as far as possible, utilize the services of the already existing local organizations for this purpose. This is necessary not merely to minimise cost, but also to enlist local opinion, in an organized and co-operative way, in support of a scheme of such far-reaching consequence to the rural population of this province. (*iii*) We contemplate the establishment of village associations of the type described by Mr. G. S. Dutt, I.C.S., in his supplementary note to the Finlow Committee. On top of it should be established union associations, consisting of representatives of the Union Boards, and the representatives of these village associations. The main function of the Union Jute Associations would be to enforce the restriction scheme with the help of the village associations affiliated to them. They should enquire into all breaches of regulation, and report all such cases to the thana Jute Officer, for such action as he may consider it necessary to take. The power to punish should vest in the thana Jute Officer, against whose orders an appeal should lie to the Subdivisional Officer or a Deputy Magistrate specially empowered for this purpose. While this is the machinery that we would normally employ on the enforcement of restriction scheme, once it is well under way, perhaps, in the first two or three years, it will be necessary to make use of the whole or a part of the organization, described in the Director of Land Records' plan, for the enforcement of a restriction measure as much as for the registration of the jute lands. The extent to which the services of such specialised staff will be necessary will eventually depend on the nature and quality of the response received from the cultivators to the scheme of control.

46. We received a good deal of the evidence to the effect that the enactment of a penal measure by itself would secure compliance with the regulation scheme in the great majority of cases. Even if this were so, it would be necessary to provide deterrent punishments for recalcitrants. We propose adequate punishments, including destruction of crops, fines, and imprisonment. The first named punishment may be difficult to impose in practice, but we consider it will be an effective deterrent, and so should be included in the penal list.

47. We have not felt called upon to work out the cost of the scheme that we contemplate. That will depend upon the precise nature of the organization that may be set up for this purpose. But it will be evident from the outlines of it that we have already sketched that we would rely in a large measure, on the voluntary co-operation of the village bodies and the Union Associations that we propose to set up. In the first year of the scheme, when registration of jute lands will have to be undertaken, it may be necessary to engage a special staff for this purpose. Once this has been done, the cost of the scheme can be substantially reduced if the services of the existing union board staff are utilized, with such addition to its personnel as may be necessary in particular areas, and if the present administrative agencies in the mofussil are suitably strengthened. If, as we believe,

the cost can thus be kept within reasonable limits, it should not be difficult to realize the bulk of it by fixing a very small fee on the issue of licenses to jute-growers. The burden of such a fee will be trivial compared with the advantages that the scheme may secure to the general body of jute-growers.

48. The execution and enforcement of the scheme will raise such a variety of issues in the first few years of its working that we consider it desirable that a special agency should be entrusted with this work. Accordingly we suggest that, for the first few years at any rate, a Jute Advisory Board with a Jute Commissioner, as its principal executive officer, for the whole of Bengal should be appointed. His functions should be not merely to deal with the problems arising out of the policy of regulation that we advocate, but also to control and supervise all other aspects of the jute problem that will require immediate attention. In particular, he should be also placed in charge of all work in connection with the improvement in marketing that we have suggested in the following chapter, and with all other work of an allied nature except matters of a technical character which should remain in charge of the technical departments as at present. One of his main functions should be to secure co-ordination of all the governmental activities relating to jute now spread over several departments of Government. In order that he may not be hampered in his work, we suggest that he should have free and direct access to all the technical departments, and should be assured of the fullest co-operation of all technical heads of Government. In order that he may also be in direct touch with the Agriculture Department, we further recommend that he should be an ex-officio Deputy or Joint Secretary of the Department according to the status of the particular officer selected for this work.

49. This is in brief the outline of the scheme of regulation that we envisage. While we recommend penal legislation and contemplate unhesitating resort to it in cases of wilful disobedience or gross contumacy, we would rely more on persuasion and propaganda, through the organization that we have proposed, than on the written word of the law. Even if the full measure of success is not obtained in the first year of the operation of the scheme, on account of defects or deficiencies in its working, this effort to rationalize cultivation of raw jute will, in our judgment, not only have an immediate direct repercussion on raw jute prices, but will also have laid the foundations of an ordered system of production. The argument of this chapter will, we expect, convince even the sternest critic of our recommendation that we have neither ignored nor have been unmindful of the drawbacks and difficulties inherent in a scheme of compulsory regulation of production. If, in spite of them, we have suggested this step, we have done so because we have been unable to discover any other better way of solving the primary problem of production that confronts us to-day, viz., the adjustment of the annual supply of the fibre to its annual demand. To us, a scheme of compulsory control of output is thus a *pis aller*. At the same time, we would desire to emphasize the fact, which is so often overlooked or forgotten in current controversy, that unless this basic reform in the existing system of cultivation has been fully

and firmly secured, it would be futile to suggest or introduce any other improvements, whatever be their nature or scope.

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NOTE.—Mr. M. A. H. Ispahani and Rai Moongtoo Lal Tapuria Bahadur were not present at the final meetings of the Committee and have not yet signified their intention as to how they propose to sign the report. Mr. S. N. Banerjee has written a separate report (*see infra.*)

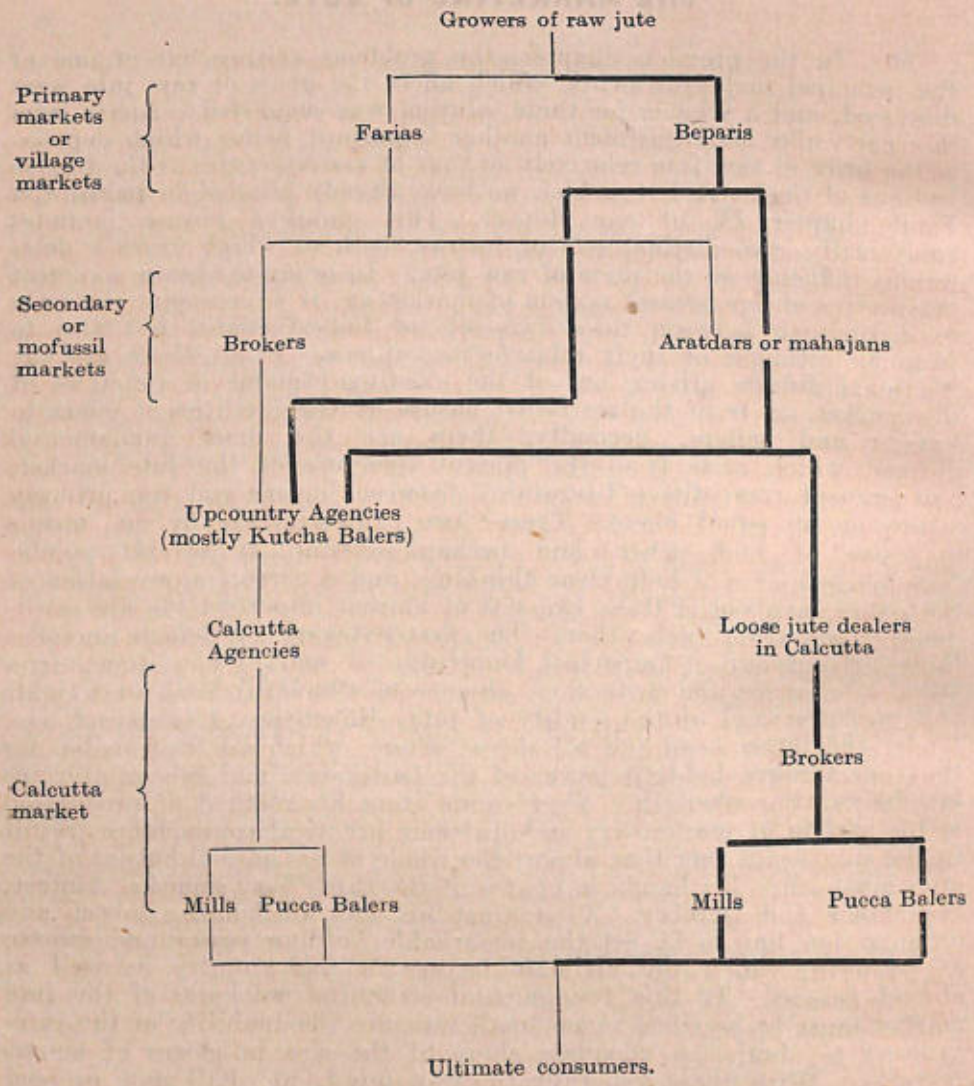
CHAPTER VI.

THE MARKETING OF JUTE.

50. In the previous chapter, the problems arising out of one of the principal maladjustments, which affect the price of raw jute were discussed, and a scheme for their solution was suggested. Apart from this particular maladjustment another important factor which depresses the price of raw jute relatively to that of manufactures is the imperfections of the market, to which we have already alluded in paragraph 20 of chapter IV of our Report. This omnibus phrase includes analytically, two distinct sets of factors, both of which exert a deleterious influence on the price of raw jute. In order to obtain a correct perspective of our present system of marketing, it is necessary not only to distinguish between these two sets of imperfections, but also to form an estimate of their relative importance. First, there are the frictional defects arising out of the existing customs or practices of the market, or from the restricted nature of the facilities it offers to buyers and sellers. Secondly, there are the more fundamental defects, which arise from the present structure of the jute market, and prevent competitive bargaining between buyers and the primary sellers on an equal plane. These two categories are by no means exclusive of each other, and perhaps overlap at several points. Nevertheless, it will help clear thinking, and a correct appreciation of the issues involved if these two sets of market imperfections are considered apart from each other. The first category of defects includes those arising out of imperfect knowledge of market conditions, irregular allowances and deduction, absence of standardization of weights and measures and of the quality of jute, difficulties of transport, etc. Under the latter head fall all those factors, which are responsible for the very meagre holding power of the cultivator, and account for his low bargaining strength. They range from his method of production to his system of marketing; and, in their practical consequence, result in the significant fact that almost the whole of his annual output of the crop must leave his hands in course of the three busy months, August, September and October. As against his lack of holding power and organization has to be set the remarkable holding power and reserve of strength, which the ultimate buyers in this country as well as abroad possess. To this fundamental structural weakness of the jute market must be ascribed in no small measure the inability of the jute-growers to obtain an adequate share of the rise in prices of manufactures. With these generalizations in mind, we shall now proceed to enquire at what particular stages of the market for jute these imperfections exist, and how best they can be removed.

51. The details of the existing system of marketing of jute, in all its various phases, have been very adequately described in the several authoritative publications, including the Reports of the Royal Commission on Agriculture, of the Central and Bengal Banking Enquiry Committees and lastly of the Finlow Committee. We do not, therefore, propose to enter into factual description of the existing structure or methods of marketing.

The following tree will show at a glance the prevailing system and the chain of intermediaries, through which raw jute passes from the grower to the ultimate consumer :—



It will be convenient to discuss the workings of these different markets separately from each other.

(1)

Mofussil Markets.

52. Apart from the imperfections arising out of the inferior bargaining strength of cultivators, which we propose to discuss in a separate sub-section of this chapter, the principal defects of the market are as follows:—

(a) Unregulated weights and measures.

In course of our tours in the mofusil, we were impressed by the urgency of standardizing weights and measures. A bewildering variety of weights prevailed in the districts, and sometimes in different parts of the same district. Under the present allocation of Legislative functions, between the Central and the Provincial Government weights are a Central and measures, a Provincial subject. Any attempt to standardize weights must be preceded by the enactment of an enabling Act by the Central Government. We understand that such an Act has been recently passed in the Central Legislative Assembly. Mofussil opinion was unanimous on this subject, and we see no valid objection to this much-needed reform. The Majority of the Finlow Committee entertained serious doubts as to the successful enforcement of the standardized weights and measures, and pointed out several practical difficulties in its way.* They also referred to the difficulties which induced the Government of India to drop the proposal for Legislation on this subject in 1913. Whatever may have happened at that distant date, we do not think the inertia of public opinion will prove a serious obstacle to the enforcement of legislation on this subject at present. It may be necessary to have expert officers at the Provincial headquarters or at some important trade centres specially trained in testing weights and scales, but we do not think that an elaborate service will have to be created for this purpose. It must not be overlooked that public opinion, even in distant villages is very much active now-a-days; and in a matter so intimately connected with the process of their daily buying and selling cultivators are not likely to allow any suspicion of use of false weights and measures to go unverified. That itself will facilitate enforcement of the law. Besides if, as we propose, the district officials up to the rank of Circle Officers are made *ex-officio* Inspectors of weights and measures in the same way as District Officers are now *ex-officio* Inspectors of Factories, under the Factory Act, they will be able, in course of their routine tours in the interior of their districts to exercise due vigilance on the proper use of weights and measures. In our view, these provisions will suffice to enforce any Standardization Act. Nevertheless, we suggest that, in the first year of its working, Government should try to mobilize informed public opinion in its favour by energetic propaganda. We have no doubt that such support will be readily available. Indeed, in making the recommendation we have been moved not so much by the magnitude of the loss sustained by the cultivator by the use of wrong or false weights—the evidence that we received in the mofussil gave no warrant for this conclusion—but by our anxiety to remove a constant source of suspicion and misunderstanding in the countryside. We, therefore, recommend that this necessary reform should be effected as early as possible.

Vide page 27 of the Finlow Report, Volume I.

(b) Deductions and allowances.

53. The Finlow Committee went into this question at some length. The position remains much the same to-day, and we were not able to collect any fresh materials on this subject. It should, however, be made clear that these deductions do not imply that the Faria or Bepari battens on the losses of the cultivator. The former has often to submit himself to similar exactions by the Aratdar or Mahajan or the Agency office, at the secondary market, where he has got to dispose of his collections of jute. Nor will it be correct to assume that all those deductions represent a net loss to the cultivator. Dhalta, for example, is an allowance for dryage, in district where jute is brought to the market in a more or less damp condition, and is one of the largest items in the allowances claimed from the cultivator. The other deductions are not equally easy to explain, and if we may say so, without appearing to be flippant, their only justification seems to be to provide the grease which lubricates more than one wheel of the trade in the primary and secondary markets. Although these deductions are sanctioned by long-standing usage or custom, they are bound to press heavily on the sellers in a period of low prices, and we have no doubt that they are likely to be an increasing source of grievance in the near future. All of us agree that the sooner these illegal allowances and deductions are abolished the better for the jute-growers. Some of us favoured legislation for this purpose, while others felt that it would be difficult to enforce any such legislation in the distant mofussil markets. According to these members, the only effective way, in which these illegal practices could be controlled would be by the establishment of regulated markets. We would therefore recommend that simultaneously with any legislation that Government may decide to enact on this subject, they must also take all necessary steps to see that it is enforced. Even if regulated markets could not be set up all over the Province at the same time, the influence, exerted by the few that might be established would, we believe, act as a wholesome deterrent to the outside operators. We shall discuss the subject of Regulated Markets at a later stage in this chapter.

(c) Imperfect knowledge of market conditions.

54. The evidence that we received on this subject was necessarily inconclusive. That the average cultivator obtains some sort of knowledge of the ruling prices in the neighbourhood cannot be disputed; that they also possess some idea of the fluctuations of prices—particularly in the Futures Market—in the more important of the mofussil trade centre must also be admitted. Nevertheless, very few of them are in a position to keep themselves informed of the daily movements of prices in Calcutta. Both the Majority and Minority of the Finlow Committee made some very useful suggestions on this subject. No action appears to have been taken on any of them. We suggest that Government should carefully consider these recommendations at an early date. Apart from them, the inauguration of an extensive system of rural wireless service, which would broadcast not only Calcutta prices, but also the prevailing prices in all important mofussil trade centres, to the remotest jute-growing villages suggests itself as the only way to disseminate market information on a large scale. We understood that the possibilities of rural broadcasting, in all its bearings, were engaging the attention of Government. The potentialities of a suitable

scheme of rural broadcasting on the agricultural development of the Province are enormous, and it is to be hoped that early steps will be taken in this direction. Regulated markets constitute another source of dissemination of market information. We shall refer to them in due course.

(d) Absence of standardization of quality.

55. This is a defect which is common to the markets of almost all the principal agricultural staples; but in the case of a raw material like jute, its effect in preventing the realization of a higher price by the cultivators is much more pronounced than in the case of food crop. As a recent writer observes, "In the case of agricultural produce, serving as the raw material for manufacturing industries, grading becomes an essential condition precedent to sale". As things stand at present, the bepari buys, and the cultivator sells in bulk. No assortment on the basis of quality is made, and no premium is given or claimed for better qualities of jute. Obviously this question of grading and assortment is linked up with the larger question of fixation of loose jute standards in the Calcutta market, and cannot be debated independently of it. We shall revert to the question in due course, when we come to discuss the imperfections of the Calcutta market. But we desire to emphasize the point that the benefits of standardization should not remain confined to the dealers in loose jute in Calcutta, and its larger purpose would be defeated if lack of suitable organization in the mofussil prevents the jute-growers from securing any advantage from such standardization. In our opinion, the best way to carry the benefits of grading to the doors of the cultivators would be to establish regulated markets at all important trade centres, and to make arrangements for assortments on the basis of quality at these centres. Pending the establishment of a sufficient number of regulated markets, we would suggest the constitution of grading boards at all important mofussil jute centres, which should consist of representatives of buyers and sellers, and be presided over by selected local officers. These Boards will normally function only when disputes as to assortment are referred to it; but, it would be useful if, in the beginning, the Boards are provided with suitable technical staff whose function would be to popularise assortment according to the prescribed grades, and to acquaint the mofussil buyers and sellers with the advantages of this scheme. These grades will, of course, conform to the standards of loose jute fixed by the trade in Calcutta. The preliminary condition that must be fulfilled is the fixation of such standards in Calcutta. To this aspect of the question we shall turn presently. Once this has been done, we see no reason why jute should not be a notified commodity under section 6 of the Agricultural Produce (Grading and Marking) Act of 1937, so that the scheme we have envisaged above might work as an integral part of the operation of this Act.

(e) Lack of Transport Facilities.

56. It was impressed upon us again and again, in course of our tours, that this was one of the major factors, which hindered marketing of jute to the best advantage of the cultivator, and was thus partly responsible for the depression of raw jute prices. The issues raised by this problem are different from and of a more generalized character than those we have hitherto discussed. We shall discuss them along with other general items in a subsequent chapter.

Regulated Markets.*

57. In the foregoing paragraphs, we have discussed, in general terms, the principal defects of the existing marketing procedure in the mofussil which, in our judgment, materially affect the price obtained by the growers of raw jute. We have tried to indicate some of the directions in which improvements might be effected. In course of our discussion of these problems, we have had to refer to regulated markets on several occasions. In view of the importance we attach to them, we consider it necessary to examine their possibilities at some length.

58. The organization and functions of the Regulated markets were described in considerable detail in both the Majority and Minority Reports of the Finlow Committee. We do not propose to cover the same ground again. In spite of the unanimous recommendation of the Committee, we regret to find that until recently no action was taken to establish even a few Experimental Markets at selected centres. We, are, therefore, not in a position to appraise the practical utility of these markets, or to assess their popularity with the cultivators. The valuable results obtained from the regulated markets in the Cotton areas of Hyderabad, Berar and Central Provinces, of which a detailed account, based on the personal observations of Mr. T. N. Roy of the Agriculture Department was given in the Finlow Report, leave no room for doubt that once they have overcome their initial difficulties these markets will go far to improve the existing marketing procedure, and assist the cultivators in realizing a better price for their produce. In course of our tours in the mofussil, we received a considerable body of evidence in support of these markets. The opinion was freely expressed that if a sufficient number of these markets were established all over the jute-growing areas, there would be no reason to anticipate unwillingness on the part of the cultivators to carry their produce to these markets. We understand that the Government of Bengal have recently decided to initiate suitable legislation such as would authorize them to set up regulated markets at selected centres. The advantages that these markets were likely to confer on the cultivators were thus summarized by the Senior Marketing Officer, Bengal, whom we had an opportunity to examine on this point:—

(1) Use of standard weights and measures.
(2) Reduction of market charges to the minimum.
(3) Abolition of all improper allowances and deductions.
(4) Supply of market intelligence.
(5) Storage facilities, in case a particular parcel of jute was not sold on the day of arrival.
(6) Quick settlement of disputes.

We have no desire to exaggerate the benefits that may accrue to the cultivators under the above heads. The role of regulated markets in the existing scheme of transfer of agricultural produce from the original grower to the middleman, who buys for delivery to the ultimate consumer is a strictly limited one. Their economic function is

*The Majority of the Committee accept the arguments and conclusions of this section subject to their note on this subject appended to this Chapter (*see infra*).

mainly to rid the existing competitive processes of their abuses and unhealthy growths, and to regularise them as far as possible. Such standardization of marketing processes is, in our opinion, a condition precedent to the initiation of more ambitious schemes which we shall discuss later on in a separate sub-section of this chapter.

59. Nevertheless, quantitatively, the benefits which the cultivators are likely to obtain from dealings in these markets are far from negligible. We have endeavoured to calculate the probable extent of this improvement in price on the basis of data supplied to the Indian Central Jute Committee by the Senior Marketing Officer of that body and the Senior Marketing Officer, Bengal, who carried out a joint investigation into this subject.* Appendix VI contains a statement showing the price-spreads between the primary and secondary markets, i.e., the village markets and the upcountry baling centres. The maximum increase in price that the cultivators can obtain for their produce is limited by the size of this spread *plus* the extent of the losses, which they now incur on account of illegal deductions and allowances and the use of false weights, which do not show themselves in the visible price obtained by the cultivator. From this aggregate sum must be deducted the cost of transport from the village to the Regulated market. These are the principal factors involved in this calculation. To put it symbolically, the cultivators' net gain in price would be:—

$$(P_s - P_p) + (W + D) - T - M$$

where P_s = price in the secondary market.

P_p = " " " primary market.

W = loss sustained on account of the use of wrong or false weights.

D = value of the illegal allowances or deductions.

T = cost of transport from the primary to secondary market.

M = market charge.

From the data we possess, with regard to the marketing conditions at some important inland trading centres, as well from Appendix VI, it appears that the average price-spread is about /8/- per md. If we consider the cost of transport to be generally half of this amount, and estimate the losses caused by the use of wrong weights and by illegal deductions and allowance at about 1½ seers of jute per md. or /3/- per md. (on the assumption that jute sells at Rs. 5 a md.), we find that a cultivator may, on an average, gain as much as /6/- to /7/- a md. according as the price of jute is Rs. 4 or Rs. 5 a md. in the village market. If the market charge is calculated at /1/- anna a md. the net gain to the cultivator is as much as /5/- to /6/- a md. Assuming the average holding of a jute-grower to vary from 5 to 10 bighas, the net gain to him on the basis of average yields would vary from Rs. 10 to Rs. 20. The result of the above calculation, which is based throughout on average figures, and for which we claim no mathematical precision, indicates that the cultivator can expect a substantial rise in price from his dealings in the regulated markets.

Vide Proceedings of the meetings of the Indian Central Jute Committee held on 28th February 1938, 1st March 1938 and 2nd March 1938—Appendix III.

60. It is the practical problem of inducing the cultivators to avail themselves of the facilities offered by these markets that seem to us to require immediate attention. It is unfortunate that financial and administrative considerations should preclude the possibility of simultaneous establishment of regulated markets all over the jute-growing areas. That would have helped to overcome the initial difficulties most easily. Some of these obstacles are:—

(*i*) the hostility of farias and beparis;

(*ii*) unfair propaganda by interested parties;

(*iii*) unfair pull exerted by outside markets; and

(*iv*) the cost of transport by the small cultivator.

We have already emphasized the need for vigorous propaganda in the initial stages. In order to counteract more effectively the propaganda of vested interests, and the unfair competition of rival markets, it may be necessary within the limits of operation of the Experimental Regulated markets, to prohibit all dealings outside them. That might raise complicated questions of law and administration. We suggest that Government should carefully consider this question in all its bearings. Whatever might be the nature of the conclusions reached by Government, some measure of protection—at any rate, in the initial stages—to these regulated markets seems to us to be very necessary if they are not to be strangled at their birth by the activities of hostile vested interests.

61. We realize that, even if our recommendation is accepted forthwith, it will take some time before regulated markets can be established all over the jute-growing areas of this province. Pending their establishment we would suggest that Government should explore the possibility of enforcing the essential reforms that we have already discussed in the existing markets through a system of licensing or otherwise. The object of this step is to convert the existing private *hats* and *ganjas* into quasi-regulated markets, and thereby to expedite the removal of those marketing disabilities, which now deprive the cultivator of the full market value of his products. We are not unaware of possible legal and administrative objections to the course that we have suggested. We have given them careful consideration, but are unable to find that they are really of such a nature as to invalidate our proposal. As far as we can see, the difficulties are not incapable of solution, and we suggest that Government should examine the possibilities in this direction as early as possible.

62. In a subsequent paragraph in this chapter, we have discussed the question of warehouses. While regulated markets can function even without the provision of storage facilities, we believe their popularity and usefulness will be greatly enhanced if they can offer such facilities to the sellers of jute. Elsewhere we have discussed some of the problems connected with the establishment of warehouses, and do not desire to anticipate those arguments in this here. But we should like to suggest that a few of the selected experimental regulated markets that we have recommended should in due course have warehouses attached to them.

(2)

Calcutta Markets.

63. Having considered the principal imperfections of the mofussil markets, we now proceed to examine the conditions of marketing in Calcutta. The principal defect in the working of this market is the absence of any fixed standard for loose jute. This is an ancient grievance of the selling interests in the loose jute trade, and the recent history of the agitation on this subject was fully set out in Appendix XIII of the Finlow Committee, and on pages 124-126 of the Minority Report. We do not propose to reiterate the arguments advanced by the Majority or the Minority of the Finlow Committee. The issues were clearly set out in the Finlow Report and, in our judgment, no useful purpose would be served by going over the same ground again. That the variations in standard within a season have been directly harmful to the selling interests of jute admits of no doubt whatever. The Majority of the Finlow Committee held that the raising of the standards in course of a season, was not due to arbitrary refusal of the Mills to purchase any but higher class fibre for a lower class contracted for by them; they thought that it was the voluntary action of sellers in offering a better assortment than the grade purchased which was responsible for putting up the standards. This explanation was strongly disputed by the representatives of selling interests who appeared before us both in Calcutta and the mofussil. We were told at several important mofussil centres that the tender of higher for lower grades was not a voluntary offer of good will, but an act of compelling necessity. But even if the Majority's explanations were correct that would not dispense with the necessity of protecting sellers against enforced offer of a better assortment for a lower grade purchased by the buying interests. Those who would willingly offer a higher grade against a lower assortment contracted for would, of course, be free to do so. But those who would stick to the letter of their contract must be enabled by trade agreement or law to discharge their obligations in this respect. One of the parties to the contract should not be able to repudiate the contract or to wriggle out of it by unilateral action. It would be the object of trade understanding or, failing that, legislation to secure this position and nothing else. Regularization of conduct, whether public or private, involves no more than prescription of *minima*; we are unable to see why legislation on this subject should be condemned out of hand merely because it is based upon *minima*.

64. Apart from the question of equity and fair dealing, there is an important practical issue involved in this problem. It cannot be legitimately argued as the Majority of the Finlow Committee seem to have done that the cultivator is really outside this question. The evidence that we received in the mofussil was to the effect that the sellers generally sell forward, and subsequently cover their sales with spot buying from time to time according to the nature and extent of their commitments. For reasons, which we need not discuss here, the majority of them do not hedge their sales by forward buying in the Future Market. In consequence, they have to bear the risk of the

market going against them between the dates of their contract and those of their delivery. That is part of their business. On top of that, if the standard of jute is suddenly changed in course of the season they have to face a further unexpected element of uncertainty, which compels them to cut their losses as best as they can. The low bargaining strength of the cultivators finds them ready victims. Price quotations in the mofussil markets are lowered; and, with them, the prices paid to the cultivator in the villages are also depressed. As the Minority of the Jute Committee observed, "It is obvious that as a result of this process, which continues from year to year, all the sellers including the cultivators suffer". We concur in this opinion.

65. Apart from these deleterious effects of varying standards on the prices of raw jute, the absence of fixed grades prevents the adoption of some very important measures of improvement which would, in our judgment, go far to improve the condition of cultivators. These considerations are briefly as follows:—

(*i*) The gradation and assortment of jute according to quality. Unless standards are reasonably stable it would be futile to attempt to introduce successful grading in the mofussil.

(*ii*) Modern warehousing presupposes standardization of grades, and without such standardization it would be impossible to arrange any scheme for financial accommodation to the jute-growers on the security of the stocks of jute held in the warehouses.

(*iii*) The question of reorganization of the future market is intimately bound up with the question of standards.

66. The problems raised by some of these issues will call for further discussion in due course. For the present, we are concerned only with emphasizing the urgency of this issue. For all these different reasons we consider it very necessary that Government should take up this matter without further delay. We are informed that the position, in this respect, remains more or less the same as the Finlow Committee found it in 1933. All the Chambers of Commerce, except the Bengal Chamber of Commerce, are in favour of legislative fixation of standards. We have carefully considered the views of the latter body, but see no reason to deviate from the opinion which we have already expressed.

67. We recognize that no scientific standardization of grades based on physical, "merchantable qualities" of jute is possible as yet. Our knowledge of such qualities is still in its infancy, and we must await the results of the far-reaching technological experiments that are being made on this subject under the auspices of the Indian Central Jute Committee. We note, however, that in 1938, the Indian Jute

Mills Association suggested certain guarantees to the sellers in their circular No. 91D. of the 4th August 1938. These were as follows:—

Mark.		*White Jute Standard (guarantee).*
Top	..	Sound fibre, good colour of the district, cuttings not to exceed 25 per cent.
Middle	..	Sound fibre, cutting not to exceed 35 per cent.
Bottom	..	All jute of whatsoever description not capable of inclusion in or acceptable under "Top" or "Middle" Marks but free from hunka and/or stick.

Tossa Jute.

Top	..	Sound fibre, good colour of the district, cuttings not to exceed 15 per cent.
Middle	..	Sound fibre, cuttings not to exceed 25 per cent.
Bottom	..	All jute whatsoever description not capable of inclusion in or acceptable under "Top" or "Middle", but free from hunka and/or stick.

We understand that guarantees have been accepted by the trade as a whole for the present. Although on the face of them, they seem to contain an unduly large admixture of the subjective element, and a combination of a minimum of warp and weft guarantee would perhaps be an improvement, we suggest that Government should take immediate steps to secure maintenance of these standards by law and should also take the following steps:—

(*i*) A Board of Arbitration should be formed in Calcutta to settle all disputes regarding standards of grades, arising out of transactions made within the Province. The Board should consist of representatives of sellers as well as buyers, duly elected by their representative associations.

(*ii*) A range of samples representing the various marks should be duly kept in the office of the Board of Arbitration with a view to preventing any possible misunderstanding as to what should be tendered against the different marks, and to assisting arbitrators in making their awards.

Export Market.

68. The only defects in this market that were brought to our notice were those relating to the existing system of "home guarantee", and in particular to the "Invoicing Back" clause in the home contracts. The issues raised by the "home guarantee" were fully discussed in the Finlow Report. We do not think we can add anything usefully to the able summary of the different view points contained in that Report. The evidence that we received on this subject did not show that the existing system was hampering the export trade to any large extent. It was complained to us by some of the trade associations that London arbitration was expensive and dilatory, and that sellers were, therefore, often obliged to compound their differences with the buyers amicably, but we are not in possession of facts to ascertain how far this explanation of the admitted paucity of disputes is correct.

69. One objection to the "home guarantee" and the "Invoicing Back" clause appears to us to be largely psychological, and, if we may venture to say so, some of the arguments that were put forward before us were of a distinctly quasi-political nature. Thus the Bengal National Chamber of Commerce observed, "the system of Invoicing Back is a standing proof of the domination by foreigners of the Indian Jute trade"; and the Marwari Chamber of Commerce declared somewhat quaintly but with refreshing candour "The monopolistic nature of jute when viewed from the nationalistic standpoint urges one to express his views condemning the practice of granting such guarantee letters." We confess we are not altogether out of sympathy with the attitude of mind underlying the expression of such sentiments. Both the "home guarantee" and the "Invoicing Back" clause arise out of historical circumstances which have greatly changed in recent years. In the old days the demand for raw jute was largely from overseas, and the foreign buyer had a predominance in the market, which he no longer possesses. In those days, it was necessary in the interests of the Export Trade in jute to accord to the foreign buyers the fullest measure of assurance that it was possible for the sellers to give. "Home guarantee" and "Invoicing Back" clause were two of the methods by which such assurance was conveyed. While we recognize that this assurance was seldom abused; we believe it will help to dissipate the existing discontent and suspicions in important sections of the trade if such "guarantees" could be replaced by authorized trade or statutory grading at export centres.

70. It was suggested to us that the existing system makes it difficult for outsiders to give their support to the pucca bale market, as balers do not grant any "home guaranteed" letters to any but the actual shippers. We do not think this consideration weighs heavily with those speculative buyers who hold for a rise, and in any case they can always make their own shipping arrangements.

71. But it was further contended that the establishment of Export Grading Boards on the analogy of the Manilla Hemp Grading Board or the Indian Coal Grading Board would make for improvement of the quality of jute, and cultivators would be ultimately benefited by any such scheme. We recognize the force of this argument, and in view of the general feeling in the trade on this subject suggest that steps should be taken to abolish these clauses in the contracts and an alternative system of ensuring quality and settling disputes by the establishment of a Grading Board or the provision of appeals to the Board of Arbitration that we have already recommended should be adopted.*

(3)

72. We shall now turn to those other impediments analytically distinct from the factors we have hitherto discussed, which impede competitive bargaining on an equal plane between the growers of raw jute and the ultimate buyers. We need hardly note that this is a feature of agricultural marketing which is not only common to all the agricultural staples of this country but is also found, in a large measure, in the systems of agricultural marketing prevailing in a great many of

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*The Majority of the Committee have been unable to accept the views expressed in this section, except those mentioned in paragraphs 78 and 79. They have enclosed a separate detailed note on this subject (*see infra*).

the more economically advanced countries of the world. As Dr. Dolfuss put it.* "The agriculturists find themselves confronted with a compact organization for the maintenance of prices both of commodities and of labour, to which they are unable themselves, owing to the special character of their own development in the past, to oppose any analogous or equally effective organization". In the previous subsections of this chapter we discussed several collateral circumstances which account for this disparity in bargaining strength between the growers of jute and its buyers. But the fundamental weakness of the agriculturist as a seller arises primarily from the nature of his production, and his low holding power. We are not here concerned with the problems of agricultural production, which raise far-reaching issues of agricultural policy connected with the raising of all crops, and not merely jute, from the land that the agriculturist cultivates. Next to the individualistic and scattered nature of his production, it is the low holding power of the jute-grower that prevents him from getting the best value for his produce. As is well known, he must sell the bulk of his crop between September and November, and in years of failure of crops even earlier than November. It is this selling pressure during this busy season which is primarily responsible for the low prices which generally prevail during this period. It is obvious that if the grower could spread out his sales over a longer period, he could realize a much better price for his crop than what he obtains at present. The causes which are responsible for this low holding power of the cultivators are well-known, and it is unnecessary for us to go into them here. We shall now proceed to examine some of the remedial schemes that have been suggested to us in this connection.

