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held at Gwalior, November 1951

SUBJECTS

1. Problems in Calculating Cost of Cultivation.
2. Objects and Methods of Crop Planning.
3. India's Foreign Trade in Agricultural Commodities.

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This issue of the Journal is a record of the proceedings of the Twelfth Annual Conference of the Society held in November 1951, at Gwalior, Madhya Bharat. In addition to the delegates from the Universities, the Central and State Governments sent their representatives to the Conference. The papers read at the Conference were of a high quality and the presence in the gathering of educationists, research students and persons who had a live contact with the problems of our agricultural economy, either as administrators or policy makers, contributed much to the level of discussions.

I had observed in my preface to the Lucknow Conference Number (1950) that the reason for the growing interest in our Annual Conference is mainly the selection of subjects for discussion, which have not merely theoretical and academic value but also have a practical bearing on some of the vital problems that affect our present agricultural economy. Our Papers are usually based on field studies. The subjects discussed viz. "Calculation of Costs of Cultivation", "Crop Planning" and "Foreign Trade in Agricultural Commodities" have all an immediate relevance in their practical application to any plan of integrated agricultural development in the country.

We are endeavouring to prepare a comprehensive note on the problem of calculating cost of cultivation in Agriculture based on the Papers submitted at the Conference and the discussion which followed. This note is expected to be ready within a month and we shall circulate the same to members.

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We wish to take this opportunity of thanking the Government of Madhya Bharat, who acted as the hosts of the Conference and who by their excellent arrangements made it a complete success. We must particularly express our grateful thanks to H. H. the Maharaja of Gwalior, the Raj Pramukh, Shri Takhtamal Jain, the Chief Minister of Madhya Bharat, Shri K. B. Lall, the Chief Secretary of the State, Dr. L. C. Jain, the Economic Adviser and Development Commissioner, Madhya Bharat, and the members of the Reception Committee for their generous hospitality.

MANILAL B. NANAVATI
President.

Bombay, 15th February 1952.

AGRICULTURAL COMMODITIES IN INDIA'S EXPORT TRADE

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Though India is a primary producing country, she is not a specialized primary producer depending on the production and export of one or at best a few commodities. Here has not been, in other words, a 'one-crop economy'. Her production and exports have been comparatively well diversified. The primary commodities which used to figure in India's export trade before the recent war were grain and pulse, tea, coffee, unmanufactured tobacco, raw cotton, raw jute, oilseeds and spices. The relative importance of these commodities in the export trade of the country has undergone marked changes since the war and the Partition of the country. Added to it has been the effect of the devaluation of the rupee in September 1949 and the outbreak of the Korean war in June 1950. Further, with the deficits in the food budget and in the current account of the balance of payments, the country has been faced with the dilemma as to whether encouragement should be given to the higher-value export crops or to the lower-value cereals for domestic consumption.

Pre-war Exports of Primary Products

The importance of a commodity in the export trade of a country may be gauged in two ways. First, we may consider the percentage of exports to total production, and secondly, we may take into account the share of the commodity in the total value of exports. The following table gives the percentage of exports of certain principal crops to the average total production of the years 1937-8 and 1938-9.

TABLE I
Percentage of Exports of Certain Principal Crops to Total Production*

<i>Commodity</i>	<i>Average of 1937-8 and 1938-9</i>
Rice	1.5
Wheat	3.6
Tea	77.8
Coffee	48.5
Tobacco (unmanufactured)	6.6
Raw Cotton	50.0
Raw Jute	62.7
Linseed	60.3
Rape and Mustard	2.5
Sesamum	2.0
Groundnuts	27.6

Even though India was a deficit country in foodgrains even before the war, she used to export a small quantity of rice and wheat to countries like Ceylon, the Straits Settlements, Africa, China, Japan, the Netherlands, the United Kingdom, Germany and Belgium. Of all the primary products, tea exports accounted for 77.8% of total production before the war; next came raw jute and then in order of importance, linseed, raw cotton, coffee, groundnuts and tobacco.

