

INDIAN TARIFF BOARD

Oral Evidence

recorded during enquiry on the

SUGAR INDUSTRY

Volume IV

**Indian Sugar Mills Association
and
Individual Sugar Mills**

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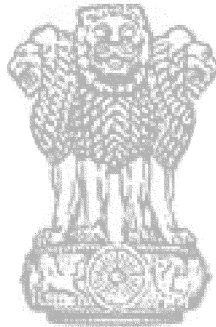
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Members .	. { Mr. Fazal Ibrahim Rahimtoola. Dr. L. C. Jain.
Secretaries	. { Mr. K. B. Bhatia, I.C.S., up to 5th December, 1937. Rai Sahib H. C. Sen from 6th December, 1937.



सत्यमेव जयते

TABLE OF CONTENTS.

	PAGE.
1. Government of India, Department of Commerce, Resolution No. 127-T. (1)/37, dated the 27th March, 1937	1
2. Press communique issued by the Tariff Board on the 5th April, 1937	2
3. Indian Sugar Mills Association—	
(1) Evidence recorded on the 2nd October, 1937	3
(2) Evidence recorded on the 4th October, 1937	49
(3) Evidence recorded on the 20th November, 1937	93
(4) Evidence recorded on the 21st November, 1937	119
4. The East India Distilleries and Sugar Factories, Limited, Madras—	
Evidence recorded on the 8th July, 1937	126
5. Mysore Sugar Company, Limited, Mysore—	
Evidence recorded on the 12th July, 1937	149
6. The Deccan Sugar Factories, Bombay—	
Evidence recorded on the 5th August, 1937	165
7. Belapur Company, Limited, Bombay—	
Evidence recorded on the 5th August, 1937	173
8. Kalamb Sugar Works and the Ravalgaon Sugar Farm, limited, Bombay—	
Evidence recorded on the 5th August, 1937	182
9. The Maharashtra Sugar Company, Limited, and the Belvandi Sugar Farm, Limited, Bombay—	
Evidence recorded on the 6th August, 1937	199
10. Messrs. Narang Brothers and Company, Limited, Lahore—	
Evidence recorded on the 21st August, 1937	210
11. Messrs. Begg Sutherland and Company, Limited, Cawnpore—	
Evidence recorded on the 6th September, 1937	231

GOVERNMENT OF INDIA.

DEPARTMENT OF COMMERCE.

No. 127-T. (1)/37.

New Delhi, the 27th March, 1937.

RESOLUTION.

TARIFFS.

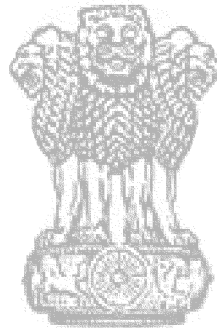
The amount of protection afforded to the Sugar Industry by the duties imposed by section 2 of the Sugar Industry Protection Act, 1932, will determine on the 31st March, 1938, and section 3 of that Act provides that the Governor General in Council shall cause to be made by such persons as he may appoint in this behalf an enquiry to ascertain if the protection of the Sugar Industry during the period from 31st March, 1938, to the 31st March, 1946, should be continued to the same extent or to a greater or lesser extent. The Government of India have decided that this enquiry should be undertaken by the Tariff Board and the following terms of reference have been framed for its guidance:—

- (a) The Board is requested to examine the measure of protection now enjoyed by the Sugar Industry and to report whether it is necessary to continue protection to this extent or to a greater or lesser extent;
- (b) In making its recommendations the Tariff Board will take all relevant considerations into account including that stated in part (b) of the Resolution adopted by the Legislative Assembly on the 16th February, 1923.

2. Firms and persons interested in the Sugar Industry or industries dependent on the use of sugar who desire that their views should be considered by the Tariff Board should address their representations to the Secretary of the Board.

Press Communique issued by the Tariff Board on the 5th April, 1937.

In the Government of India, Department of Commerce, Resolution No. 127-T. (1)/37, dated the 27th March, 1937, the Tariff Board has been directed to hold an enquiry to ascertain if the protection afforded to the Sugar Industry by the duties imposed by Section 2 of the Sugar Industry Protection Act, 1932, should be continued to the same extent or to a greater or lesser extent during the period from the 31st March, 1938, to the 31st March, 1946. Those Associations, firms or persons interested in the Sugar industry or industries dependent upon sugar who desire that their views should be considered by the Board are requested to forward their representations (with six spare copies) to the Secretary to the Board so as to reach its office at No. 1, Council House Street, Calcutta, not later than the 1st May, 1937.



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INDIAN SUGAR MILLS ASSOCIATION.

(1) Evidence of Mr. D. P. KHAITAN, Lala KARAMCHAND THAPAR, Mr. A. L. CAMERON, Mr. J. AITKEN, Chaudhuri MUKH-TAR SINGH, Dr. NIELSEN, Sir T. VIJAYARAGHAVA-CHARYA, Mr. M. P. GANDHI, Mr. KELSO, and Mr. LALCHAND HIRACHAND, recorded at Calcutta on Saturday, the 2nd October 1937.

President.—Before we proceed to deal with your replies to the Questionnaire in detail, there are just one or two general remarks which I should like to make. As you, Gentlemen, are aware, the Tariff Board first of all proceeded on tour in April and visited a fair number of factories and had informal discussions with various people. As a result of that preliminary tour, our questionnaire was issued in May. In that questionnaire a large number of points were raised. Just to clear any misapprehensions we should like to make it plain that those were points which had been suggested during the course of our preliminary tour. Of course, the Board did not imply that they had made up their minds in regard to those points or intended to adopt any of those suggestions. They were just points which were raised with the Board and it seemed as well that we should ask some questions about them. I don't think any of you, Gentlemen, had any misapprehensions in that respect, but in some places because the Board had asked some questions people assumed that the Board had come to conclusions on those points. I need hardly say that the Board have got an entirely open mind on all those points.

Mr. Khaitan.—We all understand the position.

President.—The Board will have to consider the questions referred to them from four main points of view:—

- (1) Cane growing and interests of the cane grower which your Association have stated should come first,
- (2) Manufacturer,
- (3) Marketing, and
- (4) Consumer.

Those are the main lines. Of course, there are many subsidiary points that arise out of the four main lines of enquiry.

The Board do not propose to take up your time by going through all the questions in detail. Many questions have been asked simply for statistics and in regard to some other questions the replies received have been sufficient and it would be waste of time to go over the ground again. So, as far as possible, the Board propose to confine their enquiry to-day to the main points. With these preliminary remarks we shall make a beginning. I observe that the list of factories given in answer to Question 1 is incomplete and in some respects incorrect.

Sir Vijaya.—A revised statement is being prepared. It will be submitted to the Board.

President.—I may say that while the Board are grateful to those factories who have co-operated, we must draw attention to the fact that quite a considerable proportion of factories have not taken the trouble to make any reply or to send any of the Forms required. For purposes of our enquiry which is of great importance to the industry, it is obviously very essential that the Board should have all the statistics and figures that are available so that they may be able to present a complete picture of the industry for the consideration of the Government of India. The Board cannot but think it unfortunate that a large proportion of factories have not thought fit to co-operate in what after all is the common interests of the industry.

Mr. Khaitan.—On this point I may mention that in our opinion this is the first Tariff Board in which such a large proportion of interests concerned have responded. If you will kindly refer either to the Cotton Tariff Enquiry or any other enquiry you will not find such a large proportion of the interests responding. You will appreciate that factories are run by men unacquainted with the procedure and methods of Secretariat offices. They do not always understand in full measure the implications of the questions so as to be able to reply—not that they are unwilling to give facts but that they have not got the trained staff which is necessary to deal with questions of a technical nature issued by the Tariff Board. I may say that so far as we are concerned we have congratulated ourselves on the fact that such a large number of factories have actually responded. In fact, neither Sir Vijaya nor Mr. Thapar nor myself ever expected that such a large number of factories would be able to respond.

Mr. Thapar.—From my experience of the Sugar Syndicate, I may tell you that we have to send as many as 16 or 17 telegrams to our members before we can get a reply. It is not that in a spirit of non-co-operation factories have purposely withheld any information but they do not know the significance of sending these returns to the Association or to the Board.

Mr. Rahimtoola.—Is it your view that the mills that have replied fully represent the industry?

Mr. Khaitan.—You have got a very good representation of the whole industry from the replies submitted by the Association. May I point out one thing more? From the very beginning—I am not saying this merely for the sake of paying you a compliment—we have found that this is the first Board which is really proceeding with the business in the spirit in which it ought to proceed. Otherwise Committees sit—I have had personal experience of Committees—and the witnesses that appear before them are cross-examined with a view to break them down. But your Board is not doing that. From our answers you will find that we have concealed nothing. Whatever facts have been obtained have been freely placed before you. Although we know that the facts that have been stated are incorrect and against us, even then they have been furnished to the Board. We have hidden nothing. We have laid before you the whole facts as they are so that you can arrive at very impartial conclusions on all the facts that are brought before you. The replies that we have got are more than fairly representative of the whole industry.

President.—I have already expressed the thanks of the Board for the co-operation we have received from the Indian Sugar Mills Association. My remarks were of course directed towards individual factories.

Mr. Khaitan.—Some individual factories have written to the Association that because they have sent figures to the Board through the Association they have not written to you separately.

President.—As long as they reached us directly or indirectly it did not matter. Question 1 calls for no further comment. Questions 2 and 3 are matters for individual factories and do not call for any remarks. Question 4 is one in which I do not think we find anything more than the expected merits of the sulphitation and carbonations processes. Question 5 calls for no comment and Question 6 is a matter of statistics. Question 7 is a matter of some importance. You are aware of the standard economic unit which the previous Tariff Board adopted. It was 400 tons capacity factory and you have now suggested that the minimum economic unit is 500 tons in Northern India and 400 tons in Western and Southern India. I do not know whether you would wish to add anything further.

Mr. Khaitan.—We have nothing to add.

President.—There is some difference of opinion on that point amongst individual factories.

Mr. Cameron.—The season is short in Northern India and that is a factor which has something to do with it.

President.—There are smaller units in Southern India because of the longer working season.

Mr. Khaitan.—Northern India has got to sell sugar in Southern India and Western India and it has to bear the freight.

President.—The factories in Southern India have got freight advantage and therefore they can operate on a smaller capacity. On Question 8 about the manufacture of factory equipment in India we have received that in Formosa companies have already been started which turn out complete factory machinery. I believe there is one firm in India that does so—Jessop's.

Mr. Thapar.—At Marhowrah Begg Sutherlands have started manufacture. Most of the things they are doing and if they go on like that, the time is not far distant when sugar machinery will be manufactured in India; at least we shall be able to get all our spare parts from them.

President.—Question 9 raises a somewhat delicate matter in some respects. Perhaps I shall sum up what the gist of the general opinion is in regard to the Imperial Institute of Sugar Technology. As far as the Board can gather large factories or groups of factories have their own technological staff which they find sufficient for their purposes and therefore they have no need for any technical advice from the Institute. But smaller factories which possibly or probably have not such efficient staff or such complete information at their disposal do find the Institute to be of assistance and many of them have made use of the Institute in the lay out of their factories, in regard to the types of machinery, improvement and so on. That is roughly the gist of what we have heard. Would you regard that as a correct statement?

Mr. Thapar.—It is not that the bigger factories do not need any technical advice but at present they do not think that the Institute can render any help to them with the amount of equipment they have at the Institute and with the kind of information that is available there. The factories think that their own staff are equally competent and that their equipment is equally efficient.

Sir Vijaya.—We feel that there are no outstanding men at Cawnpore qualified to give advice to the larger factories. That I think is the general opinion amongst us.

Mr. Cameron.—That kind of advice or assistance can only be given by men who have had extensive experience as practical sugar manufacturers.

Mr. Lalchand.—In Bombay we have always sought the advice of the Institute willingly but unfortunately it seems that the Institute considers the problems of North Indian factories and is rather in the dark about the Deccan sugar factories. It would be better if the staff of the Institute make occasional visits to the Deccan factories and try to understand their problems.

President.—Have you any other suggestions to make?

Sir Vijaya.—A suggestion has been made that if the Institute would study foreign publications and furnish abstracts or communicate short notes upon them to the factories, it might be helpful. Another suggestion is that when some new apparatus connected with the sugar industry comes into the market, the Institute should buy and examine it and give advice to factories about it. The whole thing however turns on the point whether they have got a very highly qualified staff.

Dr. Jain.—Have you any suggestions to make in regard to the staff?

Sir Vijaya.—The staff should be such as to be able to give advice even to the biggest factories having their own chemists, their own engineers and their own technologists. In short, we want the Institute to be an outstanding institution in Asia in regard to sugar just as the Cotton Committee's Technological Institute in Bombay is in respect of cotton.