Corporate Organization.

73. A scheme for a Central Buying and Selling Organization, which would control the marketing of the entire jute crop of this Province was suggested to us by some witnesses. No details were worked out, but the outlines of the scheme were stated to be as follows:—

(1) A corporation should be formed with a capital of at least 10 crores of rupees. It should possess the monopoly of buying jute from the growers.

(2) It would have branches all over the jute-growing areas—the number of branches to be decided by the corporation according to the needs of the mofussil.

(3) It would be the function of these mofussil societies to buy the crop from the jute-growers, and to keep it in warehouses attached to these centres. Assortment of the fibre according to quality might be done at these warehouses. Careful accounts will be kept of all such purchases.

(4) The jute-growers will obtain a proportion of the value of the crop not exceeding 75 per cent., calculated at a basic rate to be fixed presumably by the corporation, immediately on delivery of their produce at the warehouse. The balance will be paid to them when the entire crop is sold.

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*The agricultural crisis, page 102.

(5) The corporation will hold the crop against a rise in its price, and sell it in the best market.

(6) After the entire crop has been sold, the expenses of the organization will be carefully calculated, and deducted from the total sale proceeds. The balance, if any, will be distributed to the cultivators on an equitable basis presumably having regard to the quality of the produce delivered by them.

(7) Government will have to guarantee the principal and interest of the capital necessary for the corporation.

74. The scheme is not as novel as it looks. A similar scheme was submitted to the Indian Central Banking Enquiry Committee by Mr. A. P. Macdougall as early as 1930, and the co-operative jute sale societies of earlier years were inspired by the same objective as underlies the present scheme. Its purpose is to do for the jute-growers what they are unable to do themselves, viz., present an organized front to the ultimate buyers of the crop. While we are entirely in sympathy with this underlying object, we are not at all convinced that in the present state of marketing conditions in this country the scheme is a practicable proposition and will succeed in achieving the desired end. It will be convenient to examine it briefly from the following different standpoints. (*a*) From the point of view of the agriculturists, we are not at all persuaded that the arrangement contemplated in the scheme will satisfy his requirements and be readily acceptable to him. The evidence that we received in the mofussil was to the effect that the cultivator would be able to meet his immediate needs if he generally received 75 per cent. of the value of his crop. It was however impressed upon us that in no circumstance could he wait after *Falgun* or *Chaitra* (February-March), and would expect the balance of his dues by then. The implication of this demand is that the corporation must be in a position to pay off the jute-grower in full by the end of February-March. This the corporation would be in a position to do only if it could dispose of the entire crop by, say, January at the latest, or obtain additional resources to hold it up longer. In the former event, the corporation's activities would be greatly hampered. In any case, a stipulation to the effect that the entire crop must be disposed of in course of five or six months would never ensure its being sold in the best market. The corporation must therefore be placed in possession of adequate funds to meet the pressing demands of the cultivators whenever they ask for the full value of their crops. Secondly, it would be difficult to enforce the rule that after the initial payment of 50 or 75 per cent. of the value of the crop no further payment would be made till the entire crop was sold. This is not the way in which the cultivator sells his jute at present. If, on the other hand, the corporation buys in small lots throughout the year or makes payments to the cultivators in short instalments spread over the jute season, the technical difficulties of the buying agencies will increase enormously, and the maintenance of continuous accounts in the names of hundreds of thousands of jute-growers will set the management of the warehouses a well-nigh impossible task. This brings us to the administrative and organizational aspects of the scheme.

75. (*b*) The sponsors of the scheme contemplate that the corporation will possess the monopoly of buying jute. If this is so, the entire

jute area will have to be covered by a network of purchase societies. Assuming that there are 419 jute-growing thanas in this Province, and at least one purchase society is necessary in every union, the total number of such societies would be in the neighbourhood of 4,000. The number will, of course, be proportionately less, if two or three unions are grouped together for this purpose. It may not be difficult to obtain the ordinary administrative staff for these societies, but certainly it would not be easy to secure suitable technical staff like assorters and accountants for such a large number of societies. It is not enough that the men should possess the necessary administrative and technical competence; it is equally important that they should be honest and reliable. A suggestion was made to us that the middlemen now engaged in the jute trade might be employed to run these societies. We are afraid the great majority of them will prove quite unsuitable for the work that would be entrusted to them. The problem of assortment and valuation will present particular difficulties. In the absence of recognized grades, assortment will have to be done by "sight" and "feel", i.e., according to the existing methods of the *faria* or the *bepari*. But such methods will obviously be out of place in dealings by the corporation. Unless some definite guides are given to the technical staff of the purchase societies, the sources of abuse and corruption will be enormous. The problems of valuation will be no less formidable. As the competitive market will have disappeared with the establishment of the corporate organization, the fixation of a basic price for valuation of the crops and initial payment to cultivators will present serious difficulties, particularly as no other competitive source of supply will offer any guide in this matter. We do not argue that this difficulty will be insuperable, but all that we desire to note here is the indisputable fact that the difficulty of valuation will introduce an incalculable element of uncertainty into the financial transactions of the corporation. It may be pertinent to mention here that the Central Banking Enquiry Committee was impressed by this difficulty and laid down that "the settlement of a fair price for the produce cannot be left to the management of the corporation but there should be an independent and impartial body to undertake this task". Presumably, this will involve a careful enquiry into the prices and costs of jute manufactures—a necessarily long process, as we possess no data whatever on this all-important subject at present.

76. (*c*) Lastly we shall briefly refer to the financial provisions of the scheme. It is to be regretted that the sponsors of the scheme did not work out the financial details. In Appendix VII of this Report, we have endeavoured to fill up this gap in our knowledge as best as we could. It is not possible for us to calculate the incidence of the cost of this scheme on the price of jute per maund, as the latter will evidently depend upon the price-policy of the corporation. Nor do we desire to express any opinion on the problems of high finance raised by the proposal to float a loan of the magnitude of ten crores, with a state guarantee of payment of interest as well as principal. The very fact that such a guarantee is sought seems to us to demonstrate the necessarily speculative nature of the entire transaction. For ourselves, we believe that a much larger capital than the ten crores proposed in the scheme will be required to hold up the entire crop successfully. Besides, in the present state of the provincial finances, the service of a loan of this magnitude is likely not only to exhaust the province's borrowing capacity for several years to come, but will also probably

entail the curtailment or starvation of some of the essential public services. Even the protagonists of the scheme will, we expect, agree that it is at least open to question whether there is adequate justification for mortgaging the financial resources of the province, in the manner and to the extent implied in the scheme—even for so worthy and desirable an object. For ourselves, we consider that it will be highly imprudent for Government to engage in this large scale financial hazard—particularly as we feel that the recommendations that we have already made, and propose further to make in course of this Report will go far to ensure a better price to the cultivators. Some of the measures that we have suggested, e.g., regulation of crop, and standardization of grades, go to the fundamentals of the problem, and unless and until they are successfully tackled all other improvements, whatever be their nature or objective are doomed to failure. The present scheme of centralized marketing is no exception to this generalization. Unless these basic reforms, which we have already suggested are fully and firmly secured, we consider it would not only be unwise but positively harmful on our part to call upon Government to try their hands at other grandiose schemes of direct control of markets. The "other countries" argument is largely irrelevant. Unlike other countries, the foundations of a rational system of agriculture have yet to be laid by us. It is only when we have successfully done this that we can think of "high-grade marketing" of the European or the American types. The following observations of a keen student of Agricultural marketing in this country may be appositely quoted here:* "In these diverse ways the authorities in the United States, Canada and the United Kingdom came to the aid of their agriculture * * * Whatever success have been achieved was mainly due to the fact that the farmers were conversant with the modern methods of cultivation, and were performing them scientifically. They had the necessary facilities for marketing, or at least they were not specifically handicapped in any manner. But as they were unorganized and were not acquainted with the marketing business, in the face of an unprecedented and world-wide economic crisis they were rendered helpless for the time being. They were, at any rate, equipped to benefit from State assistance, and were ready to avail themselves of the opportunity. The base was sound enough, and any edifice built upon it had reasonable prospects of remaining firmly in its position. The situation in India is much—if not quite—different. The foundations of present agriculture cannot be called safe; therefore *ad hoc* schemes of the foregoing type will have little chance of success..... It is primarily in the improvement of agricultural methods and the removal of marketing disabilities that the solution of the rural problems of India lies".

77. We hope we have fully explained our attitude towards the question of centralized marketing. While we do not think that Government should, in the present state of our knowledge and equipment, be called upon to bear the incalculable financial responsibility of marketing the entire jute crop of Bengal, we consider it necessary that the cultivator should be given facilities to hold up his crop instead of dumping it on the market immediately after the harvest. This can be done best through licensed warehouses. Both the Central and the Provincial Banking Enquiry Committees recommended careful examination

*Agricultural Marketing in Northern India—S. A. Hussain, page 237.

of this subject. The Minority of the Finlow Committee examined this question carefully but refrained from making any specific recommendations. We suggest that the time is now ripe for a detailed consideration of this subject. As an experimental measure we propose that warehouses should be established at the sites of the regulated markets, not necessarily under the control of the market committees, so that the cultivators who desire to deposit their stocks of jute in the warehouse may do so on payment of a reasonable charge. The warehouse receipt should be made a document of title, like a bill of lading, so that it may be discounted by village banks and money-lenders. We have already suggested that adequate provision for grading of jute according to quality should be made at the regulated markets; it will be essential to do this if warehouses are also established at these centres, not merely for the purpose of storage but also for giving facilities to the jute-growers to obtain advances against their crop. The warehouses with their contents should be properly insured against fire, theft and damage, and if the jute stocked in them has been properly graded, the warehouse receipts will acquire a minimum determinable value, and will be readily acceptable for discount by the local banks or *mahajans*. We recommend that warehouses should be established on an experimental basis at all the regulated markets, and Government should take steps to pass suitable legislation on this subject on the lines of the Central Banking Enquiry Committee's Report.

Co-operative Organisations.

78. Much of what we have stated above applies *mutatis mutandis* to the proposal for marketing the entire jute crop through a network of co-operative societies. In the present state of the co-operative movement in this Province, we do not think it should be saddled with enormous responsibility of functioning as a selling organization. It must put its house in order, train up an adequate staff and evolve a more efficient organization before it can be entrusted with a task of such dimensions. We hasten to note, however, that we agree with the Finlow Committee that the failure of the co-operative sale societies in the past does not constitute a conclusive proof against their utility in the future. It is our conviction that if ever centralized marketing becomes a practical proposition it will be through the successful working of co-operative institutions at the primary markets.

79. There is, however, one direction in which we believe co-operative societies can immediately become a very useful link in the system of improved marketing that we have envisaged. In an earlier sub-section of this chapter, we have adverted to the difficulty which a small cultivator may experience in carrying his produce to a regulated market. Co-operative societies might be usefully established to strengthen this weak link in the existing chain of marketing. A co-operative collection and delivery service might be very profitably inaugurated in every village or a suitable number of villages to be served by a regulated market. It would be the function of such village or group societies to collect the jute of their grower-members, and to arrange for their transport to the regulated markets. In the paddy season, the societies might similarly carry the paddy of their members to the paddy marts. The habitual dislike of villagers to pooling their produce might probably be overcome by making out a separate parcel for each member.

Their natural suspicion of each other would however be much more difficult to remove. We see no way out of this *impasse* except through intensive educative propaganda. We have the authority of the Central Banking Enquiry Committee to record that similar difficulties existed in Canada as late as 1907, but were overcome by educative propaganda and the experience gained of the working of specialized marketing institutions. So a similar difficulty in this country does not appear to us to be insuperable. The suggestion is fraught with immense possibilities, and if large scale co-operative action, in agricultural marketing, deserves encouragement, we can think of no better way of making a beginning than by successfully working these co-operative societies for this limited purpose.

80. These are the various ways in which we would improve the holding power of the cultivators. In conjunction with the measures we have already recommended for adoption in the previous sub-sections of this chapter, the steps that we now suggest would, in our opinion, substantially improve the competitive strength of the jute-growers. And, if on top of this, the scheme of regulation that we have suggested in the previous chapter can be effectively enforced, the relative bargaining strength of the jute-grower will have been enormously increased. We do not pretend to claim that our proposals will cure all the ills from which the jute-grower suffers: that can be achieved only by his inherent strength. It should be the objective of state policy to create conditions under which this strength can increase from more to more. It is because we believe in this policy of evolutionary growth that we have advocated measures which will strengthen, from within, the position of the jute-growers, in preference to schemes of a more spectacular nature, which would promise quick results but do little to strengthen the foundations of our agriculture.

81. There is another important consideration which adds point to the attitude that we have adopted towards this question. The trend of much recent legislation has been to strengthen the holding power of the cultivator; it is our belief that the measures that we have suggested will further augment this strength. The following extracts from an *ad interim* report written in February 1938 by the Senior Marketing Officer, Indian Central Jute Committee, who was deputed to make special enquiries into this subject will be found of considerable interest—"In several districts, especially Mymensingh, the application of the Bengal Agricultural Debtors' Act has altered the producers' financial status considerably, placing them in the position of being able to regulate the sale of their jute in a manner, which hitherto they could not do, owing to creditors pressing them continually for payment of interest on loans. For the first time in many years, the average cultivator has not had to realize the value of his jute crop as soon as it was ready for the market, and it is estimated that a much larger percentage of the crop is actually being held by growers (i.e., in February 1938) than in previous years. One beneficial result reported in this connection is that in some areas the number of intermediate dealers have been reduced as they cannot obtain a profitable margin between the prices demanded by cultivators and offered by balers. This has resulted in bringing the grower nearer to the baler in the sections where this Act is operating strongly." This impression was confirmed by the writer of the Review of the Trade of India (1937-38), who made the following interesting observations: "Larger sales at higher prices gave the jute-growers a greater income and more ready

cash, and this increased their reserves and enabled them to hold back supplies in the hope of getting still better prices. In this connection, another factor has also considerably increased the holding power of the ryots in Bengal. The legislation passed by the local Council, dealing with rural indebtedness, relieved the cultivators from the pressure of heavy payments of principal and interest, and as a result they were not forced to market the major portion of their crop in the early part of the season. In earlier years, the money-lenders, knowing that jute was the main cash crop had put pressure on the growers to sell, early in the season, sufficient jute to meet the payments falling due, but the operations of the debt conciliation put a stop to this. As a result, the growers could put their crops on the market at more favourable times and realise better prices." The extensive damage caused to the jute-growing areas, by the untimely floods of 1938, again weakened their holding power last year, and prevented them from holding up their crops for any length of time. But this was due to an exceptional natural calamity, and, in no way, disproves the fact that, normally, the recent operation of the Bengal Agricultural Debtors Act has, on balance, tended to raise the holding power of the jute-growers. We are confident that the practical measures that we have suggested will accelerate this process, and bring us nearer to the goal we desire to reach than any other scheme, however theoretically attractive, could ever hope to do.

(4)*

The Future Market.

82. It will be convenient at this stage to devote a few paragraphs to the future market in raw jute. The precise nature of the influence it exerts on prices on raw jute both in the Calcutta and the mofussil markets has been the subject of such violent controversy that it is not easy to extract truth from the tangle of partisan propaganda in which it has been hitherto enmeshed. Commonsense reasoning as well as the evidence that we have received on this subject in the mofussil leaves no room for doubt that price movements in the future market exert no insignificant influence on the prices prevailing in the mofussil. The matter is much too important to be ignored. Our attention has been drawn to a recent Press Communique on this subject in which Government declared that the conditions of the Jute Futures Market were engaging their attention and steps to have the matter thoroughly investigated would be shortly taken by them. We welcome this announcement, as it forestalls the recommendation which we have considered it necessary to make, viz., the appointment of a small expert and technical committee to go into this entire question at a very early date. In view of this declared intention of Government, we do not propose to enter into detailed examination on this subject. We shall merely indicate our views on some general considerations.

83. The conditions that are usually necessary for rendering any class of products suitable for dealings in organised markets are as follows:—

(*i*) the commodity should not be perishable;

(*ii*) the quantity of the commodity should be capable of being expressed by number, weight or measure;

*Subject to notes of reservation by the majority and Messrs. W. A. M. Walker and I. G. Kennedy.

(*iii*) the quality of the commodity should be determinable by tests that yield almost identical results when applied by different officials of the market, assumed to be expert and honest;

(*iv*) the commodity is important enough to engage large bodies of buyers and sellers; and

(*v*) the commodity should be liable to fluctuations in price.

Strictly speaking, it is only the first four conditions that are logically "essential" for the functioning of an organized market. But the fifth condition adds greatly to its attraction; and provides the incentive necessary for the participation of a large body of outsiders, willing and anxious to assume risks, and thereby to spread them out and lessen their incidence. It is this variability of prices which, again, provides the principal *raison d'etre* for dealings in futures, as distinguished from spot transactions. Pucca bales of jute substantially fulfil all these conditions, and have therefore formed the basis of dealings in the Jute Futures Market. The absence of standardization of quality in loose jute precludes their inclusion in the Futures Market.

84. The suitability of pucca bales for transactions in the Futures Market explains but does not justify the organization of such a market. So, the next question that we have to answer is—Is such a market necessary at all? It is sometimes said that as jute is a monopoly of Bengal no future market in this crop is necessary. That seems to us to be an irrelevant argument. For, the *geographical* monopoly which the Province possesses does not enter into the consideration of this question at all. Indeed, the argument is based on such an obvious misunderstanding of the purposes of such markets that we need not stop to discuss it. Again, it is sometimes argued that both in Bengal and abroad, manufacturers and spinners carry heavy stocks of the raw material sufficient to last them for a considerable length of time ahead. This enables them to offer goods for forward delivery from stocks of raw jute, which they replenish season by season as required. So, it is argued, the jute manufacturer does not utilize or need a futures market in the legitimate conduct of his business. As a factual description of the existing position it is true that the local manufacturers have rarely operated in the Futures Market. But they have hitherto avoided the necessity of utilizing the futures market, only by holding large stocks of raw jute in their own godowns, and thereby insuring themselves against any possible rise in its price on a future date. With the limited data at our disposal, it is not possible for us to ascertain whether the net cost of this stocking of the raw material by the jute mills themselves, in anticipation of their future requirements, is less than the cost of the insurance against a rise, which they might have obtained by purchases of the raw material in the Futures Market. But, judging by the experience of other Futures Markets elsewhere, we are inclined to think that the net social cost of the present practice of the manufacturers must be higher than the cost of hedging in even so imperfect a market as that of the Jute Futures in Calcutta. Describing some of the economic consequences of the establishment of Wheat Exchanges in U.S.A. the late Professor Taussig observed many years ago *"Hence it has happened, since the establishment of exchanges and the development of their varied operations, that millers carry on their business with a much smaller margin of profit than formerly. The difference in price, weight for weight, between wheat and flour, is much less than it

*Principles of Economics, Taussig, Volume I, pages 159-60.

was thirty or forty years ago, and the public gain in so far. When, for example, the flour milling industry was first established at Minneapolis, * * * the possibility of profit for the miller was great. But he then underwent chances of loss from fluctuation in the price of wheat. As the exchanges developed, and with them the practice of dealing for future delivery, he was able to free himself from these chances * * * the elimination of market risks had an important share in reducing the difference between the price of wheat and the price of flour." It would be no unreasonable inference to assume that the mill industry here as well as abroad could so long afford to bear the burden of holding large stocks of the raw material because their margin of profit was large. With the gradual narrowing of the margin,—a process, which we fear, will continue for some time to come—the problems of marketing are likely to acquire increasing importance in the future, as some discerning minds in the trade have already begun to perceive. The following extracts from a recent issue of the Capital disclose a change of attitude towards the problem, which we believe has been induced by an increasing realization of the potentialities of the Futures Market.† "Frequent reference has been made in these articles to the fact that, as at present constituted, the Futures Market serves only a section of the trade and that a minority section.....And one of the grievances made against the Jute Futures Market was that, being based on pucca bales and a restricted section of the pucca bale trade, it did not provide any real facilities for either cultivators or upcountry merchants to avail themselves of favourable price factors. In order that the Futures Market should reflect truly the state of trade, it is essential that the basis of the market should be widened and all who have studied the matter will agree that the correct basis is loose jute. By adopting loose jute as the basis, true hedging operations could be carried on by all those in the trade and not by only a limited section as at present and though the quantity of jute produced or held by the individual cultivator is probably too small to enable him to deal in futures, the small merchants upcountry would receive some protection against market fluctuations.

The adoption of loose jute as the basis of the Futures Market would also enable the mills to make use of this market and, though most of those responsible for the management of the mills will hold up their hands in horror at the idea of dealing in 'fatka', there is no doubt that with a Futures Market organised on the basis of loose jute, it would be the correct way for them to operate. This may seem to be revolutionary, but the manufacturing industry has now come to a stage when it will have to make a closer study of methods of marketing than it has done in the past".

We conclude that the existence of a proper Futures Market based on loose jute is in the interests of the jute trade as a whole.

85. That leads us to the question of immediate practical importance, viz., whether the present Futures Market fulfils the requirements of a true exchange. In view of our recommendation that an enquiry should be made into this intriguing subject by a competent expert committee, we do not propose to examine the present organization or working of the Futures Market at much length. We shall only note that, in our judgment, it is the restricted basis of the Futures Market, which prevents different sections of the trade from engaging in hedging

†*Vide* the Capital, dated the 27th January 1939.

operations, and thereby imparting to this market that full measure of strength which it now lacks. Apart from shippers, the other buying interests in the trade do not find dealings in pucca bales suitable for the hedging operations in which they are interested. It is no refutation of this argument to point to the large number of shippers, dealers and manufacturers who actually make hedge purchases in this market; much larger numbers of these very interests are now debarred from participating in this market. The high rate of premium, which prevails in the Futures Market, is as much a cause as a consequence of this unbalance position. Without entering into the recent controversy on this subject, we desire to note that the prevalence of this permanent and sometimes very substantial premium in the Futures Market points to some radical defects in its present organization. We record it as our considered opinion that the working of the Futures Market could be materially improved, if it were broad based on transactions in loose jute. To this end, we believe our proposals regarding the standardization of quality of loose jute will materially contribute.

86. Two other matters of details, which were raised by several interests in this connection may be conveniently disposed of here. First, it was stated by some witnesses that the system of periodical payments prevailing in this market encouraged wagering and was harmful to trade interests. This is an incident of a Futures Market which cannot be adequately discussed without reference to its entire organization. We are however unable to condemn this system off-hand. While, this system may well encourage the gambling propensity, it has its use in periodically testing the solvency of the market, and of weeding out those inefficient and generally amateur "dabblers" who are not in a position to meet their liabilities. This is, however, a question which requires detailed examination and careful consideration.

87. Secondly, it was argued by several witnesses that speculators operated in overwhelming numbers in the Jute Futures Market, and that their activities entailed needless fluctuation in prices. Dr. J. C. Sinha, a member of the Finlow Committee, expressed the opinion that 70 per cent. of the transaction in this market were of the wagering type. Neither this fact nor the paucity of actual deliveries is the true criterion by which to test the usefulness of a Futures Market. The relevant test is the relative proportion of "legitimate" speculation on the one hand; and on the other random wagering by amateur dabblers and more offensive "manipulative" action by professional gamblers. The following observations by an eminent authority may be of interest in this connection:—*"Comparative few transactions in futures lead to actual delivery of the produce. In most cases, the buyer pays to the seller any amount, by which the official price of the quantity sold may have fallen below that at which the sale was made; or received from him any amount, by which it may have risen. Either side may insist on completion; but that is generally effected through the organization of the exchange, by bringing together those who wish actually to receive; the rest being "rung out". The practical effect of this is that any one can as a rule buy a future, without being called upon to pay its price either at the time of making the contract or afterwards. * * * * * Thus by far the greater part of the transactions are in substance merely wagers to the effect that the price of the produce will rise or fall. Of these some are careful, deliberate, business operations, sometimes classed

*_Vide_ Industry and Trade, Marshall, pages 257-58.

as "legitimate" speculation; others are the almost random guesses of foolish gamblers; and others again are parts of large manipulative policy which is the main evil economically and morally."

88. As to the principal effect of the Jute Futures Market on mofussil prices the evidence that we received has been surprisingly inconclusive. Mofussil merchants generally condemned the activities of the Futures Market, because according to them, price-movements in this market upset price-calculations in the mofussil, and gave the cultivators a wrong impression of the future trend of loose jute prices. This is generally so, in the short period, when there is not always a very close correlation between loose jute and pucca bale prices. As a result in the short period mofussil prices may, and perhaps do, sometimes unnecessarily fluctuate in sympathy with movements in the Futures Market. But we received no evidence to the effect that over a long period, the Futures prices either depressed or raised the general level of mofussil prices. To the cultivators "fatka" prices are in the nature of a long-distance signal. At any particular movement, the signal might fail to bring the train into sight, but over a long period such failures would be rare.

In this view of the Futures Market in raw jute that we take, we consider that it would be not only unnecessarily precipitate but also imprudent on the part of Government to abolish the Futures Market straightaway. As things stand at present, we fear, the one certain consequence of this step would be to deny the cultivators the only independent source of knowledge of price fluctuations now available to them. We do not think that this would be a proper thing for Government to do. The immediate need is the reorganisation of this market on a sounder basis and not its peremptory abolition, and to this end Government should forthwith appoint an expert and competent Committee of Enquiry, which we have already recommended, and which they themselves promised about a year ago.

1. L. R. FAWCUS.
*2. SURENDRA NATH BISWAS.
*3. MUKHLESUR RAHMAN.
*4. M. SHAMSUZZOHA.
*5. MD. ISRAIL.
*6. ABDUL HAMID SHAH.
*7. MOSLEM ALI MOLLA.
*8. BIRAT CHANDRA MONDAL.
*9. MONOMOHAN DAS.
*10. KIRIT BHUSAN DAS.
11. I. G. KENNEDY.
12. W. A. M. WALKER.
*13. CHARU CHANDRA ROY.
*14. SIB NATH BANERJEE.
15. S. A. SALIM.
*16. A. M. ABDUL HAMID.
*17. AZHAR ALI.
*18. GIASUDDIN AHMED.
*19. SHAHED ALI.
*20. KAZI EMDADUL HUQ.
21. D. L. MAZUMDAR.

*Subject to Notes of Reservation below Messrs. W. A. M. Walker and I. G. Kennedy endorse the Note of Reservation submitted by the Majority only in regard to subsection (4) of this chapter, i.e., the Futures Market.

Notes of Reservation by the Majority.

(I)

Note by the Majority on Regulated Markets.

We accept the arguments of paragraphs 58 and 59 of Chapter VI of the Draft Report in regard to Regulated Markets, which the Minority of the Committee have endorsed *in toto;* but we regret that we are unable to agree with the recommendation of paragraph 60 that regulated markets should be established only at important trade centres on an experimental basis. If the desirability of establishing regulated markets is admitted—the arguments of the Draft Report lead to no other conclusion—we are unable to see why they should not be established simultaneously all over the jute-growing areas. The financial and administrative difficulties stressed by the minority can be easily overcome. In our view if only a few such markets are established at selected centres, the problem of inducing the cultivators to avail themselves of the facilities offered by these markets will increase enormously. The specific obstacles, which the Minority enumerate in paragraph 60 of the Draft Report will be more difficult to overcome, and a feeling of discontent will spread among the cultivators, who live outside the limits of regulated markets and are denied their facilities. We would, therefore, strongly recommend the establishment of regulated markets simultaneously all over the jute-growing areas.

(II)

Note by the Majority on Section (3), Chapter VI of the Draft Report.

We regret we are unable to agree with the comments and recommendations of section (3), Chapter VI of the Draft Report, except those in paragraphs 78 and 79, which relate to co-operate organizations. In view of the fundamental divergence of opinion existing between us and the Minority who support the Draft Report on the important issues discussed in this sub-section, we have felt it necessary to rewrite it entirely. In order to explain our attitude towards the schemes that we shall discuss presently, we propose to preface our observations with some remarks of a general character.

Marketing Organisation.

In Chapter V we discussed the importance of legislative regulation of production of jute for the purpose of equating the supply of the jute-fibre with the effected demand for it. In the previous sub-sections of this chapter we discussed the imperfections of the jute-market which cut into the price that a jute-grower would otherwise get for his fibre under normal conditions. We shall now turn to the fundamental structural weakness of the jute-market to which we alluded in the first paragraph of this chapter and to which must be ascribed the inability of the jute-grower to obtain the best value for his produce. It is the lack of his holding power and organisation *vis-a-vis* the remarkable holding power and strong organisation of the ultimate buyers in this country as well as abroad. As is well-known, the average jute-grower must

sell almost the whole of his annual output of the crop between the months of August and October, and in years of failure of crops even earlier than October. It is this selling pressure during this busy season which is primarily responsible for the low prices which generally prevail during this period. Even Government may by broadcast publication issue instructions to the jute-growers to hold on the jute, but extremely poor as he is, he cannot withhold the sale of his produce because he must sell it to buy food and meet other urgent necessities for his family with its sale-proceeds. If, therefore, this impediment in his way to get the best value for his produce is to be removed (which we are of opinion, must be removed), a marketing organisation must be set up to enable the jute-grower to hold on his produce to be sold at a later date at a much better price. It should be remembered in this connection that the price of jute is the barometer not only of the purchasing power of the cultivators but also of the national wealth of this Province. That being so, uneconomic cultivation of jute for the last ten years has not only seriously affected the 80 per cent. agricultural population of Bengal but has also been primarily responsible for the acute economic depression in this Province. It was to solve this serious problem that in 1932 the Local Government appointed the Finlow Committee, and we believe that our Committee also has been appointed for the very same purpose. We have, therefore, given our serious thought over this question and come to the conclusion that some marketing organisation must be set up by the Local Government, which may enable the jute-grower to acquire and increase his holding power.

We have already discussed and recommended the simultaneous establishment of regulated markets with ware-houses all over the jute-growing areas of the Province. We shall now proceed to discuss the nature of the marketing organisation which, in our opinion, would be suitable for the aforesaid purpose.

We have before us the following two schemes of the marketing organisation, one sponsored by Mr. D. L. Mazumdar, the Secretary to our Committee and the other by Mr. S. N. Biswas, a member of our Committee.

Outlines of Secretary's scheme.

(1) Every regulated market shall have a licensed ware-house, where the cultivator instead of selling his jute outright may deposit his stock on payment of a reasonable charge and get a receipt for such deposit.

(2) The ware-house receipt shall be made a document of title, like a bill of lading, so that it may be discounted by village-banks and money-lenders.

(3) The ware-houses with their contents shall be properly insured against fire, theft and damage.

(4) If the jute stocked in the ware-houses has been properly graded (the standardisation of grades has been recommended by us), the ware-house receipts will acquire a minimum determinable value and will be readily acceptable for discount by banks or money-lenders or both.

The above scheme has been sponsored by the Secretary in the lines suggested by the Minority group of the Finlow Committee. The principles underlying the scheme is that the jute-grower may get a

certain percentage of the minimum determinable value of his stock in advance, with which he may carry on for some time, and may thus hold on his stock, so that his jute may be sold at a subsequent date to fetch a better value. The Secretary believes that this scheme will not involve Government in financial obligations and at the same time will enable the cultivator to acquire and increase his holding power. But it has been contended by some members of the Committee that—

(*a*) so long as the price-policy will be controlled by the ultimate buyer, the aforesaid minimum determinable value will be uncertain, and no bank or money-lender is likely to advance money against stock whose minimum marketable price will be uncertain;

(*b*) granting that the minimum price will be fixed by legislation every season, no bank or money-lender is likely to advance money against receipt of stock held by the licensed ware-house keeper unless Government guarantees delivery of the receipted stock by the ware-house-keeper;

(*c*) if a bank or a money-lender advances money against a receipt as aforesaid, he is likely to claim the power to sell the receipted stock, and if that power is given the receipt-holding jute-grower will be thrown at the mercy of the bank or money-lender as the case may be;

(*d*) the bank or money-lender who may advance as expected is likely to charge high interest to cover his risk and costs for the maintenance of a staff;

(*e*) the scheme will fail if the jute is likely to be sold at different rates at different regulated markets, at the option either of the different ware-house keepers or of the different bankers or money-lenders;

(*f*) the receipts against which advances are expected to be made, will have no value in the ordinary market, although they may be made negotiable, unless Government guarantees payment of the amount of advances to be made against them;

(*g*) the above scheme may succeed if one organisation, whether it be a bank or a corporate body, is given the monopoly right to make advances against and to sell the entire jute at all the regulated markets, having all the time full control over all the ware-houses, and if the advances are made at a reasonable rate of interest to be fixed by Government, and the jute of the different grades is sold only at prices to be determined from time to time by a statutory body composed of experts and representatives of the bank or corporate body who will make advances and also of the jute-growers.

Outlines of Mr. S. N. Biswas's scheme.

(1) The scheme is to establish a central organisation under a suitable name for the purpose of selling the entire jute-crop of Bengal.

(2) The entire jute-area shall be divided into several jute-centres, and at every centre there shall be a regulated market with ware-houses. The said central organisation shall have a branch at every such centre.

No jute shall be sold by or purchased from a jute-grower anywhere outside any of those markets.

(3) A branch organisation will receive the loose jute that shall be brought by any person to the market, after weighment and selection of the grade, according to standardised weights and measures and standardised grades.

(4) There shall be a minimum price fixed by Government or a statutory body appointed by Government for every quality of jute for the season.

(5) If the person whose jute has been received by that branch organisation wants to sell his jute at that minimum price or a higher price to any purchaser, then available in that market, the branch organisation shall sell that immediately, and pay the price after deducting the market charges.

(6) If, however, that person wants the branch organisation to sell his jute at a later time, he will be paid by that organisation, say 80 per cent. of the said minimum price on executing a prescribed deed of hypothecation in favour of that organisation in whose charge, of course, the ware-house shall be kept.

(7) The object of the selling organisation being to hold the jute on behalf of the jute-growers, it may be reasonably expected that at a later time the jute will fetch a higher price. This higher price shall be determined by Government or the statutory body as aforesaid from time to time and at proper times having regard to the factors which control the prices of jute-manufactures and jute-fibre throughout the season. The production of jute being regulated or restricted, as the case may be, by legislative measures, and the jute being held on as aforesaid, there is every likelihood of the jute fetching at a later time prices higher than the minimum prices fixed as aforesaid.

(8) It shall be so managed that the sale of the entire stock of jute stored in those regulated markets, which may be considered to be the entire quantity of jute in the hands of the jute-growers, shall be sold by the 30th November till the 30th June following; no jute shall be available for purchase in the regulated markets. The effect thereof will be that the mills, shippers and the market-traders shall have to purchase their requirements within that date. It may be argued that such arrangement will cause hardship to the industry and trade. To that my reply is, that while at present almost the entire crop of jute passes out of the hands of the jute-growers and is purchased either by the mills or the traders by the month of October, it cannot be contended that the said selling organisation working practically on behalf of the jute-growers shall be doing a wrong to industry and trade by forcing them to purchase their full requirements of jute from the hands of that organisation by a month later than October.