* *Review of the Trade of India in 1945-46 & 1946-47 and Abstract of Agricultural Statistics of India, 1936-37 to 1945-46.*

In terms of value, raw cotton accounted for 14.7% of the total exports (excluding re-exports) in 1938-39, tea 14.4%, oilseeds (groundnut, serssum, linseed and castor seed) 9.0%, raw jute 8.2%, grain and pulse 4.3%, tobacco 1.2%, spices (pepper, cardamom and ginger) 0.7% and coffee 0.5%.

TABLE II

Commodity	Percentage of the total value of exports in 1938-39
Grains and pulse.. .. .	4.3
Tea	14.4
Coffee	0.5
Tobacco (unmanufactured)	1.2
Oilseeds	9.0
Raw Cotton	14.0
Raw Jute	8.2
Spices	0.7
Total ..	53.0

Together the above commodities accounted for nearly 53 per cent of the total value of exports in 1938-39.

Effects of the War

The war affected the overseas markets for many commodities. The loss of European markets on account of the cessation of trade with Germany, France, Belgium, Italy and several other European countries meant a loss of about 56 per cent of the pre-war export market for jute. The chief market for oilseeds was again Europe and the loss of European markets created a heavy surplus in the oilseeds markets in India. Japan was the largest importer of raw cotton absorbing nearly 75 per cent of the exports of the commodity and this market was cut off when Japan entered the war in December 1941. The situation created by the loss of overseas markets for the principal export commodities was met by restriction of area sown and by increased domestic industrial consumption. In 1941 the Government of Bengal compulsorily restricted the area under jute to 1/3 of that sown in 1940 and the restriction was continued in 1942 and 1943. In 1943 it was decided to restrict the acreage under jute to one-half of the area sown in 1940. Decrease in exports of Indian cotton was accompanied by curtailment of acreage as well as by increased consumption by mills in India. The paramount need for increasing food production also led to a diversion of area under jute, cotton and oilseeds to foodgrains. Shipments of raw cotton dwindled to 301,000 bales in 1942-43 from 1,438,000 bales in 1941-42 or a decrease of 79 per cent. With the reduction in the available supplies of oils and fats with the progress of the war, vegetable oils began to be used to supplement the available supplies of fuel oils. Moreover, production of *vanaspati* or vegetable *ghee* increased both on account of defence as well as the growing requirements of the civilian market. The result was that the exportable surplus of oilseeds was reduced by increased domestic requirements. In fact, the production of groundnut actually increased during the war years since it could be used both as food and as a raw material for industry, like the soap industry.

Export of cereals continued during the war years for the consumption of Indian troops in the Middle East, but with increasing food scarcity in the country, exports dwindled to 0.04 per cent of domestic production in 1944-45 and virtually disappeared by 1946-47. As regards tea, with the

outbreak of the war with Japan in December 1941, the Allies could no longer derive their normal supplies from Japan, China, Formosa, and the Netherlands East Indies. Consequently India and Ceylon became the only sources of supply. India was called upon not only to increase her exports but also to meet a growing internal demand due to the presence of large numbers of British and American troops stationed in the country. In the case of tobacco also the outbreak of hostilities in the Far East deprived some of the important markets like China, Burma and Malay States.

The following table shows the volume of export of the principal primary commodities during the war years. The figures do not take into account exports on Government account.

TABLE III

Commodity	1939-40	1940-41	1941-2	1942-3	1943-4	1944-5
Raw Jute (000 tons)	570	243	315	243	178	160
Raw Cotton (000 tons)	526	387	257	54	50	57
Tea (000 lbs.)	359,394	349,490	381,951	325,901	413,090	407,350
Linseed (000 tons)	219	238	256	161	37	92
Groundnut (000 tons)	549	339	400	258	241	215
Rapeseed (000 tons)	22	35	34	35	18	17
Sesamum (000 tons)	4	4	9	10	6	1
Castor (000 tons)	40	67	20	29	14	6
Grain & Pulse (000 tons)	359	392	640	338	84	38
Tobacco (unmanufactured) (000 lbs.)	57,627	70,360	62,018	37,077	16,022	12,682
Spices (000 cwts)	638	615	568	598	248	235
Coffee (000 cwts.)	168	52	84	82	60	26

(Source : *Review of the Trade of India* from 1940-41 to 1944-5.)