Mr. Rahimtoola.—In order to understand this problem better, we have to take two points into consideration. One is that the present system requires to be modified and the second point is the scale of fees charged by the Institute. As regards the 1st point you want that the staff should be such, as to inspire confidence not only amongst smaller factories but also amongst bigger factories. This is merely a general statement if I may say so and the Board cannot make any recommendations unless some definite suggestion is made as to the kind of people you have in view.

Mr. Khaitan.—Let me answer that point in some detail. There are three important problems, viz., (1) manufacture of sugar, (2) utilisation of bye-products and (3) sugarcane. So far as sugarcane is concerned you will perhaps rule it out saying that it is a matter for the Directors of Agriculture, but the Sugar Technological Institute can help in this way. They could ascertain from various factories their views about the quality of cane that is being received from year to year and get into closer touch with the Directors of Agriculture in various provinces and tell them what results they should aim at and achieve. It is not enough to state in general terms that the yield should be larger and the sucrose content higher. Stated in that manner the proposition becomes so general that it is universally accepted. The advice should be more specific. For example, in cases where it is found that the cane contains more fibre than what it ought to contain or it does not contain as much fibre as it ought to contain or it does not contain as much sucrose as it ought to contain; then there is the question of sugar inverting and so on, these are points on which the Technological Institute should be able to advise in a much larger measure the Directors of Agriculture.

Mr. Rahimtoola.—I think the Technological Institute is not dealing with the breeding of canes but with the manufacturing side and the marketing side.

Mr. Khaitan.—It is the Imperial Council of Agricultural Research that deals with canes. If however you want to make the Technological Institute complete, this side should also be considered. The second one is the utilisation of by-products, e.g., molasses, press cake, etc. That should certainly be a very important part of the work of the Technological Institute. The individual factory cannot look after that problem with efficiency. The central Technological Institute should be able to carry on researches and see to the commercial possibilities of things and be able to advise.

Mr. Rahimtoola.—I would like to know if the present assistance offered to the industry on the manufacturing side is sufficient.

Mr. Khaitan.—At present larger factories are in fact getting no assistance from the Technological Institute. Their technical men are equally fit if not fitter.

Mr. Rahimtoola.—According to the views of the Association the system of appointment of the various officers in the Institute should be changed. I want to know whether you prefer a degree qualification man only or whether you would attach more importance to the experience of the man.

Sir Vijaya.—There was a sub-committee of the Sugar Committee which prescribed or rather suggested the qualification of the officers of the Institute. This was four years ago. It laid down the qualifications that were required, both theoretical and practical. It is a question of the personnel: we have no alterations to suggest in the qualifications then laid down. What is really wanted is that you should have men who can adequately fill the bill.

Mr. Rahimtoola.—Are there people in India who could fill the post adequately?

Sir Vijaya.—The Sugar Committee decided at the time that no racial or national qualification should be laid down. It said that the very best man should be got.

Mr. Khaitan.—That applies to the manufacturing side. The more urgent problem is the utilisation of by-products. The Central Technological Institute should be responsible for finding out means and methods of utilisation of by-products.

Mr. Rahimtoola.—We have received some very interesting notes on this subject when we visited the Institute. We have seen also the work done there with regard to by-products. The Institute is alive to the situation and they are doing their best. The point is how far they require additional men and better equipment. I do not think we can go into the details of the present organisation. The point of view of your Association is that the Institute should be strengthened in such a manner as would make it really useful to the industry as a whole and inspire its confidence.

Mr. Cameron.—What I had in mind was that we should have a man of the standing and experience of, for instance, Mr. Noel Deer. By that I do not mean that Mr. Noel Deer is the only man suitable. We want a man with practical experience both in this country and in other sugar countries.

Mr. Singh.—As far as research work is concerned continuity is the one important factor which should be adhered to.

Mr. Rahimtoola.—I would like to know what the association has to say about the assistance given by the Industries Department of the Local Governments.

Mr. Khaitan.—We feel that the Industries Department cannot be of very much help to us.

Mr. Rahimtoola.—There has been a suggestion that the Industries Department should have a sugar technologist attached to it?

Mr. Khaitan.—When the Central Technological Institute cannot find first class men, I think that the Industries Department will only be able to get the most ordinary kind of men.

Mr. Rahimtoola.—Don't you think the Industries Department may be able to help the sugar industry in regard to the starting of industries like the manufacture of sugarcandy, confectionery and so on?

Mr. Khaitan.—They may be more useful on the financial side by giving help under the State Aid to Industries Acts. How far they can be of use on the technical side is a question. If they can train people nobody would dislike the idea. Whether they can get good technical men is rather doubtful. That again should be the function of the Technological Institute.

Sir Vijaya.—In the present condition of provincial finances it will not be possible for the Industries departments to get highly qualified men.

Mr. Rahimtoola.—You know when the Sugar Technologist visits factories he charges a certain fee. He visited the Deccan factories last year.

Mr. Lalchand.—And I had to pay nearly Rs. 300 for 8 hours!

Mr. Rahimtoola.—Would you like him to give his advice free?

Sir Vijaya.—The point affects the smaller factories.

Mr. Rahimtoola.—Suppose the Institute is strengthened, as pointed out by Mr. Thapar, then would the bigger factories seek its assistance?

Sir Vijaya. If we got a good man of the ability and experience of Mr. Noel Deer, for instance, at the Institute, the bigger factories should be willing to pay even higher fees than they are at present paying.

President.—Let us now pass on to the question of statistics. I think it is generally agreed that the figures which are supplied are neither complete nor accurate enough for purposes of the industry and there are complaints that they are not published soon enough. Of course the Technological Institute have been in difficulties because taking advantage of the omission in the Act of a clause imposing penalties for not sending returns or sending them very late many factories do not send their returns or

send them late. And I think the Technological Institute has considerable reasons to complain. It is being found fault with for not publishing figures when it is really the fault of factories which have not been supplying figures. Are the Association in favour of subscribing some penalties in the Sugar Industry (Protection) Act?

Mr. Thapar.—We are in favour of imposing penalties.

Mr. Lalchand.—The Technological Institute ask for a lot of statistics which are not necessary. But for those statistics which are really necessary, the factories should be penalised if they do not send returns.

Mr. Khaitan.—The chief statistics that you want are quantity of sugarcane crushed, quantity of sugar produced, quantity of sugar delivered and quantity of sugar in stock. These are the four main items about which everybody needs statistics. But the difficulty is that we are asked for many statistics the figures of some of which are of a confidential nature; and as no difference is made between essentials and non-essentials, this difficulty has arisen.

President.—In the course of our enquiry we have put that question to individual persons as to what figures should be supplied or not, and of course that leads up to the further question to what extent pooling of information is desirable in the interest of the industry.

Mr. Khaitan.—The figures about the points I have mentioned above should be compulsorily taken; others should be pooled between those who want to pool the information, but there should be no penalty.

President.—What do you think about the recovery rates?

Mr. Khaitan.—That should be treated as one of the optional things because the world—by world I mean the merchants and so on—is not interested in that. But in the four items I have mentioned everybody is interested. Recovery and other things may remain optional.

President.—What information does the industry require from outside? The Technological Institute gets stock figures from the ports and figures from internal markets. Is that adequate or should returns be received from a larger number of centres?

Mr. Khaitan.—As regards internal centres the figures would not be reliable. Even for stocks at the ports, stocks at the Port Commissioners' godowns are the only figures which are reliable. But when you say stocks at the port of Calcutta that does not include the stocks in city godowns, India is such a huge country that it will be very difficult to collect figures of stocks from a large number of centres. They run into 2,700 apart from smaller places which are sometimes more important centres of trade than the towns themselves.

President.—If a market survey was held it might indicate where stocks are held more accurately and that would give us some idea of what the normal stocks should be?

Mr. Khaitan.—We have better information.

President.—Can you give us some idea of what the normal stocks are?

Mr. Khaitan.—I can't give you any definite idea.

Mr. Rahimtoola.—The figures supplied by the Sugar Technologist as regards consumption and production are more or less reliable?

Mr. Khaitan.—He has got information from 73 out of 150 factories and has calculated what percentage of production that would mean.

President.—Assuming that the factories sent complete returns?

Mr. Khaitan.—The four items mentioned before should be compulsory the others should be optional.

President.—Do you think it is worth while for Government to evolve a more complete organisation for obtaining statistics?

Mr. Khaitan.—I think it is too difficult and not worth while.

Dr. Jain.—Has the recent wheat marketing survey yielded reliable information in regard to wheat stock?

Sir Vijaya.—Speaking for myself I think not.

President.—I gather your view is that the only reliable statistics that can be collected are of stocks in factories?

Mr. Khaitan.—We have roughly an idea that 50,000 tons remain in the market; it may be sometimes 40,000, sometimes 50,000 tons.

President.—You mean the invisible stock or the visible stock?

Mr. Khaitan.—These are invisible stocks.

President.—Does that 50,000 tons include stock held by the market?

Mr. Khaitan.—By every kind of people except factories, but including port stocks.

Dr. Jain.—Has this figure varied in recent years?

Mr. Khaitan.—It varies like this: at the end of February stocks in the market became more than what the stocks are at present.

Dr. Jain.—There have been no wide variations in recent years?

Mr. Khaitan.—In April or May markets take out a little more quantity so that they may not have much sugar in transit during the rainy season; but these variations are monthly variations which you must ignore. On the whole the stock is 50,000 tons, but we do not know whether that is correct or not.

President.—We have been told that in a falling market the invisible stocks tend to decrease and when the market is rising they tend to increase.

Mr. Khaitan.—Naturally.

President.—One dealer said "In a falling market we will probably buy 25 bags and in a rising market 50 bags".

Mr. Khaitan.—That is correct.

President.—It may be larger or smaller according to the rising or the falling market. In regard to the pooling of information your point is that any factories who agree to pool information should do so, but there should be no compulsion. That is the general opinion of the Association.

Mr. Khaitan.—Yes.

President.—In some countries the pooling of information is compulsory.

Mr. Khaitan.—We might reach that stage later on when it can be made compulsory.

Dr. Jain.—From the way the industry has responded to your notice, don't you think that it should be made compulsory?

Mr. Khaitan.—The response is better to-day than what it was before, but to make it compulsory, I think it is premature at the present moment.

Dr. Jain.—Don't you consider it may be useful?

Mr. Khaitan.—There are people who can tell you that a large number of factories pool information.

President.—Question 10 is rather a matter of individual factories which I think need not detain us and so is 11. Question 12: There is one point which I would like to put to the Association and that is the question of co-operation between factories which own a certain amount of land and the Agricultural Departments of the different Provinces in experimenting with new varieties of cane and multiplying the number of varieties for distribution ultimately to the raiyats.

Mr. Singh.—Our idea is that factories should be able to make their own experiments with new varieties of cane, because a new variety may not be very good at the Provincial Research Station, but it may make good at the place where it is tried. The department has unfortunately not got enough places for experimentation where all types of soil exist.

President.—Delivered direct from Coimbatore?

Mr. Singh.—Yes, I should like to have them direct from Coimbatore. When the Provincial Agricultural Department received the seedling, it might be rejected at the research station. Perhaps if that is tried in the factory, it might be found useful. Any factory which tries new varieties should not be allowed to multiply them or distribute the seed to the farmers unless it is approved by the department, but there should be no restriction in trying those varieties at the factory farm itself. As a matter of fact some of the varieties which have been rejected by the department have been found to be useful in the factory. I can quote an instance. Co. 244 is a very good cane for sandy tracts; it was rejected by the department but it has been taken up by the cultivator at Muzaffarnagar. That is one of the best varieties. There may be other such cases.

Mr. Rahimtoola.—How was this taken up by the cultivator when it was rejected by the Agricultural Department?

Mr. Singh.—It was cultivated at Muzaffarnagar. Some people took that seed also. After that the department found that it was no good and they rejected it.

Mr. Rahimtoola.—Is it not a fact that under the present system the moment the Coimbatore canes are found promising they are sent only to the Local Governments and after experiments by them are carried out, they are passed on to the demonstration plots in the cultivators' fields?

Mr. Singh.—The cane goes first to the research station and then it is tried. When they find it to be promising, they send it to the experimental station. Then the seed is distributed. What I mean is for the whole of the United Provinces the Research Station is stationed at Shahjahanpur. It has got a different climate from Meerut. It is just possible that a variety may not be very promising under the circumstances in which it is grown at Shahjahanpur, but it might be very promising at Muzaffarnagar. Supposing there was no station at Muzaffarnagar, that variety would have been lost. Muzaffarnagar doesn't get cane from Coimbatore direct unless it is approved by Shahjahanpur.

Dr. Jain.—Does not Muzaffarnagar get the cane simultaneously as Shahjahanpur?

Mr. Singh.—No. Muzaffarnagar always gets the cane through Shahjahanpur. If you have the provinces divided into climates and different soils, then certainly there would be some meaning in saying that the factories should not directly receive the canes.

President.—I may tell you that the Agricultural Department have raised that point and they say they want more farms for more typical areas. For instance take the United Provinces. They haven't got a farm in the eastern part of the province. They have got only for the West.