(9) If, however, the entire stock cannot be sold by the month of November, the unsold stock shall naturally be of small quantity, because of the regulation of production.

(10) Soon after 30th November, the branch organisation shall settle accounts and pay the jute-growers the difference between the value paid and the value due to them for their entire quantity of jute at

certain percentage of the minimum determinable value of his stock in advance, with which he may carry on for some time, and may thus hold on his stock, so that his jute may be sold at a subsequent date to fetch a better value. The Secretary believes that this scheme will not involve Government in financial obligations and at the same time will enable the cultivator to acquire and increase his holding power. But it has been contended by some members of the Committee that—

(*a*) so long as the price-policy will be controlled by the ultimate buyer, the aforesaid minimum determinable value will be uncertain, and no bank or money-lender is likely to advance money against stock whose minimum marketable price will be uncertain;

(*b*) granting that the minimum price will be fixed by legislation every season, no bank or money-lender is likely to advance money against receipt of stock held by the licensed ware-house keeper unless Government guarantees delivery of the receipted stock by the ware-house-keeper;

(*c*) if a bank or a money-lender advances money against a receipt as aforesaid, he is likely to claim the power to sell the receipted stock, and if that power is given the receipt-holding jute-grower will be thrown at the mercy of the bank or money-lender as the case may be;

(*d*) the bank or money-lender who may advance as expected is likely to charge high interest to cover his risk and costs for the maintenance of a staff;

(*e*) the scheme will fail if the jute is likely to be sold at different rates at different regulated markets, at the option either of the different ware-house keepers or of the different bankers or money-lenders;

(*f*) the receipts against which advances are expected to be made, will have no value in the ordinary market, although they may be made negotiable, unless Government guarantees payment of the amount of advances to be made against them;

(*g*) the above scheme may succeed if one organisation, whether it be a bank or a corporate body, is given the monopoly right to make advances against and to sell the entire jute at all the regulated markets, having all the time full control over all the ware-houses, and if the advances are made at a reasonable rate of interest to be fixed by Government, and the jute of the different grades is sold only at prices to be determined from time to time by a statutory body composed of experts and representatives of the bank or corporate body who will make advances and also of the jute-growers.

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No jute shall be sold by or purchased from a jute-grower anywhere outside any of those markets.

(3) A branch organisation will receive the loose jute that shall be brought by any person to the market, after weighment and selection of the grade, according to standardised weights and measures and standardised grades.

(4) There shall be a minimum price fixed by Government or a statutory body appointed by Government for every quality of jute for the season.

(5) If the person whose jute has been received by that branch organisation wants to sell his jute at that minimum price or a higher price to any purchaser, then available in that market, the branch organisation shall sell that immediately, and pay the price after deducting the market charges.

(6) If, however, that person wants the branch organisation to sell his jute at a later time, he will be paid by that organisation, say 80 per cent. of the said minimum price on executing a prescribed deed of hypothecation in favour of that organisation in whose charge, of course, the ware-house shall be kept.

(7) The object of the selling organisation being to hold the jute on behalf of the jute-growers, it may be reasonably expected that at a later time the jute will fetch a higher price. This higher price shall be determined by Government or the statutory body as aforesaid from time to time and at proper times having regard to the factors which control the prices of jute-manufactures and jute-fibre throughout the season. The production of jute being regulated or restricted, as the case may be, by legislative measures, and the jute being held on as aforesaid, there is every likelihood of the jute fetching at a later time prices higher than the minimum prices fixed as aforesaid.

(8) It shall be so managed that the sale of the entire stock of jute stored in those regulated markets, which may be considered to be the entire quantity of jute in the hands of the jute-growers, shall be sold by the 30th November till the 30th June following; no jute shall be available for purchase in the regulated markets. The effect thereof will be that the mills, shippers and the market-traders shall have to purchase their requirements within that date. It may be argued that such arrangement will cause hardship to the industry and trade. To that my reply is, that while at present almost the entire crop of jute passes out of the hands of the jute-growers and is purchased either by the mills or the traders by the month of October, it cannot be contended that the said selling organisation working practically on behalf of the jute-growers shall be doing a wrong to industry and trade by forcing them to purchase their full requirements of jute from the hands of that organisation by a month later than October.

(9) If, however, the entire stock cannot be sold by the month of November, the unsold stock shall naturally be of small quantity, because of the regulation of production.

(10) Soon after 30th November, the branch organisation shall settle accounts and pay the jute-growers the difference between the value paid and the value due to them for their entire quantity of jute at

the average rate at which their respective qualities of jute have been sold in the meantime, after deducting the market charges.

(11) The finance of that central organisation shall be raised by share-capital of, say, rupees ten crores, each share being of the value of rupees ten only.

(12) Local Government should subscribe a portion of that capital, say, a few lacs. The purpose is thereby to attract the public to purchase shares. The rest of the capital shall be raised from the public and the jute-growers. Pending the raising of the balance of the capital in the aforesaid way, the central organisation shall be authorised by Government to raise the required amount (the unpaid capital) by the issue of debentures of small lots, whose principal and interest shall be guaranteed by Government.

(13) Every jute-grower shall be required to subscribe at least one share, making the sum of Rs.10 payable at the rate of Rs.2 or Re.1 per share per annum.

(14) The jute-growers who were examined assured the Committee of their purchasing those shares, in consideration of the fact that the organisation would be working for them and would eventually belong to them. It is also common sense view that the jute-growers who will be benefited by the working of that organisation will easily recognise the services done to them and purchase at least one share each when it is made payable on so easy instalments. The jute-growers will also realise that in the long run most of the capital of that organisation will be theirs and they will be the practical masters of that organisation and will also get dividends.

It may be noted in this connection that on average four crores of maunds of jute are produced and sold in Bengal. If one share is allotted for every four maunds, i.e., one rupee is made payable for a share upon every four maunds, no jute-growers will grudge paying that amount in consideration of the higher price that he shall obtain for his jute.

When in the above way and in the course of maximum ten years, the share-capital will be fully subscribed, the entire amount of debenture will be fully paid off.

(17) The debentures being guaranteed by Government will be readily saleable in the market. If those debentures are made re-payable at any time after two, three or five years, as the case may be, at the option of that organisation, these will be repaid as the share-capital is raised.

Details in this respect may be decided upon by Government in due course.

(18) Government practically incurs no risk by guaranteeing those debentures. Because, under the scheme Government shall keep full control over the finance, and no money out of those debentures shall be invested except against the stored and hypothecated jute which shall be fully insured against fire and other accidents. If, however, Government suffers any loss it cannot be heavy and should be borne by Government whose object is to save thereby the jute-growers and with them the entire nation of Bengal.

(19) That organisation need not spend money over construction of godowns, etc., until the debentures are fully repaid or until such time as Government shall direct.

(20) They may for some years use on hire the godowns which will be available in abundance in all the jute-trade centres. If, however, godowns and other houses are required to be constructed at any centre, Government shall decide whether Government themselves or that organisation shall bear the expenses.

These are details which will be worked out by Government.

(21) Who will bring the jute to the regulated markets, whether the jute-grower himself or an association or any other body or another individual, is a matter of detail which may be decided without difficulty, when once the principle of establishing regulated markets has been accepted by all parties.

(22) There shall be no dearth of staff, technical or otherwise, to work out the scheme. Most of the traders, both European and Indian, who were examined in mofussil, suggested that they would gladly serve in that organisation. As Government propose to post assorters in the regulated markets and for that purpose to train the educated youths of the Province, there shall be no dearth of assorters. There will be no dearth of accountants also, who are available in plenty in the Province. As many cashiers as may be required to serve upon furnishing adequate securities will not be found wanting.

(23) Then, the costs. The costs will be fully met by charging a fee of four annas per maund of jute stored and sold. This amount no jute-grower may grudge. With this fee, the income of that central organisation will amount to rupees one crore, calculated at the rate of four annas per maund on four crores of maunds of Bengal's jute which are sold on average every year.

The principle underlying Mr. S. N. Biswas's scheme is to enable the jute-growers of Bengal to acquire and increase his holding power and eventually to be highly organised having full control over the marketing of their produce, and, even if Government are involved in some financial obligations, thereby, Government should shoulder those obligations in the interests of the cultivators as well as of the nation of Bengal. But it has been contended by some members of the Committee that the details of the scheme are complicated and are likely to involve Government in such big financial obligations which, according to those members, Government are not at present in a position to shoulder.

By way of agreement we came to the decision of recommending to Government, which we herein do, that at the start the Secretary's scheme with suitable modifications should be given a fair trial and that, if on trial the said scheme is found wanting to enable the jute-growers the much desired benefit of getting the best possible price for their produce, Mr. S. N. Biswas's scheme should be adopted by Government with suitable modifications. In making this recommendation we shall record our unanimous desire that Government should immediately take proper steps to enable the jute-growers to obtain the maximum possible price. It should also be pointed out that we are convinced and the jute-growers also whom we examined were of opinion that

mere regulation of production of jute would not bring them the desired reforms and that simultaneous provisions for the regulation of production, and the establishment of regulated markets with licensed warehouses all over the jute-growing areas and a suitable marketing organisation for selling the entire output of jute on behalf of and to the benefit of the jute-growers should be made without unreasonable delay.

(III)

Note by the Majority on Section 4 of Chapter VI of the Draft Report.

We accept substantially the account and analysis of the Future Market set out in sub-section 4, Chapter VI of the Draft Report. But in view of the fact that the evils associated with the Future Market outweigh the advantages derived from it, we are of opinion and recommend that the present Future Market should be immediately abolished, and an expert Committee should be appointed to formulate a scheme for the early establishment of a Future Market to transact business on graded loose jute.

1. KHAN BAHADUR MUKLESUR RAHMAN.
2. KHAN BAHADUR M. SHAMSUZZOHA.
3. MD. ISRAIL.
4. MV. ABDUL HAMID SHAH.
5. MOSLEM ALI MOLLA.
6. BIRAT CHANDRA MONDAL.
7. MONOMOHAN DAS.
8. RAI SAHIB KIRIT BHUSAN DAS.
9. S. N. BISWAS.
10. CHARU CHANDRA ROY.
11. A. M. ABDUL HAMID.
12. AZHAR ALI.
13. GIASUDDIN AHMED.
14. SHAHED ALI.
15. KAZI EMDADUL HUQ.

Note.—Messrs. W. A. M. Walker and I. G. Kennedy support the Note of Reservation on section (4), Chapter VI of the Draft Report, regarding the Future, Market

CHAPTER VII.*

VII-A—THE FIXATION OF A MINIMUM PRICE FOR JUTE.

In view of our inability to accept the recommendations of the Draft Report in Chapter VII, or the premises underlying it, we have considered it necessary to rewrite it entirely.

The fixation of the price of jute.

89. We have shown that for improving the price of raw jute simultaneous provision for the following measures are necessary :—

(1) Compulsory regulation of the production of the jute-crop;

(2) Removal of the imperfections of the jute market;

(3) Establishment of a suitable marketing organisation.

While recommending those measures we were convinced that no real improvement of the price of jute could be assured unless such a marketing organisation could be set up as would enable the jute-grower to hold on his crop to be sold at a proper time at a higher price. For that purpose we recommended the acceptance of any of the two schemes described in Chapter VI, as Government would find suitable, so that the jute-grower may at the time when he is required to sell his jute may, instead of selling, store it in a licensed ware-house and get an advance against the receipt that he will obtain for his stock stored as aforesaid. Now, for inducing a financier to advance money against that receipt it is necessary that a minimum price for every grade of jute must be fixed either directly by Government or by a statutory body before the month of July when the jute-year begins.

90. Apart from the necessity for fixing the prices of jute as stated above, we feel that in view of the unique bearing which this single crop has on the entire economic structure of the province the policy of pricing the jute should be controlled by the State instead of by the ultimate consumers. We need not dwell at length on the importance of jute. The Minority group of the Finlow Committee made a comprehensive survey of the position of jute and showed its comparative importance by facts and figures, pages 67 to 71 of the Finlow Enquiry Committee report. Our Local Government also are fully alive to the special importance of this almost the monopoly money crop of Bengal. The value of jute being practically the barometer of our national wealth, we feel that Government owe it a duty to the poor cultivators as well as to the entire nation to obtain the best value for jute. But in our opinion Government cannot obtain the same unless

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*This chapter has been divided into two sub-chapters VIIA and VIIB—the former representing the views of the Majority and the latter those of the Minority.

the prices of raw jute are controlled by them. The reasons for our opinion are given below:—

(1) The Indian Jute Mills Association who have been controlling the policy of pricing the jute do not look to the interests of the jute-growers. We do not accuse them for that, because they are business-men and as such they must look to their own interests.

(2) Since the beginning of general economic depression, there had been many years while the production of jute crop did not exceed the effective demand for it, but the prices of the fibre have been so depressed the jute-growers could not obtain in many cases even the costs of cultivation while the mills made huge profits.

(3) Even in the year 1938 when the supply was cut by the floods far short of the demand, the prices of jute were kept depressed during the period while the crop was passing out of the hands of the growers.

(4) For a long period during the years of 1937 and 1938, the prices of jute-goods and with them the prices of raw jute were kept unduly depressed by the Calcutta mills. They might have reasons of over-production, competition and the like as their explanations, but the fact was that they could sell their products at higher prices. To prove that fact we shall quote below a few extracts of the observations of the jute-industry of Great Britain and the Hon'ble Mr. Nalini Ranjan Sarker, the Finance Minister of Bengal:—

(*i*) London report dated 9th April 1938—"Present prices ruling for Calcutta goods are probably the lowest in the history of the trade, yet we do not find buyers falling over themselves to purchase (evidently in expectation of further decline), but we have seen them very anxious to pay three and four times the rates at which they could buy to-day."

("Amrita Bazar Patrika", dated the 19th April 1939.)

(*ii*) London Report, dated the 16th April 1938—"Prices for Calcutta goods are now as low as they have ever been and it is really amazing how the Indian Mills can go on selling so cheaply.....Now Dundee hessians are quoted at 21*s*. 2*d*. for 10 oz. and at 15*s*. 8*d*. for 8 oz. nett for 100 yards, compared with Calcutta prices of 15*s*. 5*d*. and 10*s*. 7*d*. respectively".

("Amrita Bazar Patrika", dated the 25th April 1938.)

(*iii*) London report, dated the 30th April 1938—"It is stated that the mills (Calcutta mills) wish to guard against any big rise in prices for goods in the event of an agreement, but why? Have not the consumers of jute-goods obtained their requirements on a very low basis for a long time past, and are not the Indian Jute Mills, besides all other producers, entitled to recompense themselves for the heavy losses they have experienced for months past? If jute-goods are required, they will be purchased at any

price, and if an advance took place to 20*s*. per 100 yds. for 10 oz. 40 in. or about 5*s*. above to-day's level, that could not be considered an excessive rate."

("Amrita Bazar Patrika", dated the 9th April 1938.)

(*iv*) London report, dated the 7th May 1938—"All other countries have a tariff on jute-goods entering their ports, and Calcutta makes no difference to them, so why should there be any objection to the United Kingdom trying to protect its own industries, and particularly against goods coming from the empire. Our colonies should be the last to wish the mother country any harm, and, so far as the jute-trade is concerned, as the matter stands at present, *India is putting a whole area practically out of business by sending cheaply produced goods for consumption here.*"

("Amrita Bazar Patrika", dated the 16th May 1938.)

(*v*) London Report, dated the 14th May 1938—"*It is something unusual to find sellers of the fibre offering to sell new crop at cheaper prices than those ruling for old* and in London there is a difference of about 5*s*. per ton in favour of the former".

("Amrita Bazar Patrika", dated the 23rd April 1938.)

This shows how the prices of raw jute were kept depressed.

(*vi*) The Hon'ble Mr. Nalini Ranjan Sarker being interviewed by a Press representative stated among other things as follows: "Indian exports of jute-goods are valued at present at about Rs.9 per maund, being the average for all descriptions of manufactured jute. I think the average price may quite possibly rise to at least Rs.12 per maund, i.e., the price which prevailed in the worst period of the depression from about 1932 to 1934."

("Amrita Bazar Patrika", dated the 21st August 1938.)

91. From the above statements, it is quite clear that the Calcutta mills having the price-policy under their control kept the price of jute-goods and consequently of the raw jute sufficiently depressed. The representative of the Indian Jute Mills Association stated before us that even in those years dividends were paid to their share-holders out of their reserve though not out of the profits. But the unfortunate jute-growers were absolutely ignored and practically bled to supply the raw materials for the industry.

92. In view of the above facts we are strongly of opinion that the price-policy regarding jute should be controlled by the State, if the best value for the crop is seriously desired to be assured to the jute-growers. We are in favour of the fixation of the minimum prices for the different grades of jute to start with before the commencement of every jute-year which begins from the month of July. Sir Adamjee Haji Dawood, a big Indian jute-mill-owner, while examined by us, supported statutory fixation of the prices of jute and observed that the jute-industry could easily stand a minimum price of Rs.8 per maund for the bottom quality.

93. We, however, suggest that to start with in the next season the minimum prices of raw jute should be fixed at Rs.7, Rs.8 and Rs.9 per maund for bottom, middle and top grades respectively. In support of the minimum price of Rs.7 for the bottom quality we have adopted the following formula:—

> "The minimum is the average cost of production plus the net profit per maund of jute which a cultivator, having the minimum economic holding and growing jute in all his lands, must get to meet the bare costs of maintaining himself, his wife and at least two children (four such persons composing an average family of Bengal) for a year."

94. Now, the points for determination are—

(*i*) the average yield of jute per standard bigha of land,

(*ii*) the average cost of production of a maund of jute,

(*iii*) the area of the minimum economic holding, and

(*iv*) the costs at the present market value of the bare necessities of life of one adult male, one adult female and two minor children.

As regards (*i*), we have good evidence that the average yield of jute in a standard bigha of land in Bengal is 4 maunds. We are supported in this estimate not only by the evidence adduced before us, but also by the Hon'ble Khan Bahadur (then only Khan Bahadur) Azizul Haque, who was a member of the Finlow Committee and very seriously went into that question.

As regards (*ii*) also, we have reliable evidence that the average cost of production of a maund of jute is Rs.4. In this respect also, we are supported by the Hon'ble Khan Bahadur Azizul Haque, who was the only member of the Finlow Committee who went into this question.

As regards (*iii*), the area which should constitute the minimum economic holding in Bengal has been estimated by experts at 15 standard bighas.

As regards (*iv*), having regard to the poor style of living of our unfortunate cultivators we may fairly estimate the minimum costs of their bare living at Rs.15 (some suggest Rs.20) per month per family of our members as aforesaid, i.e., Rs.180 per annum.

Now, a jute-grower holding 15 bighas of land and cultivating jute alone in the entire area can get 60 maunds of jute. From these 60 maunds he must get the minimum profit of Rs.180, i.e., Rs.3 per maund. Thus, the minimum price of jute per maund must be Rs. 4 (the cost of production) *plus* Rs. 3 (the minimum net profit), that is, Rs.7 per maund.

It may be argued that the jute-grower produces *Rabi* crop also in his land, and that crop has value. No doubt, it has some value. But, the small net profit that he derives thereby ought, in all fairness, to be reserved for his occasional and emergency expenses, such as repairs to his cottages, medical aid and the like, not to speak of natural calamities, such as floods, cyclones, fire, etc.

In this connection it should also be borne in mind that the above calculation has been based on the production of a holding of 15 bighas of land. But we all know that the average holding, which is another serious problem, is, according to Government statistics, 1·7 bighas per head of 80 per cent. people who live on cultivation in Bengal, and in fact, is not more than 4 bighas per family of the cultivators. That being the position the minimum net profit fixed as above has been estimated, from the economic point of view, much in error against the jute-grower.

We have adopted the above formula to show that our determination of the minimum has not been arbitrary.

95. Some of the witnesses examined by us, certainly not jute-growers nor their representatives and also some of the members of our Committee expressed their opinion against statutory fixation of the price of jute. Their main contentions are that in the absence of reliable costs data of both cultivation of jute and production of jute-goods it is not practicable to fix a minimum price. Besides, they think that to fix it at the prevailing market price will serve no useful purpose, while to fix it at a lower price might be definitely harmful to the interests of the jute-growers. They have further pointed out the following implications of a policy of price-fixation :—

(*i*) It implies effective regulation of production of jute-crop.

(*ii*) It involves the assumption by the State of the obligation to buy all excess crop at the statutorily fixed minimum.

(*iii*) It further requires the effective sterilization of this stock as long as the statutory minimum is not reached.

(*iv*) It implies the setting up of an adequate machinery and an efficient organisation for the discharge of the functions in (*ii*) and (*iii*).

(*v*) Lastly, the policy requires the provision of adequate financial resources for the purposes mentioned in (*ii*) and (*iii*).

96. In reply to the above contentions we desire to observe as follows :—

(*a*) A mass of evidence was collected by the two Sub-Committees of our Committee while on tour in the districts, on the costs of cultivation of jute. The costs were stated to differ in different areas. But for the purposes of broad generalisation we may say that the average cost of cultivation of jute in the Province works out at about Rs.4 per maund. This was the view of the Hon'ble Mr. Azizul Haque also, as already stated before. Our average of Rs.4 per maund may not be strictly accurate, but for the purposes of fixing a minimum which a jute-grower must get to make the reasonably minimum profit from his cultivation our figure of Rs.4 may be accepted without hesitation.

(*b*) The question of the costs of manufacture comes in only when the minimum price of raw jute is likely to cut into the normal profits of a mill. Although we have not been able to get the figures of such costs from the mills in spite of our attempts, we have reasons to believe that the minimum prices that we have proposed will not cut into the normal

profits of the mills. If, however, it cuts so in any year, the mills will find no difficulty to recoup that cut by retrenching their expenses for highly salaried officers and highly remunerated managing agents.

(*c*) While suggesting the figures of the minimum, we had in view the normal market and not the abnormal market created by the outbreak of the present war.

(*d*) The implications of the price-fixation-policy may be well met by our recommendations for compulsory regulation of production and marketing organisations that we have made in the previous two chapters.

97. We, therefore, recommend that the prices for the different grades of raw jute should be controlled every season by Government either directly or through a Statutory body constituted for that purpose and that the minimum price for every grade should be statutorily fixed before the commencement of every season, and also that for the next season to start with, the minima should be fixed at Rs.7, Rs.8 and Rs.9 per maund of bottom, middle and top qualities of jute respectively.

1. MUKHLESUR RAHMAN.
2. KHAN BAHADUR M. SHAMSUZZOHA.
3. MD. ISRAIL.
4. Mv. ABDUL HAMID SHAH.
5. MOSLEM ALI MOLLA.
6. BIRAT CHANDRA MONDAL.
7. MONOMOHAN DAS.
8. RAI SAHIB KIRIT BHUSAN DAS.
9. S. N. BISWAS.
10. CHARU CHANDRA ROY.
11. A. M. ABDUL HAMID.
12. AZHAR ALI.
13. GIASUDDIN AHMED.
14. SHAHED ALI.
15. KAZI EMDADUL HUQ.

VII-B.—THE PROBLEMS OF PRICE-FIXING.

98. It will be recalled that in Chapter III of this Report we analysed the circumstance under which the price of raw jute could be increased. It was stated *inter alia* that direct manipulative action was one of the methods by which this end could be achieved. In this chapter we propose to examine the implications of a policy of direct fixation of a minimum price for raw jute.

99. Logically, this demand arises from a different strand of thought from that which we had occasion to examine in sub-section (3) of the previous chapter. It is argued that no scheme of concerted action by or on behalf of the jute-growers is likely to be effective in practice; and that, even if any practicable scheme could be successfully worked, in the present unbalanced state of the market, its effect in raising the price of raw jute was not likely to be substantial. So, according to the sponsors of this idea, it was necessary to ensure to the jute-growers a minimum price for their crop.

100. We have already emphasized the need and urgency for securing to the jute-growers the maximum possible price for their crop. We also recognize that it is not enough that the price that they obtain for jute should barely cover the complete costs of its cultivation. In view of the fact that the fibre is the only cash crop of large parts of this province, and occupies a predominant position in its agricultural economy we consider that it is also necessary that the price should be as high as it is economically attainable. While these general principles which we have laid down received almost unanimous support from all the witnesses we examined, we were struck by the extraordinary diversity of opinion, in the mofussil as to what could be called a proper minimum price. A mass of evidence was collected by the two Sub-Committees on the costs of cultivation of jute, in different parts of the province. We cite below some typical figures:—

Name of district.	Average cost of cultivation.	Average yield.
Noakhali	Rs. 16-6 per md. per bigha ..	4 mds. per bigha.
Murshidabad ..	Rs. 4 per md. per bigha .. Rs. 3 per md.	3 mds. per bigha.
Nadia (Kushtia) ..	Rs. 11-8 to Rs. 18 per md. per bigha.	3½ mds. per bigha.
Pabna (Sadar) ..	Rs. 3-8 to Rs. 6-4 per md. ..	....
Serajganj	Rs. 20 per md. per bigha ..	5 to 6 mds. per bigha.
Bogra	Rs. 20 to Rs. 22 per md. per bigha.	5 mds. per bigha.
Rangpur	Rs. 22 to Rs. 24 per md. per bigha.	5 to 6 mds. per bigha.
Mymensingh ..	Rs. 20 per md. per bigha ..	5 mds. per bigha.
Dacca	Rs. 24 to Rs. 25 per md. per bigha.	5 to 6 mds. per bigha.

For purposes of broad generalization, we may say that the average cost of cultivation in the province works out at about Rs. 4 per maund, as against the trade estimate of Rs. 3-8 given by the Bengal Chamber

of Commerce. We need hardly state that we claim no scientific validity for any of these figures. They were based on the estimates of a large number of individuals, who claimed to possess practical acquaintance with the cultivation of raw jute, but the Committees had neither the time nor the opportunity to test these estimates. It may be interesting to compare the figures cited above with those recently compiled in respect of jute by the Department of Agriculture in connection with an enquiry into the costs of cultivation of crops in the principal sugarcane and cotton areas of this Province, recently carried out under the auspices of Imperial Council of Agricultural Research :—

**Rajshahi-Bogra Area, 1934-37.*

Item.	Mean.	50 per cent. range.
Cost of production per maund.	Rs. 2-6-10 ..	.. Rs. 2-3-2 to Rs. 2-9-7.
Yield per acre (maunds) ..	12·46 (2½ bales)	.. Rs. 11-1 to Rs. 13-7.
Cost of production per acre.	Rs. 32-2-8 ..	.. Rs. 30-2 to Rs. 34-2.
Net profit per acre ..	Rs. 25-6-10.	
Business income per acre	Rs. 39-5-1 ..	..
Selling price per maund ..	Rs. 4-7-11 ..	.. Rs. 3-5-4 to Rs. 5-4.

101. We make no comments on either set of figures. We cite them merely to demonstrate how greatly the estimates of cost of cultivation can vary, and in practice, how little reliance can be placed, on quantitative estimates, based merely on opinion, however well-informed it may be. Difficult as it is to ascertain the existing ranges of costs, it is far more difficult to calculate the normal costs of cultivation. Not only do soil conditions and cropping practices vary from district to district, and some time even within a district itself, but the reduction of the different types of productive effort engaged in the cultivation of the crop into normal money costs present computational difficulties which cannot be lightly ignored. We mention this only to indicate how difficult it is even to formulate a scientific demand for fixation of a minimum price for raw jute. An essential preliminary condition seems to be the investigation of costs of cultivation, in homogeneous regional areas, on standardized lines, by a specially trained staff.

102. A more formidable objection arises from the fact that at present we possess no data as to the costs of production of manufactures, or as to the relative proportions which the different elements of cost bear to the total costs of production of a unit of manufacture. In the absence of these all-important data, fixation of the price of the raw material can proceed only by the "rule of thumb". If the price is fixed too low, it will confer no benefit on the cultivator whatever; on the contrary it might conceivably drag prices down below the level which the market would have otherwise fixed. Some of the witnesses

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*Extracted from Report on the costs of production of crops in principal sugarcane and cotton tracts in India, Vol. VI (1938).

who appeared before us referred to the policy of the Argentine Government in regard to linseed in this connection. It was said that at the beginning of the crop season every year, the Argentine Government fixed a minimum price for linseed after taking into account all relevant factors, including the size of the crop, and declared its intention to buy all the linseed that was sold to it at this prescribed minimum. We were further assured that although this policy was peing pursued for several years now, the Argentine Government had not had to buy any linseed as it was always marketed at a price above the prescribed minimum. If this is so we do not see what actual benefit the fixation of the price has conferred on the linseed-growers of Argentine. We regret we do not possess any authentic information about the detailed working of this scheme, but presumably the minimum is fixed at a particularly low level. If this is so, we are definitely against following the Argentine example. In the present unorganized state of the jute-growers of Bengal, the statutory fixation of a particularly low minimum price may well encourage extensive "rigging of the market" to the prejudice of the growers, and tend to convert the minimum into a standard rate. If, on the other hand, the price is fixed so high as to cut into normal profits of manufacture, there is a real danger that, in the short period, the ultimate consumers may refuse to buy their supply of the fibre from the open market and prefer to rely on their stocks of it, and in the long period, i.e., if the policy is persisted in, may even go to the length of closing the factories. In the present state of the jute industry, the latter risk is by no means inconsiderable.

103. Two possible counter-arguments may be considered at this stage. First, it may be argued that the object of fixation of a minimum price is not to cut into the *normal* profits of the manufactures, but to reduce their abnormal profits, and to transfer the excess of earnings to the growers of the raw material. We have already referred to the recent unsatisfactory position of the jute industry. We regret to note that in spite of our best efforts, we were unable to obtain from the Indian Jute Mills Association the relevant data on this subject. As the correspondence that passed between us and the I.J.M.A. will fully disclose the nature of the fundamental issues involved in this question, we print it as Appendix VIII to our report. Had these costs data been available, they would have thrown a flood of light on this subject and given adequate quantitative support to our arguments. The following table will, however, show how profits have been systematically falling since 1935 :—

Year.	Number of companies.	Profits (Rupees in thousands).	Profits, same companies, preceding year (Rupees in thousands).	Chain index (Base : 1928 =100).
1935	53	3,33,29	2,86,70	40·0
1936	53	2,16,33	3,33,29	25·9
1937	54	1,00,75	2,18,41	12·0

The following detailed statement which carries the story back to the pre-depression year of 1927-28, reinforces the conclusions suggested by the above summary figures* :—

Year.	Number of companies.	Paid-up capital (Rupees in thousands).	Net profits (Rupees in thousands).	Net profits as percentage of paid-up capital (Rupees in thousands).	Index (Base : 1927-28. =100).
1927-28	46	16,20,67	6,61,37	40·8	100
1928-29	47	16,15,40	6,85,81	42·5	104·2
1929-30	47	16,15,40	4,50,07	27·4	67·2
1930-31	47	16,39,60	1,21,23	7·4	18·1
1931-32	47	16,39,60	32,15	2·0	4·9
1932-33	47	16,39,60	82,84	5·1	12·5
1933-34	47	16,40,62	1,53,60	9·4	23·0
1934-35	47	16,04,90	2,36,26	14·7	36·0
1935-36	47	16,04,90	2,20,27	13·7	33·6
1936-37	47	16,04,90	1,07,02	6·7	16·4
1937-38	47	16,04,90	22,76	1·4	3·4

Whatever may be the ultimate outcome of the present restriction policy of the jute mills, it has not yet led to any large-scale increase in profits. It seems to us therefore that the possibility of elimination of abnormal profits hardly exists at present. The immediate effect of a policy of fixation of the price of the raw material at a level higher than the current rate must necessarily lead to the raising of the prices of jute goods. That brings us to the second counter-argument, viz., that if the price of the raw material were fixed at a higher rate than the present, the manufacturers could easily recoup their loss by increasing the price of the finished products. In Chapter IV, we have discussed the circumstances under which a rise in the price of the manufactures could be successfully maintained. As we indicated there, it is essentially a question of elasticity of demand, which again will depend largely on the price-parities of substitutes and alternative fibres. It is unfortunate that our existing knowledge of these relevant factors is extremely meagre, and does not enable us to come to a more definite finding on this subject. Nevertheless, the considerations that we have suggested sufficiently demonstrate the unwisdom of fixing what must necessarily be an arbitrary minimum. For the present, therefore, any further scientific consideration of this problem is precluded by the existing state of our knowledge. It does

Vide the Capital, dated the 20th April 1939.

not follow from this that the attempt to raise the price of raw jute by direct manipulation is bound to fail for all time to come. Not only for this limited purpose, but also for the purpose of a well-informed and coherent policy in regard to the jute industry as a whole, we consider it very necessary that a careful, scientific investigation into the costs of manufacture of jute should be made at a very early date. This task might well be entrusted to the expert Committee that we have already suggested for the investigation of the other aspects of the manufacturing end of the trade. When the necessary costs data have been collected, and the elasticity of demand for raw jute in relation to the price-parities of its substitutes and alternatives has been ascertained with reasonable accuracy—it is all a question of time and the will to do—we shall be in a position to decide how far the fixation of a particular minimum—or rather a series of minima, corresponding to different qualities of jute—will be a practical proposition.

104. In this view of the problem, we refrain from discussing the other logical implications of a policy of price-fixation. In order to clarify popular thought on this subject, however, we deem it expedient to indicate very briefly some of the more important essential concomitants of this policy:—

(*i*) It implies effective regulation of cultivation of jute not only in this Province but in the other jute-growing provinces as well.

(*ii*) It involves the assumption by the State of the obligation to buy all excess crop at the statutorily fixed minimum.

(*iii*) It further requires the effective sterilization of this stock as long as the statutory minimum is not reached.

(*iv*) It implies the setting up of an adequate machinery and an efficient organization for the discharge of the functions mentioned in (*ii*) and (*iii*).

(*v*) Lastly, the policy requires the provision of adequate financial resources for the purposes mentioned in (*ii*) and (*iii*).

105. A large number of witnesses, who appeared before us, drew our attention to the schemes of fixing minimum prices for sugarcane operating in Bihar and U. P. The circumstances are so different that there is hardly any real analogy between sugar and jute. We have carefully considered the principles underlying the fixation of the price of sugarcane on the basis of sugar prices, and the relevant discussion on this subject in paragraphs 317 to 326 of the Report of the Indian Sugar Committee of 1920. The conclusion arrived at by that Committee was that, in Indian conditions, it might be assumed that the value of the cane was approximately one-half the value of the sugar produced from it. It was on this definite finding by an authoritative body that the elaborate system of minimum prices for sugarcane was built up. We have already stated that such data for jute are non-existent. Secondly, minimum prices for sugarcane were fixed, only after the price of sugar had been fixed at a level, which took due account of the minimum price for cane. We need hardly point out that this was possible only because foreign competition was shut out in the domestic market—the only important market for Indian sugar—by the grant of protection to the local industry. The market

for jute is entirely different from that of Indian sugar, and in spite of the monopoly character of the fibre is far less protected than the artificial protection enjoyed by sugar. If we could have held the consumers of jute goods in fee, as the consumers of sugar are now in fact held, and assured to the jute manufacturers a price based on the minimum price for raw jute we have in mind, the analogy between jute and sugar would have been established. Where diagnosis is different, prescription must also vary.