Exports in the Immediate Post-War Period

The export policy in the immediate post-war years was governed partly by the desire to secure a reasonable amount of supplies of export commodities for the domestic consumer and partly by the need to direct supplies to areas from where food purchases were made or to earn dollar exchange. The relaxation of export controls was consequently gradual and applied only to such articles as were in excess of domestic needs. While control over exports in respect of a large number of commodities of a non-essential nature was removed in July 1946, it was retained in respect of such commodities as jute, oilseeds, and long staple cotton and the export of groundnuts was completely prohibited during 1946-47. The export of raw jute constituted 32.0 per cent of total domestic production in 1946-7 as compared with the 1937-8 and 1938-9 average of 62.7 per cent. The export of raw cotton in 1946-7 amounted to 25.5 per cent of total domestic production as compared with the 1937-8 and 1938-9 average of 50.0 per cent. Similarly, the export of linseed in 1946-7 constituted 15.0 per cent of total domestic production as compared with the 1937-8 and 1938-9 average of 60.3 per cent. Thus the percentage of exports to domestic production of important primary commodities fell considerably in the immediate post-war years as compared with the pre-war years.

Effect of Partition

The Partition of the country in August 1947 diminished the agricultural resources of India to a considerable extent. With only 70 per cent of the pre-partition acreage under rice and 64 per cent under wheat, India

was faced with the problem of feeding 78 per cent of the population of undivided India after partition. The partition therefore aggravated the food shortage in the country. It also meant the loss to India of nearly 40 per cent of the total output of raw cotton of undivided India¹ and about 78 per cent of the total output of raw jute of undivided India. Next to the U.S.A., undivided India ranked as the world's largest producer and major exporter of raw cotton. With Partition, India has become a net importer of long staple cotton. Undivided India had a world monopoly in the production of raw jute. As a result of partition India has become a net importer of raw jute. Partition also meant the loss of about 7 per cent of the total tea output of undivided India. Moreover, partition has aggravated the disequilibrium between the supply of land resource and the demand for essential food and raw materials in India. Partition converted what was previously internal trade in foodgrains, raw cotton and raw jute into international trade, and with difficulty of getting supplies from Pakistan the Indian Union has had to embark on a policy of self-sufficiency not merely in foodgrains but in raw cotton and raw jute as well. This has created the problem of the proper allocation of the limited supply of land as between the competing demands, in other words of crop planning.

The effect of partition on the export of primary products has been particularly felt in the export of raw cotton and raw jute. Whereas in 1938-39 undivided India exported 482,658 tons of raw cotton, in 1948-9 the export of raw cotton from the Union of India amounted to only 76,080 tons. In 1938-9 undivided India exported 690,350 tons of raw jute; in 1948-49 export of raw jute from the Union of India amounted to only 213,603 tons. This figure included some raw jute going through Calcutta in transit and therefore to that extent was an export of Pakistan. The export of raw jute in 1949-50 was 147,450 tons. In 1938-39 export of raw cotton accounted for 14.7 per cent of the total value of exports; in 1948-49, it accounted for 3.4 per cent. Again, in 1938-39 raw jute constituted 8.2 per cent of the total value of exports; in 1948-49 it accounted for 5.8 per cent.

The consequence of the war and partition has been to diminish the proportion of primary products in India's export trade. In 1938-39 the proportion was about 53.0 per cent; in 1948-49 it had fallen to about 28.0 per cent. On the other hand war gave a fillip to industrialisation which led to larger domestic utilisation of primary products. This has particularly been the case with regard to raw cotton and oilseeds. Whereas export of oilseeds accounted for nearly 9.0 per cent of the total value of exports in 1938-39, in 1948-49 it accounted for only 1.1 per cent. The war also by cutting off overseas markets and creating acute food scarcity in the country led to a restriction of area under primary crops like raw jute, raw cotton and oilseeds. Partition diminished the agricultural resources of the country since the sources of supply of foodgrains, raw jute and raw cotton came to be located in Pakistan.