Mr. Singh.—Yes.

Mr. Lalchand.—We have definitely said that in the Deccan new varieties should go direct to the factories, because we find that we have many problems, many soils, many methods of treatment. At the Research stations they have got what they consider to be very scientific methods, but those methods do not suit the factories, because at those stations they take only one factor into consideration. It may be manure, it may be irrigation or it may be soil, but for practical purposes it is the combination of a variety of factors that has to be looked at. Government experimental farms have in some cases recommended varieties which we have found unsuitable for manufacture; on the other hand we have used successfully varieties which were not recommended by them. Moreover if time is allowed to pass in making experiments, we lose so much time. Usually 4 years are taken before the variety is released to the factories and then factories make their own experiments on those varieties and then four more years are gone. Factories know their own interests. In the Deccan certain varieties should go direct to the factories as we have got technical staff, Agricultural Graduates

from Universities. We can certainly look after our own interests much better than the Agricultural Departments' experimental farms or Stations.

Mr. Rahimtoola.—Is it your point that the seed should go simultaneously to the experimental farms of Local Governments and to factories?

Mr. Thapar.—Factories should be given a free hand. They should not be debarred from making any experiments or research. If any factory desires to do it, why should it be deprived? Here is a letter which I will read to you from the Director of Agriculture, Bihar:—

“I am not prepared to agree to the proposal that factories should be allowed initiative and discretion in the testing and issuing of new varieties of cane not approved by the Agricultural Department. I shall take steps to ensure that no new varieties are issued to factories from any cane breeding stations in the country without the concurrence of the department.”

Mr. Rahimtoola.—That is quite correct.

Mr. Singh.—They should not be issued by the factories to the cultivators without the sanction of the Department.

Mr. Thapar.—My point is that the Department altogether prevents factories from making experiments.

President.—What is the date of that letter?

Mr. Thapar.—2nd June, 1937.

Mr. Lalchand.—Co. 419 is not released by the Government Experimental Farm at Padegaon, but we have definitely found it very suitable and I have got more than 20 acres of that variety in my Farm. If I were to wait for four years after the Padegaon farm issues that variety, probably by that time my protection will be gone and I shall be left. I must be quick enough to get the advantage of protection.

Sir Vijaya.—In short what we want is that we should get the seed promptly, while we bind ourselves at the same time not to give it to the raiyat.

President.—That is a very important point.

Mr. Thapar.—We should not be deprived of the opportunity of making experiments.

President.—The view of the Agricultural Department is that if once a bad seed is issued to the cultivator, he cannot afford to stand the loss.

Mr. Thapar.—We agree with you there.

President.—Your general view is that there should be more co-operation in the experimental work on cane and multiplication of promising varieties.

Sir Vijaya.—Yes.

President.—Question 13 about early and late varieties of cane: The whole idea of this early and late varieties of cane was to extend the crushing season of factories. The first question arises as to whether the crushing season is already long enough and the second question arises as to whether you want both early and late or only early or only late varieties. It has been suggested to us that it may be rather a mistake to do much work on late varieties, because in northern India after about the third week of April cane begins to deteriorate and therefore there is not very much point in getting late varieties of cane, although probably there may be very good reason for increasing the cultivation of early varieties, so that the factories can start earlier.

Mr. Khaitan.—In spite of the present position we feel that endeavours should be made to give us both early and late varieties for these reasons; we do believe—I think you will agree with us—that it is desirable to cheapen the cost of production as much as possible. So far as mechanical efficiency is concerned, we have almost reached the top as far as it is possible to reach in the present circumstances. The next step is to prolong the season. In Mysore you are aware that the factory works for about

10 months in the year and the other two months can also be worked if they do not close for cleaning.

President.—They are now thinking of reducing that period.

Mr. Khaitan.—That may be due to the present circumstances.

President.—On account of cane.

Mr. Khaitan.—Possibly. I do not know that. You must have first hand information. We can prolong the season by having early and late varieties. Even now we start our factories in the western part of United Provinces about the beginning of November and in certain parts about the middle of November, and in certain other parts a few days later. When we do start our factory it is much better that we do it with ripe cane rather than with unripe cane. Similarly at the end of the season we want to work as long as possible. In fact last season the Governments of the United Provinces and Bihar were very insistent that we should continue to work at a loss and we did so. The Congress was very keen that we should continue to work in order that sugarcane may not be destroyed.

Mr. Rokimtoola.—That was exceptional.

Mr. Khaitan.—Yes. What I mean to say is that the prosperity of the country side depends upon a larger consumption of sugarcane. I am now thinking of the sugarcane cultivators. If we have got to continue to work to consume more sugarcane, it is better that both in the early part of the season and the latter part of the season, we get cane which is more suitable for crushing purposes than the cane that we are getting at present. The agriculturist will have to put forward the same amount of labour and it will be an economic gain to the country as a whole if we can get more sugar out of a suitable cane than that we should crush cane when it has a lower percentage of recovery. I will give you one example to justify my expectation that the consumption of sugar will increase. In the case of piecegoods because of the increase in the standard of living as compared with 10 years ago, the consumption has increased by 25 per cent. The consumption of white sugar has not increased in the same proportion, but we do expect that as education spreads, as the standard of living increases, a larger quantity of sugar will be consumed.

President.—We had better go into that later.

Mr. Khaitan.—I have been giving that as a reply to the question. "Even now you find overproduction. Why do you want late and early ripening varieties?"

President.—I was dealing more on the question of cane with reference to the lateness of the season. Cane begins to deteriorate after the middle of April.

Mr. Khaitan.—I wanted to go to Coimbatore and have a discussion with Mr. Venkataraman. He is expected to find out varieties which will be able to stand the hot weather of Northern India. I have great respect for Mr. Venkataraman. In fact the whole sugar industry exists here because of Mr. Venkataraman.

President.—In regard to that matter, I am speaking subject to correction because it is very difficult to get information about Java but our information is that the crushing season has been reduced in recent years.

Mr. Lalchand.—70 days only.

President.—It is never longer than 125 days.

Dr. Nielsen.—15 to 16 factories are crushing for seven months, most of them for 5 months and some of them for only 3 months. Latterly they have decreased the season and raised the capacities of factories. Because of the high output of sugarcane more sugar is obtained and it pays better to crush it in that period.

President.—In the short season with larger capacities?

Dr. Nielsen.—Yes.

Mr. Rahimtoola.—Because they are able to get the right type of cane.

Dr. Nielsen.—Yes, POJ. 2878.

President.—In Java I think they are cutting down the season and trying to crush more in a shorter period.

Mr. Khaitan.—The conditions in Java are different. They have to rely on the export trade. With India they had a very large export trade but India is now producing its own sugar. They have lost the Indian market and they are driven to adopt the course which you say they have adopted. If they had not lost the market they would not have reduced the crushing season. Rather than close down half of their mills it is advantageous to work the whole number of mills for a shorter period and get a better percentage of recovery.

President.—We understand that a very large proportion of mills have actually closed down.

Dr. Nielsen.—At present 50 per cent. of the mills are working. Out of 180, 90 are crushing.

Mr. Rahimtoola.—Can you supply us later on with exact figures?

Dr. Nielsen.—I think I may be able to do so.

Dr. Jain.—Have you got the total capacity of these 90 mills?

Dr. Nielsen.—I shall be able to get it.

Mr. Lalchand.—One reason for their early closing down of factories is that they do not care very much for depreciation now-a-days.

Dr. Nielsen.—They have no depreciation.

President.—It has been suggested to us that they have found it more economical to work in a shorter season.

Mr. Khaitan.—The quantity they have to supply is necessarily restricted according to the countries to which they can sell. Even in India, factories having come into existence, if we suddenly find that the amount of sugar we can sell, is reduced by a half, we shall find the same position here. Actually we are now in a position when we expect to get more sugar consumed in the country and to enter the export market. Our conditions are different from those in Java. We have such large population.

President.—It has been suggested to us that Java has adopted the new system in order to reduce the cost of production.

Dr. Nielsen.—I don't think that is right. Java is given a certain quota which is not sufficient for the capacities of factories. They are using the factories in the most optimum way possible, that is, crushing in the optimum season. I am quite certain that they will crush more if they can sell more but they cannot sell at present.

Mr. Thapar.—They are making the best out of a bad situation.

Mr. Singh.—Our cost of production is higher because of the shorter season.

President.—I gather that you still think that there is necessity for evolving improved early and late varieties of cane.

Mr. Khaitan.—Yes.

President.—On question 14, there is one point which I should like to put to you as to whether there has been in your experience any deterioration in cane—I am talking of Coimbatore canes—as time goes on, say, in Co. 213.

Mr. Singh.—It has deteriorated as far as our province is concerned.

Mr. Lalchand.—It has got smut in our part of the country.

President.—Apart from the question of disease, I want to know whether it normally deteriorates.

Dr. Nielsen.—We have seen that it is deteriorating.

President.—Is it a fact that all canes after a period deteriorate?

Dr. Nielsen.—Scientifically it is not necessary that that should be so, but that is what happens.

President.—It follows from that that the varieties have to be renewed?

Dr. Nielsen.—Yes.

Sir Vijaya.—We have discussed this and our view is that in the case of improved varieties like Coimbatore canes we should have better methods of cultivation and more money should be spent. Otherwise they will deteriorate more than the Deshi cane.

Mr. Rahimtoola.—Therefore it follows that Coimbatore must go on evolving new canes.

Sir Vijaya.—It has got to be always active. There is no finality in research.

President.—On question 15, we have some interesting figures. I notice among the insect pests white ants do not find a place, but we have heard a good deal about white ants.

Mr. Singh.—In some areas there are white ants.

Mr. Rahimtoola.—As regards Bombay-Deccan, shall we say that generally speaking there is no damage due to frost? But it is stated here that there was a severe attack of frost in January and February of 1929 and there have been two mild attacks since.

Mr. Lalchand.—That is so. The damage if we take an average, comes to 3 or 4 per cent.

President.—I do not know whether you would like to amplify your statement about the question of diseases and insects at this stage.

Sir Vijaya.—I should like to. So far as the borer is concerned it is becoming a real danger in Northern India. The Imperial Council of Agricultural Research has started work at the Imperial Institute at New Delhi, but there is great need for Provincial departments working in collaboration with it. The need is realised by Provincial Governments but the work has not been undertaken for want of funds. Considering the interests at stake it is necessary that provincial Governments should provide funds either themselves or through a grant from the Central Government and undertake work which they can control in conjunction with the central institution which is doing research. According to Dr. Haldane the percentage of infestation by the borer has gone up from 21 to 41.32. If this goes on, it is very alarming. It is necessary that provincial Government should take much more speedy action than they have taken so far.

President.—Provincial Directors of Agriculture have all agreed that a great deal more work is required on this question of diseases and insect pests. They have all agreed that they want more staff and more funds.

Mr. Lalchand.—They won't do any work.

President.—It is not that they won't but that they cannot.

Dr. Jain.—It is not enough if we say that money should be spent. Would you suggest a figure?

Sir Vijaya.—I think the Imperial Council has some experience of this work at the centre. It had a Committee set up on which all the Provincial Entomologists were represented. They have some idea of the funds required and I can accept whatever funds they say are adequate.

Mr. Rahimtoola.—Dr. Burns is dealing with that question.

Sir Vijaya.—Mr. Isaac is in charge of that work.

Dr. Jain.—A suggestion has been made that a beginning might be made with one lakh of rupees.

Sir Vijaya.—I personally think that it is insufficient.

Dr. Jain.—Would you say Rs. 2 lakhs?

Sir Vijaya.—If you want me to guess I would say Rs. 2 lakhs, but I should say that it is a matter in which the Imperial Council can frame quite easily exact proposals.

President.—Question 16 is mainly one for individual factories, so also Questions 17 and 18. We had better deal with the question of zoning later on. On Question 19 you are no doubt aware there has been a reduction in the area under sugarcane according to the preliminary forecast of 1937-38. Your view is that even the figures for 1936-37 were not really excessive although there had been a maldistribution of the area available to factories. Do you wish to amplify that?

Sir Vijaya.—We are content with the position that no restriction is necessary. As regards the exact position, the following resolution of the Sugar Committee of the Imperial Council requires a little amplification:—

“In view of the increases which have taken place and of the increase in yield per acre, there is no scope for any important general increase in the cane area in India but the present distribution is imperfect.”

If you insert the words “or decrease” between “general increase” and “in the cane area” that represents the actual facts and the view of the Association.

President.—In regard to Question 20 regarding the cost to the ordinary cultivator you have given figures with considerable reserve and the Tariff Board in the course of their enquiry have gone into the question in great detail. So I do not think we need go into the question of figures given by you.

Mr. Khaitan.—I may tell you what I witnessed day before yesterday at a conference at Lucknow about the cost of production of sugarcane. There was a great difference of opinion on this question between the Director of Agriculture, United Provinces and the Director of Agriculture, Bihar. So it is easily understandable that it is not possible for us to come to any definite conclusion.