106. We, therefore, conclude that in the absence of reliable costs data, particularly the data relating to the costs of manufacture of jute goods it is not practicable to fix a minimum price which will be appreciably higher than the prevailing price. To fix it at the prevailing market price will serve no useful purpose, while to fix it at a lower price might be definitely harmful to the interests of the jute growers, as we have endeavoured to argue earlier. Nor do we consider the fixation of a minimum price urgently necessary at the present moment. We think it would be more prudent to go ahead with the other reforms, which we have already suggested, and to await their effects on the prices of raw jute. Some of these measures, e.g., those relating to the regulation of the crop constitute the essential basis for any scheme of minimum prices. It is only after the base has been firmly laid that we can think of raising any superstructure on it.

1. L. R. FAWCUS.
2. I. G. KENNEDY.
3. W. A. M. WALKER.
4. D. L. MAZUMDAR.

CHAPTER VIII.

OTHER IMPROVEMENTS.

107. Having considered the principal defects in the present system of marketing, and the measures for their removal, we shall now proceed to examine some other factors of a different type, which might substantially affect the income of the jute-grower from the sale of his produce. They may be considered under the following general heads:—

108. *(i) Agricultural.*—One of the principal ways in which the cultivators could obtain a better price for their jute would be to improve its quality. This could be done in a variety of ways, as was recognized by the representatives of cultivators themselves. The principal methods they suggested were—

(*a*) use of improved seeds,

(*b*) interchange of seeds,

(*c*) careful manuring, and

(*d*) suitable rotation.

The departmental varieties of seed now in use by the cultivators were D. 154 (*Corchorus Capsularis*), and Chinsura green (*Corchorus olitorius*). We had the opportunity of examining the Assistant Fibre Expert to the Government of Bengal on this subject. From what we ascertained from him as well as from other mofussil witnesses, it appeared that the superiority of departmental varieties consisted mostly in their increased yield. We do not desire to deprecate this emphasis laid on the yield factor. Hitherto, this has been the objective of all research by the Agriculture Department into this subject—not only in regard to jute, but also in respect of other crops. Justification for this policy is not hard to seek. Nevertheless, in the case of a commercial crop like jute, attention to quality is no less important. Although we recognize that the quality of jute depends largely on locality and methods of preparation, i.e., on soil, climate, and retting practices, yet, we should like to stress the obvious importance of combining search for quality with the search for yield in investigations into this subject. While from the point of view of an individual cultivator yield may appear to be predominant consideration, the interests of jute-growers as a whole are likely to be better served by improvements in quality, which may fetch a higher price for the better quality of the fibre. The benefit of quality will, however, accrue to cultivators only if the buyers can be made to recognize differences in quality and to pay the jute-growers accordingly. It is idle to expect the latter to pay any attention to quality—even if quality seeds were available to them, as long as the premium for quality remains a matter of uncertainty and no increased price is assured to them. The following extract from a note by the Director of Agriculture on this subject strengthens our argument. He says....., "Further, there is no inducement for the cultivator to produce good jute. The great bulk of the Mymensingh crop

last year (1938)—a district that produces one-third of Bengal's jute—was well-grown, and there was plenty of retting water. Yet, there were many complaints from the trade about the quality that was coming in. This shows that it is not worth the cultivators while to try for quality". Our recommendation as to the standardization of grades has been designed to encourage, among other things, attention to quality. We recommend systematic and concentrated research into this subject and the early organization of a comprehensive machinery for the distribution of departmental seeds.

109. Analogous to the above problem is the question of selection and standardization of seeds for regionally homogeneous jute-growing areas. We ascertained from the Assistant Fibre Expert that work on the isolation of pure types from mixed locals was proceeding apace at the Dacca Farm, and that, out of nearly sixty pure lines in the list, some appeared to be very promising. It will necessarily take some time to standardize seeds from particular areas, but we strongly recommend continuous research along this line, as this seems to us to be one of the surest ways of inducing improvement in quality.

110. As regards the use of manure, it seems to be largely a question of the cultivator's ability to pay for them. We can suggest little usefully on this subject.

111. According to one authority, "the chief cause of deterioration in the length of the jute fibre is the continued cultivation of the crop, year after year, on the same field. It has been observed that the best quality of the fibre is obtained from the fields which are newly broken up, or the fields on which jute is rotated with some other crops". The influence of rotation on quality has to be demonstrated to the jute-grower, and we would suggest this demonstration being conducted in all district and union board farms. One additional advantage of such rotation would be the automatic reduction of the acreage under jute.

112. It has been suggested from time to time that the noticeable falling off in the quality of the fibre is as much to the deterioration of the plant or fibre as to inferior methods of cultivation and preparation. We have received very little evidence on this subject either in the mofussil or from the expert witnesses of the Agriculture Department. While the methods of cultivation and preparation are unduly primitive, in the sense that they have remained almost unchanged ever since jute cultivation on an extensive scale was undertaken by the cultivators of Bengal, we are unable to say whether, under the natural conditions of this country or in the economic circumstances of the cultivators any other improved methods can be practically adopted. This is a matter eminently suitable for investigation by the Agricultural Research Section of the Indian Central Jute Committee, jointly in collaboration with the Agriculture Department of the Government of Bengal. We recommend that steps be taken in this direction at an early date.

113. *(ii) Trade.*—We have already discussed at length the defects and deficiencies of the present marketing system. One particular source of malpractice, which has assumed serious proportions of late, remains to be considered here. Complaint of the increased practice of watering the jute was made to us at several mofussil centres. The problem involves several complicated questions of estimation and detection, and is not likely to be satisfactorily solved as long as the appropriate tests

are not discovered. At present there is no recognized basis on which moisture content in parcels of jute can be calculated. Secondly, there is no recognized basis for estimating the *normal* moisture content of jute, in varying conditions of temperature and humidity in the different months of the year. Once these scientific tests have been evolved, it will be necessary to discover further suitable methods whereby these tests can be applied to representative samples of bales, so that assessment of moisture content for ordinary commercial purposes can be done expeditiously. At the same time adequate provision will have to be made for the settlement of disputes. On all these matters detailed investigation is necessary. We understand that the entire question is now under investigation by the Indian Central Jute Committee. In view of the complicated nature of the problem, we suggested that the results of this investigation should be awaited before any further action is taken in this matter. Without prejudicing this enquiry in any way, we may record here the consensus of opinion in the mofussil to the effect that watering on a large scale was done generally by the *beparis* and rarely by the jute-growers. A careful study of the chart of price-spreads which we have annexed to the Report as Appendix VI may offer an explanation of this malpractice, but pending detailed investigation into this matter, we hazard no definite conclusion on this subject. As things stand at present, this malpractice does not directly affect the price paid to the grower; it is the lower link in the chain of middlemen that gains at the expense of the upper link. Nevertheless, in so far as this evil practice affects quality, it is a matter of ultimate concern to the raiyats as much as to the dealers and buyers of jute, and should therefore be energetically tackled.

114. (*iii*) *Transport.*—Transport costs are by far the largest single item which accounts for the difference between mofussil and Calcutta prices. The following typical figures will show the percentage which transport costs constitutes of this difference:—

Name of places.	Total difference.	Transport cost.	Percentage of col. 3 to col. 2.
1	2	3	4
	Rs. a. p.	Rs. a. p.	Per cent.
Kusthia (Nadia)	0 12 0	0 9 9	80 approximately.
Serajganj	1 0 0	0 10 9	62·5
Bogra	1 0 0	0 10 0	62·5
Rungpore	1 4 0	0 12 0	60

Obviously, one important source of an increase in raw jute prices would be a reduction in the freight rates. It is not possible for us, with the

scanty materials available at our disposal, and without far more detailed investigation, which we do not feel called upon to make, to express any definite opinion as to the extent to which steamer and railway freights can be reasonably reduced below their existing levels. The carriage of raw jute or jute goods is only one of the many functions of the steamship lines and railway companies, and an adequate consideration of the rate policy must take in account several other complicated factors. Nevertheless, the following tables provoke some disquieting thoughts:—

Year.	Rates of steamer freight.	Harvest price of jute per maund.	Index number of wholesale prices, Calcutta (Base : 1929 =100).
		Rs. a. p.	
1927 ..	As. 10 per maund for busy season } less discount for bales as per Eastern Bengal Railway Rules. As. 7-3 per maund for slack season }	8 0 0	105·0
1928 ..	Ditto	8 4 0	102·8
1929 ..	Ditto	9 0 0	100·0
1930 ..	Ditto	8 0 0	82·3
1931 ..	Ditto	3 9 0	68·1
1932 ..	Ditto.	4 4 0	64·5
1933 ..	Ditto.	3 4 0	61·7
1934 ..	Ditto	3 8 0	63·1
1935 ..	Ditto } (also less deferred rebates)	3 8 0	64·5
1936 ..	Ditto	4 13 0	72·3
1937 ..	Ditto	5 0 0	67·6
1938 ..	Ditto	..	..

These basic rates were, however, subject not only to the usual rebates for quick discharge, but also to deferred rebates to shippers according to the following scale, which effect from the 1934 season:—

From—	Per maund. Rs. a. p.
Narayanganj, Dacca, Chandpur and Aldengunge ..	0 1 0
Charmugria and Madaripur	0 2 0
Bharamganj, Jopsa, Maria and Nilkundi ..	0 1 6
Tarpassa and Mairat	0 1 6
Elashun, Sadhuganj and Bera*	0 2 0
Bhairab, Nursindi, and Ashuganj	0 0 6

*Serajganj and Sarisabari were included within the scheme with effect from July 1936.

115. Whereas the rates remained surprisingly unresponsive during the worst period of the depression when the jute values fell by over 60 per cent., the extent of this maladjustment has since been somewhat corrected. Nevertheless, we must point out that the present rates stand at more or less the same level at which they stood in 1918, when prices were very much higher than now. It is not for us to say how far the steamer freights are capable of reduction. But it is a significant fact that the "outside" steamer companies could quote substantially lower rates, throughout this period, even when allowance was made for the various rebates granted by the "Conference" steamer companies. We conclude that *prima facie* there appears to be a case for a careful revision of the steamer freights, and urge that the Indian Jute Mills Association should take advantage of the recent expiry of the agreement with the conference lines to secure a greater measure of adjustment betwen prices and transport cost.

116. Railway rates have unfortunately remained still more inelastic, and their unresponsiveness to prices has been one serious obstacle in the way of reduction of steamer freight rates. That the trade interests fully recognize this basic weakness in their position has been revealed by the course of their periodical negotiations with the "Conference" steamer lines ever since 1926. Railway rates do not appear to have been revised at all during all these years. According to the classification of goods for railway rates purposes, manufactured jute belongs to Class II, *i.e.*, is entitled to haulage at ·42 pie per md. per mile, and raw jute to Class VI, the basic rate for haulage of goods of this class being ·83 pie per md. per mile. That this latter rate is unduly excessive is obvious from the fact that raw jute of all description is carried at special lump sum rates, well below the basic rate of ·83 pie, from almost all upcountry booking stations, and the actual

basic rate for the haulage of baled jute approximates to that for manufactured jute. The following table shows some typical rates:—

Station from—	Station to—	Distance for charge in miles.	Basis of rate per maund of drummed jute (special rate).		Basis of rate for jute in bales of 3½ mds. each (special rate).		
			Rate.	Basis.	Rate.	Basis.	Basis.
			Rs. a. p.	Pie per md. per mile.	Rs. a. p.	Pie per md. per mile.	Pie per md. per mile.
Goalundo ..	Calcutta ..	155	0 7 3	·56	1 4 4	·45	
Gaibanda ..	Ditto ..	255	0 10 5	·49	1 13 2	·39	
Sirajganj Bazar.	Ditto ..	194	0 7 3	·45	1 4 4	·36	·83
Saidpur ..	Ditto ..	261	0 13 3	·61	2 5 1	·49	
Khulna ..	Ditto ..	109	0 5 8	·62	0 15 10	·50	

117. One consequence of the inelasticity of railway rates in recent years has been the increasing diversion of traffic to steamer companies. Even in the limited interests of railway earnings, the policy pursued by the railways does not appear to have been altogether successful. It does not appear that jute was included within the scheme of revision of classification of goods for rates purposes which was given effect to in 1935. If this is so, we suggest that the matter might be usefully taken up with Government at any early date.

CHAPTER IX.

THE JUTE FORECAST AND STATISTICS OF STOCKS.

118. We now come to the last of our specific terms of reference. This is one of the first subjects for investigation which the Indian Central Jute Committee took up immediately after its establishment towards the end of 1936. Much exploratory work has been already done by a special sub-committee appointed for this purpose, in collaboration with the Provincial Department of Agriculture, and investigations are still in progress. So, we do not propose to discuss this subject at much length. We shall merely indicate the directions in which reform is urgently called for.

119. The most striking and indisputable fact about the jute forecast is its unreliability. The following table will show the discrepancies between the official estimate, and the recorded actuals over a series of years :—

Year.	Final forecast of the year. (In lakhs of bales.)	Actuals. (Exports, mill purchases and local consumption.) (In lakhs of bales.)	Percentage of difference between columns 2 and 3 on the basis of column 2.
1	2	3	4
1922	42·37	63·89	+51
1923	69·96	93·87	+34
1924	80·45	91·11	+13
1925	78·51	93·51	+19
1926	108·89	123·83	+14
1927	102·30	111·50	+ 9
1928	99·16	104·83	+ 6
1929	97·67	109·08	+12
1930	112·31	101·53	−10
1931	55·66	65·57	+18
1932	70·97	87·96	+24
1933	80·12	87·14	+ 9
1934	79·64	97·93	+23
1935	72·39	85·53	+18
1936	86·17	108·61	+26

In course of our tours, we endeavoured to ascertain the causes of this unreliability of the official figures, and the comparative accuracy of

the trade estimates. The latter possess the exceptional advantage of having been compiled by local persons in the trade who live in the countryside, in the heart of the jute-growing areas, from year to year, and are, therefore, kept informed of any large scale changes, if any, in agricultural production. Official agencies rarely possess this local expert knowledge, and their sources of information are also scrappy and spasmodic. What is, theoretically, every union President's business is, in fact, no one's real concern. Consequently the official figures are always out by a very large margin.

120. The total output in a particular year is a function of three variables, viz., (*i*) the acreage under jute, (*ii*) the normal yield per acre and (*iii*) the seasonal condition factor. The last factor is entirely a matter of estimation, and we do not think trade is in any better position to assess its influence than the agencies at the disposal of Government. Nor do we think that the calculation of the normal yield accounts for the bulk of the error in the official forecast. It is true that crop-cutting experiments are neither sufficiently extensive nor carried out with due care and diligence. More often than not it is another straw on the harassed and overworked back of the local Circle Officers, and it is no wonder that he is generally compelled to delegate this routine work to the local Presidents of Union Boards retaining only the supervision of it to himself. Nevertheless the accepted standard yields, on which the official forecast is based, are not so unreliable as they are often made out to be. We are confirmed in this view by the evidence we received in almost all the districts we visited. The average yield figures that we obtained from the local witnesses—many of whom had their own farms and kept fairly reliable accounts of their operations—were generally below the official figures. Allowing for the natural propensity of agriculturists to underestimate the yields of different crops, particularly before a Committee of Enquiry, the figures they cited approximated very closely to the normal yield figures of the Director of Agriculture. We, therefore, conclude that the bulk of the error in the official forecast arises from the unreliability of acerage figures. Recent investigations by the Jute Census Sub-Committee, to whose work on this subject reference has been already made confirm this suspicion. In order to obtain greater accuracy in the forecast it seems to us to be necessary that increasing attention should be paid to acreage figures. As we have already stated, considerable work on his subject has been done by a special *ad hoc* committee. We have had opportunity of examining this work, and we have no hesitation in recommending that Government should continue to support the activities of this committee, so that a scientific solution of the problem of the jute forecast may be obtained before long. As the acreage under jute varies considerably from year to year, it will be necessary to arrange for the annual revision of the figures in any scheme of improved forecasting. We believe that the registration of jute lands which we have suggested as an essential preliminary to the adoption of any scheme of compulsory regulation will also help in the compilation of more accurate acreage figures. We do not however desire to discuss the details of these matters any further. Full reports of the work already done by the Jute Census Sub-committee of the Indian Central Jute Committee are available in the published proceedings of the meetings of the Committee. Nor do we feel competent to express any definite opinion as to relative merit of efficiency of any particular method or technique. This must await

the results of the exploratory survey now in progress. Whatever be their nature, we desire to emphasize the fact that having accepted the policy of working in collaboration with the Indian Central Jute Committee on this subject, Government should adhere to it till the enquiry is over.

121. A large body of mofussil opinion was sceptical of the utility of the jute forecast. Even at its best, it was contended, the forecast was merely an estimate of supply, and in the absence of any reliable estimate of demand, offered little guidance to the jute-grower. We agree that there is substance in this criticism, although we must point out that, since the inauguration of the system of voluntary propaganda, the jute-grower has not been quite left in the dark as to the probable demand for his fibre. We suggest that Government should consider the desirability of issuing a forecast of demand well in advance of the sowing season; but if this cannot be done in the near future, the Indian Central Jute Committee should be asked to compile such a forecast. This forecast should be circulated in the villages through the usual agency sufficiently before sowing season. Our proposal on this subject merely amounts to regularization of the procedure adopted by Government during the years of voluntary propaganda, and we hope there will be no difficulty in giving effect to it at an early date.

122. Fairly accurate knowledge of existing stock figures will be necessary for the compilation of such a forecast of demand. The Secretary of the Indian Central Jute Committee, whom we had the opportunity of examining, informed us that the committee had succeeded in obtaining stock figures from the Associated Mills through the Indian Jute Mills Association. In order that mills outside the association, balers, loose-jute dealers, as well as the upcountry balers and merchants may be brought into this scheme, we suggest that an enabling statute may be passed calling upon all these different interests including the mills to submit return of their stocks to a duly constituted authority. This requirement will involve no departure from contemporary methods or practices, and if the statistics collected from different sources are published in the aggregate, no reasonable objection can be urged to the proposed measure. In this connection, we would refer to the interesting analogy of the *Essential Commodities Reserves Act*, lately passed into law in England, under which the Board of Trade is empowered to collect comprehensive statistics which it is free to publish in terms of aggregates. Although this Act was conceived primarily as a measure of national defence, the principles underlying it are no less applicable to a policy of furthering economic well-being in times of peace.

123. As regards stocks held ex-India, we ascertained that the existing machinery for the supply of information was slow to move and otherwise unsatisfactory. In our view, if efficient service is desired, it will be necessary to establish a separate staff in the principal consuming centres to collect this information. This is a task which might be appropriately entrusted to the Indian Central Jute Committee.

CHAPTER X.*

A PLAN OF ACTION.

124. In this chapter, we propose to correlate our recommendations scattered all over the preceding chapters into a coherent programme of work. We have considered this necessary for several reasons. In the first place, our recommendations are of such a diverse nature and of such varying degrees of importance that unless they are fitted into a scheme, spread over a number of years, according to an approved order of priority, there is a real risk that much constructive work may be hindered or dissipated for lack of direction in the initial stages. Secondly, in the absence of a complete scheme, the different items of our recommendations may not receive their due share of attention, with the result that policy may suffer from desultoriness and inevitable frustration in the end. In this connection, we cannot help recalling the fate which overtook the recommendations of the Finlow Committee. That Committee made some excellent recommendations which could have been accepted without much further ado, and implemented forthwith. Unfortunately, however, they were crowded out of consideration by the Committee's principal recommendation as to restriction of output of the crop, which held the field for several years to the neglect of many other far-reaching measures suggested by the Committee. We are anxious to avoid similar piece-meal treatment of our recommendations. We believe it will help the initiation of a comprehensive policy if we consolidate the different aspects of our proposals into a complete programme. Lastly, we have thought it desirable to indicate the order in which the various measures suggested by us should be tackled. This has led us to classify our recommendations under two heads, *viz.*, short and long-period schemes. We believe this classification will assist in the formulation of policy and of a scheme of work spread over a number of years. For our short-period schemes we suggest a period of three years; for obvious reasons no such definite time-limit can be set for long-period measures. Accordingly we recommend the acceptance of the following three-year plan at an early date to be supplemented and followed up by the measures which can be fully worked out only in the long-period.

125 (A) (1) In the forefront of this plan we place our recommendation as to the regulation of cultivation of jute. As we have indicated in Chapter V, the first requisite in this direction is the registration of all jute lands. This work will take up the best part of a year, and when this has been done, the acreage will have to be regulated, from year to year, according to the scheme indicated by us in Chapter V. It should be possible for Government or the *ad-hoc* body entrusted with this work to set up and organize a fairly efficient administrative machinery for this purpose in course of three years.

(2) Simultaneously, action should be taken to improve the existing marketing arrangements in the mofussil, which we discussed at considerable length in paragraphs 51 to 76 of our report. We would reiterate that the most important measures in this direction are—

(*a*) Standardization of weights and measures, and grades of raw jute,

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*The Majority have accepted the recommendations of this chapter subject to their Note on this subject appended to it.

(*b*) Establishment of *Experimental* regulated markets, not merely on a voluntary basis, but as part of a comprehensive scheme of ordered marketing in the mofussil.

(*c*) Establishment of *Experimental* Ware-houses, attached to these regulated markets—not merely for the purposes of storage—but for giving financial accommodation to the jute-growers against deposit of their crops.

(*d*) Establishment of co-operative societies of jute-growers for the limited purpose indicated in paragraph 76 of our Report.

(3) While the above measures are receiving attention, Government should cause investigations to be made into—

(*a*) the costs and conditions of manufacture of jute-goods, and into the existing organization of the industry. This can be adequately done only by the appointment of a small and expert Committee,

(*b*) the organization and constitution of the Futures Market by a small expert body.

Even the most meticulous examination of these two subjects should not take more than a year. The two expert committees should, therefore, be able, long before the end of our three-year period, to submit their recommendations to Government.

(4) Apart from the appointment of the expert committees referred to above, Government should requisition the services of the Indian Central Jute Committee to obtain statistical information on the several points mentioned in paragraph 31 of our Report. It will be essential to have careful investigations made into these subjects so that at the end of the three-year plan, Government may be in possession of facts and data, which will enable them, if necessary, to consider those other venturesome schemes for the improvement of jute prices, which we have ruled out of consideration for the present.

126. At the end of the three-year programme, Government will thus have at their disposal—

(*i*) the experience obtained of the working of the scheme of compulsory regulation of cultivation of jute;

(*ii*) the result of their attempts to improve the conditions of marketing in the primary villages, including the provision of financial accommodation on the security of crops;

(*iii*) the results of the working of the scheme for standardization of grades of loose-jute;

(*iv*) the reports of the two expert committees appointed to enquire into the working of the jute mills and the Futures Market in jute;

(*v*) the information collected by the Indian Central Jute Committee.

With all these materials before them, Government should be in a position to assess the merits or defects of their three-year plan, and to arrive at an informal decision as to how far the plan may have succeeded in raising the prices of raw jute in relation to those of manufactures. If these methods appear to have failed, it should be possible for Government to ascertain in the light of their increased knowledge, whether further action along the other directions indicated in Chapters VI (4) or VII of our Report is called for.

127. (B) While this three-year programme of work is under way, Government should initiate and pursue the work on the other measures, which we have advocated. The chief of these are:—

(*a*) Use of jute in the cottage industry of the province for manufacture of fancy goods or speciality articles. This will be primarily the concern of the Industries Department of Government. (Paragraph 26.)

(*b*) Agricultural improvements.—The work under this head will of course be done, in close collaboration with the Agricultural Research Section of the Indian Central Jute Committee at Dacca. Stress should be laid on the factors emphasized in Chapter VIII of our Report.

(*c*) Establishment of a net-work of regulated markets all over the jute-growing areas. The establishment of a few regulated markets in the three-year programme of work will have disclosed their defects or shortcomings. If these do not prove insuperable, and if, as we expect, on balance, the benefit derived by the jute-growers from these markets exceed the cost of their upkeep, regulated markets should be set up all over the province.

(*d*) Similarly, if the experimental warehouses are found to have shown encouraging results, a sufficient number of them should be established gradually all over the jute-growing areas.

(*e*) If the scheme for standardization of grades of loose jute works with reasonable success, suitable grading boards should be established in important mofussil centres, so that the benefits of standardization may be brought to the door of jute-growers. In areas where warehouses are established or where the regulated markets undertake grading of the crop according to quality, no separate boards will be necessary.

(*f*) Communications in jute-growing areas should be gradually improved, and steps should be taken to bring the transport costs of jute down to a level commensurate with its prevailing price. This is a matter not within the competence of the Provincial Government, but that is nothing to preclude them for taking this subject up with the Government of India.

(*g*) Suitable action on the recommendations of the expert *ad hoc* committee proposed by us should be taken, so that the manufacturing industry may be gradually rationalized.

(*h*) Similarly, action should be taken on the report of the proposed Futures Market Committee to place the existing Jute Futures Market on a sound and efficient basis.

(*i*) Improved technique based on the results of the experiments now being carried out on the subject of the jute forecast should enable the compilation of more accurate estimates of outturn in the near future. The work on this subject should be pursued consistently till the technique and organization set up for this purpose have been perfected.

128. The above enumerations exhaust most of our major recommendations. If the programme that we have chalked out above has to be energetically pursued, it will be absolutely necessary to appoint a Jute Commissioner on the basis of our recommendation in paragraph 47 of our Report. His function would be not merely to work out detailed schemes on the lines of policy approved by Government, but also to co-ordinate the various activities, relating to the programme that we have laid down. We understand that under the existing allocation of departmental business, these functions fall under the purview of different departments. Pending a more rational distribution of departmental work, it will be one of the most important functions of the Jute Commissioner to correlate these functions as best as he can. We have already recommended that he should be an officer of sufficient standing and should possess a definite Secretariat Status in the Department of Agriculture and Industries.

129. A cursory perusal of our programme of work will show that the line that we have drawn between our short and long-period schemes is necessarily blurred. It will further appear that short-period measures will merge into long-period schemes, as soon as the former will have passed their experimental stages and will have proved their worth. The scheme that we have suggested merely lays down a logical order of priority. For the initiation and successful execution of a comprehensive jute policy, it seems to us to be of the utmost importance that Government should steadfastly work up to a definite schedule such as the one we have suggested.

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*3. MUKHLESUR RAHMAN.
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*19. AZHAR ALI.
*20. GIASUDDIN AHMED.
*21. SHAHED ALI.
*22. KAZI EMDADUL HUQ.
23. D. L. MAZUMDAR.

*These members have signed Chapters VIII to X subject to the Note appended to this chapter.

Note by the Majority on Chapter X.

We wholeheartedly endorse the need for a comprehensive plan of action which has been so strongly argued in Chapter X of the Draft Report. But as we have found it necessary to differ from the findings and conclusions of the Draft Report in several important respects, some consequential changes in the plan are called for. We indicate them very briefly one by one :—

(1) For the short period programme we suggest a period of two instead of three years. We believe it will not be difficult for Government to give effect to our principal recommendations in course of these two years. According to us, the principal measures that we desire to see adopted during these years are—

(1) the enforcement of compulsory regulation of cultivation;

(2) improvement of the existing marketing arrangements in the mofussil. The main directions in which such improvements should be effected are :—

(*a*) Standardisation of weights and measures.

(*b*) Standardisation of grades of jute.

(*c*) Establishment of regulated markets simultaneously all over the jute-growing areas of the Province.

(*d*) Establishment of warehouses simultaneously in all regulated markets—not only for the purpose of storage, but also for giving financial accommodation to the jute-growers against deposit of their crops.

(*e*) Fixation of the price of raw jute.

(*f*) Establishment of co-operative societies of jute-growers for the limited purpose indicated in paragraph 76 of the Draft Report.

In conformity with our recommendations elsewhere, this is the plan of work that we lay down for our short-period programme. For the rest, we accept the scheme of work envisaged in the Draft Report.

CHAPTER XI.

SUMMARY OF FINDINGS AND RECOMMENDATIONS.

The following is a summary of our conclusions and recommendations:—

(1) *Chapter I—Introductory.*

(2) *Chapter II—Historical and descriptive.*

Chapter III—The Problem of Prices.

(3) After a detailed examination of price-trends since 1927, we conclude that the disparity between the prices of raw jute and jute manufactures which was a characteristic feature of the Post-depression years began to disappear after 1934. Indeed the trend was reversed from 1935. The price of raw jute gradually improved till the middle of 1937, while the price of manufactures declined almost steadily throughout this period. After this, both sets of indices moved downwards on account of the recession in trade which set in about this time, but the relative position of raw jute, and jute manufactures remained substantially unaltered till August 1938, when the Committee was appointed (paragraphs 16 and 17).

(4) It is therefore argued that the problem before us is analytically very much different from what confronted the Finlow Committee (paragraph 18).

(5) Against the background of the above narrative of the recent past, we enunciate a series of general propositions in regard to prices from which we deduce our detailed conclusions in subsequent chapters (paragraphs 19 and 20).

(6) In the light of the above analysis, the more important problems of immediate practical concern to the Committee are formulated (paragraph 20).

Chapter IV.

(7) After a rapid examination of the conditions of demand for manufactures, we conclude that apart from unpredictable factors like wars, in the prevailing circumstance of the world trade, the demand for the ordinary types of manufacture turned out by the Indian Jute Mills is not likely to increase substantially in the near future (paragraphs 22 to 24).

(8) A plea is therefore made for investment of productive resources in new lines of manufactures, and for discovery of new uses for jute. It is also recommended that the possibilities of jute-weaving as a cottage industry should be fully explored by Government (paragraphs 25 and 26).

(9) Having examined the conditions of demand, we turn to the possibilities of raising prices through control of supplies or direct manipulation of prices of the local or foreign manufactures (paragraph 27).

(10) We conclude that the fundamental weakness of the jute industry at present is the existence of a large surplus capacity, which will act as a perpetual drag on prices as long as it lasts. No foreseeable increase in demand seems to us to be likely to absorb this excess capacity (paragraphs 28 and 29).

(11) We recognize that the recent Jute Mills Working Agreement has been a move in the right direction but we find that it can be regarded only as a palliative (paragraph 28).

(12) We therefore recommend that steps should be taken to eliminate this surplus capacity as early as possible.

(13) We consider that the technical and financial problems involved in this question can be best examined constructively by a small competent Committee, consisting of business and financial experts, and presided over by a selected official. From several other purposes also, which we discuss later, we recommend the adoption of such a Committee (paragraph 30).

(14) In the detailed working out of this policy of rationalization, which we advocate, we strongly advise that the price policy should be framed with eye to the prevailing price parities of substitutes and alternative (paragraph 31).

(15) In this connection, we suggest that the Indian Central Jute Committee should collect all relevant statistics to determine the elasticity of demand for jute goods at regular intervals, and should take steps to publish index numbers of prices of raw jute, jute goods and other manufactures which can be used as substitutes or alternatives (paragraph 31).

(16) In the present position of the jute manufacturing industry in this country and of world-trade in India, we do not advocate artificial manipulation of foreign prices through the price of raw jute (paragraph 32).

(17) We then consider the possibility of raising raw jute prices through reduction in the costs of manufacture. The problems connected with this are discussed (paragraph 32).

Chapter V.

(18) Having considered the factors which affect the price of jute goods, we proceed to examine the conditions necessary for securing a corresponding increase in the price of raw jute (paragraph 34).

(19) Following the analysis of Chapter III (paragraphs 19 and 20) we find that one essential condition is the regulation of cultivation in accordance with the demand for the fibre (paragraph 34).

(20) We recommend that, while regulating the production of jute, Government should take all possible precautions to see that the supply of the fibre does not exceed the demand for it.

(21) The object of the regulation that we advocate is further elaborated in the light of other alternative aims of this policy (paragraphs 35 and 36).

(22) We further stress the point that regulation need not invariably mean restriction of the crop. What we desire to set up is a normal programme of work and a normal machinery through which production should be adjusted to demand (paragraph 37).

(23) One theoretical objection to regulation is examined in detail and disposed of (paragraphs 38 and 39).

(24) Two other practical difficulties, viz., co-operation with other jute-growing provinces and the question of substitutes are discussed. We conclude that these difficulties are not insuperable.

(25) Having regard to the results achieved by the voluntary method of regulation in the past we recommend that the compulsory method should be now adopted (paragraph 42).

(26) We find that the principal practical difficulties in the way of compulsory regulation are statistical and administrative. We examine these difficulties and suggest the frame-work of a scheme (paragraphs 43 and 44).

(27) We recommend the provision of suitable penal measures to implement the policy of compulsory regulation (paragraph 45).

(28) We advocate the imposition of a nominal fee on the issue of licences to meet the cost of the scheme (paragraph 46).

(29) We recommend the appointment of a Jute Commissioner to supervise this work as well as to give effect to the other recommendation that we have made (paragraph 47).

Chapter VI.

(30) In this chapter we examine the imperfections of the market which depress raw jute prices and suggest necessary reforms at different stages of the marketing of the crop.

(31) As regards the mofussil market, we recommend—

(*a*) standardization of weights and measures,

(*b*) attack on unauthorized deductions and allowances through regulated markets,

(*c*) dissemination of up-to-date market information,

(*d*) the establishment of grading boards at selected mofussil centres,

(*e*) improved village communications (paragraphs 51 to 56).

(32) The Majority of the Committee advocate establishment of regulated markets all over the jute-growing areas of the Province (*vide* their Note at page——of the Report). The Minority recommend the establishment of regulated markets at important trade centres.

The problems connected with them are discussed at considerable length, and a quantitative estimate of the benefit likely to accrue from them is essayed (paragraphs 57 to 60).

(33) As regards the Calcutta market, we find that by far the most important reform necessary here is the standardisation of the grades of loose jute. The problems connected with this subject are examined in detail, and an outline of immediate action to be taken in the matter is given (paragraphs 61 to 68).

(34) We examine some of the alleged defects of the Export Market, e.g., the systems of "home guarantee" and "invoicing back", and recommend that steps should be taken to abolish them as early as possible (paragraphs 68 to 71).

(35) We examine in detail several ideas as to centralized marketing. While we approve of the object underlying these suggestions, we are unable to recommend that the scheme of centralized marketing under the ægis of Government discussed in this chapter should be adopted at present (paragraphs 72 to 76).

(36) The Majority of the Committee recommend that immediate steps should be taken to set up approved warehouses at all regulated markets where cultivators can obtain financial accommodation against their crops.