Devaluation of the Rupee and the Outbreak of the Korean War

The devaluation of the Rupee in September 1949 and the outbreak of the Korean War in June 1950 gave a stimulus to the export of primary products from India. The ostensible object of devaluation has been the correction of the disequilibrium in the balance of payments by restriction of imports and encouragement of exports particularly to the hard currency

1. Vakil, C. N.: *Economic Consequences of Divided India*, p. 251.

area. During the nine months following devaluation, October 1949 to June 1950, the export of raw jute to hard currency areas amounted to 16.3 thousand tons as compared with the export of 8.0 thousand tons during the nine months preceding devaluation, January 1949 to September 1949. The export of raw cotton to hard currency areas during the nine months following devaluation amounted to 11,200 tons as compared with the export of 73 thousand tons during the nine months preceding devaluation. Tea exports to hard currency areas during the months following devaluation came to 17.2 millions lbs. This may be compared with the export figure of 11.9 million lbs. during the 9 months preceding devaluation. Export of black pepper to hard currency areas amounted to 44.4 thousand cwts. during the nine months following devaluation. Exports during the nine months preceding devaluation was only 30.6 thousands cwts. The export of groundnuts to hard currency areas was also stimulated by devaluation. Whereas during the nine months following devaluation export of groundnuts to hard currency areas amounted to 13.4 thousand tons, it amounted to only 5.0 thousand tons during the nine months preceding devaluation. The following table gives the exports of the important primary commodities to the hard currency areas during the nine months following devaluation and the nine months preceding devaluation.

TABLE IV

Commodity	January 1949 to September 1949	October 1949 to June 1950
Raw Jute (000 tons) ..	8.0	16.3
Raw Cotton (000 tons) ..	7.3	11.2
Tea (million lbs.) ..	11.9	17.2
Black pepper (000 cwts.) ..	30.6	44.4
Groundnut (000 tons) ..	5.0	13.4

(Source : *Reserve Bank of India Bulletin*, November 1950, p. 790)

The export of tea increased from 405.9 million lbs. in 1948-9 to 441.5 million lbs. in 1949-50.¹ The export of groundnut increased from 38.3 thousand tons in 1948-9 to 126.0 thousand tons in 1949-50. Similarly the export of linseed shot up from 25.0 thousand tons in 1948-49 to 71.7 thousand tons in 1949-50. Tobacco (unmanufactured) exports increased from 50.9 million lbs. in 1948-49 to 82.4 million lbs. in 1949-50. The export of pepper, which was only 141.0 thousand cwts. in 1948-49 rose to 312.6 thousand cwts. in 1949-50. The spectacular increase in exports of these primary commodities in 1949-50 as compared with 1948-49 has to be ascribed to the devaluation of the rupee.

The outbreak of the Korean war in June 1950 and the stock-piling of strategic raw materials by the United States led not so much to an increase in the volume of exports of primary products from India as to an increase in their value. Whereas the export of groundnuts in 1949-50 was 126.0 thousand tons, the export in 1950-51 was only 36.2 thousand tons. The export of linseed which was 71.7 thousand tons in 1949-50 fell to 67.1 thousand tons in 1950-51, but the value of export of linseed rose from Rs. 4.6 crores in 1949-50 to Rs. 5.6 crores in 1950-51. Export of pepper declined from 312.6 thousand cwts. in 1949-50 to 302.6 thousand tons in 1950-51, but the value of exports of pepper rose from Rs. 14.5 crores in 1949-50 to Rs. 20.0 crores in 1950-51. Among the important primary commodities only tobacco, sesamum and castor seed show an increase in volume of exports in 1950-51 as compared with 1949-50.

1. Reference is to the fiscal year from April to the following March.

Position of Primary Products in the Production and Export Trade of the Country

The following table shows the proportion of the exports of the more important primary products in total domestic production for the years 1948-49, 1949-50 and 1950-51.

TABLE V
Percentage of Exports to Domestic Production.