President.—You do not wish to amplify that.

Sir Vijaya.—No.

Mr. Rahimtoola.—Can you tell us where from you got this information—the cost to ordinary cultivators?

Sir Vijaya.—Factories made enquiries at our request of the cultivators round about them.

Mr. Rahimtoola.—Are those the cultivators who supply cane to factories?

Sir Vijaya.—Yes. Many of them are supplying cane to factories.

President.—We will pass on to Question 21. I may explain that in putting question 21, the object of the Board is to elicit information on the point whether there are any malpractices through which the grower suffers in supplying cane to factories. The Tariff Board have gone into this question in considerable detail and more specific questions have been put to Local Governments. Apart from complaints from what you may call “interested parties” the Tariff Board find that the unanimous opinion of all Government officers who are connected with this question is that there are quite a large number of malpractices prevalent through which the grower of cane suffers. These remarks apply mainly to the United Provinces, Bihar and Bengal. Elsewhere the complaints have not been definite but in regard to the United Provinces and Bihar, Government officers have told us that we may possibly divide factories into three groups:—(1) those factories who do their best to secure to the cultivators a fair treatment in many respects, (2) factories who to some extent do not take very much trouble about the regulation of cane and the manner in which it comes and (3) those who deliberately underweigh cane and in other ways do the cultivator down, and we put it to these officers as to the proportion of factories. Everyone admits that there are honourable exceptions: there are many factories who do their best to the grower

but those factories are in a minority and that in the majority of factories there is either deliberate underweighment of cane and similar malpractices or not sufficient care taken by factories to see that their agents and so on do not in some way or other cheat the grower. I am putting the matter very frankly because this matter has aroused a good deal of attention in recent years and, as I say, we have the unanimous opinion of Government officers that these malpractices are very prevalent and far more prevalent than they should be. Actually we have had detailed to us some 20 different ways in which the grower is cheated either by the underweighment of cane or by the sale of passes. These are a few examples and there are a number of others. I put the matter now before you, gentlemen, and the Board would like to hear what you have to say on that point.

Mr. Cameron.—Was it suggested that the treatment which the cultivator received from sugar factories is in any way worse than the treatment he receives from other people to whom he sells other commodities?

Dr. Jain.—We are not concerned with other commodities. We are concerned with sugar which is a protected industry.

Mr. Cameron.—When the witnesses who answered these questions made their statements, were they able to give any indication as to the extent to which these malpractices were adopted?

President.—We could get no estimate from them beyond this, that factories who treated them fairly were in a minority.

Mr. Cameron.—One point we ought to bear in mind is that there were exceptional circumstances towards the close of the last season which we shall be able to amplify later. Undoubtedly those particular conditions would very much encourage malpractices and the grower in a certain season in a certain district might have been unfairly treated, but that would not justify a general indictment.

President.—Witnesses we examined did deal with the special circumstances of 1936-37 season and we shall not overlook the point where an exception should be made, but this statement applies generally to the period since the minimum prices were fixed and these cane inspectors had been appointed.

Mr. Khaitan.—May I make a general statement? I have myself heard that malpractices exist but when I asked people about the extent to which these malpractices existed in connection with each factory, they have not been able to tell me. A few instances occur in regard to a factory and then a generalisation is made that in all factories these malpractices exist.

President.—I should perhaps explain that the witnesses before us who were giving confidential information have mentioned the names of individual factories. It is not for the Board to mention the names of the individual factories, but they were definite enough and said such and such factory had dealt with the cultivators badly.

Mr. Khaitan.—I have myself said that it is possible to find malpractices existing in a factory but to generalise from that that malpractices are committed in respect of even a majority of cases is not correct. There might be some factories who have got them deliberately done, but I hope, Sir, that their number is small: at least we do not know of any who deliberately do them. What might have happened is that the servants or agents of factories when they had a chance might have done them. Where there has been strict control they have done it to a smaller extent; where the control is lax there have been greater malpractices. So far as we are concerned we do not want to encourage malpractices. It is to our interest to see that what we pay out of our pockets reaches the cultivator. As a matter of fact officials in management of co-operative societies have themselves been accused of malpractices. We have found as a matter of experience that the best results are obtained by the factories being in direct contact with the cultivators, and certain factories have reached a stage when they have been able to obtain 90 per cent. of their cane

supplies direct from the cultivators. As regards purchases made through licensed purchasing agents our control is necessarily less, I trust you will make a difference between purchases made by factories direct and purchases made through purchasing agents. We do not want middlemen, but owing to force of circumstances middlemen must be employed. We can establish direct connection with growers in localities near our factories but as regards cane that has to be obtained from a distance of 100 miles—Chaudhuri Mukhtiar Singh obtains from a distance of 100 miles—it is for Chaudhuri Mukhtar Singh, or Mr. Dalmia or Lala Sri Ram to say if it is possible to control licensed agents. It is to our benefit that the cane grower gets all the money that we pay them. To the middlemen we pay a separate commission.

President.—One complaint is that some factories do not pay the contractors enough and they try to make it up from the growers?

Mr. Khaitan.—I do not know of any cases where the middlemen have not been paid by the factory. We pay them commission for making purchases and except at the fag end of the last season when conditions were abnormal the position is steadily improving. In the season 1935-36 the position was better than in 1934-35. All these questions were discussed at the Lucknow Conference with the Governments of United Provinces and Bihar and we ourselves have invited them to take the most stringent measures in order that malpractices may be stopped where they exist.

Mr. Thapar.—May I know the percentage of owners and agents who are concerned with these malpractices?

President.—Witnesses found it rather difficult to draw a distinction between factories who are lax and factories who are dishonest. They could not give us figures. I will make it plain that the Board has got an open mind in the matter and I have merely told you what the complaint is. We have not made up our mind in any way.

Mr. Thapar.—So far as our information goes, we have not got a single instance where it is proved that the millowners were a party to malpractices.

Mr. Rahimtoola.—If the millowners come to know that these malpractices exist, what steps do they take?

Mr. Thapar.—Supposing I have an employee who I learn is a bad man, do you think I would continue to employ him? As soon as we know of such cases the man is at once dismissed. No sensible businessman will keep such a man in service.

Mr. Khaitan.—What I was told at the Lucknow conference was that the malpractices were very much less at the factory gates than at outstations.

President.—Which points to the conclusion that gate cane should be preferred in every way?

Mr. Khaitan.—That is it, and furthermore it is not the management that want malpractices. In fact facilities for malpractices at the factory gate are much more than at outstations as you have to deal with a larger number of carts and wagons. That shows whether the management is really guilty or not.

President.—We asked the Government officers what the remedies were and the suggestions were that factories should have as much gate cane as possible.

Mr. Khaitan.—So far as that is concerned, we would be glad to have 100 per cent. gate cane because it pays us in every way.

Mr. Thapar.—You say that the main complaint is of malpractices which take place at outstations. The mills have explained that they very little control over them and they should not be blamed.

President.—What the Government Officers said was that in the case of factories who took the trouble to control outstations, malpractices might exist to some extent but they were very much less than in the case of those who did not take sufficient trouble to control the outstations.

Mr. Khaitan.—There is the difficulty about generalisations. In regard to the same factory at one place you will hear that this factory does not control and at another place that the same factory exercises sufficient control. It will really depend upon the purchasing agent who is employed. So far as the employees are concerned, I believe, we cannot vouch for everybody, but generally speaking there is no doubt in my mind that every factory wants to do its best. We keep accounts of purchases. The books are inspected by Factory Inspectors. The amount of price we have paid is entered there.

As regards purjis, we give 200 purjis to a man to distribute. If one man has taken one pice from a cultivator and no complaint is made to the factory, what can the factory Manager do? In Delhi every ekka and tonga has got to pay one pice and 2 pice at the crossing to the Police constable. What can the Home Member who holds the police portfolio do to stop this.

President.—I want to make it plain that these complaints have been made and we want to bring them to the notice of the Association. We want to know who is directly responsible for the admitted evil which is prevalent.

Mr. Khaitan.—Please do not carry away the impression that we don't want to stop the evil.

Sir Vijaya.—We welcome stringent inspection and an adequate inspecting staff. The Local Governments in the United Provinces and Bihar have already got some staff. They can strengthen their staff particularly at out-stations in order to catch the contractors.

President.—Since you ask for details of malpractices, would you like me to read them?

Sir Vijaya.—As a matter of fact we have had a note circulated on the subject.

Mr. Thapar.—I would put it this way. No business man, no factory owner would keep a known dishonest man in service even for a day.

Mr. Cameron.—In connection with the position of this Association, as an Association, I think we should emphasise what must be already known to you, namely, that we have no possible means of controlling the individual actions of members. As an Association in matters of this kind when a general charge is made, it is impossible for us to contradict witnesses who have given no specific instances and whose evidence has not been open to our cross-examination. They may be right in everything they may say, or there may be good explanations forthcoming. We cannot clearly as an Association employ a staff of Inspectors to control the malpractices. All that we can do as an Association is to co-operate in every way with the Government departments whose special province it is to deal with such malpractices as are alleged to be prevalent, because the majority of allegations amount to criminal actions which are properly dealt with by the officers under the Cane Rules, the Factories Act and other Acts. As an Association all we can do is to co-operate with Local Governments in every way we can in devising measures which will as far as possible prevent malpractices happening.

Mr. Rahimtoola.—The object with which the matter is discussed is to know whether stricter control over those whom you are employing at the weighbridges can be exercised. We have heard a lot of complaints about underweighment.

Mr. Cameron.—It is a case of individual members and we cannot express an opinion as an Association without seeing the evidence to which you have referred.

Mr. Khaitan.—What we can do is to create a strong opinion among the Members that stricter steps should be taken to control these malpractices.

Sir Vijaya.—We can issue circulars on the subject.

Mr. Khaitan.—We are trying to create popular opinion in favour of doing one's best to stop the malpractice.

Sir Vijaya.—If Governments employ a more adequate staff and if the staff is more vigilant, these things can be stopped. I may say that certain factories did bring to our notice cases of vexatious and frivolous prosecutions by Cane Inspectors for alleged malpractices. We deliberately kept such cases back. We felt that the inspection was on the whole a good thing.

President.—We have heard allegations against some of the Government Officers.

Mr. Khaitan.—One factory was prosecuted and even fined for having paid for 20 maunds and 20 seers of cane when it ought to have paid for 20 maunds only.

Sir Vijaya.—For having paid more than was legally due to the cultivator!

President.—We have been told in one place by a cultivator that the factory tries to cheat them and they try to get their own back by passing off stale cane.

Mr. Khaitan.—They put more leaves.

President.—The Tariff Board realise that there are two sides to the question. We have taken evidence from every point of view. I need hardly say we shall consider the matter from every point of view.

Mr. Thapar.—We can assure you of our co-operation in regard to any measures which the Government may devise to end these malpractices.

President.—Question 22: On this question of compulsory acquisition of land, I think there is agreement on all sides that compulsory acquisition of land except small bits for special purposes is out of the question. It has been put to us that some sort of Government assistance for leasing land to factories might be considered.

Mr. Khaitan.—There is one thing that came out at the Lucknow Sugar Conference and that was about the disposal of molasses and press cakes and there we submitted to the two Governments that in cases of necessity Government should acquire land required for with the disposal of molasses and press cakes.

President.—We know of one case in which it was actually done.

Mr. Khaitan.—Possibly.

President.—That is the sort of case which I would like you to mention.

Mr. Khaitan.—So far as factory buildings are concerned a sufficient number of factories have been constructed on a voluntary basis and no Government assistance is required in that respect. Then comes the question of starting nursery farms for seed. It might be desirable for Government to help in such cases, but it is liable to be misunderstood. For objects like the disposal of molasses and building of quarters for labour, however, it would be helpful if Government assist.

President.—Another matter that has been suggested to us is acquisition of land for tramways.

Mr. Khaitan.—That comes also under the same category.

President.—Do you think that compulsory acquisition should be allowed for certain limited purposes, disposal of waste products? What is the other point?

Mr. Khaitan.—What they need is land for the parking of carts. There is the question of workers' quarters.

President.—Perhaps you would send us a note later.

Sir Vijaya.—Yes.

Mr. Khaitan.—If we want to establish a school or hospital, we want land.

Mr. Rahimtoola.—You mean welfare work?

Mr. Khaitan.—Yes.

President.—We come to this very important question of zones. I understand that this matter has been discussed at the recent Conference at Lucknow with the United Provinces and Bihar Governments.

Mr. Khaitan.—It was agreed on principle between the manufacturers and the Governments that zoning should be introduced. I do not know whether you have seen the note prepared by the Bihar Government. We can give you a copy.

Mr. Rahimtoola.—Have you seen the note prepared by the United Provinces Government?

Mr. Khaitan.—It is the same note.

President.—We might postpone the question of zoning to a later stage.