The Minority of the Committee recommend the establishment of warehouses at selected trade centres for the present (page——of the Report and paragraph 77).

(37) The possibilities of co-operative marketing are discussed. In the present state of the co-operative movement in this Province, we consider that co-operative marketing of jute has not much chance of success. We would therefore stay further action in this direction till circumstances improve. A beginning may however be made with co-operative transport of jute crops in a village or a group of villages, and we recommend that early action should be taken in this direction (paragraphs 78 and 79).

(38) Some collateral considerations bearing on the holding capacity of jute-growers are further discussed (paragraph 81).

(39) The conditions necessary for the successful working of a Futures Market in jute are considered. We recommend that loose-jute should be the basis of a Futures Market, and conclude that the existence of a properly organized Futures Market in loose jute is in the interests of jute trade as a whole (paragraphs 82 to 84).

(40) Some defects in the working of the present Futures Market are examined. We find that they are all traceable to the present defective basis of the market. Some popular criticisms of the Futures Market, e.g., the prevalence of speculation and periodical payments are examined. The Majority of the Committee recommend that the Future Market in raw jute should be abolished, and early steps should be taken to reconstitute it on the basis of loose jute (paragraphs 85 to 87).

Chapter VII.

(41) The problems of fixation of a minimum price for jute are considered in this chapter.

(42) Having considered the arguments for and against the statutory fixation of the price of raw jute, the Majority of the Committee recommend that the minimum prices of different grades of loose jute be

fixed before the commencement of every jute season either directly by Government or by a Statutory Body appointed by Government (*vide* Chapter VII-B of the Majority).

The Minority of the Committee, however, accept the conclusions of the Draft Report, and recommend that in view of the considerations set forth there it would be imprudent, as it is unnecessary, to fix an arbitrary minimum price (Chapter VII-A of the Majority).

Chapter VIII.

(43) In this chapter several factors affecting the price of raw jute are considered under the following heads:—

(*a*) agricultural factors, (*b*) trade and (*c*) transport costs.

(44) We recommend that in future researches on jute seeds, stress should be laid on quality as much as on the quantity of yield (paragraph 99).

(45) We also recommend standardization of seeds for homogeneous regional areas (paragraph 100).

(46) We recognize that the watering of jute has become a major evil of the trade, but recommend no action till the Indian Central Jute Committee has reported on the different aspects of it (paragraph 104).

(47) We find that transport costs (railway and steamer freights) are still unduly high in comparison with the price of the raw material. We suggest that the question should be taken up with the appropriate authority at an early date (paragraphs 105 to 107).

Chapter IX.

(48) We suggest that no major decision as regards the jute forecast should be taken by Government till the results of the investigations into the problems of jute-census, now being carried out under the joint auspices of the Indian Central Jute Committee and Government of Bengal are available. We recommend that Government of Bengal should fully support the experimental work now being done on this subject (paragraphs 109 to 112), and that when accurate acreage figures are obtained as a result of the operations regarding the registration of jute lands now under way, the forecast of supply should be based on these figures.

(49) We recommend the issue of a forecast of demand well in advance of the sowing season, and again along with the forecast of supply (paragraph 112).

(50) We consider accurate compilation of stocks of raw jute essentially necessary for the initiation of a comprehensive jute policy. We recommend the passing of an empowering Act, which will vest Government with the necessary authority, in times of need, to collect statistics of stocks of raw jute held in this country (paragraphs 113 and 114).

Chapter X.

(51) This chapter contains a programme of work, and calls for no summary.

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Note by Mr. S. N. Biswas.

I and many other members of the Committee approached the problem of jute from the point of view of the jute-growers. We wanted the Local Government to adopt such measures as would ensure the maximum possible price of jute to its grower, irrespective of any kind of administrative difficulty and financial obligation on the part of the Government; because we were of strong opinion that no such difficulty or obligation was beyond the powers of the Government to overcome or fulfil. From that point of view we, who have been called the majority group of the Committee in this report, have recommended simultaneous initiation of some measures as will appear from the body of the report and which we have considered to be fundamental for the purpose of raising and maintaining the rise in the price of the jute fibre. In making those recommendations we tried to convince other members of the Committee who did not fully agree with us to fall in the same line of thinking with us and to submit a unanimous report, but failed to bring about an unanimity in respect of certain matters as will appear from the body of the report. Consequently, the draft report of the Secretary, which embodied the opinion of the minority group, required changes on many points. On behalf of the majority group I made those changes, but all my corrections could not be accepted by the minority group. Under the circumstances we had no other alternative than to submit an altogether separate report; but we did not like to do so for the reason of those unaccepted corrections relating to comparatively minor matters. I would simply put it on record that the majority group including myself do not really subscribe to all expressions of opinion on particular points. As, for example, I shall mention below two matters of some import—

1. Many of us are strongly in favour of eliminating the surplus capacity of the Indian Jute Mills. But we do not favour indiscriminate reduction of loomage. We demand that the surplus looms to be eliminated must not be the looms of the Indian-owned mills; on the other hand, we demand that as the looms of the Indian-owned mills will increase, those of the non-Indian-owned mills should proportionately decrease. The reason behind our above demand is that the indigenous jute mill industry of India must be allowed to grow and be developed.

2. We do not support the view that the prices of raw jute depend on the price of jute manufactures and that there should not be any direct manipulation of the price of jute. Our view has been clearly stated in our observations in Chapters VI and VII.

S. N. Biswas.

Note by Mr. S. A. Salim, M.L.A.

The report of the Secretary, Jute Enquiry Committee, Bengal, has discussed all the points. Practically there has been unanimity of opinion except the fixation of minimum price. I am of opinion that when regulating market warehouse standardization of weights regulation of production has been recommended, I see no bar to the fixation of the minimum price of jute. I do not agree to the scheme of Babu Surendranath Biswas which requires an organisation involving crores of rupees to be granted by the Government on the line of the debentures scheme suggested by the Co-operative Department. The income of the Provincial Government is only Rs. 12 to 13 crores and according to the scheme of Mr. Biswas a sum of Rs. 20 crores will be required to have central organization to buy all the jute of the Province and hold it till better price is offered by the purchasers. With this view the Government of Bengal experimented by starting a Co-operative Sale Society which proved a failure for various reasons. I have my doubts if the public will have confidence in the organization and will subscribe to it. The only argument in favour of an organization suggested is that the cultivators have got no holding power and this is the reason why they cannot get a better price of jute. My contention is if the minimum price is fixed and the thing suggested are done, I see no reason why the cultivators cannot get a fair price. The other argument is that the mill-owners will not buy jute and will force the hands of cultivators to sell the jute at a price to be dictated by them if there is no organization to help jute growers to hold up their jute. My view is that if the minimum price is so fixed which has a margin of profits between the raw jute and the finished goods then I see no reason for the mill-owners to stop purchase of the jute when they know that they cannot buy the jute for less than the minimum price. It may be said that ultimately this minimum price will become as standard price of jute in future but when the jute-growers will know the markets rates in Calcutta and when they will be able to know that the world consumption is so many maunds of jute and the jute grown is so many maunds and at the same time if the Government say that a fair price is to be so many rupees per maund, so the question of the minimum price becoming the standard price does not arise. Further in the report there is a suggestion that if a cultivator brings jute and deposits it in the ware-house and he gets a receipt, that becomes a negotiable document. So if this is accepted then a question of Government guarantee does not arise. Mr. Biswas suggests that Banks may be induced to advance money on the strength of the jute stored in the ware-house. At the present moment some Companies in Narayanganj do take advances from Banks on the hypothecation of the jute in their godowns, but if, as I said before, in fixing the minimum price, my suggestions are followed then the question of the Bank and advancing money does not arise. So under the circumstances I accept the report drafted by the Secretary and the suggestions discussed to be incorporated in the report with the only provision that I strongly feel that time has come when Government should take bold steps and fix the minimum price for jute.

REPORT ON BENGAL JUTE ENQUIRY COMMITTEE BY SIBNATH BANERJEE, M.L.A.

Preface.

I owe a word of explanation for submitting an altogether separate report. The explanation is—I am in jail.

The examination of Calcutta witnesses was concluded on 8th August 1939 and the draft report by Mr. D. L. Mazumdar, I.C.S., Secretary of our Committee, which was obviously printed already, was circulated to us in that last meeting. Afterwards two dates were fixed in succession for meetings of the Committee but somehow these were not held. And in the meantime due to the whim of a Subdivisional Officer I am here. He cancelled my sureties given under section 107, Criminal Procedure Code, guaranteeing to keep the peace and refused either accepting or rejecting half a dozen good sureties offered by me, on the most flimsy grounds and seems determined to keep me here as long as he can. Therefore I had to write this report in jail.

I take this opportunity of thanking the jail officials for the extreme courtesy extended to me without which it was not possible to do anything here. But jail is after all jail. Most of the books of reference and in fact much of the mass of materials connected with the enquiry and collected at home are not available here. I had to use my memory while quoting figures which must have caused some inaccuracies. Moreover, the time at my disposal is very short. I got the writing materials as paper, etc., on Monday afternoon and had to finish the report by Thursday so that it may reach the Committee in time.

But the matter is of such urgent and paramount importance to the people of this country that I think it my bounden duty to place my views before the Committee, however imperfectly it may be even from within the prison bars.

I strongly believe that the majority of the members of the Committee hold views similar to what I have expressed and would concur with me and this report perhaps slightly modified here and there. However, unfortunately for me and fortunately for the other members of the Committee, they are not here and I cannot consult them and so I am compelled to submit this separate report.

I am the only representative of Labour in the Enquiry Committee and if I have expressed in places somewhat unorthodox views, I crave the indulgence of my esteemed colleagues.

Chapter I.

Introductory.

At the very outset I wish to make it clear that I have looked at the question from the point of view of how the interests of the peasants and workers—the men behind the plough and the loom—can be safeguarded. They are the real producers and it has been my constant effort how they can get more share in the profits of the jute industry. The industry is for the people and the people for the industry. I would like to clarify further my last sentence. If we find that the industry cannot bear the price of raw jute which will leave a margin for him over his cost of production sufficient for him to live. I would rather see the industry go, than force the peasants to slave and die in keeping the industry alive. Similarly, in the mills, if the industry cannot guarantee a minimum living condition to the workers, that industry has no right to exist. If we see really substitutes or alternatives are cheaper, jute industry ought to go the way of indigo and we should try to find other sources of livelihood for the peasants and workers engaged in the industry rather than allow a state of things which amounts to a systematic but prolonged strangulation.

This I am stating as a theoretical extreme position so that, the statements like "It will kill the industry, industry cannot bear this", may not be flung at our face *ad nauseam*, whenever attempts or proposals are made to guarantee to the toilers of the land the irreducible minimum of living conditions. But none need be in panic. I am convinced and I feel that those who will peruse these pages with unbiased mind will be convinced that even after guaranteeing the minimum to the peasants and workers—Rs. 10 per maund to peasants and Rs. 30 per month to the workers—there will be enough margin if the whole jute industry is nationalised from the field to the factory and beyond to the consumers, and the results of scientific research and thorough rationalisation applied from top to bottom. That margin will be counted in crores and it will surely be more than the total revenue of this province and with the help of nation building can be proceeded on at a space not dreamt of before.

During the enquiry Mr. D. L. Mazumdar, our worthy Secretary often put the following question to the witnesses "How many per cent. profit on outlay will you consider fair in jute cultivation?" The implication is this—if the cost of production of a maund of jute is Rs. 5 (it is approximately so and is a generally admitted fact) how can you demand Rs. 10 as the minimum price for the cultivator as this means 100 per cent. profit. He is right in his own way.

But I look at it from another point of view. An average peasant family may be taken to consist of four members—husband, wife and two dependents either children or old parents or minor brothers or sisters. Often the family is actually much bigger. Even if we calculate the cost of living at Rs. 2-8 per month per head (a figure certainly too high) the cost per month comes to Rs. 10 per month or Rs. 120 per year. Now, my angle of vision is that he must be guaranteed this sum of Rs. 120 per year. If he is a cultivator of jute and has two acres or 6 bighas of land (average is much too small), he will get on an average 25 maunds of jute and in a bumper year when all

his jute lands will give good crop he may get 30 maunds. In a bad year of flood, etc., he may get 20 maunds. So from this 20 or 30 maunds he must make Rs. 120 or at least Rs. 100 even if we deduct his own wages which has been calculated in the cost of production. Taking average again he must add at least Rs. 4 to the cost of production so that he can barely exist to cultivate the land and maintain children who are to cultivate the land to-morrow. Looking from this angle Rs. 10 is not unreasonable at all. Similarly the case of a worker in a factory can be looked at from two different angles of vision—diametrically opposed to each other.

I prefer to look at from this human point of view where the basis is not the industry but the human beings living in this province and I hope my other colleagues will also try to look at the problem from this point of view. If you can give more land to the peasant by increasing the acreage of arable land, by irrigation or draining marshes or removing forests or constructing dams, or if you can decrease the number of peasants by scientific means or if you can give him subsidiary occupation in cottage industry or otherwise, or if you can absorb the surplus in factories, I shall only be too glad. But as long as there are hungry cultivators of jute you should not try to keep them starved or semi-starved by any arguments however logical or plausible they may sound to you. I shall have none of it.

I am afraid that some of my colleagues are exclaiming "what revolutionary ideas!" I wish to assure all my colleagues that I am quite conscious of my limitations as a member of this committee and the recommendations I am making in the following pages are not revolutionary at all. But some members of the Committee here and many people outside have a confused idea of what revolutionary method signifies and often during this enquiry I heard remarks—made good humouredly—that what I was suggesting was a revolutionary method. Finlow majority (*see* page 9 paragraph 19 of the Report) considered the compulsory regulation of jute crop by legislative action as "revolutionary action" and hence unjustifiable. I cannot check the temptation of telling such misinformed people what "revolutionary action" would be like. It would mean the seizure by force of all jute mills, jute presses, trading concerns in foreign and internal market, etc., and making the whole industry a national concern without any compensation whatsoever to the present owners! This would be the ideal solution of the problem no doubt under certain circumstances but it is nothing short of madness to discuss it here.

But nationalisation of the entire jute industry—jute mills and jute presses and all—by buying it off—would be a perfectly non-revolutionary and even respectable step. The Bureaucratic Government of India, even before the Reform Act of 1935, had accepted and has been carrying out that policy as far as the Railways are concerned. The total paid up capital in the jute mills was in 1936-37 about 23 crores (*See* draft Report, paragraph 11). Even if we include the presses and other adjuncts the total capital invested in jute industry at the present day must be well below 25 crores; whereas the capital invested in Railways was about 75 crores, i.e., about three times as much. The number of men employed in Railways is also about three times as much as in jute mills. The difficulty and immensity of the problem of manning and running the vast system of Railways spread out 50,000 miles throughout the length and breadth of this great

sub-continent of India, is certainly not comparable at all to the problem of managing about 75 factories within easy reach of Calcutta manufacturing the same kind of stereotyped hessian and sacking for decades. But it is a staggering fact that the profit in money to the 350 millions of Indians from the Railway investing 75 crores of rupees is much less in any normal year, than that derived by a handful of owners of jute mills from less than 25 crores invested in this industry. If the vast Railway system can be nationalised why not the jute industry by buying it off?

But why buy? If we refuse to pay any compensation to share-holder who has already drawn double the amount of his investment, shall we be wrong? Why? In the Money-lenders Bill passed by the previous Bengal Legislative Council and amended recently by the present Bengal Legislative Assembly with still more stringent provisions, this is the principle which had been almost unanimously accepted. Even the representatives of the jute mills in the Assembly did not raise any protest and rightly so. Now if we apply the same principle on them why should they grudge or grumble?

The debt of the peasantry is estimated variously between 150 to 200 crores of rupees. By the application of this principle, the peasants must have been saved to the extent of at least 300 to 400 crores and to the same extent the money-lenders must have been losers. Most of the money-lenders are men of small means compared to the jute magnates and some of them at least were poor people and widows whose only means of livelihood was the lending of their life's savings. If these could be deprived of all sums one over and above double of the amount but, what earthly (or unearthly) objection could be raised to the nationalisation, without compensation, of all shares which have yielded double its value? If it is argued that this sum was invested in industry where there are risks, to cover the risk (?) I would go to two and a half times instead of two times as in the case of money-lenders. This should certainly be considered fair! It is 50 per cent. more than what the money-lenders are getting over and above their capital. But many of these shares have already yielded ten to hundred times their share value and still they are continuing their merry game of wringing out more money out of the marrow of the famished cultivators and workers. Some of the mills made as much as 400 per cent. in one year alone! If the principle I have advocated above and which is being widely followed in other provinces of India also regarding money-lenders, 90 per cent. of the shares become immediately nationalised and the rest also become automatically nationalised in a few years. This ought to supply food for serious thought to our Hon'ble Ministers and Legislators.

I now proceed to deal with the draft report. For the sake of convenience of reference and avoidance of repetition and duplication as far as possible, I shall try to follow the draft report chapter by chapter, even paragraph by paragraph.

As I went through the draft report page by page, one question irresistibly peeped into my mind time and again—what was the necessity of having this enquiry at all, if the conclusions to be arrived at were those envisaged in the draft report? The Finlow Committee reports—both majority and minority and the supplementary note and the minutes of dissent, had discussed these very problems threadbare

and almost to the same conclusions. It was not a very long time ago either; those reports were signed from August to December 1933. And amongst the members of that Committee were two personages who are to-day very important in official circles. One is Hon'ble Khan Bahadur Azizul Huque, the Speaker of the Assembly itself and the other is no less than Hon'ble Mr. Nalini Ranjan Sarker, the present Finance Minister himself. Even, then, their own recommendations, halting and half-hearted though they were, have not been given effect to. One wonders what fate await our recommendations, supposing I succeed in convincing Mr. Mazumdar to recast his draft report in important and urgent matters?

It is far from my intention, nor will it be fair to Mr. Mazumdar, to decry his Draft Report. He has studied the subject thoroughly and has applied his analytical mind very deeply and intelligently into the problems, he has brought the facts and figures of Finlow Report up-to-date and he has broken new grounds in a number of directions. He has given exhaustive arguments for all his conclusions and has tried to see all sides and has still produced a concise report. But I do not agree with all his conclusions. His conclusions are those of a very cautious intellectual theoretician who nibbles at problems and is shy to face problems boldly and solve them in a radical manner.

In a few minor points he has gone further than the majority report and in many points he lags behind the minority report itself which went as far as advancing arguments for radical solutions but was not bold enough to recommend the courses they advocated. I am free to confess however that the draft report and the recommendations of Mr. Mazumdar, has been much better than, many members including myself, had expected. It was really an agreeable surprise to find that on many points he changed his views substantially from the view he apparently held during the examination of witnesses. One of the most important of these was the compulsory regulation of jute production; or was he trying to find out what possible arguments could be brought against this course so that he could answer them better?

In another, important matter, viz., the fixation of minimum price, the Government has already taken action not minding his scepticism. The war situation perhaps explains the change of attitude of the Government. The amount of minimum price fixed per bale is to my mind too low a figure to give relief to the peasants, but that the principle has been accepted and acted upon, is a great gain and is much welcome indeed!

The report was written for normal times and therefore, if the war has brought radical changes in the situation which cannot be met by the report, we cannot blame Mr. Mazumdar for it. Mr. Mazumdar has divided his recommendations in two classes—long term and short term. I think we shall have to add a new one, viz., War time measures. But more about this later on.

I find a good deal of difference between the origins of the formation of the Finlow Committee and the present Jute Enquiry Committee. As one can see from the introductory paragraph of Finlow Report—Majority, that Committee was formed as a result of a resolution passed in the Bengal Legislative Council on 1st February 1932, "to make a systematic examination of the present economic depression in Bengal and to make suggestions as to what temporary and permanent measures

may be taken to alleviate the present distress and ensure a steady economic progress of the people of the Presidency."

The scope was very wide and comprehensive indeed! I wish our Committee had such scope. I urge upon the present Government to appoint such a committee as soon as possible. Only such a committee can formulate a planned economy for the whole economic structure and take effective measures for steady progress of the people. The time patch work is long passed.

But the Government of Bengal, instead of forming such a committee, formed only a Jute Enquiry Committee as it thought that "the fall in the price of raw and manufactured jute is one of the primary causes responsible for the acute economic depression in Bengal." It was good so far as it went, but it could not certainly take the place of a comprehensive committee referred to in the previous paragraph.

The terms of reference of Finlow Committee and also of our Committee are both given below for comparison.

Terms of reference of Finlow Committee:—

(1) the question of regulation of the production of jute;

(2) the marketing of jute, including the establishment of regulated markets and the supply of market information in a suitable form to the producers;

(3) the creation of a Jute Committee for the Province of Bengal on the lines of the proposed Central Jute Committee and the minimum amount required to finance such a committee;

(4) the extent to which other materials have displaced jute and the likelihood of further substitutes being found in the near future;

(5) the possibilities of making any other economic use of jute to an extent that might relieve the present situation.

The terms of reference of our Committee are—

(1) the regulation of the production of jute,

(2) the marketing of jute,

(3) the improvement of the price of jute,

(4) the fixation of the price of jute and

(5) the jute forecast, including the collection of information regarding stocks in hand.

The terms of reference of both the committees are practically the same; the item fixation of the price of jute was not included in the Finlow Committee and it contained instead one item regarding formation of Provincial Jute Committee; moreover "the question of substitute of jute" and "making other uses of jute" found prominent place there.

Though there was some difference in the respective terms of reference, the field of enquiry covered was practically the same. This can also be seen from the sets of questionnaire sent by these two Committees. Most of the questions are almost the same in substance though just a little different in phraseology. The replies are also of the same nature. On the one extreme the cultivators representatives, piteously crying for Government legislation for the protection of their

interests—nay their very lives—and on the other extreme, the Indian Jute Mills Association denouncing any "interference with trade" with which they were quite happy and maintaining the cultivators were quite well off. The recommendations of both majority and minority reports of Finlow Committee contain many useful ones, but so far practically nothing has been done in the last six years. That's why one is tempted to explain—if that is the fate of recommendations of a moderate nature—what is the good of spending thousands of poor tax-payers' money for such committees and enquiries! Often no doubt it is to shelve a question. Let us hope the recommendations of this Committee will meet with a better fate!

At this stage I wish to make a few general observations.

(1) *Witnesses.*—As far as evidence both written and oral is concerned, one is disappointed both by the quantity and quality of the replies. Quantity could perhaps be improved if reminders had been sent to persons and organisations from whom no replies or replies not to the point were obtained.

As regards quality, I feel that if those persons who had given evidence either written or verbal, to the Finlow Committee before, were specially approached better quality of report would have been obtained. The opinions of those who had given their thoughts to these problems once six years before, would have been now of much more interest and weight. The omission to call as witnesses those members of the Finlow Committee, who are still available here, seems to me a serious one. [Two of them came before us Hon'ble Khan Bahadur Azizul Huque and Khan Bahadur Arshad Ali, Registrar of Co-operative Societies], but even in their cases suffiicent time was not given to get their opinions fully on points which they had pressed strongly in Finlow Report. I had requested Khan Bahadur Arshad Ali to submit a report about the jute sale societies which were established in 1928, 1929, and 1930, how they functioned, where there was loss and how and what was their capital and how the capital was raised, etc., but that report is not forthcoming, at any rate, I have not got it.

The opinion of Mr. G. S. Dutt on organisation of jute growers in villages was an original one and it would have been very helpful indeed to know whether he had perfected his scheme in the meantime and what further light he could throw on the subject. Similarly the opinion of Mr. N. C. Sen Gupta on his well thought out Jute Bill and on co-operatives and on compulsory regulation of jute production and of Dr. J. C. Sinha on futures market and of Mr. D. P. Khaitan and other members would have thrown much light on these problems and helped us in the solution of these complicated and controversial subjects. Lastly the weight of opinion of Hon'ble Nalini Ranjan Sarker would have been enormous and the carrying out of one recommendation would have been greatly facilitated. If it is still possible, it would be better to take their opinion on the draft report. The report is too late in any case for this session and so the delay of a few days—a week at most—to get their opinion would be surely worthwhile.

(2) *Co-operatives.*—All throughout the reports of Finlow Committee both majority and minority, we find frequent references to the co-operative societies—for the purpose of carrying on restriction

propaganda, for distributing quota of lands to be cultivated, for enforcing laws when any is to be passed, for circulating the price of Calcutta and other Centres, for inspecting weights and scales, for supervising regulated markets, for distribution of better seeds, for utilising released land for cultivation of substitute crops, for transporting the jute to the regulated markets, for financing the cultivators for cultivation and holding up the crop, for financing Central Jute Sale Societies, etc., etc., too numerous to mention in a breath. In fact the co-operatives were uppermost in the mind of the members in all the operations from field to factory or to baler. But in the draft report the co-operative societies are scarcely mentioned.

The number of co-operative societies of all kinds in this province is about 30,000. The number would have been doubled if Government had not starved this department for the last six years and had not the department deliberately stopped registering new societies, and we would have been nearer our goal of at least one co-operative society in each village. Government gave in the last two years about 85 lakhs of rupees in agricultural loans; if all this amount had been given through co-operative societies at least 10,000 more societies could have been started. For the last six months the department has been very active and in this incredibly short period about 5,000 new societies have been registered. Even as it is, there are about 30,000 co-operative societies scattered throughout the length and breadth of the country; they have a membership of about half a million—only second to the National Congress as far as membership is concerned; they have a working capital of about 5(?) crores of rupees. The importance of such a vast organisation should not be minimised. Even admitting all the charges against the co-operatives that the members are not fully conscious, that the credit is frozen and that important office bearers of the co-operative societies have lost faith in the movement, etc., it cannot be denied that there is no other organisation more fit to take up the work of uplifting the economic condition of the people. They are already organised and available and have experience of business transactions, accounts and records and needs of the masses and they are under the direct supervision of a Government department and now under one Hon'ble Minister exclusively for that work. I hope in the final report adequate steps would be recommended for utilising the co-operative societies already existing or to be formed for the purpose of tackling this jute problem.

(3) *Labour.*—Another point which strikes me particularly is how the importance and claim of Labour has been totally forgotten. If we consider the problem from field to the factory, "Labour" is undeniably a very important factor and in the manufacturing process it is undisputedly the most important factor. Even if we class agricultural, day labourers in the category of cultivators, as is customary though not scientific, the number of industrial workers in the jute mills and presses and their subsidiary processes will be a little less than half a million. Their importance in the jute industry cannot be overemphasised. In any committee formed to tackle any of the various problems regarding jute, there should be at least two representatives of labour—one from the Assembly and one from the Registered Trade Unions of jute workers. If there are two representatives of Labour as I have suggested along with four representatives of peasants, then only the interests of the peasants and workers can be safeguarded.

In the Finlow Report both majority and minority, committees are suggested; but neither in the Indian Jute Committee, nor in the Bengal Jute Committee nor in the committees suggested by Mr. MacDougall or Dr. N. C. Sen Gupta for marketing and regulating jute, the suggestion is even made for any representative of labour. In the Indian Central Jute Committee out of 25 members there is not even one representative of Labour. This is a serious defect and should be remedied as soon as possible by including two representatives of Labour.

In the various committees proposed in the draft report also "Labour" is totally forgotten. I strongly urge that in any committee to be formed there must be at least two representatives from "Labour", otherwise the committee will not inspire confidence in the half a million of industrial labourer engaged in the jute industry. It is to be borne in mind that it is a serious matter.

In the Finlow Committee itself there was no representative of labour—which was a serious handicap to properly evaluate the labour point of view. In the present committee also, I am here representing labour point of view by accident. There was no specific instruction to include a labour representative. The Congress Party was to elect three members in the committee and the Leader and the Chief Whip of the Congress Party luckily selected me. If I, or any other Labour representative had not been chosen by the Congress, Labour would have been again denied its fair and reasonable claim altogether. I hope in future in matters concerning jute, any committee is formed by the Government two representatives from labour would be included.

(4) *Committees.*—As one goes through the draft report one cannot help feeling that being unwilling or unequal to the task of facing many problems, the usual Bureaucratic method of suggesting Committees of Enquiry has been adopted. I think there are about a dozen matters which have been referred to committees for enquiring into them and finding solutions for them. One wishes to know why were not these questions investigated thoroughly in this enquiry and proper solutions suggested? The previous enquiry had more or less thoroughly analysed and examined the problems and at least prepared the base for final solution.

It is very unfortunate that the first Chairman of the Committee, the late Mr. J. B. Kindersley, M.C., D.S.O., I.C.S., who had intimate personal knowledge of the jute problems and what is more, had deep sympathy for the cultivators, expired during the course of the investigations. It is still more unfortunate that our present Chairman Mr. L. R. Fawcus, C.I.E., I.C.S., had neither the time nor the opportunity (I should not say desire) to go into the working of the committee more fully than he has done. And it is nothing short of a tragedy that our Secretary Mr. D. L. Mazumdar, I.C.S., was burdened with other departmental work, while he was occupied in this most important task. His Secretaryship of the Rice and Paddy Committee was not bad and was perhaps helpful in properly analysing the jute problem, but to engage him, while occupied in these two tasks, in other departmental work in the Writers' Buildings, was an act of sheer irresponsibility, if not, criminal negligence on the part of the Government. If this had not been done, I am sure Mr. Mazumdar

would have been able to carry through his investigations in several matters and would not have been compelled to suggest new committees for carying out those investigations.

Formation of committeés ad-infinitum, is a pleasant pastime for the red-tapists, but it is extremely cruel to the people. Between the last enquiry and this enquiry almost seven years have passed with practically no steps having been taken. Only one committee is now needed to carry out the recommendations of the present committee with ample powers and funds to become effective. This Committee of Action will be able to go into any question that will require further investigation or enquiry.

(5) *War situation.*—As I have remarked already, the War has radically altered the whole situation. The present time is the most opportune for making any attempts for rationalising the jute industry from field to factory and factory to the consumer. We can even take the risk to bold experiments. For nationalising the industry also this is an ideal opportunity but for immediate tasks of this Committee, I shall speak of only of national planning and national control of the industry and not of immediate nationalisation of the entire industry.

The huge orders of the sand bags are already keeping the mills working 33 per cent. more hours than before. The price of raw jute has risen considerably. Already Government of Bengal have passed two very welcome ordinances—one fixing the minimum price (though too low) of jute bales and another for the compulsory regulation of the production of raw jute. The fear of the theoreticians opposing the principle of the first ordinance (minimum price) has been totally belied. It is due to the War—they may argue. May be. But let us take the fullest opportunity of the War which is likely to last for three years. Let us in the meantime establish the price of raw jute, pass other necessary measures by legislation, bind up the necessary apparatus to deal with the jute problem, gather experience and train up the personnel, and accumulate funds and get ready for the time when the War will be over—for it is bound to be over sooner or later, so that after the war we may find ourselves in a safe, sound and strong position, able to tackle the jute problem radically from field to factory.

From the Sunday "Statesman" of 15th October 1939, we learn during War, Dundee will not be much of a competitor to the Indian Jute Mills. It says "One important feature of the situation is the curtailment of production in Dundee as the result of lack of workers. This may seem strange, but the fact is that many of the men engaged hitherto on night shift spinning have been called to the fighting forces and they cannot be replaced, so that spinning machinery has been, at nights shut down.

"Women are not allowed to work after 7 p.m. This may account for a reduction of the quantity of jute to be used by Dundee." And Dundee is the only serious rival of Indian Mills in Hessian and Sacking production. Great Britain has only 8,500 looms compared to about 61,500 in India (Bengal 60,000 and other provinces 1,500).

If the condition of Great Britain is as reported above, the condition of France can be well imagined. She has about 7,000 jute looms and she is much poorer in trained workers. Her demand on man power is much more acute than in Great Britain. Her need to manufacture guns, ammunition, air planes, etc., is also much more pressing than

in Britain and so it is safe to assume that she cannot increase her pre-war production and, may be, will have to reduce considerably even her pre-war production. Now, there are about 45,000 looms outside India; Great Britain and France together possess 15,500 looms, i.e., more than 33⅓ per cent. of the total loomage of the world outside India.

Germany has got 9,600 looms, together with Czecho-Slovakia (2,000 looms), Poland (1,600 looms) and Austria (1,100 looms) which are now parts of the Third Reich or Greater Germany, She possesses 14,300 looms, i.e., another 33⅓ per cent. of the loomage of the world outside India. These looms must remain absolutely idle during the war except for the stock of jute they might have had before the war started. This stock cannot but be insignificant.

Moreover, the remaining countries possessing the rest or 33⅓ per cent. of the looms, viz., Italy (5,000), Belgium (3,000), Sweden (1,000), etc., will surely find it more urgently necessary and profitable to concentrate on their other industries, specially those materials directly needed in war, than on jute manufacture with price of jute manufacture gone high and the supply being irregular due to the diversion of shipping in other directions and the constant dread of attacks both from above the skies and down below the water by airo-planes and submarines.

Therefore the field for the Indian Jute Mills is quite free from any competition worth the name. The orders for sand bags alone are likely to be continuous. There is no limit—except one's own purse—to the extent you can make defensive preparation against long range bombardment and specially air-bombing. And the theatre of war seems to be ever expanding.

Apart from sand bags, the Indian Mills can and must manufacture all those goods which Germany, Austria, Poland and Czechoslovakia used to produce with jute except Hessian and Sacking. If during this war the jute industry in India does not extend its scope in these directions, none but the mill owners will be blamed. To make efforts in this direction as suggested by the draft report, this time and opportunity is an unique one and should be seized with all haste by the mills. If the mills hesitate and prefer to follow the unimaginative line of Hessian and Sacking, the Government should step in and force such rational course. It may be necessary to enforce 5 to 10 per cent. quota of total production of a mill to be such products.

From the point of view of starting compulsory regulation of production also, the situation is very helpful. As the cultivators are getting much higher price than last year, they would be much more inclined to obey willingly any legislative measures which would ensure them similar high price even if the areas they are allowed to cultivate are curtailed. Possibly, during the war there will be no need to curtail the acreage, but it may be necessary to stop any further sudden and wide rise in acreage due to high price of raw jute. In any case the machinery must be ready to tackle any situation and at the time of high price it will be easier to do so and any restriction will not tell heavily on any cultivator.

Similarly, if we are at all serious about forming a central marketing body, this war time will be the most advantageous. Even if the cultivators are advanced 50 per cent. of the price at the time of depositing their jute, they would be able to wait longer now for the rest of the price as they will be getting much higher sums already due to the

higher price of jute. Last year he was happy if he could get Rs. 5 per maund; this year, he may get Rs. 5 as 50 per cent. of the price as advance alone.

Moreover, at any other time if any minimum price was fixed, it was juite conceivable that the Indian Jute Mills and the balers would jointly boycott the growers for one complete session and thus force the central marketing body either to sell cheaper than the minimum price or to buy the entire jute crop of one year. At the rate of Rs. 10 minimum price per maund it would ordinarily require 50 crores of rupees. Even if we are to pay 50 per cent. of the price as advance 25 crores of rupees would be necessary. But the war being there, the mills and the balers would not dare to do any such thing because of the war needs of the Allies, not to speak of their own interest of making high rate of profit during war time.