Commodity	1948-49	1949-50	1950-51
Tea	72.4
Coffee	0.2	12.7	11.4
Groundnut	1.1	4.4	1.1
Linseed	5.8	16.1	15.8
Castor Seed	4.9	66.4
Raw Cotton	19.9	17.7
Raw Jute	72.1	40.2	0.1
Tobacco	10.0	15.3

It will be seen that we export the bulk of our production of tea and that from the point of the proportion of exports to total domestic production, tea occupies the prime place. In spite of the increase in internal consumption of tea, exports have been sustained by increase in domestic production. The considerable export of jute in 1948-49 may be explained by the fact that Pakistan jute must have been passing through Calcutta for export. Jute grown in India is inferior in quality as compared with East Pakistan jute. Consequently while Indian mills consume the superior variety coming from Pakistan, the inferior variety from India is exported. Even this export had to be considerably reduced in 1950-51 as can be seen from the table given above, as the Indian mills had to go in for 'inferior' jute produced in India because of lack of imports from Pakistan following the devaluation dispute. Raw cotton grown in India is predominantly of the short staple variety. While India exports short staple cotton, she imports the long and medium staple varieties. Oilseed exports from India have been on the decline as compared with pre-war years due to the growth of internal demand for groundnut and other oils for the production of vegetable *ghee* or *vanaspati*. Tobacco exports have been on the increase with increasing domestic production. In spite of increased internal consumption of coffee, exports of coffee have also recorded a rise on account of increase in domestic production.

The Table below gives the percentage value of exports of the important primary commodities to the total value of exports (excluding re-exports) in 1948-49 and in 1950-51.

TABLE VI
Percentage of Total Exports

Commodity	1948-49	1950-51
Tea	15.3	13.6
Coffee	0.2	0.2
Oilseeds	1.1	2.6
Raw Cotton	3.4	0.9
Raw Jute	5.8	0.01
Tobacco	1.4	2.2
Spices	0.9	3.9

(Source: Accounts Relating to the Foreign Sea and Airborne Trade and Navigation of India for March 1951. Oilseeds include groundnuts, sesamum, linseed and castorseed. Spices include pepper, cardamom and ginger).

Among primary commodities, tea, it will be seen from the above, is the most important earner of foreign exchange. Next in order of importance in 1950-51 are spices, oilseeds and tobacco. Increased domestic consumption of raw jute and raw cotton has diminished the importance of these commodities in the export trade of the country in 1950-51.

Need for Crop Planning and For Increased Agricultural Production

Considering the importance of primary commodities in India's export trade even after partition, the problem of adjusting available area to the most profitable use has come to the forefront. Among primary commodities, production of commercial crops like jute, cotton, oilseeds, tobacco has become more profitable on account of the considerable increase in their export prices. Whereas the export price of groundnut per cwt. in March 1938 was Rs. 6-2-11, in March 1951 it was Rs. 51-10-7, a rise in price of more than eight times the pre-war level. The export price of raw cotton per cwt. in March 1938 was Rs. 26-0-5; in March 1951 it rose to Rs. 246-6-5, a rise of more than nine times the pre-war level. The export price of raw jute per ton in March 1938 was Rs. 184-9-1; it rose to Rs. 1,260-5-5 in March 1949. The export value per lb. of unmanufactured tobacco in 1936-37 was 0-4-11;¹ in March 1951 it had risen to Rs. 1-4-9. The imposition of export duties, particularly on raw jute, raw cotton and oilseeds no doubt account for part of the rise in export values per unit. But even after making allowance for this, the rise in prices of commercial crops has been considerably greater than that of foodgrains. Hence the incentive to switch over to the production of commercial crops from food crops. But in view of the scarcity of foodgrains in the country the necessity for increasing food production is paramount. There is therefore a need for a planned utilisation of cultivated area and its distribution between food and non-food crops. There should be an integrated crop production programme and the aim of policy should be, by reclamation of waste lands, by better irrigation facilities as well as by improved methods of cultivation, to secure an increase in food production *pari passu* with increase in production of primary commodities for export. As the Export Promotion Committee has pointed out, "wisdom would lie in attempting to obtain from the soil besides a certain minimum of cereals, those crops which will benefit our agriculturist as well as our foreign exchange position most".²

1. Report on the Marketing of Tobacco in India and Burma, p. 149.

2. Report of the Export Promotion Committee, p. 6.