Mr. Khaitan.—Yes. Before you proceed further there is one thing I want to mention in connection with the zoning system. What we decided there was that another Committee should be appointed which will meet in Patna between the 20th and 25th of October to discuss that note and the details.

Mr. Rahimtoola.—A bill which was going to be introduced in the Bihar Assembly has been postponed in view of these negotiations.

Mr. Khaitan.—A copy of the bill has not yet been given to us.

President.—Perhaps we had better pass on to question 24 leaving 22 and 23 alone, the question of quotas of sugar manufactured by factories. That raises a very large issue as to whether there is overproduction of sugar in India at present. I do not know whether it would be more convenient to discuss at this stage or later on.

Mr. Khaitan.—Would you like to know what happened at Lucknow?

President.—Yes.

Mr. Khaitan.—About licensing we submitted to the two Governments that there should be licensing and a good marketing organisation. Two committees have been appointed, one to consider zoning and the other licensing and marketing. We suggest that so far as licensing is concerned, it would be better if all the provinces in India agreed to have a Central Licensing Board, but what will be the ultimate result I cannot say, but we pressed that licensing should be introduced.

President.—That raises a fine legal point as to whether an All-India licensing is possible under the new constitution.

Mr. Khaitan.—That has to be considered.

President.—It is rather doubtful whether it should be provincial or All-India legislation.

Mr. Khaitan.—That is a matter on which we are not competent to give an opinion.

President.—The question of licensing may be considered in two rather different aspects: an All-India licensing of factories with a view to prevent over-productions, and provincial licensing with a view to prevent maldistribution of factories. If you have a zoning system you must have licensing: otherwise the whole thing would be upset. You would have to consider licensing from these two points of view.

Mr. Khaitan.—Licensing comes as a corollary to zoning and licensing also comes as a corollary to marketing.

President.—And to quota also?

Mr. Khaitan.—If licence is needed for the extension of factories, the question of quota is automatically solved.

President.—Yes, by licensing new factories and by licensing extensions to existing factories.

Sir Vijaya.—That is what we want.

Mr. Khaitan.—A mere fixation of quota might interfere with the increase of efficiency. It might deter a better recovery.

President.—The view of your Association is that in order to put any limitation on production, if it is necessary, the right way to go about is to license new factories and extensions to existing factories.

Mr. Thapar.—Not on the provincial basis but on an All-India basis.

Mr. Khaitan.—There is difficulty in defining the word extensions.

Mr. Rahimtoola.—I would like to ask you some questions about that in the afternoon.

Sir Vijaya.—The Association want it on an All-India basis. They won't agree to anything except on an All-India basis.

President.—We might perhaps leave the question to a later stage. With regard to question 26, I gather from what has already been said that factories would like as much gate cane as possible.

Mr. Khaitan.—100 per cent.

President.—What are the main reasons for preferring the gate cane?

Mr. Khaitan.—We get fresher cane which gives better recovery. The relations between growers and factories become better.

President.—If you have more gate cane the question of regulation of cane supply at the gate becomes of increasing importance. One of the complaints made to us is that in some factories the regulation of carts is very inadequate with the result that there is undue detention of carts, sometimes as much as for two days.

Mr. Thapar.—In the United Provinces they have now made it compulsory to make pucca roads and to put some sort of regulation on the traffic.

President.—They have not done it in Bihar.

Mr. Khaitan.—Bihar will do it soon.

Mr. Cameron.—But that is confined to inefficient factories because I cannot imagine anything which will make the carts wait for two days.

President.—But the fact remains that there are factories which do it. The question really arises as to whether that should be dealt with by legislation or by rules to compel all factories to come into line?

Mr. Khaitan.—That is being dealt with under the Cane Rules.

Sir Vijaya.—Our answer to question 31 gives you the improvements that are possible.

Mr. Khaitan.—The local authorities should also realise their part of the responsibility. The whole responsibility should not be thrown upon factories.

Mr. Thapar.—Some officers of the Public Works Department have gone to the length of asking us to make the entire road at our cost for their traffic also.

President.—The eight points that you give in your answer to question 31 should be made compulsory on all factories.

Mr. Khaitan.—If zoning comes into force, then item (1) will become necessary. Item (2) is part of zoning. Item (3) is obviously in existence. Item (4) will necessarily come into force. As regards item (5) we consider 5 miles as the normal distance, but in some cases it may be more. These are absolutely necessary and must be done. No legislation is necessary. Item (6) has already been done under United Provinces Cane Rules. Item (7) is obviously needed. Item (8) is a thing which has to be recognised, but we cannot train a man by law.

President.—Which of these items do you think should be put under the rules or under the Act?

Mr. Khaitan.—The chief thing is a practical method of working zones. It should be fair to both sides, to the manufacturers and to the growers.

President.—I am only talking of the regulation of cane supply.

Mr. Khaitan.—It should be done more by voluntary efforts. The United Provinces Cane Rules have already got a provision to that effect.

Sir Vijaya.—Factories are learning by experience. In the last three years there have been great improvements in these matters.

President.—Do the Association approve of those rules?

Mr. Khaitan.—It was with our consent that they were made.

Rule 8, sub-section (7) reads as follows:—

“An occupier or manager shall—

- (i) provide metalled approaches to and exits from all weighbridges at the factory premises to such distances as may be in each case reasonable and feasible up to a distance of one furlong, when required to do so by the District Magistrate,
- (ii) keep the same in a proper state of repairs, and
- (iii) provide reasonable space for the parking of carts waiting their turn for approach to the weighbridges, in cases where this is necessary owing to the restricted nature of the approaches to the factory premises.”

Dr. Jain.—Would you be in favour of stopping weighment at night?

Mr. Khaitan.—Then the factory cannot work.

Dr. Jain.—There are complaints about night weighments.

Mr. Khaitan.—These complaints have been made by people who do not know anything at all about the working of factories.

Mr. Thapar.—Perhaps the Cane Inspector does not want to make any visits at night.

Mr. Khaitan.—It would be as good as saying “close down the factories”.

Mr. Jain.—What hours would you fix?

Mr. Khaitan.—All the 24 hours.

President.—A suggestion has been made that there should be some penalty for the detention of carts beyond a certain time.

Mr. Khaitan.—There is a provision under the United Provinces Rules to that effect.

President.—Would you be in favour of it?

Mr. Gandhi.—It would be difficult to determine when a cart came and went.

Mr. Khaitan.—Shall I tell you a case which occurred the other day? A District Magistrate went to a certain factory and asked a cartman there “When did you bring the cane”? He said “24 hours ago”. It so happened that the factory manager also came there, and he asked the cartman when the cane was brought, telling him at the same time that he could not have been there for more than three hours. The cartman replied that he began to cut the cane 24 hours ago but actually reached the factory three or four hours ago. But for the fact that the manager was there, the District Magistrate would have gone under the impression that the cartman was waiting there for 24 hours.

President.—The point that struck the Board is this. There are certain factories who have taken the trouble to organise the cane supply and to see that carts are not detained for more than three or four hours, but there are a great many factories which detain carts very much longer.

Mr. Thapar.—8 to 10 hours are necessary.

President.—Some factories do it in much less time.

Mr. Thapar.—Small factories might be able to do it.

President.—Not necessarily small ones.

Mr. Thapar.—If you take one minute per cart for unloading and putting the cane on the carrier, still it would take 8 to 10 hours as 2,000 to 3,000 carts have to be dealt within a large factory.

President.—Not only small factories do so, but there are some big factories which do it.

Mr. Thapar.—The most efficient factories might do it.

President.—That is the point.

Mr. Thapar.—The minimum period of detention is 6 to 10 hours.

Mr. Gandhi.—I agree that it will take 6 to 10 hours.

Mr. Khaitan.—That cannot be said to be unreasonable.

President.—One of the allegations made was that some factories purposely made the cartmen wait for a very long time with the result that they got tired of waiting and gave away their cane practically for nothing.

Mr. Thapar.—Such factories would be foolish. What they gain in the matter of price, they lose in sucrose content.

Dr. Jain.—We asked some cultivators who were carrying cane to factories and while some of them had nothing but praise for the way in which the factories treated them, others complained bitterly of the long hour they had to wait.

Mr. Khaitan.—Was it about the same factories?

Dr. Jain.—No, different factories.

Mr. Thapar.—In the beginning there used to be long detention at the gate, but the position is improving every year.

Mr. Khaitan.—I do not know if you made further enquiries as to whether these carts came according to instructions or without instructions.

President.—Some of them came without passes and they had to take their chance. Some factories are still without proper arrangements. As you know there are only two Provinces in India which have rules.

Mr. Khaitan.—Yes.

President.—We have to look at the question from an all-India point of view.

Mr. Thapar.—These two provinces account for 85 per cent.

Dr. Jain.—Would you make detention beyond 10 hours penal?

Mr. Khaitan.—We were discussing this question at the United Provinces Conference. The best definition that could be obtained for that was the word 'unduly'.

Dr. Jain.—That is a very flexible word.

Mr. Khaitan.—It is more used against us than in our favour.

Dr. Jain.—That was why I was suggesting that the maximum normal period of detention should be 10 hours.

Mr. Khaitan.—I don't think that it is desirable to fix hours for this reason. Supposing there is a sudden breakdown of machinery and the factory cannot work for 12 hours, what is the factory to do? Is the factory man to be sent to jail or fined for no fault of his?

President.—Questions 27 and 28 deal with roads. There is one point I would like to mention here. You say that it is the function of local bodies to keep roads in order. You know that in practice you may have to wait for centuries before local bodies would do anything because they have not got the money. Supposing out of the excise duty some money was set apart for the construction of feeder roads would the factories be prepared to contribute?

Mr. Khaitan.—These questions arose at the Lucknow Conference and what we offered was, in connection with the making of roads, irrigation facilities, manuring, development of sugarcane and all these things, a cess

of three pies per maund of cane might be levied. The United Provinces Government wanted half an anna and we could not agree to that, specially unless and until the excise duty was removed.

President.—I mention this point because one factory has already put 28 miles of road for facilitating the transport of cane.

Mr. Khaitan.—Now-a-days the conditions are such that if you impose all sorts of things on factories they get no profits and for the next three or four years they will be passing through more difficult times.

President.—With regard to question 33, about the question of railway freights, there was a suggestion of substitution of maundage for a flat rate. That suggestion was made to us by one factory in order to assist the system of zoning but we have since been informed that from the railway point of view that is impracticable and so it is out of the question and it is no use going into the matter at all. Naturally we would like to have the freights reduced on everything but railways have different views in the matter. Have you got anything to say on the question?

Mr. Gandhi.—What we request the Board is that you make a recommendation that the rates, if possible, be reduced because that has an important bearing on the industry.

President.—I may mention that we had a discussion with the Railway Board on the subject: we put all the points raised by different factories and explained the various points and they took a note of that. I do not think the Tariff Board can do very much more than stating the difficulties. We have got fairly full information on that.

With regard to question 36 is it the opinion of the Association that special facilities should be given to assist factories in laying out a tramway system?

Mr. Khaitan.—This is a matter of detail and what we would request you to do is to make a general recommendation to give us facilities for laying out tramways.

Sir Vijaya.—Each case will have to be decided on its own merits.

Mr. Gandhi.—If we have a tramway system it will help the factories in getting fresher cane.

President.—I suppose what the Association wish to convey is that tramway cane is more or less equal to gate cane?

Mr. Khaitan.—No. As a result of tramways carts are necessarily eliminated and they do not accumulate at the factory gate. It is better from the cane growers point of view: transport is quicker than by carts and therefore we would be able to get fresher cane. If tramways could be taken to longer distances—supposing a 10 mile tramway is constructed—then we would be able to tap areas which may be 15 miles from the factory and still the cultivator will be able to deliver cane at the tramway siding.

Mr. Rahimtoola.—So that you get better cane by tramway transport system?

Mr. Khaitan.—It cannot be better than gate cane. At present we get gate cane coming from 5 miles from the factory gate. By tramway we will get cane from say 15 miles to the factory and it will still be inferior to the gate cane.

President.—I was thinking of railway cane and in that respect it is more like gate cane?

Mr. Gandhi.—It will be intermediate between gate cane and rail cane.

President.—I notice you have not made any attempts to give an estimate of the extent of deterioration of cane owing to delay in delivery. Some figures have been furnished by one group of factories. Have you got any other information about the extent of deterioration of cane?

Sir Vijaya.—The Baheri factory's answer is here and that gives you an analysis. We have no more information.

Mr. Rahimtoola.—But that does not give the percentage?

Sir Vijaya.—No, it does not, but I thought the analysis was rather interesting.

Mr. Cameron.—It depends very much on the condition, temperature, humidity and so on.

President.—In February the deterioration is very much less than in April.

Mr. Neilsen.—There is deterioration after the first 48 hours.

Mr. Gandhi.—In the case of the Rohtas factory we have lost by over 1 unit in the sucrose content and over 5 units in the purity figures on cane going by rail, when compared to that going in carts.

President.—In question 38 we were thinking of trying to reduce the opportunities for malpractices and I think the view of the Association is that more dealings direct with the growers would be better from that point of view?