Fixation of minimum price has been started already. The ordinance fixed the minimum price of a bale of jute at Rs. 36. This was too low as I have said before. If the bales are to be sold or bought at Rs. 36 or Rs. 7-3 per maund the cultivator cannot expect to get more than Rs. 4-8 per maund in his village market. The cost of transport and all middlemen's charge amount to about Rs. 2-8 to Rs. 2-12 per maund. Hence the cultivators cannot get even the cost of production if bales are sold at Rs. 36. But the Government perhaps realised their error and the press note of the Government of Bengal issued on 7th October, cultivators are advised not to part with their jute on less than Rs. 8 per maund. The mills have agreed to pay such price which should give the agriculturists at least Rs. 8. So we are very near already to Rs. 10 per maund which we have been demanding for a long time and which should be a fair price for jute in normal times.

But during this war time, the price should be forced up to Rs. 15 per maund. This can be easily done without any fear of substitute or alternative. Here is absolutely no fear of any substitute or alternative capturing even a fraction of the jute trade in the course of three years when the war will continue. We should always keep in view that with re-establishment of peace we should come back to Rs. 10 per maund. Rs. 15 is to be only a war time price. If the world consumption of jute remains at about 100 lacs of bales, the cultivators will be making a profit of 50 crores over the cost of production per year. In three years this will be Rs. 150 and the Central Marketing body can easily set apart Rs. 10 crores per year or Rs. 30 crores in three years. This sum will be quite sufficient in future years to pay 60 per cent. of the price as advance to the cultivators when they deposit their jute with the Central Marketing body. This monopoly of jute can be achieved now and the price forced to Rs. 15 per maund if a central marketing body is established now and a capital of 10 crores or a guarantee only of 10 crores credit is given by Government. The picture I have drawn is neither fantastic nor a socialist Utopia. If the circumstances are favourable we can achieve what I have described. Was not jute sold at Rs. 25 even Rs. 30 a maund for one season? We are not attempting anything so high now. Even in the most unfavourable circumstances jute price can be fixed at Rs. 10 without doubt, which will also mean a net gain of Rs. 25 crores to the cultivators over their cost of production. Even that would be no mean achievement. Bengal has a monopoly of this fibre, why should she not utilise it to her advantage.

Government of Bengal.

The Government of Bengal have recently taken some very good steps as far as jute is concerned. With all my political differences I must admit this fact and give the devil his due. It is true that last September, Bengal Government was stampeded into passing an Ordinance which caused great harm both to the peasants and to the workers. If while passing that Ordinance, which was manifestly in the interest of the jute mills, they had safeguarded the interests of the peasants by fixing the minimum price of jute at Rs. 7 as we were demanding and the minimum wage of the workers at Rs. 20 we would have nothing to say. The Ordinance caused loss of about 7 crores to the peasants as the production due to flood was about 3½ crores of maunds and but for the Ordinance peasants would have easily got Rs. 7 per maund, whereas they had to sell at Rs. 5 or less per maund. This also caused a loss of employment to 25,000 workers and over 300,000 workers had their wages reduced by nearly 16 per cent. or Rs. 2-8 per month. Even if this Ordinance had been passed 4 or 6 weeks afterwards, the peasants would not suffer so much and by that time 80 per cent. of the crop would have passed from the hands of cultivators. It was soon after our committee met first. Not only we were not consulted but not even the then Chairman, late Mr. Kindersley. Our protest and the protest of the then Chairman went absolutely unheeded.

Soon after, our colleague Mr. Surendra Nath Biswas, M.L.A., brought in a proposal in the committee that some businessmen were ready to guarantee minimum price of Rs. 7 per maund, if Government assured that next season there would be compulsory regulation and if Government gave some credit to them. The financial implications were quite negligible but Government would have nothing of it.

For adoption of compulsory regulation this season, about a dozen members of the Committee including myself, after finishing our enquiry at Rungpore, urged upon the Chairman of our Committee on 16th of January 1939 by a letter through one of our colleagues Mr. S. A. Salim, M.L.A., to call an early meeting of the committee and submit an ad interim report to Government, but that proposal was turned down.

Again on the 15th of February 1939, when our committee met Mr. Surendra Nath Biswas moved a resolution that there should be compulsory restriction of 20 per cent. for this season. The resolution was passed, but Government took no action on it, but was satisfied with carrying on propaganda for voluntary restriction of 12½ per cent. The result has been as the recent final forecast shows an increase(!) of 12½ per cent., on the sowings and an increase of about 48 per cent., on the production over last year. The war came fortunately for the Government of Bengal, otherwise the cultivators would have suffered terribly this year.

However with the approach of the war, Government have been acting in the right spirit. The first act was an ordinance to declare the minimum price of a bale of jute as Rs. 36; this was a halting and half measure but quite in the right direction. Then came in quick succession an ordinance fixing of the price of Hessian, appointing adequate staff (about 4,000) for the compulsory regulation of production, Press note asking the peasants to realise Rs. 8 per maund and

recently another ordinance to enforce compulsory regulation. All these are measures beneficial to the cultivators and we have been long demanding such measures. From the ordinance of last year the Government have travelled very far indeed and deserve our sincere congratulation. And now the next logical step has to be taken. This is the formation of a central marketing body with a guarantee of credit of ten crores. This body is to function in close co-operation with Co-operative Department. The reasons and arguments, why no time should be wasted in its formation and what advantages are likely to accrue from it and what will be its functions, I have described in some detail above. But really they are all sketchy. If the Government of Bengal and the Hon'ble Ministers, have been imbued with a genuine temper of experimentation, if they feel real exhilaration with which novelty should be received, then it will be worthwhile to make more detailed recommendations.

Already we have three excellent proposals. One was made by Dr. Naresh Chandra Sen Gupta in 1930 in his Jute Bill. The second is the note on proposed Jute Control Corporation, by Mr. A. P. MacDougall, C.B.E., both of these were considered by the Finlow Committee and the most recent is the Jute Bill of our colleague Mr. Surendra Nath Biswas, notice of which was given to the present Assembly by several of us including myself. Government has not thought fit to accept any of them. If Government want to take the whole credit let them formulate a new Bill on the basis of these documents or without them. All that I want is a scheme on this line; any modification here or there will not be difficult to make, as the scheme is put into operation and difficulties are experienced. The proposition is a sound one and no more suitable time than this for launching such a scheme is not likely to come in a decade or two or more.

I hope the Government and the Hon'ble Ministers will have the wisdom and sagacity and most of all courage to take the necessary step and earn the gratitude of millions of cultivators of Bengal and if I may say so, the admiration of their political opponents.

Chapter II.

This chapter is historical and descriptive and I have not much to say about it.

There is an excellent collection of useful facts and figures absolutely necessary to grasp the problem of jute industry. There are several references to the reports of the Finlow Committee. It would be better to give the other relevant and important tables of figures in this report; it is difficult to get hold of a copy of Finlow Committee's report, as I know from my own experience. Moreover people have not much time and energy to spare to hunt after these figures. It would therefore be very convenient to have all relevant and important figures handy in this report. I specially urge the inclusion of the tables (brought up to date) found in Finlow Report at pages 67, 68, 69, 71, 73, 78, 79, 81 and 84.

[In paragraph 7 of the draft report on page 7, there seems to be a misprint. The number of mills in July 1930 is given as 100, but on subsequent years the number is shown as 82. I do not know of any

reduction in the number of mills; there has been constant increase as the number of looms show. In the last column decrease of spindles is shown but as far as I know there was and is no mills where only spinning is done.]

Chapter III.

This chapter is a brilliant analysis of the problem of prices. Mr. Mazumdar hits the nail directly on the head when he says the "price of raw jute is the problem of jute in Bengal. The formulation would have been more precise, if the words 'which the cultivators are to get,' were added after the words, the 'price of raw jute'. But this meaning is quite implicit in Mr. Mazumdar's formula. His arguments are, as usual, quite logical.

But I am unable to agree with one of his conclusions, 'that there was for some time past not much discrepancy between the price of raw jute and jute manufactures and therefore the problem is analytically very much different from what Finlow Committee was called upon to tackle." (Paragraph 17.)

His summing up of the four factors connected with price at the end of paragraph 20, is quite correct and well formulated. We find that at the time when Mr. Mazumdar drafted his report only one factor, viz., measures intended to increase the price of jute at the expense of the other factors of production was touched. But even here the fundamental position remains the same, though a little blurred for the time being.

The Indian Jute Mills Association, being unable to force a few mills, which were outside the Association, to restrict production, started in early 1937 unrestricted production and flooded the market with manufactures. Their object was to spoil the market so that every mill would be incurring losses. They had strong reserves and wanted to crush out of existence the recalcitrant mills or to bring them down on their knees, as they were mostly mills owned by Indians not long ago and had slender reserves. But the Indian Jute Mills Association had miscalculated. Though these "rebel" mills had no doubt slender resources, their overhead and managing expenses were much smaller. The result was, they were incurring very little loss compared to the Association mills or were even making a small profit. So the policy failed completely, it only succeeded in bringing the price of jute manufacture to very low figure.

At this stage the Huq Ministry and specially the Hon'ble Labour Minister came to the rescue of the Indian Jute Mills Association in August 1938 and passed an ordinance forcing all mills to work 45 hours as maximum from 54, they were working before. How disastrous the consequences were on the peasants and workers. I have already described in the first chapter. Anyhow it saved the jute mills from huge losses.

The step taken by the Indian Jute Mills Association was act of desperation and would have amounted to "Harikari" for most of the Association Mills, but for the timely intervention of the Government. So this unusual period cannot be cited as a tendency that the discrepancy between the price of jute and jute manufactures did not exist.

Mr. Mazumdar himself concedes, that the ordinance already changed the situation and the war orders have still widened the gulf between the price of jute and jute manufacture and the correlation between the two has practically reverted back to the age old position. We should not be misled by the abnormal situation created by the senseless and suicidal measures of the Indian Jute Mills Association.

The Association mills possess about 95 per cent. of the loomage and they could by their restriction keep up the tone of the market, but instead of doing this, it wanted to furnish the 5 per cent. who could only make a little extra profit but could not even by working double or triple shift influence the market to any appreciable degree. With the spirit of revenge, they deliberately tried to spoil the market and the industry. It indirectly reacted on the peasants who were suffering terribly due to the depression in the industry. The action of the Indian Jute Mills Association was not only a case of cutting one's own nose to spoil the journey of another, it was worse. It was a crime against the industry and the people. We have to devise means to punish in an exemplary manner such criminal folly and make its repetition impossible.

Chapter IV.

This chapter deals with factors affecting the prices of manufactures. The conclusion arrived at in paragraph 22, that after 1936-37, there has been a falling off in demand is hardly maintainable even from the tables supplied in the same page of the report itself. In 1936-37, the production by Indian Mills was 70·6 lacs of bales and in 1937-38, instead of falling off, goes up to 75·4 lacs of bales, i.e., an increase of 7 per cent.

The table of export of raw jute and manufactures given on the same page also does not confirm that conclusion. The export of sacking in 1936-37 was 519,000 tons while in 1937-38, it was 523,000 tons, an increase of 5,000 tons, though in Hessian there was a slight fall of about 2 per cent. The fall in export in raw jute is explained by the increased production in Indian jute mills; the difference between the export of raw jute in 1936-37 and 1937-38, from table II is 74,000 tons, which is equal to nearly 4 lacs of bales, whereas from table I it is 11½ lacs. So the figures are not very accurate. Moreover, to deduce from the slight variation of figures of one year alone, i.e., 1937-38 that there has been a steady falling off of demand, is hardly logical. However I agree that the demand was not rising, which was bad enough—as the price then in 1937-38 was very low.

That war would come soon and give a fillip to the industry was to him too fanciful a hypothesis of convenient concatenation of circumstances. His prophesy, though expressed in grandiloquent phraseology, has proved to be hopelessly wrong! It is however true that we cannot make our normal estimate of trade on war situation.

I entirely agree with him in his emphasis for new uses of jute, other than its employment as packing material and also in his drawing pointed attention of the Indian Jute Mills Association to the report of its own sub-committee submitted more than six years back, and of which sub-committee our esteemed colleague Mr. W. A. M. Walker, M.L.A., was also a member.

The principal items recommended for manufacture are: (*a*) Housing—Heat insulation, plastic furniture, carpets and curtains, upholstery, blankets, wall coverings, etc., (*b*) Transport—Car upholstery, water proof covers, tarpaulins, canvas, fire proof, water proof and rat proof materials, cordage and ropes, (*c*) Industry—Electric insulation, plastic reinforcement, wool packs and cotton containers, (*d*) Mercerised and bleached fibres, blending with wool and cotton, etc. (paragraph 25).

To these may be added packing papers with jute thread nets between two sheets, as are being manufactured in Ludlow Mill. But what is the good of lengthening the list? The Juggilal Kamlapat Jute Mill is the only mill which is producing some of these articles but it is not in Bengal and does not belong to the Indian Jute Mills Association!

I associate wholeheartedly with the dignified rebuke administered to the Indian Jute Mills Association for not doing anything in this direction and what is worse for showing a complaisant attitude towards this far reaching problem of reorganisation. The advice given for constructive rationalization, to embark on a forward policy and to evolve constructive schemes to adapt themselves to the changing currents of demand, instead of using their financial reserves merely to offset their losses when they occur, is a sound one. But I have grave doubts whether it will bear any more fruit than it has done since the report was out in 1933 and Finlow Committee emphasised on them.

My own considered view is that without nationalisation no thorough rationalisation—constructive or otherwise will be possible. In another place I have suggested that definite quotas say 10 per cent. or 5 per cent. should be fixed and each mill should be forced to produce that percentage of its total production in any one of these new lines suggested. That is the only way to achieve any tangible result.

Handloom.

I also fully agree with suggestion made by the Minority of the Finlow Committee and reiterated in the Draft Report, that the potentialities of the handloom industry should be fully explored for making Ashans, Carpets, Satranchis, etc. (paragraph 26).

I wish to add scopes of such handloom industries may be experimented upon with great ease in Bengal Jails where labour is abundant and free (!). If this is done, the industry will grow up and at the same time the prisoners will learn some useful trade, which they may adopt and earn an honest living when they go out. The system of paying a small wage to the prisoners will make this labour very popular in jail and at the same time production will be very much smooth.

It will be a very desirable jail reform and at the same time it will help to introduce an important handloom industry in Bengal. The amount the prisoners will earn, may be handed over to them at the time of release and it may even serve as capital for them to start handloom industry outside. Through the released prisoners alone the

industry may spread throughout the province in a short time unless the initial expenses for starting handloom industry be very small and unless an assured market is forthcoming there will be difficulty in the spread of the industry outside; but in jails the cost of labour being nothing or almost nothing experiments may very well be carried on in jail.

More trained instructors will be necessary in the beginning but as the prisoners pick up the work, it will be possible to dispense with the services of many of them and they may be sent to other centres.

It may be of interest to know that jute spinning and weaving by machinery used to be done in Presidency Jail. Spinning and weaving of cotton cloth is done in Alipore Jail, woollen blankets are made in Dacca Jail. These production of jails are not very fine no doubt but not much care is given as these are for consumption by prisoners. With care and attention much better production is possible.

Very good printing is done in Alipore Jail and it saves Government lacs of rupees every year in cost of printing. In the Jail Press costly and complicated machinery is handled by prisoners and much responsible work is done but there is no report of any damage by the prisoners to printing materials or paper or machinery. They work in the most disciplined manner there (I worked there some days about two years back) and their only incentive is a little extra remission of their sentence! If along with this, a little payment is arranged for extra work, the output would be much more and jails, instead of being a heavy financial burden, may be a source of income to Government or at least self-supporting. All jail reforms then can be carried out without much difficulty.

In the last 14 years, I have been in jail for at least a dozen times, lived in jail on an aggregate for over 4 years, have been in five jails in Bengal and the United Provinces, have been different times Division I, special class, European classified, Division III prisoner both under-trial and convicted, both rigorous and simple imprisonment. Lastly, I am writing now sitting in jail. So I think I can speak with some experience and authority about jail affairs and I strongly urge that experiment of jute handloom industry should be started in jails.

I agree (paragraph 27) that there is not much possibility of raising prices through control of supplies or direct manipulation of the local or foreign manufactures in normal times; but during the present war time it is quite feasible and this should be tried either by the industry as a whole or the Government by establishing a monopoly as I have already discussed.

The existence of surplus capacity is really a drag and it should be eliminated as early as possible (paragraphs 28 and 29). This should not be done by unusual shortening of hours or closing of looms. As J. W. F. Rowe points out in Economic Journal, September 1930, "Restriction, if successful, is in practice a slippery slope as the temptation to raise prices so as to give the highest concerns some profit, is very great." The memorandum of the Government of India to the Indian Jute Mills Association in August 1935, took the same point of view.

The argument given in paragraph 29 is a very helpful contribution in analysing the inner working of the jute industry and will be of great value in reorganising the industry. It is very deplorable that the Indian Jute Mills Association did not extend its full co-operation in carrying on our investigations in this direction as well as in other directions (paragraph 30). It would have been better to exert more pressure through Government to get more facts and figures necessary for such investigation. At present there is no other alternative but to suggest another committee to go fully into this matter of disposal of surplus capacity of mills, as Mr. Mazumdar has been forced to suggest (paragraph 30). But I would very strongly urge that the committee to be formed should be given adequate power to get the necessary facts and figures and if necessary to inspect the books and accounts of the different Jute Mills and examine their officials. I would also urge that this committee should include at least two representatives of Labour. They are more conversant with the inner working of the mills and are sure to take more than an academical interest in this matter (paragraph 30).

I also agree entirely with the analysis and comments in paragraph 31 and the two very valuable suggestions made to the Indian Central Jute Committee regarding (1) detailed quantitative investigation into the conditions of jute goods in this country and abroad and (2) publication of index numbers of prices of raw jute, jute goods, and other substitutes and alternatives at regular intervals. The latter process will be a good advertisement and inducement for the world trade to use jute goods if its index number can be shown to be favourable compared to substitutes and alternatives.

I do not agree that price of foreign jute manufactures should not be artificially manipulated through the price of raw jute (paragraph 32); on the contrary, I strongly advocate this policy, though it means a subsidy to the local industry. Not only there can be no objection if the local industry get any advantage along with the cultivators, but I hold that it should be encouraged. The Indian Jute Mills Association may wonder at my advocacy of their cause, but there being common interest of the peasants, workers and mill owners, this is the only rational course. But the profit of this should not go to the shippers and balers but must be obtained for the peasants by using the monopoly.

It seems to me extremely ridiculous that jute fibre grown in Bengal should travel all the way to Great Britain or Germany or Italy and after being manufactured there into articles of use, would be sent back to Java, Australia, United States of America, Brazil and even India itself. The cost on freight, haulage, insurance and all transport charges are paid twice over by the consumer. Why cannot we save all this unnecessary labour and send out to the consuming countries only manufactured goods? Without monopoly of foreign and internal trade by a central marketing organisation, it is very difficult to manipulate prices, but by fixing and guaranteeing the minimum price, Government can do much. Moreover, we do want to establish such a central body as early as possible. At least as long as the war lasts there would be no difficulty whatsoever in achieving this purpose substantially even without the monopolistic central marketing organisation. Both should be attempted at once as the time is most opportune.

In paragraph 33 of the Draft Report the problem of raising price of raw jute through reduction in the cost of manufacture is considered. This is breaking completely new ground and I must congratulate Mr. Mazumdar for directing his analytical searchlight in this very interesting direction. In neither the Majority nor the Minority report of the Finlow Committee was this problem discussed at all. The terms of reference of our Committee contain the vague formula; the improvement of the price of jute; but in No. 29 (*a*), (*b*) and (*c*) of the questionnaire this problem is specifically dealt. The replies to this question if tabulated would be very interesting reading. The papers being not with me I cannot do that. Those who could really give any well-informed replies, have either remained silent or have sent very vague and unsatisfactory replies.

Mr. Mazumdar seems to have been quite keen to study this aspect of the question. He addressed two letters in succession to the Indian Jute Mills Association on 17th December 1938 and 3rd February 1939, respectively, and even assured that the identity of the different mills would not be disclosed. He also suggested that the relevant facts and figures may be supplied in groups of mills where identities of the mills would remain secret. He even prepared schedules and tables in order to facilitate replies, but for all his labour he got almost nothing, except a cryptic few lines which is neither of much interest nor of assistance to him or to us.

Mr. D. Wilson.

In this connection I cannot help mentioning that the only witness, who could be of great assistance to us in this matter, viz., Mr. D. Wilson, representative of the Indian Jute Mills Association, was examined orally in Calcutta on 8th August 1939, but not a question was put to him by Mr. Mazumdar regarding this matter. I was not given any opportunity to put any question to him and I had to requisition the Chairman for recalling him. But when he came again he gave evasive replies and soon became discourteous and started giving flimsy and hostile answers. Seeing his attitude I refused in disgust to ask him any further questions. Mr. Mazumdar has expressed in the Draft Report his profound disappointment in not getting proper reply from the Indian Jute Mills Association as this has hampered his work greatly; and so I was specially surprised that Mr. Mazumdar did not put any question on this point (or on any other as far as I remember) whether representatives of Indian Jute Mills Association appeared before us. Perhaps I am forgetting that the Draft Report was printed and ready for distribution and lying on the table before him when this farce of oral examination was going on.

The attitude of the Chairman on this occasion was amazing. Instead of inducing the witness to give straight replies and to behave properly, he was almost enjoying the frustration of my attempts to get the urgently needed information from him. This will necessitate the formation of another committee to go into the matter as Mr. Mazumdar has suggested.

The obvious reluctance to give information on this point by the Indian Jute Mills Association does not reflect much credit on their spirit of co-operation with this committee set up by the Hon'ble

Ministers, who saved them last year from huge loss by the promulgation of the Ordinance. The failure to get the information sought by Mr. Mazumdar and myself is still more unfortunate, as two of our colleagues in the committee, viz., Mr. W. A. Walker, M.L.A., and Mr. I. G. Kennedy, M.L.A., belong to the Indian Jute Mills Association and the former is its Vice-Chairman also.

From the attitude of the Indian Jute Mills Association one may safely conclude, that the jute mills are making large profits much more than is shown clearly in the balance sheets, and hence these attempts to hide the facts. We the representatives of labour have been all along asserting this and there has been no authoritative and convincing contradiction so far. The large share of profit which the Managing Agents pocket, the huge salary and bonus, etc., paid to the managers and other supervising staffs, transfer of large sums of money in the Reserve Fund are only a few of the means adopted to show to a percentage of profit. The Reserve Funds of money of the mills are more than ten times their paid up capital. In fact the mill owners often threaten the workers and boast that they can keep their mills closed and still from the interest on Reserve Fund can give divided to the shareholders. It is not an exaggeration at all, as a glance at the column of Reserve Funds of jute mills in any issue of "The Capital" will clearly show.

Even after setting apart such huge Reserve Fund, the profit declared is also extremely high. In the pre-depression days some of the mills (Kinnison) made as high as 400 per cent. profit. Could anybody imagine of such profit in an organised industry of such magnitude as jute industry? In 1926, two representatives of jute labour of Britain Mr. Thomas Johnston, M.P., and Mr. J. F. Sime, came to India and after investigation published a leaflet named "Exploitation in India" where the huge profit and Reserve Fund, etc., together with the deplorable condition of jute workers were published and this caused a stir in Parliament and also in India. The positions of the workers and of Reserve Funds are still the same, though visible profit has decreased. In the ten years before depression jute mills have shown a profit of over 100 crores. Even the figures given in paragraph 94 of the Draft Report of profit of jute mills from 1928 to 1938, the average works out at 16 per cent. though the very lean figures of 1932-33, 1937 and 1938 are included. If the fat years from 1914-27, had been included the average would have been well over 50 per cent. Here we have a veritable kamadhenu. If we can simply keep the profit within reasonable limits, we can "squeeze", to use the apt expression of Mr. Mazumdar, a huge sum of money, not to mention other squeezable factors in the jute mills on which sufficient light could not yet be thrown for reasons explained before.

I have already related how the only rational course now is to nationalise the jute industry from field to factory and further. If the factories above are nationalised, we can rationalise it, improve the machinery, improve the production, extend productive activities in other spheres and thus make huge profit, even after paying Rs. 10 per maund of jute and Rs. 30 to a jute worker. The total profit from this nationalised industry in a normal year will not be less than 15 crores. At present the revenue of the province from all sources comes to about 13 crores. This can be realised only if the tens of thousands of excise

shops continue to poison the health of the people, if the hundreds of law courts continue to suck the life blood of the people in stamps and encourage the people to go to ruin in litigation, if the millions of peasants are forced to snatch away the last morsel of food from the mouths of their hungry children and pay up Government revenue? But still the nation building departments are starved and cannot balance the budget though a great expert on Finance is at the helm of affairs! But no one seems to look at the jute mills which alone can give more profit to the nation if nationalised, than all the other sources (some of which are indeed doubtful) put together.

It will not do to simply sneer and dismiss such arguments as Russian ideas. Dr. Naresh Chandra Sen Gupta in the Finlow Report gave a smashing reply to such cheap gibes. After all Russia is over one-sixth of the globe and her astonishing success in planned economy has won the admiration of the world and most capitalistic countries are trying to take their lessons from Russia in planned economy. Why should not we? Russia was the first in the field to carry on planned economy on a nation wide scale and I have some personal experience of it and I can assure all colleagues that it is not so horrible as some would paint it. It will surely do a lot of good to study the system and apply it to this country with any modifications necessary. Russia is no longer untouchable, she is a member of the League of Nations and Britain to-day is trying frantically to gain her friendship.

Not only Dr. Sen Gupta, but Khan Bahadur Azizul Haque, our Speaker, also gave reference to a large number of countries, where State is more and more regulating production, *cf.* England, Scotland, Australia, Tasmania, Queensland, New Zealand, Switzerland, New South Wales, etc. The Indian Jute Mills Association will of course shout in anger, but we need not take their assertions and arguments seriously for they are interested parties and they are to lose heavily if this scheme is taken up. But in the interest of the greatest good of the greatest number, the interest of few may be sacrificed specially as they are quite able to endure it.

Labour's share.

But it would not be fair to claim all the squeezings of jute mills whether be it by complete nationalisation or by way of State control, for the cultivators alone. Labour will also claim its share. It need not be lion's share, but it must be 50/50 between the cultivators and labourers.

As all the facts necessary are not before us, I agree with Mr. Mazumdar to refer this matter to the Committee. But that Committee must not be as helpless as Mr. Mazumdar or myself and must have ample power to look into all relevant books, records and accounts and to examine all witnesses and also there must be two representatives of Labour in the Committee, one from the Legislature and another from Registered Trade Unions of jute workers. The presence of two representatives of Labour in this Committee is absolutely essential, otherwise the whole object of the Committee may be frustrated.

Chapter V.

As the Government have already accepted the policy of compulsory regulation, we need not waste much time over it. I can only sincerely congratulate the Government for this wise and courageous step as I have done already once. I only wish the clear and forceful advocacy of Dr. N. C. Sen Gupta could convince the majority or even the minority or even Hon'ble Mr. Azizul Haque of Finlow Committee or the Government of the absolute necessity of compulsory regulation; much preventible suffering of the cultivators for the last six years could then have been avoided.

Mr. Mazumdar agrees to compulsory regulation of a defensive variety and not for the purpose of forcing up the price of jute. I do not see any logic in it (paragraph 35).

Mr. Mazumdar seems to suggest an *ad hoc* body to prescribe the extent of regulation. I strongly urge a permanent Committee of action to deal with this and other matters on the advice of the Indian Central Jute Committee.

I entirely agree with the arguments of paragraphs 39 and 40. I also fully support the argument of paragraph 41 regarding co-operation of the Provinces of Bihar and Assam. Negotiations with them should proceed, simultaneously with the steps for compulsory regulation in this Province.

The problem of substitute crop in the land released from jute is not so complicated as it is made out to be. Jute is grown only 10 per cent. of the land and even if one fifth acreage of jute is reduced it is only 2 per cent. of the acreage of Bengal. Bengal does not produce enough food, a fact corroborated by the Rice and Paddy Enquiry Committee of which none else but our worthy Secretary is the Secretary. If in these 2 per cent. land food is produced, it won't mean much hardship as Finlow majority tried to argue. Sugarcane, tobacco and other crops are there in plenty and some will bring more money than jute.

Propaganda is a good thing and it is recognised to be the most powerful weapon, more powerful than modern Army, Navy or Air Force even! But economic forces are inexorable. Propaganda by such propagandists as the Congress and Praja Samitis could not check the increase in acreage when price rose. Propaganda of this year has resulted in an increase of production 48 per cent. over last year. Let us continue the propaganda so that compulsory regulation may be easy and smooth.

Once the necessity for compulsory regulation is admitted, we have to face two problems (1) Statistical and (2) administrative.

The statistical problem can be left to the Indian Central Jute Committee. It must be armed with more powers to find out stock. Regarding foreign stock, the High Commissioners and Trade Commissioners of India, already existing or to be appointed later on, ought to be of much assistance.

Regarding administrative problem the first task is Registration. The suggestion of the Director of Land Records seems to be a good one and it should be given a trial. The cost estimated was too high, as the recent appointments by Government for this purpose clearly show.

(1) The allocation of quotas to individual cultivators, (2) enforcement of quota and punishment for breaches and (3) supervision and control should be left as far as possible to the village jute-growers association. Formation of such bodies, as suggested by Mr. G. S. Dutt, I.C.S., should be tried and members of union boards and of-co-operative societies, where one exists, are to be encouraged to take the initiative for forming such bodies.

The next higher body must be the union committees. Union boards as such are not trusted by the villagers and even by the presidents of union boards who came to depose before us. I hope when Congress and other political parties start taking more interest in them, the Union Boards would suffice for this purpose in future. But at present, members of Union Boards, one representative from each village jute growers association and one representative from each of the co-operative societies functioning in the union, should form the union committee.

On top of these will be supervisor in thanas, circles, subdivisions and districts, and at the apex a Jute Commissioner. Definite and close co-operation between the different departments of Government should be assured and co-operative societies must be allowed to get their proper place in the scheme.

A nominal fee of one anna per bigha or part thereof, will bring from 3 million acres (or 90 lacs of bighas = 120 lacs of plots) will bring 7½ lacs of rupees—enough to bear the cost of the scheme.

There must be penal measures but in extreme cases only as Mr. Mazumdar says. But I do not agree to destruction of crops. Fines to the extent of the price of jute or confiscation will be better. Cancellation of licence for one or more season will be a mild but effective measure.

Chapter VI.

I agree that immediate steps to be taken for enactment of Enabling Act by Government of India, so that Provincial Government can enforce standard weights. Regarding "measures" the Provincial Government can and should take immediate steps to standardise them.

The illegal deductions as Dhalta, Kabari, Bachat Kachhi (rope), Brithi, Kayali, Tol (market rent in kind), Baburchi, Tahari, etc., are long-standing nuisances and cost the cultivator from annas 4 to 6 per maund, but I leave this matter to be dealt with fully by my friend Maulvi Md. Israil, M.L.A., who has made a special study of the subject.

Regulated markets are being advocated from the time of the Royal Agricultural Commission presided over by none else but His Excellency the present Viceroy of India himself. Finlow Commission, Banking Enquiries all have been demanding this but not one has been started so far. No more convincing is necessary on this point only action is wanted. I urge that 100 such markets be immediately started with warehouses where jute may be stored when not sold immediately. Without this facility, the advantages of regulated market will be much less. This will discourage the speculators in these markets from trying to corner the market. If a cultivator carrying his jute a few

miles to the regulated market cannot find a suitable customer and has to carry it back, he won't come the next time. If he can keep it in storehouse, that is quite another matter. So it would be better not to start any regulated market where storing facility cannot be provided.

In Calcutta market standardisation of loose jute is urgently needed. "Touch" and look method will have to be used at present but more scientific standard of warp and weft is essential for placing the trade on sound footing. The standards should be kept in Calcutta and in regulated markets and in as many places possible for the purpose of reference.

Home guarantee must be abolished, instead there should be inspectors who would examine the jute before it leaves this country. It is senseless, to send jute back to London from different parts of the world. Arbitration in London is very expensive also. Both for "political" and economic reasons it should go, as well as Invoicing Back.

Mr. Mazumdar does not agree to any scheme of centralised marketing under the ægis of Government, but I hope at least he would agree now as the war gives us a definite and decisive advantage.

Co-operative Societies.

I have already dealt with it at length in the introductory remarks. All that Mr. Mazumdar expects from co-operatives is transport of crop from field to market. It is very disappointing that he should fail to appreciate the importance of co-operatives in the economy of the province.

I could not get from the Registrar any report of the jute sale societies, but while the committee went to Bogra, I got from Khan Bahadur Md. Ibrahim, the report of Sonatola Central Co-operative Sale and Supply Society, Ltd. That society in two years actually made a profit of 30,000 rupees with Rs. 33,160 share capital and it handled 37,728 maunds of jute in the first year. For each rupee of capital the society could handle 45 seers of jute which at that time cost more than Rs. 10 (Rs. 9-3 per maund). Such investigation in this and other society should be carried on by the new committee proposed.

Futures market.

Futures market or Fatka in jute as it exists now is an unmitigated evil. In this matter I like to quote Hon'ble Mr. Azizul Huque from Finlow Committee:

"Whatever may be the nature or theoretical explanation in favour of Fatka market; I have been struck by the unanimity of mufassal opinion of all shades that Fatka is causing unnecessary fluctuations in what would have otherwise been a fairly steady market."

The views of Dr. J. C. Sinha were also absolutely against it. The evidence of the Muslim Chamber of Commerce is also dead against it.

Fatka or futures market may be necessary in capitalist economy where anarchy prevails, but in planned economy for which we are striving there is no place or necessity for a futures market as it exists now.

Chapter VII.

In the matter of fixing minimum price also Government has already taken a welcome step in the right direction and there is not much necessity of arguing the points any more. The price fixed has been too low. Under the present conditions of the world trade, the cultivators should not get less than Rs. 10 per maund.

During the present war time, the price should be not less than Rs. 15. I have already dealt with how it can be done. The monopoly we have got in this fibre must be fully utilised and Rs. 15 is not a very high figure.

The difference between the problem of sugarcane and jute is often mentioned, but obvious and serious disadvantage of sugarcane and the corresponding advantage of jute is forgotten. Sugarcane after it is cut must be crushed by the mill as soon as possible and every hour that passes, reduces the quantity of sugar available and after 3/4 days it is practically useless. Nor can sugarcane be left uncut on the field for any length of time. Jute can be stored easily for one complete season.

The most urgent problem now is to put the fixation of minimum price on a sure foundation and at a level (Rs. 10 normally and Rs. 15 during the war) which our monopoly of the fibre entitles us. Just at the present moment the imposition of the Government order is working because of the war. While this advantage lasts we must build the foundation, otherwise the superstructure may not be a stable one. Mr. Mazumdar wanted to build the foundation solidly and then think of the superstructure, but due to the war, without giving Mr. Mazumdar and us any time to build the foundation, the conditions for the existence of the superstructure has come. Government has acted boldly and let us speed up with the work, so that at the next step to be taken we may be fully prepared.

Chapter VIII.

I am in general agreement with the arguments in this chapter.

Chapter IX.

I am also in general agreement with the arguments in this chapter.

Chapter X.

The summary of my programme, if I am to give in one word is the Jute Bill of 1938, of which Mr. Surendra Nath Biswas, myself and many others gave notice. Due to the war situation it will be necessary to make certain modifications, but on the whole it stands good.

Appendices.

APPENDIX I.

Questionnaire.

(1) Regulation of production.

1. (*a*) (*i*) Do you consider that a policy of restriction of production should be followed?

(*ii*) What are the objects you expect to achieve by regulation?

(*b*) If your opinion is in the negative, what are your reasons?

2. (*a*) How far do you consider that the policy of voluntary restriction followed since 1935 has been successful?

(*b*) Has that policy directly affected the price? Have other causes influenced the price? If so, what are those other causes and to what extent have they affected it?

(*c*) Has that policy reduced the surplus stock of—

(*i*) raw jute held in mufassal by growers, aratdars, farias and beparis?

(*ii*) raw jute held by pucca balers?

(*iii*) raw jute held by mills in India and abroad?

(*iv*) finished products held by mills?

(*d*) Can you point out any outstanding defects in the working of the policy of voluntary restriction?

(*e*) How would you suggest that such defects should be remedied?

(*f*) Do you consider that buyers, balers mills, growers, zamindars and other middlemen have co-operated fully in giving effect to the scheme?

3. (*a*) Has the introduction of alternatives or substitutes permanently affected the world demand for jute? If so, to what extent?

(*b*) Has the introduction of such alternatives or substitutes been due to—

(*i*) the price of jute?

(*ii*) advantages of the alternatives or substitute over jute?

(*iii*) fiscal policy of other countries which previously were large consumers to produce their own commodity alternative or substitute for jute?

(*iv*) other economic reasons?

(*c*) Is there any indication that the use of substitutes is likely to expand? If so, to what extent?

(*d*) What alternatives are produced in the world, which take the place of jute according to current price, but which are not permanent substitutes? Where are they grown? What have been prices of such raw and manufactured goods during the last 25 years? What is the present yearly production of such raw and manufactured goods? How do the prices of these goods compare with and affect those of jute?

4. If your reply to question 1 is in the affirmative, do you advocate—

(*a*) continuation of an improved system of vluntary restriction, or

(*b*) compulsory restriction?

5. If you are in favour of compulsory restriction—

(*a*) Are you aware of any other agricultural commodity to which compulsory restriction has been successfully applied either in India or outside?

(*b*) Has such compulsory restriction been affected by legislation or agreement?

(*c*) Is the case of such commodity parallel to jute, *e.g.*, can substitutes be manufactured or produced to take the place of such commodity?

(*d*) If you propose compulsory restriction, how should it be effected? What administrative machinery would be necessary?

(*e*) Do you consider legislation possible? If so, give a brief outline of the scheme an Act should follow.

(*f*) (1) Are there any financial, administrative or other difficulties in the way of compulsory restriction? Enumerate them.

(2) How would legislation for compulsory restriction be received by the cultivators?

(*g*) How can such difficulties, if any, be overcome?

(*h*) Should other Provinces co-operate in compulsory restriction?

(*i*) How do you suggest this should be effected?

(*j*) Do you advocate restriction by area or production and quota?

6. What effect, if any, would compulsory restriction have on rent or rental value of land?

7. (1) To what use do you suggest the lands released as a result of compulsory restriction should be put?

(2) Will it be possible or necessary to subsidize alternative crops?

8. (*a*) On what basis is it possible to determine the area to be cultivated under a compulsory restriction scheme in any year? How can existing stocks be estimated?

(*b*) What authority should determine such area? Should it be Government or a Statutory Body, Provincial or all-India?

9. What are your views as to the future world demand for jute? Is it likely to expand or contract? What are your reasons?

(2) Marketing of jute.

Export Market.

10. (*a*) What are the terms on which jute is sold to Dundee, the Continent, Japan, and other countries?

(*b*) Are there any fixed standards of quality on which business is done for export? Who fixes those standards? Do the standards vary from year to year? Do they vary during the season?

(*c*) Where are arbitrations held? Who appoints the arbitrators? Please give your views regarding home guarantee and the invoicing back clauses.

(*d*) What improvements would you suggest in the methods adopted at present in the export trade? Do you consider that it is feasible to fix standards by legislation, under which a body of recognised standing would be set up to inspect all consignments of jute, and grant certificates, which would be authoritative and final in regard to the jute inspected?

(*e*) Have you any scheme to suggest for improvements in the present methods of dealing in jute? Would a system of standards adopted on the lines of the American Cotton Standards Act of 1923 (Appendix B of the Finlow Committee's Report) be suitable for pucca bales in Bengal? Give details of any scheme you would suggest.

Calcutta Market.

11. (*a*) Are the various methods of marketing jute in Calcutta satisfactory? Please explain the system at present prevailing in dealings in loose jute purchased by (*a*) jute balers, and (*b*) jute mills. Are there any fixed standards?

(*b*) Is it a fact that standards or grades are sometimes changed, even in the middle of a season?

(*c*) Do you advocate that fixed standards for loose jute should be fixed by legislation or otherwise? Please explain any objections which there may be to such a scheme.

(*d*) What standards would you suggest and what authority do you think should supervise the working of the standards?

Inland Market.

12. (*a*) What is the present system of sale by the producing cultivator?

(*b*) What marketing customs such as allowances and deduction exist which are detrimental to the producers?

(*c*) Do you consider that the use of Government standard weights (40 seers = 1 maund) should be enforced in all dealings in jute? By what means should it be enforced?

(*d*) What is the present system of grading raw jute? Do you consider that standardization of grades should be enforced?

(*e*) What should be the basis of standardization?

(*f*) Could necessary tests be effected to assort according to such standards in mufassal markets?

(*g*) What authority should determine the standard grades? Government or statutory body?

(*h*) How do you consider that information as to Calcutta market prices should be conveyed to producers? Have they at present any means of knowing what such prices are and what movements occur?

Regulated Markets.

13. (*a*) Do you consider that the establishment of regulated markets is desirable?

(*b*) What area should such a market operate over?

(*c*) Are such markets likely to attract buyers and sellers? Will it be necessary to prohibit or limit dealings outside such markets?

(*d*) What authority should select the sites of such markets?

(*e*) How should the Marketing Committee be constituted?

(*f*) How would such a market be financed?

Corporate organization.

14. (*a*) Do you consider the establishment of any other type of corporate marketing organization desirable?

(*b*) If so, what should be the nature of such an organization?

(*c*) How should it operate?

(*d*) How should it be financed?

Co-operative Societies.

15. (*a*) Could Co-operative Sale Societies improve the existing system of marketing?

(*b*) On what basis should they operate?

(*c*) How should they be financed?

(*d*) Would the growers welcome such Co-operative Sale Societies?

Future Markets.

16. (*a*) What effect do future markets have on the mufassal markets? Should there be such a future market for loose jute?

(*b*) Are future markets necessary? Should they be controlled and, if so, by what authority?

(*c*) What effect do future markets have on jute trade?

(3) Improvement of price and (4) Fixation of minimum price.

17. (*a*) What is the normal yield per acre in various parts of Bengal?

(*b*) What is the approximate normal cost of production per maund?

(*c*) How you calculate this?

18. What do you consider a fair profit to the cultivator? (in terms of percentage, if you prefer it).

19. (*a*) Can the margin of producer's profit be increased? If so, by what methods?

(*b*) Can improved outturn be obtained by more scientific methods of cultivation?

20. What effect has competition among manufacturers had on the price?

21. Do you consider it advisable to fix minimum prices? For what periods should it be fixed?

22. What essential conditions would be necessary to make it practicable?

23. (*a*) What effect does the jute export tax have on prices paid to producers?

(*b*) Is the effect variable and, if so, what causes such variation?

24. How do you propose to maintain a minimum price in the event of the market price falling below that minimum? Do you advocate any system of Government guarantee?

25. What organization do you propose to implement such a policy?

26. What financial implications would such a policy involve? How could they be met?

27. (*a*) What is the nomal difference between the price paid to the cultivator and the price paid by the manufacturer or baler who ships raw jute to foreign markets?

(*b*) Could this difference be reduced by exclusion of some of the middlemen?

28. (*a*) To what extent do cultivators pledge their crops before harvest and to whom?

(*b*) Does this affect price levels generally?

(*c*) Does it result in a lower price paid to the particular cultivator for raw jute?

Relationship between prices of raw jute and jute products.

29. (*a*) What have been the prices of raw jute and manufactured jute products per maund—

(*i*) from 1900-1913,

(*ii*) from 1913-1919,

(*iii*) from 1920-1929,

(*iv*) from 1930-1936 (February) and

(*v*) from 1936 (March)-1938?

(*b*) If the relationship between these prices has varied, what have been the causes of such variation?

(*c*) Is it possible to reduce the difference in prices by reduction in the cost of manufacture? If so, in what directions would you suggest reduction of manufacturing cost?

30. Has any system of control of production of manufactured goods affected the price of raw jute? If so, to what extent?

31. (*a*) Other things equal, could the prices of manufactured goods be now raised by any scheme of restriction of production? If so, to what extent?

(*b*) To what extent was the Jute Mill Association Restriction agreement up to 1936 a success? If it failed, to what causes do you attribute the failure?

(*c*) Do you think a similar voluntary scheme could be evolved by the trade at present? If not, would you advocate compulsory restriction by legislation or otherwise?

What kind of organization would you propose to implement such a policy of restriction of production?

32. If the prices of manufactured jute goods could be thus raised by any restriction scheme, do you think the prices of raw jute would automatically improve? If not, why not?

What are the conditions that must be fulfilled before the cultivators can share in the increased prices of manufactured products?

Freights and insurance.

33. (*a*) What are the defects in freight charges by rail or water?

(*b*) Are the present marine and fire insurance charges reasonable?

(*c*) Can you suggest any means of remedying the defects, if any, in freight and insurance charges?

(5) Jute forecasts and statistics of stocks in hand.

34. (*a*) To what use is the Government forecast put by the trade?

(*b*) How are the forecasts of private firms obtained?

35. Do you consider the present Government system of compilation of the jute forecasts satisfactory?

36. If not, at what stages would you suggest improvements?

37. (*a*) Do you think a reasonably accurate forecast by the present or a similar direct method, such as field to field survey, may be obtained by changes in administrative technique?

(*b*) Or, would you prefer an indirect method of compilation, say by the method of random sampling?

If you advocate field to field survey, what would be the cost? Would it be justified?

38. (*a*) Do you consider the recent experiments in random sampling to have yielded satisfactory results? If not, why not?

(*b*) What are the improvements you would suggest in this method?

39. Is it necessary or possible to obtain accurate figures for actuals for comparison with the forecast with a view to improving the accuracy of the forecast for the next year?

40. (*a*) Could holders of stocks be compelled to submit returns?

(*b*) Do you consider any legislation necessary?

(*c*) Is it possible to obtain figures for stock held *ex*-India?

41. Should the forecast be published as a whole or district by district over a number of days as at present?

APPENDIX II.

List of witnesses examined in the mofussil.

	Date.	
1.	Dacca, 19th November 1938 to 21st November 1938.	I.—Officials : (*a*) Assistant Registrar, Co-operative Societies, Bengal. (*b*) Assistant Economic Botanist. (*c*) Chief Superintendent, Government Agricultural Farm. (*d*) Assistant Fibre Expert to the Government of Bengal. (*e*) Director of Agriculture, Bengal. II.—Local Opinion : (*a*) Babu Dinesh Ch. Dey of Union Press. (*b*) President, Pleaders' Bar Association. (*c*) Dr. H. L. Dey of Dacca University. III.—8 representatives of jute-growers, middlemen and merchants.
2.	Noakhali, 22nd November 1938.	II.—Local opinion : Chairman, District Board. III.—2 representatives of European merchants. 3 representatives of Indian merchants. IV.—2 representatives of jute-growers.
3.	Madaripur, 25th November 1938.	II.—Local opinion : (*a*) Chairman, Local Board. (*b*) Chairman and Secretary, Co-operative Credit Bank. III.—3 representatives of European agencies. 3 representatives of Indian agencies. IV.—9 representatives of jute-growers.
4.	Rajbari, 27th November 1938	II.—Local opinion : (*a*) President, Greda Union Board. (*b*) Babu B. L. Bhadra, M.A., B.L. (*c*) Maulvi Y. H. Chaudhury. (*d*) Maulvi A. Ali Mridha, M.L.A. IV.—5 representatives of jute-growers.
5.	Berhampore, 15th December 1938.	I.—Officials : (*a*) District Officer. II.—Local opinion : (*a*) Vice-Chairman, District Board. III.—6 representatives of middlemen and merchants. IV.—3 representatives of jute-growers.
6.	Kusthia (Nadia), 21st December 1938.	I.—Official : (*a*) District Magistrate. (*b*) Subdivisional Officer, Kusthia. II.—Local opinion : 10 representatives of local opinion, including Chairman and Vice-Chairman of Nadia District Board. III.—5 representatives of middlemen and merchants. IV.—5 representatives of jute-growers.

	Date.	
7.	Pabna, 7th January 1939 ..	I.—Official : (*a*) District Agricultural Officer. II.—Local opinion : (*a*) Chairman and Deputy Chairman of Pabna Co-operative Credit Bank. III.—4 representatives of middlemen and merchants. IV.—5 representatives of jute-growers.
8.	Serajganj, 9th January 1939	I.—Official : (*a*) Two Circle Officers. (*b*) Co-operative Inspector. II.—Local opinion : (*a*) Chairman, Local Board. (*b*) President, Khokshabari Union Board. (*c*) Secretary, Co-operative Credit Bank. (*d*) President, Durganagar Union Board. (*e*) 2 representatives of the Bar Association. III.—3 representatives of middlemen and merchants. IV.—2 representatives of jute-growers.
9.	Bogra, 12th January 1939 ..	I.—Official : (*a*) District Officer. (*b*) District Agricultural Officer. II.—Local opinion : (*a*) Chairman, District Board. (*b*) Secretary, Bar Association. (*c*) Khan Bahadur Md. Ibrahim. III.—9 representatives of middlemen and merchants. IV.—4 representatives of jute-growers.
10.	Rangpur, 14th January 1939	I.—Official : (*a*) District Magistrate. (*b*) Sadar Subdivisional Officer. (*c*) District Agricultural Officer. II.—Local opinion : (*a*) Chairman, District Board. (*b*) Chairman, Municipality. (*c*) Vice-Chairman, Local Co-operative Credit Bank. III.—4 representatives of middlemen and merchants.
11.	Mymensingh, 21st January 1939.	I.—Official : (*a*) District Magistrate. (*b*) District Agricultural Officer. II.—Local opinion : (*a*) Chairmen, Local Board and District Board, Mymensingh.
12.	Kishoreganj, 21st January 1939.	I.—Official : (*a*) Subdivisional Officer. II.—Local opinion : (*a*) Secretary, Co-operative Credit Bank. (*b*) Secretary, Union Board Association. III.—4 representatives of middlemen and merchants. IV.—5 representatives of jute-growers.
13.	Sarishabari, 22nd January 1939.	III.—4 representatives of middlemen and merchants. IV.—7 representatives of jute-growers.

List of witnesses examined at Calcutta.

1. From 15th February 1939 to 16th February 1939.

I.—Officials :
1. Commissioner, Presidency Division.
2. Senior Marketing Officer, Bengal.
3. Hon'ble Khan Bahadur Azizul Haque, Speaker.
4. Special Officer, Jute Restriction Scheme, Bengal.
5. Registrar, Co-operative Societies.

2. On 7th August 1939 ..

6. Director of Industries, Bengal.
7. Senior Marketing Officer, Indian Central Jute Committee.
8. Secretary, Indian Central Jute Committee.
9. Prof. J. P. Neogi, Head of the Department of Economics, Calcutta University.

3. On 7th August 1939 and 8th August 1939.

II.—Chambers of Commerce :
1. Bengal Chamber of Commerce.
2. Indian Chamber of Commerce.
3. Marwari Chamber of Commerce.
4. Bengal National Chamber of Commerce.
5. Muslim Chamber of Commerce.

4. On 8th August 1939 ..

III.—Jute Associations :
1. Indian Jute Mills Association.
2. Calcutta Baled Jute Association.
3. Calcutta Jute Dealers' Association.
4. Calcutta Jute Fabrics Shippers' Association.
5. East India Jute Association, Ltd.
6. Jute Fabric Brokers' Association.
7. Jute Balers' Association.
8. Jute Growers' Association.

APPENDIX III.

Section II.

II.—Cultivation and uses of Jute and Jute substitutes outside India.

Jute is the cheapest packing material and is extensively used throughout the world. Its cultivation is still almost an Indian monopoly. But jute and similar fibres are being increasingly grown in different parts of the world and vigorous attempts are being made to substitute for Indian jute these home grown fibres.

During the Great War a drive was made by all the important jute consuming countries to grow jute themselves or to find some substitute for jute, because they were afraid that Indian jute might not be available to them. The cultivators of jute were successful in several parts of the world but due to inexperience, lack of trained labour and knowledge of the proper methods of retting the cost was high. Several substitutes were also found but their cost of production was too high to compete with Indian jute. After the war these attempts were largely given up.

Up to 1930 the only serious competitiors of jute were paper bags and the bulk handling method. The cement trade required bags so cheap that they need not be returned to the manufacturers of cement. Paper bags suited the purpose and are now the main packing material for cement and the cement firms have invested considerable money in the production of paper bags. After the boom of 1929 came the depression and the period of unemployment. Every Government was in search of work for its unemployed people and also wanted to be self-sufficient. With it reappeared the question of the use of substitute fibres and cultivation of jute. High priced home made bags began to be used in different countries and the entry of Indian jute and jute bags was curtailed by law to help the home industries.

At present attempts to grow jute and jute substitutes are being made everywhere, but so far except in the two cases of paper bags for cement and bulk handling of grains the result does not appear to have seriously affected the jute industry.

Following is a series of notes on attempts being made in different countries to develop either locally grown jute or substitutes for jute. At the end of these, there are three Tables showing:—

Table I.—The change in the net imports of raw jute into the main consuming countries outside India between the two boom periods of 1928-29 and 1936-37. This Table indicates a possible reduction in the importation of jute by these countries of 68,000 tons or rather less than 10 per cent. of the total export.

Table II.—Shows the export of jute goods from India to the various countries of the world again during the two peak periods, 1928-29 and 1936-37. This Table indicates on the whole an increase of about 60,000 tons, so that from these two although there are evidently minor changes —it seems that the slight reduction in the exports of jute has been balanced by a slight increase in the exports of jute manufactures. In neither case is the change at present serious.

Table III.—Shows for the series of years from 1927-28 to 1937-38 the exports of raw and manufactured jute with their export prices per ton for each of those years, and from it one would conclude that the price of jute and jute manufactures is not a determining factor in the amount of jute that is consumed by the world. The consumption in 1928-29 was equivalent to the consumption in 1936-37 although the price in the former case was double what it was in the latter.

This conclusion should, however, be received with caution. When the export of jute and jute products reached its peak in 1928-29 at a high price level the world had not begun seriously and intensively to search for substitutes from the nationalistic point of view. It was from the depression of 1930 onwards that so many countries began seriously to try to make themselves self-supplying in such products. The position as regards the availability of substitutes is very different to-day from what it was in 1928-39. Although the volume of substitutes actually being used at present is small and may be considered almost negligible, there is no doubt that the knowledge is now there and that, if a serious increase in price should provide the incentive, the use of substitutes could and would be rapidly increased. The magnitude of the substitution that might then take place can only be judged from the case of paper bags for cement. That 50 per cent. of the world's cement should be packed in paper bags means a loss of market for 20 lacs of bales of jute.

Notes on Jute Substitutes.

1. *Germany.*—Jute products sold in Germany for domestic consumption contain a mixture of flax, hemp or paper, as the use of pure jute goods is prohibited by law.

Attempts are being made to use broom fibre as a jute substitute. A new fibre made from branches and twigs of trees has been made and is reported to be as good as hemp or jute.

2. *Italy.*—During 1937 the demand for jute within the country was met to a considerable extent by goods made of a mixture of jute and home-grown hemp. 13,000 tons of hemp were used for the purpose. Also 1,000 tons of esparto fibre extracted from esparto grass, were distributed among the jute mills for mixing with jute.

Experiments with broom fibre as a jute substitute have been partly successful.

A new company has been established in Milan, the purpose of which is to enable the production of jute and similar fibre in Ethiopia. The starting share capital is only 10,000 lire, but this is only nominal. The object is the cultivation of jute substitute fibres in East Africa. At the same time experiments are being conducted to endeavour to grow real jute in districts with a suitable climate for its production.

A firm has been registered in Rome with a share capital of 300,000 lire for planting and distribution of jute thread substitutes and thus to render foreign jute importations superfluous.

"Sniafiocco", a kind of artificial silk and other local fibres are being used in the manufacture of cloth for small bags. This cloth is largely used for bags containing 50 kilos of flour, bran, chemical products and macaroni.

Experiments have shown that ramie fibre can be successfully used as a jute substitute.

The Supreme Commission for Antachy has passed a resolution in 1938 recommending the use of a fixed percentage of Italian fibres in the manufacture of all fabrics sold in the home market.

3. *Egypt.*—500 acres were put under jute and the results were satisfactory. The fibre was removed from the stalk by a machine and then chemically retted. This gave a fibre little darker than Bengal Jute but of satisfactory tensile strength.

4. *Belgian Congo.*—Urena Lobata fibres are being grown in the Bengian Congo. The area under this fibre is growing every year as will be found from the production figures given below:—

Year.	(Figures are in metric tons.)
1932	268
1935	451
1936	1,223
1937	2,117

5. *Kenya.*—A company has been formed in Kenya to manufacture bags and other manufactures from sisal in addition to the usual goods already made from this fibre. The company is called Sisal Products (East Africa), Ltd., and was formerly known as Kenya Sisal Manufacturing Co., which was floated with a capital of £15,000 to import and demonstrate the first commercial unit of the new sisal flume

waste reclamation plant and to acquire a licence to manufacture locally those new tows into course fabrics as substitutes for imported jute manufactures. This company is concentrating primarily on the local market. After two years' commercial operation of the first two units of the new reclamation plant it has been proved that this can be done and when they are installed in more estates there will be an ample supply of tows to supply a commercial system of textile machinery capable of manufacturing coarse fabric equivalent to an annual output between 1,250,000 and 1,500,000 sacks. For these purposes and with these aims in view the capital of Sisal Products, Ltd., has been increased to £100,000.

Machinery has been purchased to manufacture line fibre and tows into large variety of articles including hessians and sackings.

6. *Madagascar.*—There is a sack factory at Majunga which uses locally-grown Ureno Lobata fibres. During 1937 this mill exported about 900 tons of finished goods.

7. *Turkey.*—Experiments in growing jute in Turkey have so far proved unsuccessful. But recently further attempts to grow jute have been decided upon and 4 tons of real jute seeds and 1 ton of mosta jute seeds ordered.

8. *Iran.*—1,400 tons of jute were grown in 1932, 6,000 tons in 1933 and 3,700 tons in 1934. Recent production figures are not available. There is a sack factory that uses locally-grown jute. During 1937-38 it consumed 2,970 tons of jute.

9. *Java.*—A jute-like fibre called Rosella is being extensively grown in Java. At present one mill using this fibre is working at full capacity.

It is reported that Rosella bags are superior to Calcutta-made jute bags and the price is Fl. 3-3-5 cheaper than the Calcutta bags (estimated to be Rs. 5 per 100 bags).

The selling agents who are financially interested in the mills are selling the Rosella bags on the condition that faulty bags will be replaced up to 100 per cent.

The output of the mill is estimated at 2-3 million bags per year. It is rumoured that the owners are planning to increase the capacity of the existing mill and even to build a second mill.

Several other concerns also are taking an interest in this new industry and it is said that a second mill with a capacity of 4-6 million bags is in course of erection.

Almost all the sugar concerns are giving the new bags a trial; the C. M. V., e.g., have reserved 200 bales of their requirements for the next year's crops for Rosella bags. The mill's first production will therefore be placed without difficulty.

Unless unforeseen circumstances arise Java will be self-supporting in 3-4 years, at least so far as sugar bags are concerned which means a reduction of India's export by 30 million bags annually equivalent to 35,000 tons of raw jute.

10. *Siam.*—Experiments in jute growing have proved successful and attempts are being made to grow it on a large scale. Land has been selected and an expert sent to India to study the processes of growing and retting of jute.

11. *Indo-China.*—50 and 100 tons of jute were grown in 1936 and 1937, respectively.

A plant locally known as "Polompon" has been found to supply a fibre similar to jute. It is expected that in 1937 about 100 tons of this fibre will be ready for despatch to the artisan weavers of Tonkin. The Government is interesting itself in the possibilities of manufacturing bags for the export of rice and other cereals from cocoanut fibres and Sisal. According to a local export these bags will be cheaper than jute bags though more rough to the touch.

12. *The Phillippines.*—A company with a capital of 2 million pesos has been started for manufacturing sacks from Manila hemp.

13. *Manchukuo.*—A jute-like fibre called kenaf is being grown in Manchukuo. The area planted to kenaf supplies only a small part of the Manchukuan requirements. The Government proposed to extend its cultivation to the point of completely displacing jute and jute goods imported from India. The present Indian export to Manchukuo is approximately 45,000 tons of jute and jute goods. Bags made from kenaf fibre have been found very suitable for handling soya beans.

14. *Japan.*—Japan produces 1,100-1,200 metric tons of jute every year.

15. *Formosa.*—Production of jute in metric tons:—

Year.	
1934	9,490
1935	12,529
1936	8,984

A ten-year plan for the increased cultivation of different crops has been announced. The plan calls for a five-fold increase in the area under jute in the first year (1939). Thereafter the acreage will remain the same and the increased production will be attained by increased productivity. If this scheme is successful Formosa will grow 31,000 tons of jute in 1939 and will increase it to 50,000 in 1948.

16. *New Zealand.*—Since 1934 a large woolpack and sacking factory has been operating at Foxton. This factory uses New Zealand flax as a raw material.

17. *United States of America.*—The Post Office Department of the United States of America had been using jute twine for the last 24 years, but this year (1938) the Department has decided to use cotton twine and has awarded a $319,000 twine contract to a cotton manufacturing firm.

The Federal Government of the United States of America is subsidising cotton wrappings for cotton bales by paying the difference in cost between cotton and jute on one million bale coverings this year. The manufacturers will have to sell these cotton wrappings for 45 c. per piece and the Government will pay the manufacturers 28 c. per piece. The jute covering weighs 13 lbs. while the cotton covering weighs only 4-5 lbs. and as cotton is sold by gross weight, the manufacturers will have to pay the farmer the price of this difference of 8-9 lbs. of cotton. Attempts are being made to change sales from a gross to a net weight basis.

18. *Brazil.*—The Japanese settlers in Amazonas are stated to have grown jute successfully. The 1938 crop is expected to be about 500 tons.

In Brazil sacks are made from mixed fibres and about 5,000 tons of home grown Sao-Poulo jute, paco-paco, etc., are annually mixed with jute.

A woolpack from 40 per cent. and 60 per cent. of paper has been made in Brazil and is reported to be an efficient substitute for jute woolpacks.

19. *Paraguay.*—The land under jute is increasing every year. In 1938, 600 hectares were under jute.

20. *Mexico.*—A small quantity of jute is grown in Mexico. The local mills are now manufacturing about 600 tons of goods which contain only 20 per cent. jute; the rest being a locally grown fibre called Ixtle de Palma.

21. *Uses of Paper as a Jute Substitute.*—Cement is now generally packed in paper bags manufactured by the cement companies themselves. In the U.S.A. cotton bags are also used for the purpose. In Norway about 3 million paper bags are used every year for handling cement. If the cement trade used jute bags only they would require about 1,300 million jute bags a year and this is equivalent to about 40 lakhs of bales of jute. Supposing that 50 per cent. of cement is packed in paper bags, this means a loss of 20 lakhs of bales to the jute trade.

Paper bags are also used for handling salt, fertilisers, lime, etc. In the Argentine the paper bag manufacturers consume 5,000 tons of kraft paper every year. Paper bags are used in Africa for handling coffee and cocoa beans.

In Japan the Head Chemist of the Japanese Bag Co., Tokyo, is said to have perfected a new type of heavy paper for use in the manufacture of sand bags. It has been stated locally that the Japanese army may use this invention to replace jute and ramie.

"Sisal kraft" which consists of two sheets of paper reinforced with sisal fibre is also being used for various purposes.

22. *Paper backed Linoleum.*—Paper backed linoleum is being used in place of jute backed linoleum because it is cheaper. It is not so durable as the jute backed linoleum, but attempts to get a sufficiently durable cheaper paper backing are going on.

23. *Elevators.*—Grain is being handled in bulk in many parts of the world. Europe and North America have been using elevators for a long time. Some elevators have recently been constructed in Australia, South Africa and the Argentine and atttempts are being made to increase their number.

In 1937, 5,856 grain elevators with a capacity of 421,885,620 bushels worked in Canada. In the Argentine, crops handled by the elevators during the same year was 3,248,378 tons and the South African elevators handled 374,913 tons of maize in 1935-36. The capacity of the Australian elevators already erected is 31,423,000 bushels.

These figures give an idea as to the market that has been lost to jute due to the bulk handling of wheat, maize, etc. The crop handled in bulk retains its quality and cannot be destroyed by mice, weevils, etc. But the erection of the grain elevators is costly and that is the main reason why elevators are not being erected more quickly in different parts of the world.

APPENDIX IV.

A Note on some schemes of restriction of production of Raw Jute by Mr. D. L. Mazumdar, I.C.S., Secretary, the Bengal Jute Enquiry Committee.

The object of this note is to examine some schemes of restriction, which do not proceed on the orthodox basis of allocation of acreage quotas to individual jute-growers, but seek to attain the desired end by other indirect methods.

(I)

One such method of regulation has been recently suggested by the Secretary to the Board of Economic Enquiry, Bengal. According to his scheme, a number of jute-growing mauzas, unions or thanas should be randomly selected every year so that the total acreage under jute in those mauzas, unions or thanas may be equal to the percentage of area reduction sought to be enforced in that particular year. As soon as the list of mauzas, unions or thanas has been drawn up (hereinafter to be called the excluded list), all that Government need do is to prohibit totally the cultivation of raw jute in these areas. If restriction has to be enforced in the following and succeeding years as well, care should be taken to see that none of the areas, included in the previous year's excluded list, are again entered in the following year's excluded list. The object of this provision is simply to ensure that the same set of mauzas, unions or thanas is not called upon to bear the burden of the restriction scheme every year.

The scheme is not really as novel as it looks. A variant of it was submitted by the then Subdivisional Officer of Munshiganj (Babu K. Maitra) to the Finlow Committee in 1933 (*vide* pages 122-129, Volume II of the Finlow Report). In that scheme, it was proposed that cultivation of jute should be prohibited, not only in the whole of the Burdwan and Presidency Divisions, but also in those areas of Chittagong and Rajshahi Divisions, where the acreage under jute was either small or the land was not well-suited to the cultivation of this fibre.

The advantages of the scheme suggested by the Secretary of the Board of Economic Enquiry are obvious. It will greatly simplify the problem of control and supervision and considerably reduce the costs of administration. On this score, both this scheme and its earlier variant are definitely superior to the orthodox scheme, based on the allocation of individual acreage quotas. But unfortunately both of them suffer from defects and drawbacks of a more fundamental nature, which appear to outweigh their practical advantages:—

(*i*) The scheme overlooks the fact that there will be nothing to prevent the jute-growers from increasing the cultivation of jute in areas outside the excluded list, and thus to nullify the effects of prohibition of cultivation in the excluded areas.

(*ii*) Secondly, the scheme will involve large-scale interference with the agricultural economy of the areas included in the excluded list.

(*iii*) Thirdly, the extent of such interference will remain an unknown factor till the very end and will vary from year to year.

(*iv*) Fourthly, in consequence of such unpredictable and variable interference with the economic life of a large percentage of the rural population an avoidable element of uncertainty will be introduced into the rural economy of the province.

(*v*) Fifthly, as the extent of regulation will presumably change from year to year, unequal treatment will have to be accorded to the areas included in the excluded list from year to year. This may be a just cause for grievance, and may easily lead to agrarian discontent on a large scale.

(*vi*) Lastly, it may be noted that, if the mouza be selected as the unit of regulation, the problem of administration and control may be as formidable as under the orthodox scheme and the cost may well be as heavy. For example, if a ten per cent. restriction is desired, it may be necessary, on an average, to prohibit cultivation in 4,000 widely scattered villages all over Bengal. The earlier scheme of Babu K. Maitra had at least the two-fold merit of concentrating cultivation of jute on the areas well-suited for this purpose and of enormously simplifying the problem of administration and control. The scheme of the Secretary, Board of Economy, possesses none of these redeeming features; and, in view of the objections which I have enumerated above, I do not think any democratic Government could seriously contemplate such large scale interference with the economic life of a substantial, though randomly selected, percentage of the rural population from year to year. The enforcement of the scheme does not appear to be a practical proposition.

(II)

Another scheme which has been recently suggested is that the sale of the roots and the crop ends of the fibres should be prohibited. No accurate statistics are available, but the roots and cuttings appear to account for from 15 to 20 per cent. of the total crop. Prohibition of their sale would thus automatically reduce the size of the crop by 15 to 20 per cent. The merits of the scheme are obvious; it reduces administrative organization to a minimum and ensures effective restriction. But the drawbacks of the scheme are as serious as its advantages are obvious. They seem to cancel each other:—

(*i*) First, the scheme is extremely inelastic. The percentage of roots and cuttings in the total crop depends entirely on natural factors, and is, in no way, connected with the factors governing its demand. Consequently, it will not be possible under this scheme to adjust the extent of regulation desired from year to year.

(*ii*) Secondly, there is nothing in this scheme to prevent increased sowings. The natural reaction of cultivators to any such scheme would be to try and discount its restrictive effect by increasing their individual acreages under jute. In some areas such efforts may be frustrated by the shortages of cultivable lands, but in many parts in Bengal as well as in other Provinces more and more lands may be easily placed under jute.

(*iii*) The cost of the organisation necessary to implement the scheme may be, after all, as heavy as that of enforcing the orthodox scheme. It is estimated that there are about 2,000 baling houses in Bengal and at least 200 godowns where jute is rolled into drums. All these, as well as export packing presses will have to be controlled.