Mr. Khaitan.—Yes.

Dr. Jain.—Are dealings through contractors on the decline?

Mr. Khaitan.—They are on the decline definitely, but there is a word of caution we would like to say. It is not possible for all factories to get all the cane they need direct from the growers, although it is desirable to have them direct as far as possible.

President.—If zones were established, presumably then it would be possible.

Mr. Khaitan.—It will not be possible to give a zone to each factory from which all its requirements of cane can be drawn. You might have noticed that at certain stations there are two factories at one station and at the neighbouring station there is another factory and it will be difficult for those factories to get a zone from which each can draw its supplies.

President.—In any case the contractor must remain to some extent?

Mr. Khaitan.—They are being reduced and in course of time they will be eliminated altogether, but it cannot be immediately done.

President.—Replies received from individual factories suggest that they are trying to reduce contractors.

Mr. Khaitan.—The best is being done.

President.—In regard to question 41 about cane growing and supplying associations the Board would like to know what the views of the Association are on that point?

Mr. Thapar.—There are more malpractices there than by contractors.

President.—It has been suggested that if you had zones, it might be necessary to have societies in the zones.

Mr. Thapar.—If the cultivators themselves form associations there will not be any trouble. But most of the Associations are run by pleaders and outsiders who are out of a job and are out to make money and fill their own pockets and resort to things which the ordinary contractor would not think of doing. Unfortunately the cane growers are not educated and they cannot form their own association and these outsiders come and exploit them.

President.—There is one society which seemed to be doing very well. The raiyats all belong to the society and it is a genuine growing society.

Mr. Thapar.—Where there are no outsiders and the cultivators can manage their own affairs there will not be much difficulty. The case you are referring to I do not know. There must be some educated people from amongst the cane growers and these must have organised themselves.

President.—This society gets a good deal of assistance from the Co-operative Inspector.

Mr. Khaitan.—What Mr. Thapar is referring to is the formation of co-operative societies in which the growers are passive members but outsiders like pleaders are practically running the show, and there many difficulties have been found.

Mr. Khaitan.—For example they keep something for themselves by coming in between the factory and the cane grower. Another difficulty that has been experienced is that they begin to act as middlemen. The Cane Growers Co-operative Society should have as its essential feature that it collects the cane of its members and supplies it to the factory. It should not engage in it as a trade. What these societies have often done is that they have bought cane from non-members and tried to supply them to the factory. The very *raison d'être* of the Co-operative Movement is lost sight of. Yet another matter in connexion with these societies deserves mention. The minimum price of cane is fixed by Government and although it is called a minimum price, Government have really fixed it as a fair price. The Co-operative Society has tried to negotiate with other factories which are outside its natural zone and put the screw on the factory within its zone to get a higher price than the minimum price from the latter. At first sight it would appear there is nothing wrong in that, but what does happen is that when every factory pays a certain price, one factory as an isolated case cannot afford to pay a higher price for its raw materials than other factories.

Mr. Thapar.—They do not run the show with the interests of the grower at heart. The interests of the grower and the factory are one and the same. There is absolutely no difference. If the mill gets proper supply of cane, the mill gains. These people who run the show do not run with that idea.

President.—Most of the Societies have been newly formed and it naturally takes some time for them to get on proper lines. We were told by Government Officers that there are some defects in the Societies which are due to want of experience. The Societies have only been recently started.

Mr. Thapar.—The Societies I have been talking of have been running for the last 5 or 6 years.

President.—I was thinking more of the recent Societies.

Mr. Thapar.—I am thinking of the Societies that have been started with Rs. 3,000 or Rs. 6,000. They have not been started as marketing agency.

Mr. Khaitan.—We are not talking of that scheme.

Mr. Thapar.—We are talking of the Cane Marketing Board and Co-operative Societies.

President.—What about the new scheme?

Mr. Thapar.—They have not started marketing yet.

Mr. Khaitan.—They are trying to grow cane. What we expected from them has not yet been obtained. Several factories have joined. There are two schemes, one is cane growing and the other is cane growing and marketing. Several of them have joined the movement. The results are not yet known. It is too early to say anything about that.

Sir Vijaya.—We are not really against any organisation run by the raiyats.

Mr. Thapar.—There are chances of the new scheme being more successful than the Co-operative Society or Cane Marketing Society. Under the new scheme we distribute seed and finance direct to the cultivators. We give them manure. We deal with them direct. If we want to deal with the Co-operative Society, we have to pass through 4 or 5 men. I have got one other scheme. We have not started marketing as yet. This year we are going to get 15 lakhs of maunds of cane through this new scheme. We are managing everything ourselves direct with the grower. From next

year we will be able to get supply. There is not much of interference there. We have direct relations with the growers.

President.—The Tariff Board have met one Society which consists of only one man and that man is not a grower.

Mr. Khaitan.—You know more than we do.

President.—I am not saying that this is typical. The Board are alive to the other side of the question.

In regard to question 45 the production of gur depends on the price of cane. The situation seems to be different between Northern and Southern India in that respect. In Northern India the price of gur has practically no influence.

Mr. Khaitan.—They prefer to sell their cane to the factory.

President.—If gur reached certain price or went up again—we all know that gur price was abnormally low last season, supposing gur price went up to what it was 5 years ago

Sir Vijaya.—We don't think that that contingency will ever arise in Northern India.

President.—This year there is going to be a contraction of area. Presuming factories take more or less the same quantity of cane available and the amount of gur will be less, that might have the effect of raising the price of gur next season.

Mr. Singh.—The price of cane is controlled by the price of gur and we have always to pay a higher price.

President.—That is true in your area. That is not the same in Eastern United Provinces.

Sir Vijaya.—Not at all.

Mr. Khaitan.—In North Bihar the manufacture of gur has disappeared altogether.

President.—Question 48 is rather mixed up with the question of zones. We will consider that along with the question of zoning later.

Dr. Jain.—Have you not yet come to any conclusion regarding the minimum price?

Mr. Khaitan.—No.

Dr. Jain.—What is the general view?

Mr. Khaitan.—I can only make a guess.

President.—I see the Association has not given any reply. It is rather an important question about the bonus to be given for early and late varieties of cane.

Mr. Khaitan.—This also arose at Lucknow Conference and it arises every year, but it is so impracticable at the present moment that every time it has to be abandoned.

President.—The Board can hardly agree with you that it is impracticable. We happen to know that some factories do give bonus and it has been done for some years.

Mr. Khaitan.—There must have been special circumstances attendant on the factory which does it. It is quite possible that a large area is grown with some particular variety which is better than others and they might bring that cane regularly for several days from that area. Generally or almost universally it so happens that a large number of cultivators hold small fields and they grow all the qualities. They bring the cane in mixed lots to the factory and it has either to accept or reject. The power of rejection is more theoretical than real and we have got to take all the cane that is brought, otherwise there would be a large amount of discontent. It would be very difficult to ascertain what amount of sucrose is in a particular cane.

President.—I don't think the Board is going as far as that. We are considering a few main varieties which are easily distinguishable.

Mr. Khaitan.—It is very difficult to say. Take the case of Co. 213. In one locality Co. 213 may have a larger sucrose content than in another locality. Now if a premium is fixed—I am mentioning Co. 213 although it is an ordinary quality—on Co. 213, although the area where Co. 213 gives better sucrose content would not suffer, in another place where Co. 213 does not give the same percentage of sucrose, that will suffer.

President.—The point arises more particularly in regard to the question of early varieties, because as I have been informed most of the early varieties do not yield so well as the mid and late varieties and therefore the yield per acre is not so good and therefore the raiyat needs some inducement to grow early varieties and that is really in the interests of factories in order to extend the season to begin early.

Mr. Khaitan.—It will again depend on what recovery we shall get.

President.—It must depend upon the approved early variety.

Mr. Gandhi.—Arising out of that is the question that the cultivator will have his land occupied in the case of early varieties for a shorter period.

Mr. Khaitan.—It will have to be seen whether it is easily distinguishable. Compensation to the raiyat must take into account the fact that he will have his field engaged for a shorter period.

Mr. Singh.—If we are to give one pice more, we must have a recovery of 5 per cent. more as between an early and an ordinary variety which seems to be rather impossible.

Mr. Khaitan.—We don't rule it out for all time, but the present time is not ripe for its consideration.

Sir Vijaya.—Where there are definite sources of supply and regular recurring engagements between factory and particular raiyats growing a particular variety which it wants, it would be easy. In the case you have referred those conditions were satisfied, though Mr. Khaitan was not aware of the particular factory.

Mr. Singh.—As a matter of fact we were paying one pice more for Co. 219 and 313, but when prices went down, it was not justified, because the difference in recovery becomes too high.

Dr. Jain.—With the higher price of sugar it may be possible.

Mr. Singh.—Yes. It must be justified by the higher recovery in the price of sugar. If we want that a certain variety of cane should not be grown in our area, as it is injurious, certainly in our own interest we try to introduce some new variety and ask the raiyat to grow more of this variety not with the idea that we would get more sucrose content, but that the old variety would disappear and the new variety would take its place. That is with a different purpose in view.

Mr. Khaitan.—What we are doing at present is to give the agriculturist better seeds, to irrigate the fields in exact accordance with the requirements of cultivation and then we also help them with advances for manuring. It must be admitted that we are getting appreciable success in these directions.

President.—Some factories do that.

Mr. Khaitan.—Yes. Everybody can't do it. I am talking of the factories that take a keen interest. These are things in which some people can only become pioneers. In fact I am a great sufferer when I help the agriculturists and get these things done and the neighbouring factory takes away my cane.

President.—We have heard of that being advanced as another argument in favour of zoning system.

Mr. Khaitan.—But that doesn't deter us.

President.—We have heard a lot about pirating of cane. The difficulty that strikes us is if you pay a flat rate for all cane, there is no inducement to the raiyat to grow better varieties or early or late varieties.

Mr. Khaitan.—The inducement comes in this way: those of us who understand the value of it give advances to the cultivators. Advances do not always operate as advances. It is not the full amount that is recovered back. Risk is taken and we suffer. We are working in that direction. We feel that some time should elapse before the next step is taken.

President.—Is not a flat rate anomalous in that way?

Mr. Khaitan.—Anomalous from various points of view, but that seems to be the best in the present circumstances.

Mr. Thapar.—What is commonly understood as the minimum is treated as the maximum. So this point of minimum and maximum cannot solve this problem. If it is fixed at what we call an economic price, this maximum-minimum problem is solved. When the price is already fixed at the maximum, then there is no scope for paying more.

Sir Vijaya.—As a matter of fact late varieties are paid more.

Mr. Thapar.—If sugar prices are high.

Mr. Singh.—There is one more point about late varieties. Late varieties do not mean varieties that ripen late. That is wrong from our point of view. The late variety according to us should be that which not only ripens late but the sucrose content does not invert even in the advanced season as far as I know.

Dr. Jain.—What is the position there in Pusa about it?

Mr. Singh.—They are growing one variety of cane, POJ. 2878. There are two ways of cultivation. One is that they cultivate their cane in October and cut it in February or March. They give a premium for that variety which is kept in the field for 15 months. The other is that they cultivate the same variety in February and cut it in the season. For that only ordinary price is paid because that contains lesser sucrose content.

President.—On that question, is it your experience that ratoon cane matures earlier than plant cane?

Mr. Singh.—Yes.

Mr. Rahimtoola.—What is the usual practice? When the cane is received at the gate, is the sucrose content determined?

Mr. Khaitan.—No.

Mr. Rahimtoola.—Simply the cane is weighed and taken into the factory.

Mr. Khaitan.—Yes.

Mr. Rahimtoola.—Is the sucrose content not determined before it goes for milling?

Mr. Khaitan.—It cannot be done. What happens is that the cane is delivered at the carrier and the cane goes in. The whole day samples are taken out and the sucrose content is examined at the laboratory. The sucrose content of each cart of waggon cannot be examined.

Mr. Rahimtoola.—That may be one of the difficulties in paying a bonus.

Mr. Khaitan.—Yes.

Sir Vijaya.—It has no bearing on the price.

Mr. Khaitan.—In some cases, even when they bear the same number there is a difference in the sucrose content.

Mr. Singh.—We test the juice every hour and sometimes we find the purity coming down by 5 per cent. But that is very seldom, say, twice a season.

Mr. Khaitan.—There is another difficulty. There are factories in which they get only 20 per cent. gate cane and 80 per cent. from out-stations. There is only a weighbridge. There is no technical staff.

Mr. Rahimtoola.—The only thing which will enable you to pay a bonus for early and late varieties is the increase in sucrose content.

President.—They can judge by varieties which are easily distinguishable.

Mr. Singh.—We can distinguish the variety but we cannot say whether there will be more sucrose content. If we know that the cane is heavily manured, we can say that it will contain more sucrose content.

President.—You have not touched on the question of economical period of crushing.