(III)

Another type of indirect control has been advocated by some businessmen as well as officials. They argue that the orthodox scheme of regulation of cultivation involves the employment of a complicated and expensive machinery, which cannot guarantee effective enforcement and suggest that an indirect method of regulation through control of the disposal of the crop should be tried. According to the most straightforward method suggested under this head, all that Government need is to allocate, not acreage quotas, as under the orthodox method, but quantity quotas, to every individual jute-grower, and to evolve a suitable marketing organization, which will prevent disposal of the jute crop by any grower in excess of his allotted quota. This suggestion implies (*a*) the registration of jute-growers and (*b*) the establishment of a Central Purchase Association, possessing the monopoly to buy up the entire jute crop of this Province. If the scheme is carefully considered, its administration will be found no less difficult or complicated than that of the orthdox control scheme. The registration of jute-growers may appear to be a simple enough task on paper; but if the records are to be authentic, it will be necessary to initiate and conduct local enquiries on a fairly large scale to test the bona fides of the claimants to registration. The identification of millions of registered jute-growers may occasionally raise intriguing problems, which it may not be always easy for the authorities of the control scheme to solve without sifting local enquiries. Besides, the maintenance of the records up to date in every jute year will, in itself, present no less a formidable problem than the checking and enforcement of acreage quotas to individual cultivators. The only advantage of registration of jute-growers, instead of jute-lands, would be to reduce field work to a large extent. But as against this, must be set the increase in office work, and the uncertainties in the economic position of the jute-growers likely to be caused by variations in the yield of the crop due to natural causes. As regards the other essential concomitant of the scheme, viz., the establishment of a Monopolist Purchase Organization, the matter has been fully discussed in Chapter VI of the Report and requires no further examination in this context. Without a complete departure from the existing system of marketing—involving administrative problems, no less formidable than the orthodox control scheme based on allocation of acreage quotas and financial commitments on an incomparably large scale the suggested method of indirect control is hardly likely to succeed.

According to another scheme falling under this head, Government should issue a limited number of certificates or permits to buy raw jute at a nominal price. No drum of loose jute or kutcha bale should be transported to Calcutta without this permit. Similarly, no pucca bale should be exported without these permits. They should be distributed among the mofussil baling houses on an agreed basis. At least three months before the sowing season, Government should announce the number of permits which they propose to issue for the next season,

and take steps to explain to the cultivators the detailed implications of their announcement. The permits will be transferable documents. Government should be armed with statutory powers to call for returns from the mofussil baling houses, Calcutta mills and export balers. It cannot be contended for a moment that the suggested scheme will be less complicated than the orthodox proposal. But it may, of course, be claimed that the administration of the scheme will be easier, inasmuch as the necessary checks and controls will have to be applied only in the mofussil baling houses and in Calcutta. This is no doubt an important advantage but the defects of the scheme far outweigh its merits:—

(*i*) First, no amount of mere exhortation is likely to induce the cultivator to restrict cultivation to the extent indicated by the number of permits to be issued by Government. Every cultivator may well act on the assumption that with a little luck he will succeed in getting permits for all the jute that he grows.

(*ii*) Secondly, in the absence of any collective effort to reduce sowings, there will be a great scramble for the sale of jute immediately after the issue of the permits,—unless, of course, the issue is spread over a number of months. In course of the scramble, the price obtained by the cultivator may well fall below what the total supply in relation to demand may indicate. Conceivably, the dealers may be the only persons to reap an advantage from this scheme.

(*iii*) Thirdly, the problem of allocation of permits, district by district, will present formidable difficulties. It may well result in extensive dealings in these permits between different baling houses and between Calcutta and the mofussil. A thoroughly unhealthy tone will be introduced into the entire market for raw jute.

(*iv*) Fourthly, in order to render this scheme effective Government could not possibly rely on the submission of return by the buyers of raw jute: It will have to appoint an adequate inspecting and preventive staff.

Altogether, it would seem that this scheme of indirect control would be far from satisfactory. A little reflection will show that no scheme of indirect control based merely on the regulation of the quantity that may be sold or purchased will succeed in effectively restricting actual sowings as long as the conditions of cultivation remain as individualistic and unorganized as they are at present.

(IV)

It is not the object of this note to justify a policy of compulsory regulation of production. That calls for a different treatment. The above analysis is merely intended to show that if a policy of compulsory restriction has to be effectively implemented it can only be done by adopting the orthodox scheme based on the allocation of acreage quotas to individual cultivator. In the economic and political environment of to-day no other scheme seems to be a practical proposition.

APPENDIX V.

A tentative scheme for compulsory restriction of jute.

The relevant Act or Ordinance will extend to the whole of Bengal except the Chittagong Hill Tracts and the districts of Bankura and Birbhum which do not appear in the Final Jute Forecast for 1938-39.

In the districts of Burdwan, Midnapore, Hooghly, Howrah, 24-Parganas, Khulna, Darjeeling, Jalpaiguri, Malda, Bakarganj, Chittagong and Noakhali in each of which the acreage under jute according to the last forecast is below 45,000, it is not proposed to do any detailed checking. But a registering staff will be necessary.

2. For the remaining 12 districts, a detailed check will be necessary. Their total area is about 35,000 sq. miles. Excluding urban and beel areas, uncultivated chars, etc., the actual area to be covered is estimated at 31,000 sq. miles. Distributed in 310 police-stations, this would give on an average 310 units of about 100 sq. miles each. A list of these districts with the estimated area under jute and number of circles, thanas, unions, etc., is given in Appendix A.

3. Different areas in jute districts go under water during different periods while there are some which do not go under water at all. The lowest areas, and chars go under water about the 2nd week of June, those on a higher level about the 4th week of June and so on. The Collectors have been addressed by Express letter to communicate the approximate time when lands of each thana generally go under water, specially in the districts of Dacca, Faridpur, Tippera, Jessore, Nadia, Pabna and Mymensingh. It is expected that there will be about 80 thanas which go under water early in June. Immediate arrangements will have to be made for work in these areas. For the higher and late sown areas, the period for registration and consequently for check will commence later. The whole programme will have to be so drawn up so that the staff engaged in the lowest areas may gradually move on to the higher areas in the same or adjoining districts until the entire area is completed.

It is essential to complete the work before the land goes under water as otherwise no check would be possible.

4. To enable the scheme to get through, the Ordinance should be promulgated not later than the 20th May at the latest. Registration should be compulsory within a fortnight from the date of promulgation. Promulgation should be made by—

(*i*) publication in newspapers,

(*ii*) beat of drum at important centres like markets, hats, schools, etc., and

(*iii*) publication at offices of union boards, debt settlement boards and Sub-Registrars and also at police-stations and landlords' kutcheries.

5. It is apprehended that mere promulgation of the Ordinance will not ensure prompt and correct submission of returns by cultivators. From our experience of jute schedule we know that if left to themselves, the cultivators will submit returns which will be useless and render checking work extremely difficult and well-nigh impossible.

In many cases they will not submit any return at all and there will be a bewildering variety of forms in which returns will be submitted. To ensure prompt submission of correct returns it will be necessary to print a standardised form of returns containing instructions in Bengali on the back as to how it is to be filled up and to serve it on each individual family through the union boards before actual registration begins. This will be tremendous task as about a million forms will have to be printed. In the alternative, cultivators will have to be left to themselves to devise their own form of return with the necessary consequences. I must point out that there is no time this year for printing all these forms. The registering staff should be responsible for service of the forms.

6. Cadastral maps of all the villages will be indispensably required. Without them no registration or tabulation will be possible.

During jute census, restricted to a few thanas, it was discovered that in the Collectorates all the maps were not available.

(I should point out that spare copies were not prepared for administrative purposes before. Sale copies were printed and the stock is getting exhausted.)

I have written to the Collectors to report how many sheets will have to be printed and of what villages, but they cannot furnish the information without examining their registers which will take some time.

For the 12 districts mentioned in Appendix A we have got about 70,000 original sheets. Even if 5 per cent. of the sheets has to be printed, it will take the Bengal Drawing Office at least 1½ months. As the work depends on vandyke method, bad weather will interfere with progress. Moreover, for Dinajpur we have not got all the originals yet as mapping work in the Settlement Office has not been completed. For about half the district no cadastral sheets can be printed this season and without them I cannot contemplate registration of jute cultivation being done at all.

In Rangpur, recovery is pending in considerable areas and neither landlords nor tenants have got maps yet. In those areas cultivators will not be able to furnish the plot numbers at all. This means registration will be vague and indefinite and checking will be extremely difficult. In the char areas of East Bengal districts, the maps are all out of date and from personal experience I may say that identification of plots is extremely difficult. Registration by plots will be well-nigh impossible and the work of the checking staff is likely to be entirely frustrated by the rise in the rivers. These lands go under water in June and it is usual to cut the plants before they are mature. The existing maps will hardly be useful and registration will have to be practically done by the checking staff in the field. This, once the monsoon sets in, will be practically impossible. The work cannot be pushed now as on account of lack of rain, there has not been much sowing yet.

7. The essential qualifications for the staff are that—

(1) it should be accustomed to field work; and

(2) it should be capable of using maps, i.e., of identifying a plot in the field from the map and of locating a plot in the map.

The only people whom I can think of as possessing these qualifications is the field staff of the Settlement Department. Even they have dispersed this season and it will take time to re-assemble them. I know we can have plenty of untrained men but their work which will have to be done at high pressure will lack thoroughness. Our experience of random jute sampling in 1937 confirms this view. It is therefore essential that the staff should be such on which absolute reliance can be placed.

I have therefore provided in the estimate that—

(*a*) all the Inspectors should be settlement kanungos, and

(*b*) there should be a fair sprinkling of young kanungos among the assistant inspectors.

8. If the scheme matures this year, I shall have to withdraw more than half of my kanungo staff from settlement and as some kanungos will have to be given leave, it will be tantamount to stopping settlement work till the end of September. Moreover the Bengal Drawing Office which alone can print cadastral maps (in fact it prints maps of other departments) will have to stop all other work for about two months, if not longer. This will involve—

(*i*) further postponement of recovery;

(*ii*) prolongation of settlement; and

(*iii*) increase in their cost rates.

As the implications are very important, I would solicit Government orders sanctioning the arrangements.

9. I have pointed out the difficulties involved in—

(*i*) printing and serving notice in time;

(*ii*) having a full supply of cadastral maps;

(*iii*) assembling a competent staff in 12 districts at short notice;

(*iv*) completing field work, before the monsoon sets in, in char areas; and

(*v*) registering and checking in Dinajpur and parts of Rangpur.

The work will have to be done over more than half of the province and without notice and any preliminary information. Field work on this scale has not been attempted anywhere in India and considerable preparatory work should be done before it can be successfully accomplished.

It is of the utmost importance that complete co-ordination between the district staff and the jute registration staff is ensured and for this purpose a procedure will have to be evolved in consultation with the District Officers. For this the best arrangement would be to hold a conference of the Collectors of the twelve districts or for me to go round and settle the details in consultation with them. For this there is hardly any time before registration is to begin.

10. Considering the magnitude of the work, I consider that it will be unduly risky to undertake it in the absence of adequate information and without full preparatory work. The work will be done in an amateurish manner and errors are sure to creep in. It will be a pity

if a large sum of money is spent and ultimately found to have been wasted.

In the circumstances I would suggest that full information be collected and all preliminary details settled during this year and on their basis the scheme be launched upon during the next year.

In my opinion the difficulties relating to preliminary arrangements, staff and time-factor are insurmountable this year and I feel convinced that the work cannot be done this year with any pretension to accuracy of its results. I shall carry through the scheme this season if Government so desire but I would submit that I should not be held responsible for its successful execution or for the correctness of its results.

11. If Government decide to embark on the scheme, I would suggest that a block grant should be sanctioned for the purpose. Full power should be given to me in the matter of entertainment of staff and in incurring expenditure within the limits of the grant without reference to Government.

N. C. Sen,

Director of Land Records and Surveys, Bengal.

The 6th May 1939.

APPENDIX A.

Area and administrative divisions of principal jute districts in Bengal.

Serial No.	Name of district.	Total area of the district in sq. miles.	Area under jute according to 1938 Final Forecast.	No. of circles.	No. of police-stations.	No. of villages.	No. of unions.
			(Acres.)				
			Class I.				
1	Mymensingh ..	6,237	650,000	18	51	8,317	469
2	Dacca ..	2,719	321,900	14	32	5,250	316
3	Rangpur ..	3,496	306,400	10	30	4,072	317
4	Tippera ..	2,597	231,000	9	20	4,177	253
5	Faridpur ..	2,356	219,000	9	25	3,631	238
	Total ..	17,405	1,728,300	60	158	25,447	1,593
			Class II.				
6	Bogra ..	1,384	90,000	3	12	2,195	129
7	Rajshahi ..	2,609	85,500	7	24	4,615	185
8	Pabna ..	1,818	76,000	6	17	2,446	148
9	Jessore ..	2,902	73,800	8	24	3,593	261
10	Dinajpur ..	3,948	71,000	7	30	6,577	279
11	Nadia ..	2,881	62,000	8	25	2,401	265
12	Murshidabad ..	2,091	48,900	6	20	1,829	158
	Total ..	17,633	507,200	45	152	23,656	1,425
	Grand Total ..	35,038	2,235,500	105	310	49,103	3,018

APPENDIX B.

Estimate of work.

(*a*) 31,000 sq. miles, 310 police-stations and 3,018 unions with union units of 10 sq. miles each on average.

(*b*) For each union :—15 days for registration ; 15 days for checking.

(*c*) Each worker can, in the season from 1st June 1939 to 31st July 1939 cover 2 such units=2 months.

(*d*) Journeys from one unit to another and returning ... 1 week.
Preparation ... ... 1 week.
Losses for illness, rain, etc. ... ... 2 weeks.

1 month.

(*e*) 3 months' term for each worker; from beginning of June to end of August for field work. 1 month more for tabulation work=4 months.

(*f*) For 3,018 units at 2 units per worker: 1,509 or say 1,670 workers for 4 months each.

(*g*) With 10 workers under each Assistant Inspector—151 Assistant Inspectors.

(*h*) With 4 Assistant Inspectors under each, 38 Inspectors.

(*i*) At least 2 Supervisors with 5 Assistant Supervisors for superior supervision and necessary headquarters staff.

Note—Provision for 6 months is necessary for the supervising staff as considerable work in the shape of compilation will have to be done by them after actual field work is finished.

APPENDIX C.

Estimate of cost.

	Rs.	Rs.
1,510 Registering and Checking Officers at Rs. 40 per month (including pay and fixed travelling allowance for 4 months)		2,41,600
151 Assistant Inspectors (including 22 kanungos) for 4 months—		
	Rs. Per month.	
(*a*) 22 Assistant Inspectors—		
Pay	75	
Fixed travelling allowance ..	20	
Peon	10	
	105	9,240
(*b*) 129 Assistant Inspectors—		
Pay	50	
Fixed travelling allowance ..	15	
Peon	10	
	75	38,700
		47,940

		Rs.	Rs.
		Per month.	
3.	38 Inspectors for 4 months—		
	Pay	250	
	Fixed travelling allowance ..	30	
	Peon	12	
		292	44,384
4.	5 Assistant Supervisors for 6 months—		
	Pay	250	
	Special pay	40	
	Peon	15	
		305	9,150
5.	2 Supervisors for 6 months—		
	Pay	400	
	Special pay	100	
	Peon	15	
		515	6,180
6.	Headquarters staff for 6 months		3,000
7.	Special extra staff for char areas (lump)		10,000
8.	Travelling allowance other than fixed travelling allowance and transfer travelling allowance		18,000
9.	Transfer travelling allowance of 38 Inspectors, 5 Assistant Supervisors, 2 Supervisors and 22 Assistant Inspectors ..		10,000
10.	Contingencies (lump) (forms, registers, etc., including printing)		25,000
11.	Other charges (unforeseen charges)		12,000
12.	Cost of registration in 12 districts (not mentioned in Appendix A)		25,000
			4,52,254

or Rs. 4,53,000 in round figures.

Note.—(1) Items Nos. 10 and 11 on an average Rs. 1,000 has been estimated for each district.

(2) The Supervising staff should be given facilities for using launches for repaid movement and inspections in river districts.

Draft form of Register.

District———————

Date of Report———————

Police Station———————

Union———————

Mauza———————

Name of cultivator.	Address of cultivator.	Plot sown with jute.			
		J. L. No.	C. S. plot No.	Area in acres.	Description of the plot information under (*b*) and (*c*) cannot be given.*
1	2	3			

*A separate line should be used for each plot.

APPENDIX VI.

Table illustrating spread of Raw Jute prices from Cultivators to Mills or Shippers for representative qualities, 1938-39.

Quality as commercially classified for sale in Calcutta.	Representative districts in which they are produced.	Dates for which prices are given week ending— (1) 10-9-1938 (2) 3-12-1938 (3) 7-1-1939.	Representative Markets upcountry.			In Calcutta.
			At Growers' Holdings and Villages.	At Hats' Primary Markets where no baling is done.	At Secondary Markets, Baling and Shipping Centres.	Calcutta Indian Standard packing Middle Grade.
			Sellers :— Growers.	Growers, Farias, Paikars.	Growers, village merchants, Beparis, Aratdars.	Kachcha Balers.
			Buyers, Farias, Paikars, Beparis.	Village merchants, Beparis, Aratdars, Baler's Agent.	Kachcha Balers and Aratdars.	Mills or Shippers.
			Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
"Jat" ..	Dacca ..	1	4 14 0	5 0 0	5 6 0	6 3 0
		2	4 10 0	4 14 0	5 6 0	6 4 0
		3	6 0 0	6 6 0	7 0 0	6 14 0
	Mymensingh ..	1	5 3 0	5 7 0	5 10 0	6 3 0
		2	5 7 0	5 10 0	5 14 0	6 4 0
		3	5 14 0	6 2 0	6 10 0	6 14 0
"District" ..	Tippera Lower	1	5 5 3	5 5 0	5 9 0	6 0 0
		2	5 1 4	5 1 0	5 6 0	6 1 0
		3	5 0 0	5 4 0	6 0 0	6 8 0
	Noakhali ..	1	4 12 0	4 12 0	4 13 0	6 0 0
		2	4 10 0	4 10 0	4 12 0	6 1 0
		3	5 2 0	5 4 0	5 8 0	6 8 0
"North Bengal"	Rangpur ..	1	4 10 0	5 0 0	5 1 4	5 14 0
		2	4 8 0	4 13 4	4 13 0	5 14 0
		3	5 2 9	5 7 0	5 11 0	6 4 0
	Bogra ..	1	4 0 0	4 5 4	5 2 0	5 14 0
		2	4 11 6	4 15 6	4 14 0	5 14 0
		3	6 8 0	6 9 0	6 11 0	6 4 0
"Dowrah" ..	Faridpur ..	1	4 14 0	5 0 0	4 13 0	5 7 0
		2	4 3 0	4 6 3	4 15 0	5 7 0
		3	5 10 0	5 12 0	5 14 0	6 8 0
	Bakargunge ..	1	4 9 0	4 9 0	4 8 0	5 7 0
		2	4 7 0	4 7 0	4 8 0	5 7 0
		3	4 7 0	4 2 0	4 14 0	6 8 0

Quality as commercially classified for sale in Calcutta.	Representative districts in which they are produced.	Dates for which prices are given week ending— (1) 10-9-1938 (2) 3-12-1938 (3) 7-1-1939.	Representative Markets upcountry.			In Calcutta.
			At Growers' Holdings and Villages.	At Hats' Primary Markets where no baling is done.	At Secondary Markets, Baling and Shipping Centres.	Calcutta Indian Standard packing Middle Grade.
			Sellers :— Growers.	Growers, Farias, Paikars.	Growers, village merchants, Beparis, Aratdars.	Kachcha Balers.
			Buyers, Farias, Paikars, Beparis.	Village merchants, Beparis, Aratdars, Baler's Agent.	Kachcha Balers and Aratdars.	Mills or Shippers.
			Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
"Daisee" ..	24-Parganas and Hooghly.	1	4 13 0	5 0 0	5 3 0	5 8 0
		2	to	to	to	to
		3	5 8 0	5 8 0	6 0 0	6 4 0
"Bihar" (Purnea).	Araria ..	1	3 13 0	4 7 0	4 7 0	5 11 0
		2	3 15 0	4 2 0	4 8 0	5 13 0
		3	4 6 0	4 8 0	5 4 0	6 0 0
	Katihar ..	1	4 10 0	5 0 0	5 6 0	5 11 0
		2	4 12 0	4 14 0	5 0 0	5 13 0
		3	3 14 0	4 6 0	5 4 0	6 0 0
"Assam" ..	Nowgong ..	1	3 15 3	3 13 4	4 6 8	5 14 0
		2	4 1 0	4 1 1	4 6 8	5 15 0
		3	3 10 0	3 12 0	4 1 0	6 5 0
	Goalpara ..	1	4 2 2	4 5 10	4 7 9	5 14 0
		2	3 12 6	4 2 2	4 4 1	5 15 0
		3	No quotation available for this period.			

Price differences : Mills' or Shippers' Valuations—

Jat	..	Top Price.
District	..	As. 2 to As. 4 below Jat.
North Bengal	..	As. 4 to As. 6 below Jat.
Dowrah	..	As. 4 to As. 12 below Jat.
Daisee	..	Sold under separate standard.
Bihar	..	As. 6 to As. 8 below Jat.
Assam	..	As. 4 to As. 6 below Jat.

Grade Price Differences—

Top mark	..	As. 8 to As. 10 above Middle Mark.
Bottom Mark	..	As. 8 to As. 10 below Middle Mark.

Packing Standards—

Pure European .. As. 4 above Indian and European Supervised ; As. 2 per maund above Indian.

All prices quoted at Standard weight of 80 tolas per seer.

APPENDIX VII.

(*Vide* paragraph 73 of the Report.)

A note on the Cost of Management of Jute Purchase and Sale Societies by Mr. D. L. Mazumdar, I.C.S., Secretary, Bengal Jute Enquiry Committee.

1. This note is based on (*i*) some detailed estimates framed by the Senior Marketing Officer of the Indian Central Jute Committee, and the Senior Marketing Officer of the Government of Bengal, in connection with a proposal for the establishment of experimental regulated markets at Hajiganj and Sheorapholi, which has since been abandoned; and (*ii*) also on some similar estimates prepared by the Co-operative Department of the Provincial Government in 1935-36, in connection with the proposal for the establishment of an improved type of Co-operative Jute Sale and Purchase Society. This latter scheme subsequently fell through as it was not administratively approved of. Nevertheless the estimates prepared in connection with that abortive scheme will give some idea of probable cost of any similar organization that may be desired to set up now.

2. The costs, which are likely to be incurred may be classified under the following heads:—

(*i*) Capital costs,

(*ii*) Recurring costs—

(*a*) permanent,

(*b*) temporary or seasonal.

3. The Capital costs include expenditure in connection with the construction of godowns and purchase of fixed equipments like weigh-bridges, etc. The cost under this head might be considerably reduced if, in the beginning, the godowns were hired at a small rent. Some structural alterations to the existing godowns will be necessary not merely to render them fit for storage of jute according to modern scientific methods, but also to provide for the minimum of conveniences to the large number of growers and dealers in jute, who will be visiting the jute purchase societies.

As regards recurring cost, it is assumed that, under the proposed scheme, no costs will be incurred for assembling the jute from the cultivators' houses. *Ex hypothesi*, the jute-growers will themselves arrange for the transport of their produce to the nearest Jute Sale and Purchase Society. A permanent skeleton staff will be maintained throughout the year; and additional seasonal staff will be necessary for about six months in the year, say from July to December.

4. On the assumptions detailed in the previous paragraph, the total costs will be as follows:—

I.—*Capital costs.*

	Rs.
Improvement of godowns, equipments, etc. ...	2,000

II.—Recurring costs.

A.—Permanent staff—

	Rs.
(*i*) One Manager at Rs. 150 per mensem	1,800
(*ii*) One Assorting Supervisor at Rs. 60 per mensem ..	720
(*iii*) One Accountant and Cashier at Rs. 50 per mensem ..	600
(*iv*) One Clerk at Rs. 30 per mensem	360
(*v*) One Jamadar at Rs. 20 per mensem	240
(*vi*) One Koyal at Rs. 15 per mensem	180
(*vii*) One Manager's peon at Rs. 13 per mensem	156
(*viii*) One Sweeper at Rs. 15 per mensem	180
	4,236

B.—Seasonal staff (for six months)—

(*i*) One assorting Mate at Rs. 25	150
(*ii*) Two Establishment and Weighing clerks at Rs. 30 ..	720
(*iii*) Two Durwans at Rs. 15	360
(*iv*) Four Koyals at Rs. 15	720
(*v*) Two Sweepers at Rs. 10	120
	2,070
C.—Travelling allowance of the Supervisor as well as menial staff	500
D.—Contingencies (including repairs to godowns and other structures)	1,500
E.—Land and godown rent and taxes	1,500
Total of A to E ..	9,806
	or, Rs. 9,800 (approximately).

5. It will appear from the above estimate, that, excluding the non-recurring expenditure on account of any structional alternations that may be necessary in the rented godowns, the total cost of management of a purchase and sale organization of the type contemplated in paragraph 70 of the Report will be approximately Rs. 9,800 per annum. This appears to be a rock-bottom estimate. It may be useful to note here that the estimate prepared jointly by the Senior Marketing Officer to the Government of Bengal and the Senior Marketing Officer to the Indian Central Jute Committee amounted to Rs. 11,480 per annum, and the estimate framed by the Co-operative Department for its abortive scheme, which also included assembling of the jute from the grower's villages, was in the neighbourhood of Rs. 26,500. Divested of this additional function, the Co-operative Department scheme would have cost Rs. 11,000 approximately exclusive of all non-recurring expenditure. The above estimate omits one very important item of cost, viz., insurance of the warehoused crop against accidents and natural calamities. The two factors on which the cost of insurance will ultimately depend on the total value of the crop stored and the nature of the storage provided at any particular place. If account is taken of this cost, it may be safely concluded that the total cost of management of one such society as is contemplated in paragraph 70, will approximate to about Rs. 10,000 per annum.

APPENDIX VIII.

(1)

No. 982, dated Calcutta, the 17th December 1938.

From—D. L. Mazumdar, Esq., I.C.S., Secretary, Bengal Jute/Paddy and Rice Enquiry Committees, Legislative Buildings, Calcutta,

To—The Secretary, Indian Jute Mills Association.

I am directed to address you on the subject of collection of statistics relating to the costs of manufacture of Jute goods. As you will have noticed from the questionnaire, the costs data will loom large in the discussion of many aspects of the problem facing the Committee, and will perhaps play a decisive part in a few others. Attempts at analysis of these costs have been made from time to time in unofficial publications, but the Committee are not aware of any authoritative figures which purport to show their "make-up". For the purposes of their present enquiry, the Committee consider that it is very necessary to have fairly reliable statistics on this subject. As things stand at present, they believe that the trade is in the best position to supply them with the necessary data, and have accordingly advised me to address you in the matter.

2. The Committee expect no elaborate analysis of costs. They are only anxious to ascertain what proportions of the total costs of production are due to the following elements in costs, viz.:—

(1) Raw materials,

(2) Wages including salaries, and

(3) Overhead charges.

The attached schedule has been prepared to show the general character of the information desired. If it is so desired, the schedule may be modified or adapted to suit the peculiarities of any particular mill, provided the information asked for under the different heads is available otherwise. The Committee believe that the absolute money costs under different heads would be more useful than their relative proportions, but if any particular mill finds it more convenient to supply the proportion of cost under different heads, it will be open to it to do so. But in that case I would request that the absolute figures for the last three years beginning from 1935-36 may be supplied.

3. The following explanatory notes are intended as a guide in filling up the standard form:—

A. The figures for the years from 1927-28 to 1937-38 are asked for.

B. *Materials.*—Under this head should be included the full cost including usually the transport charges of all raw materials.

C. *Wages and salaries.*—Under this head should be entered the cost, not only of the labour direct employed in, e.g., the handling of materials, store-keeping, time-keeping and supervision, but also of office staff and management. This heading is, therefore, intended to cover the total wages and salaries bills of the undertakings except in so far as further remuneration is included in other expenses.

D. *Overhead expenses.*—This head should cover the cost of power, light, water and heating; the depreciation and maintenance of building and plant; rates, insurance, and other charges not included in the Heads Materials or Wages and Salaries.

4. The Committee believe that if the mills included within the membership of your Association, co-operate with them in this endeavour, it would not be difficult to ascertain these proportions in the total costs of production. They realize that the subject is one regarding which many manufacturers and traders still feel some reluctance to give information, but they understand that most of the information they now ask for already exists in some form or other in the Balance Sheets and the Progress Statements of the individual mills. All that the Committee now want is that such information should be collated and compiled in a standard form, so that it may be readily available for the use of the members. I need hardly say that the Committee do not want the disclosure of the names or other particulars of any firm. It would be enough for their purpose if the returns are submitted to them in a serial form, e.g., A, B, C; A representing one firm, B another, C a third and so on.

I would, therefore, request you to be so good as to take up this matter with your member mills at a very early date, and to supply the Committee with the necessary figures as early as possible.

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(2)

No. 296D., dated Calcutta, the 19th January 1939.

From—The Secretary, Indian Jute Mills Association, Royal Exchange Place,

To—The Secretary, Bengal Jute Enquiry Committee.

Costs of Manufactured Goods.

Your undated letter in connection with the abovementioned subject —it was received here on the 19th December 1938—has now been discussed by the Committee.

As you can well appreciate there are various methods of presenting statistics relating to the costs of manufactured goods and it is because the Committee are anxious to afford you all possible assistance that they now enquire of the precise purpose for which you wish these figures. It is thought that with this information before them, the Committee would be in a better position to judge the manner in which the required details should be submitted to you and would be able with this knowledge to give you the greatest measure of help.

(3)

No. 1299, dated Calcutta, the 3rd February 1939.

From—D. L. Mazumdar, Esq., I.C.S., Secretary, Bengal Jute Enquiry Committee, Legislative Buildings, Calcutta,

To—The Secretary, Indian Jute Mills Association, Calcutta.

I am directed to acknowledge with thanks the receipt of your letter No. 296-D., dated the 19th January 1939, in reply to the Committee's request for information with regard to the costs of production of manufactured goods. They note with satisfaction your Association's anxiety to afford their all possible assistance in their enquiry, and regret very much that the absence of any precise indication of the purpose for which the costs data were asked for in my previous letter on this subject should have stood in the way of the submission of the necessary details by your Association. I am therefore directed to draw your attention to those specific queries in the questionnaire issued by the Committee which involve consideration of the costs data, and also to give you some general indication of principal purposes for which my committee have asked for the detailed statistics relating to costs of manufacture.

Question No. 3 (*b*) (*i*) and 3 (*d*) relate to the demand for jute goods, and in the opinion of the Committee involve consideration of the costs of production of manufactured goods. Again, questions 29 (*b*) and 29 (*c*) refer specifically to costs of production, and, in the absence of the necessary costs data, the Committee are not likely to be in a position to answer satisfactorily either of these questions by mere qualitative assertions.

Apart from these specific references to the questionnaire drawn up by the Committee, I am directed to inform you that the Committee require the statistics relating to costs of production generally for the following main purposes:—

(1) They are anxious to ascertain the extent to which the costs of production of manufactured goods (in the sense in which this phrase was used in my previous letter on this subject) have entered into their selling prices in the last few years. If demand is a function of price, and if the costs of manufacture of jute goods (in the sense in which this phrase has been used in the present correspondence) form a large percentage of their selling price, I need hardly stress the obvious importance of this enquiry. You will readily appreciate how difficult it will be for the Committee to arrive at any conclusion on this point without the support of reliable data.

(2) One of the terms of reference of the Committee concerns the question of fixation of a minimum price for raw jute. Consideration of this subject must take into account its probable effect on the cost of production and ultimately on the selling price of the manufactured goods. Even if it is admitted that the margin between the cost of production and the selling price of these manufactures is squeezable, there is obviously a limit to this squeezability. Without the necessary costs data, it is obviously very difficult, if not impossible, to arrive at any definite conclusion on this important and intriguing subject. In the lasting interests of the jute industry as a whole, the Committee are very anxious to have this thorny question as fully thrashed out as possible.

(3) Apart from the question of minimum price for raw jute a specific term of reference—the Committee are anxious to ascertain how far the existing relationship between prices of raw jute and jute products ensures a relatively fair return (using this loose phrase in its conventional acceptance) to the different interests engaged in the Jute Trade as a whole. As the Committee suspect that much of the current talk on this subject is uninformed and perhaps exaggerated, they are very anxious to be in possession of reliable costs data, which alone, in their judgment, will enable them to arrive at a reasoned decision on this subject.

For all these different reasons the Committee are very anxious to obtain accurate figures of costs of manufacture of jute goods. They have endeavoured to explain these reasons with as much fullness as has been possible within the limits of this letter. As they are convinced that without the necessary costs data these important aspects of the enquiry cannot be adequately tackled, and if as they believe, these aspects of the problem are also of very great concern to your Association, they expect that your member-mills will have no hesitation in co-operating with them in their efforts to arrive at reasoned conclusions on these points. As the enquiry has already proceeded very far, I am to request that the necessary statistics may be submitted to the Committee by the middle of this month, if possible.

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(4)

No. 50A/3039—D., dated Calcutta, the 1st May 1939.

From—The Secretary, Indian Jute Mills Association, Calcutta,

To—The Secretary, Bengal Jute Enquiry Committee.

Costs of manufactured jute goods.

I have to refer to your letter No. 1299 of the 3rd February 1939 and to say that I have received confidential information from a large number of mills in the membership of this Association which shows that whilst the costs of production vary from mill to mill the average costs of a representative number of mills are—

On a working week of 40 hours.		On a working week of 45 hours.	
Hessian	Sacking.	Hessian.	Sacking.
Rs./Ton.	Rs./Ton.	Rs./Ton.	Rs./Ton.
208·5	132	198·8	126·6

In calculating these costs all Managing Agency Commission, overhead charges, depreciation and interest on working capital have been taken into account: the figures do not, however, include the cost of the raw jute.

It is hoped that this information will be of interest and assistance to you.

SCHEDULE.

Annexure to letter No. 982, dated the 17th December 1938, from Secretary, Bengal Jute Enquiry Committee, to Secretary, Indian Jute Mills Association.

Section A.—Particulars of commodity.

	1928-29.	1929-30.	1930-31.	1931-32.	1932-33.	1933-34.	1934-35.	1935-36.	1936-37.	1937-38.
Principal articles of manufacture.										
Potential maximum output.										
Actual quantity produced										

Section B.—Analysis of costs.

	1928-29.	1929-30.	1930-31.	1931-32.	1932-33.	1933-34.	1934-35.	1935-36.	1936-37.	1937-38.
1. Materials used ..										
2. Wages and salaries ..										
3. Overhead charges ..										
4. Total costs of production (excluding all interest).										

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