Mr. Khaitan.—The difficulty of touching on this is that the meaning would be of a relative nature. If for the whole of India the crushing period increases then the relative value becomes nil. As between Mysore and ourselves, their crushing period does give them a distinct advantage whereas we are at an appreciable disadvantage as compared to them.

President.—There is a conflict of interests between different parts of India.

Mr. Khaitan.—Yes.

Mr. Rahimtoola.—What would you consider to be the duration of working season for North Indian factories?

Mr. Khaitan.—We have got a statement ready for several years. The figure for 1936-37 should not be taken as normal.

Mr. Rahimtoola.—Should we take the average for the last three years?

Mr. Khaitan.—From this statement (handed in) you will find that in 1932-33 the average number of days worked in the United Provinces was 136 and 129 in Bihar. That was practically a good year. In 1933-34 United Provinces factories worked for 112 days and Bihar factories 105 days. In 1934-35 United Provinces factories worked for 107 days and Bihar factories 109 days. In 1935-36 United Provinces factories worked for 134 days and Bihar factories 124 days.

Mr. Rahimtoola.—These figures are for the actual number of working days. We want to know the duration of the season. These are two different things.

Mr. Khaitan.—What is the figure for 1935-36?

Mr. Rahimtoola.—Mr. Srivastava has divided U. P. into three parts, Western, Central and Eastern. If I take the whole of United Provinces, it comes to 113 days for 1936-37 and 128 days for 1935-36.

Mr. Khaitan.—Our figure is 126 days for 1935-36.

Mr. Rahimtoola.—In this statement it is 128 days.

Mr. Khaitan.—Not much difference.

President.—It is probably the exclusion of Burma's figures that is responsible for the difference.

Mr. Khaitan.—Anyway, a difference of two days should not affect appreciably.

Mr. Rahimtoola.—Would you consider 134 days as a fair figure to take for the Season?

Sir Vijaya.—130 days would represent the average season for North India.

Mr. Khaitan.—There is one qualification which I must make. The number of working days will necessarily depend upon the price of cane fixed and upon the price of sugar. Although we sometimes work at a loss, that cannot be a normal feature. At the end of the last season at the request of the two Governments and at the request of the Congress, we continued to work at a loss.

President.—I do not think that that point arises if we take the average for 1935-36 which you consider is the normal year to take?

Mr. Khaitan.—Let me explain myself further. The tendency at present is to fix a high price for sugarcane. So far as the price of sugar is concerned it will not be so easily regulated.

President.—In spite of the marketing organisation?

Mr. Khaitan.—Yes, in spite of the marketing organisation. If the price of sugar cannot be kept high and the price of sugarcane is kept at a high level, naturally the number of working days will be less.

Mr. Rahimtoola.—Our question is: what should be the number of days required for the economical working of a factory?

Mr. Khaitan.—It depends upon the price of sugar and sugarcane.

President.—If you work for a shorter number of days, won't it increase your cost of production?

Mr. Khaitan.—Necessarily it will.

President.—Then that does not fit in with your argument.

Mr. Khaitan.—It very much matters.

Mr. Thapar.—On account of intense internal competition if the price of sugar goes down to Rs. 5, no mill would work for more than 2 months and that too only fifty per cent.

President.—Would they lose more money if they worked for a longer season?

Mr. Thapar.—They will only work from 15th January to 15th March when the sucrose content is very high, and stop afterwards, thus making the best of the worst situation like Java.

Mr. Rahimtoola.—As regards the question of the price of cane, it has so far yet been fixed by Governments. Even if it is fixed the Board will have to make its own recommendations. Therefore we would like to know first what would you take as the normal number of actual working days?

Mr. Thapar.—The price of sugar is the main determining factor. Supposing it is fixed at Rs. 9, we can continue for a longer period.

Dr. Jain.—If the price of sugar is Rs. 7 how many days will you work?

Mr. Thapar.—120 days.

Mr. Khaitan.—You should not take more than 120 days.

Dr. Jain.—At Rs. 7-8-0 would you work for 130 days?

Mr. Thapar.—You may take it like that. But I will say that it is mainly controlled by sugar price.

Dr. Jain.—At Rs. 7-8-0 will you say that it is economical to work 130 days?

Mr. Thapar.—Year before last when the price of sugar was high we paid 8 annas per maund of cane and we worked till the 10th of May.

Mr. Rahimtoola.—Do they determine the number of working days in Java according to the price of sugar?

Mr. Khaitan.—No.

Dr. Nielsen.—At the present moment they do.

Mr. Rahimtoola.—The price has improved there due to curtailment.

Dr. Nielsen.—They have to do it at the present moment as they have quota.

Mr. Rahimtoola.—That is exceptional. Take normal conditions.

Dr. Nielsen.—In 1933 or 1934 in those years we crushed as long as we could, that is, as long as we had cane.

Mr. Rahimtoola.—That is what I thought the working days would depend on the availability of cane and the transport facilities.

Dr. Nielsen.—In the United Provinces we can only start about the last days of November.

Mr. Rahimtoola.—And go on till the end of April?

Mr. Thapar.—15th May.

Mr. Rahimtoola.—That would be about 5 months. The number of actual working days in that case would be 130.

Mr. Thapar.—In Java they grow their cane and have to crush it.

Mr. Rahimtoola.—In Bombay some of them grow their own cane and crush for 150 days.

Mr. Khaitan.—They get freight advantage over us.

Mr. Rahimtoola.—I would like to get some idea from the Association as to the actual number of working days?

Mr. Thapar.—We want to impress upon you that the entire question hinges on the price of sugar.

Mr. Rahimtoola.—The Board has to determine the amount of protection necessary for the industry. In order to ascertain that, they will have to arrive at the fair selling price. Evidently they cannot arrive at the fair selling price unless they know the number of actual working days giving an economical output.

Mr. Khaitan.—The number of days that you can calculate on would be 120.

Mr. Rahimtoola.—The average comes to 128. Actually 133 factories worked in 1935-36 and the number of days varied from 174 to 100 days.

Mr. Khaitan.—The conditions are worse now than in 1935-36.

Mr. Gandhi.—If you take the average of four years (1932, 1933, 1934 and 1935) it might give you a little better basis.

Sir Vijaya.—Assuming everything else is normal.

Mr. Khaitan.—In 1932-33, the number of working days for the United Provinces was 136 and it fell to 107 in 1934-35.

President.—1934-35 was a bad year.

Sir Vijaya.—For Bihar and not for United Provinces owing to the earthquake.

Mr. Rahimtoola.—In 1932-33 the average was 136 days.

Mr. Khaitan.—It dropped to 112 in 1933-34.

Mr. Lalchand.—I would put it in a different way. As I see it, looking to the capacity of the present factories, they should work for 120 days. If they work for more than 120 days there is a likelihood of overproduction unless some factories are closed. We may look at it from that point of view.

Mr. Rahimtoola.—In other words, the duration of the season, may be taken as 5 months?

Mr. Khaitan.—Not full 5 months. A little less than five months.

Mr. Rahimtoola.—How many days in a month do you work? Shall we say 26 days?

Mr. Khaitan.—We do not get 26 days; there are breakdowns.

President.—Mr. Srivastava informed us that in recent years there have been great improvements.

Mr. Khaitan.—120 days would be a reasonable figure to take.

President.—For an economic unit of 500 tons what would you take?

Mr. Cameron.—We should take the average of the past five years.

Mr. Rahimtoola.—The development of the sugar industry has progressed very much and we might concentrate on the last two or three years.

Mr. Cameron.—I do not think that is material.

Mr. Rahimtoola.—The acreage under cane has increased and there is sufficient cane available for crushing.

Mr. Khaitan.—This year there might be scarcity of cane.

Mr. Rahimtoola.—Not likely. In Gorakhpur you say in one of your replies, the acreage has increased so considerably that the decrease would not be very much.

Mr. Khaitan.—At the time we wrote our replies disease had not come in.

Mr. Rahimtoola.—I have seen Dr. Haldane's report in the newspapers.

Mr. Khaitan.—In certain tracts disease has affected 40 per cent. of the cane and surely we shall go shorter of cane.

Dr. Jain.—The figures you are talking of will only offset the increase of the abnormal year?

Mr. Khaitan.—But the cane is diseased this year to the extent of 40 per cent. in various localities.

Mr. Rahimtoola.—Would you consider 120 days as the normal working days?

Mr. Khaitan.—Yes.

President.—Let us pass on to question 52. Do I take it that it is the view of the Association to amalgamate the agricultural side with the technological side?

Mr. Khaitan.—Not to amalgamate but to work in co-operation.

President.—In what respect?

Mr. Khaitan.—I have to repeat what I have already said, namely that the Technological Institute should be able to tell the Agricultural Department as to what the requirements of the sugar factories are or should be and the Imperial Council of Agricultural Research should work upon the advice given.

President.—Is not that rather circuitous? Does not Mr. Venkataraman directly consult factories to some extent?

Mr. Khaitan.—We do not want to rule that out. If the Technological Institute is to be made better than what it is, that should also be one of the functions of the Institute.

President.—Would that be a real advantage to the industry? Mr. Venkataraman is carrying on all the researches you want on the agricultural side.

Sir Vijaya.—When the Sugar Committee decided to form this Institute a resolution was passed by the Sugar Committee that both Mr. Venkataraman and the new Institute at Cawnpore should be under the same departmental control which is the Imperial Council of Agricultural Research. That unfortunately on departmental ground of prestige was ruled out by the Government of India.

President.—I do not still quite see why it is an advantage to the industry to bring in the Technological Institute to cane growing?

Mr. Khaitan.—We are not very keen about it.

Sir Vijaya.—If the original form of recommendation was adopted by the Government of India Mr. Venkataraman would have been a part of the control under which technological research is carried on.

President.—We have already dealt with the relations between the Coimbatore station and the provinces and the delay that your association complains of in not allowing factories to take new varieties direct. I do not think you want to add anything more on the subject?

Mr. Khaitan.—No.

Dr. Jain.—Mr. Mukhtiar Singh, would you like to say anything about the assistance given by the Agricultural Department, apart from what we have already talked about? Are you satisfied with the assistance given?

Mr. Singh.—We expect much more than what they are doing. Take the case of Meerut, for instance. One point is to evolve a variety and the other thing is to find out cultural method of that variety. That method is being taken up by the Agricultural Department while the question of

evolving varieties is taken up by Coimbatore. Since two years ago they started the scheme of tubewells in United Provinces. Last year they got the tubewell area under sugarcane under the guidance of the Agricultural Department. The result was that in the Meerut area in the agricultural farm the sucrose content was very low and their purity was 67 whilst ours was 85 per cent. The same has happened in another area where there are two or three tubewells working. In another centre again the cane was inferior. The local government must consider that this must yield a higher percentage of sugar if it is to be sold to the mills but when we find in the race for producing more cane the sucrose content relatively goes down, we would not call it assistance; it is the other way. In places where water was supplied in higher quantity than the average cultivator uses, the sucrose content went down. The other thing is about pyrilla and white ants and other insect pests. They are playing havoc. There are so many entomologists; it would have been better to put one man on one thing. These are the lines on which we want the provincial Government to proceed and they must have not only the interest of the cultivator in this sense that he gets more cane but also that he gets more sugar.

Mr. Rahimtoola.—At present Diwan Bahadur Venkataraman is only experimenting on the question of yields.

Mr. Singh.—Everything; sucrose content, disease resistance and so on. What he will do is this. He will evolve let us say 2,000 varieties: he will send it to the stations. They will be tried there and whatever cane is found superior will be taken up. But it is heavily manured and heavily watered under the direction of the Agricultural Department with the result that the sucrose content goes down with the amount of heavy irrigation and heavy manure, and the factories reject the cane.

Mr. Rahimtoola.—I think the association has made a suggestion that factories should be research work will that meet this point?

Mr. Singh.—Yes.

President.—Would you agree if factories were definitely brought into the picture in this way that information should be pooled and that results would be published?

Mr. Khaitan.—We would not object.

President.—We will now pass on to the subject of labour.

Dr. Jain.—Has your Association any statistical information in regard to skilled and unskilled labour employed in sugar factories?

Sir Vijaya.—No exact census has been taken.

Dr. Jain.—You say Rs. 250 lakhs were spent on wages.

Mr. Khaitan.—That was taken from Mr. Srivastava's report.

Dr. Jain.—One of the serious complaints made is that while the skilled labour is retained in certain factories in the silent season, the majority are dispensed with.

Mr. Khaitan.—It cannot be said that in every factory they are asked to go out without any payment. In fact a large number of skilled workers have to be retained for overhauling, cleaning and so on and there we are agreed that a rule might be made that for the off season they should be paid a certain portion of their salary—it has not been definitely settled whether it should be half or one-third but we have agreed to something being paid.

Mr. Gandhi.—As has been pointed out, the engineering staff is entirely retained during the silent season and their case does not arise because they are kept on full salary.

Mr. Jain.—Specific complaint is made that a chemist is employed for one season and then dispensed with during the silent season?

Mr. Khaitan.—That again is a generalisation just as we might generalise that all chemists leave us during the middle of the season for extorting

higher salary. There are cases in which chemists and engineers have given out threats and got their salaries increased. I hope you will not generalise from a few cases. Generally speaking the relations between employers and employees are quite good.

Mr. Rahimtoola.—What is the general practice?

Mr. Khaitan.—The general practice is that they pay a portion of their salary.

Mr. Rahimtoola.—A sort of retaining fee?

Mr. Khaitan.—The higher staff are paid their full pay throughout the year. The Chief Chemist is paid his full pay and the engineering staff are paid their full pay.

Dr. Jain.—In all factories?

Mr. Khaitan.—Yes, there is no way of getting out of it. They have to be paid. They are kept on. Only if they want to go on leave they are encouraged to take leave during the off season.

Mr. Rahimtoola.—They are permanent staff?

Mr. Khaitan.—Yes. Those who are not at all required are allowed to go away. There is a great misunderstanding on this question. Suppose we have to pay half of their salary. It is only a matter of calculation whether the whole salary for the 12 months is paid in 5 or 6 months or a corresponding calculation is made so that they are paid at a rate for 6 months and half of that for the remaining months.

Mr. Rahimtoola.—The point in which the Board would like to have the information is whether they are paid anything for the silent season and whether they go back to the same mill.

Mr. Khaitan.—They do not always come back to the same mill. What they generally do is they go on finding employment on higher salaries. Even the factories cannot rely on their coming back. Several cases of that kind have happened.

Dr. Jain.—Don't you think that it would be best in the interests of the factories that a system is devised by which those who were engaged came back?

Mr. Khaitan.—The factories in their own interests would require to have their staff back, but there are occasions where a person who has been engaged cannot be taken back. It is generally those people who are inefficient or who are guilty of indiscipline or who have not been able to manage their affairs well, that complain.

Dr. Jain.—In the case of some factories we have received no complaint. As a matter of fact it is said that they retain their staff most of the time or all the time. They find it to their advantage and the employees are quite content, but in some other factories, there are definite complaints.

Mr. Khaitan.—There is an element of luck in that also. Some factories are lucky to get good men and they naturally want to retain them. If a factory has got inefficient men, they will have to get rid of those men and appoint efficient men.

Mr. Rahimtoola.—What is the salary of a Chemist and an Engineer? The complaint is that the technical men are not paid proper salaries.

Mr. Khaitan.—There are Chemists who receive Rs. 1,500 a month. That depends on efficiency. A man is not a judge of his own efficiency, but a man is as efficient as the amount of work he puts there. If a person is more efficient, he is in great demand.

Mr. Thaper.—I can tell you this from my experience. I took a lot of my staff from the coalfield to the sugar mill. I am talking of the technical staff. I had to pay 40 per cent. more. In the coalfield they were contented. When I took them to the sugar mill, they had better quarters. When they went there, they wanted more wages.

Mr. Khaitan.—I will give you another instance which I was surprised to hear at Lucknow. The Director of Industries, Bihar, made that complaint. He said that we take apprentices and we don't pay them. It is not generally the case, but there are cases where we take unpaid apprentices. He cited the case of Tatas. The Director of Industries, Bihar, do not know that there is such a demand made upon us to take apprentices that we oblige them by taking apprentices and they are very keen to come as unpaid apprentices and learn work. Our work is rather spoiled by taking apprentices, because our men have to teach them work, and then they complain that they are not paid. Is it fair? For every department 5 or 6 people more will come. They want to come in as unpaid apprentices. They have no justification later on to make any complaint.

Sir Vijaya.—The apprentice has to pay in England for being trained.

Dr. Jain.—Sometimes they are paid as low as Rs. 8 a month.

Mr. Khaitan.—That is a fact. That is better than what the agricultural labourer gets.

Dr. Jain.—What is the average?

Mr. Khaitan.—We have agreed in Lucknow that there might be a rule that nobody should be paid less than 5 annas a day.

Mr. Thapar.—Rs. 8 to Rs. 10.

Mr. Cameron.—There is one point I would like to make on the subject of wages and that is you have the case of an industry which has grown rapidly and it has had necessarily to attract skilled labour from outside. I think the fact that it has attracted labour is an indication that the general level of pay must be attractive to the workmen as compared with other industries.

Mr. Rahimtoola.—Is it not a fact that there are more trained people to-day than the industry can absorb.

Mr. Cameron.—There is no surplus of trained people.

Mr. Khaitan.—The position is that efficient people are not obtainable. There is certainly a surplus of half trained men. That is the real position.

Mr. Rahimtoola.—That means they are men with degrees but without experience.

Mr. Khaitan.—They can only say that we have learnt work for three years or 4 years, but that is really no test of efficiency. We really need efficient men.

Dr. Jain.—Do you think the recent organisation that has been set up at the Technological Institute with a view to bringing the unemployed chemists into touch with factories will be of help?

Mr. Khaitan.—Whenever we want men, we refer to the Sugar Technologist and he makes recommendations and we select out of them. It is not always successful. Just as in other industries in this industry also every factory has got to try out its men.

Dr. Jain.—As the President has said we have not come to any conclusion. We have been putting to you the complaints that have been made. We have been told that there are more accidents in Sugar Factories than in other factories.

Mr. Thapar.—In comparison with other industries.

Mr. Cameron.—It is a matter of statistics.

Mr. Khaitan.—I myself manage the Workmen's Compensation for my Insurance Department and the claims received from Sugar Mills is less than from other industries.

Mr. Gandhi.—He has made profit on insurance business.

Dr. Jain.—Another complaint is that housing arrangements are inadequate. 4 or 5 people live in a room.

Mr. Khaitan.—You have yourself toured round the mill.

Dr. Jain.—We did find in some factories there was provision; but in others there was no provision.

Mr. Khaitan.—If they get profits they will do it.

Dr. Jain.—You will say that the industry has yet to consolidate itself and that you will do your best.

Mr. Khaitan.—Yes.

Mr. Thapar.—Whatever quarters have been put up in Sugar Factories in comparison to any other industry, they are sanitary and better equipped.

Dr. Jain.—Sugar industry is the second biggest industry in the country. Other industries have to look up to you.

Mr. Thapar.—They have given better accommodation, better sanitation and better building than any other industry has provided so far.

Mr. Khaitan.—On account of its development it is unfortunate that we have been the target of many attacks.

President.—One point has been put to us and that is in the industry in England one of the conditions is that after a certain period, all imported labour should be replaced by British labour and it has been suggested to us whether the time has not come whether some time limit should not be imposed in India on similar lines. I do not know whether you are acquainted with the arrangement in England.

Mr. Khaitan.—I know about that. The position is this that we are Indians and we would like to employ Indians rather than non-Indians, but in as much as we must also increase the efficiency of our factories, so far as the topmen are concerned when we don't get efficient Indians, we are forced to employ non-Indians. We are doing our best to train Indians and make them as efficient as others and without any legislation whatsoever that is the direction in which we are working.

President.—I gather that you are not in favour of having a Statutory period during which replacement would be possible.

Mr. Khaitan.—Public opinion on that point has been so strong, even if a person be indifferent, he has to bow down to public opinion.

Mr. Gandhi.—Even so, if the Board should make recommendations in that direction, it will be of help.

President.—Personally I thought that the factories were doing that.

President.—I thought they didn't need to be stimulated in that direction.

Mr. Khaitan.—The factories have always, generally speaking, been employing Indians. If you have a clause say at the end of 5 years, there should be no non-Indian, the factory may not get an efficient Indian at the end of that period. It may be forced to get a non-Indian. I don't think the time is ripe for legislative enforcement.

President.—The matter has been put to us.

Mr. Khaitan.—I am really sorry that I have to state what I have stated.

Dr. Jain.—The proportion of Indians to non-Indians is very small.

Mr. Khaitan.—Quite.

Sir Vijaya.—It must be a decimal point.

Mr. Gandhi.—I think within the last 5 years the number of European employees has gone down.

Dr. Jain.—When Indians are not available, they will have to get qualified persons from outside.

Mr. Rahimtoola.—Mr. Khaitan, you have not dealt with question 57. If you see the last Tariff Board's Report, you will find that the Board made no provision for power and fuel for the remaining period of protection on the ground that the factories would be able to get all the bagasse necessary for fuel consumption. I want to know what the position is to-day?

Mr. Khaitan.—The position to-day is at the commencement of the season coal has to be used. There are very factories who have a carry over of

bagasse from the previous season. They have got to use coal at the beginning of the season for some days until they get sufficient bagasse. In Southern India and Western India they do need coal.

Sir Vijaya.—That cane doesn't contain enough fibre.

Mr. Rahimtoola.—What proportion of fibre is necessary?

Sir Vijaya.—15 per cent.

Mr. Rahimtoola.—But the Java cane is different.

Dr. Nielsen.—In Java they have factories which are not using a lb. of coal or wood and the fibre content of their cane is only 7 per cent. That means more steam efficiency.

Mr. Thapar.—Their unit is 1,500 tons.

Mr. Rahimtoola.—What is the smallest unit in Java?

Dr. Nielsen.—700 to 800 tons.

Sir Vijaya.—What is the average capacity?

Dr. Nielsen.—The average will be 1000 tons.

Mr. Rahimtoola.—If you look at the fibre content given by Mr. Srivastava you will find in most of the provinces cane having 15 per cent. fibre.

Mr. Thapar.—In smaller factories boilers consume proportionately more fuel than the cane can give.

Mr. Rahimtoola.—Is it a fact that there is more boiling in India than anywhere else?

Dr. Nielsen.—There is no more boiling in the factories I know than anywhere else.

Mr. Rahimtoola.—Generally speaking in India, we were told in 1930, there was more boiling and therefore there was more consumption of fuel than in other countries.

Mr. Kelso.—I can say that we use a considerable amount of coal. Though our cane has a fibre content of 15.2 per cent. a considerable amount of coal is also necessary.

Mr. Rahimtoola.—I want to know the fibre content necessary in cane to meet all the requirements of fuel.

Sir Vijaya.—15 per cent.

Mr. Rahimtoola.—Even if you take 15 per cent., fuel would still be necessary to start the factory at the beginning of the season and also a certain amount at the end of the season.

Sir Vijaya.—Towards the beginning and towards the end.

Mr. Rahimtoola.—Is there no factory in India that has got a surplus?

Dr. Nielsen.—We have 2 lakhs of maunds.

Mr. Rahimtoola.—What do you do with it?

Dr. Nielsen.—We cannot do anything with it.

Mr. Rahimtoola.—Are you aware of the research that is being done at the Forest Research Institute at Dehra Dun?

Dr. Nielsen.—That can never pay because we have not got sufficient bagasse to make paper and we can never pay the freight on bagasse that will have to be conveyed to the paper factory.

Mr. Rahimtoola.—Is it not possible to have start a subsidiary industry along with the sugar factory?

Dr. Nielsen.—That will never pay as there is not enough bagasse.

Mr. Rahimtoola.—Suppose there is sufficient bagasse?

Mr. Cameron.—It has been tried but I understand there is technical difficulty. No one has been able to make good paper out of bagasse. There are countries where they have an unlimited supply of bagasse in concentrated areas but even in those places there is no paper made out of bagasse.

Mr. Rahimtoola.—Do you know that experiments have been made?

Mr. Cameron.—Certainly experiments have been made, but no factory exists in the world to-day which is manufacturing paper out of bagasse. The question of manufacture of paper has undoubtedly been investigated, but nobody appears to be satisfied that it is an economic proposition.

Mr. Rahimtoola.—Do you think that there are good prospects of having a factory for making boards if there is sufficient bagasse available or do you still think that there would be technical difficulties?

Dr. Nielsen.—There are no technical difficulties but the question is to get the amount of bagasse.

Mr. Rahimtoola.—I am only assuming that you get sufficient amount of bagasse for economical working?

Dr. Nielsen.—The railway freight will be so heavy that it will not pay.

Mr. Thapar.—The Saharanpur factory tried in league with other factories bagasse and found that it was absolutely no use. They are manufacturing from rice straw.

Mr. Gandhi.—We are putting up a paper industry at the Rohtas factory for manufacturing card boards which are now being imported. I think that Mr. Bhargava, Officer in charge of the Paper Section at the Forest Research Institute has made researches and he has suggested that there is a possibility of bagasse being utilised in this manner.

Mr. Rahimtoola.—Have you got sufficient bagasse for the economical working of the paper factory?

Mr. Gandhi.—The factory has not started working, but we hope to start it this March.

Sir Vijaya.—They will have to supplement it with bamboos.

Dr. Jain.—For the manufacture of paper out of bagasse would you not have to use coal?

Mr. Gandhi.—Yes. From that point of view we are very fortunate.

President.—In regard to the question of bagasse it has been suggested to us on pretty good authority that the reason why the factories have to use so much bagasse is that they have wrong types of furnaces and wrong types of boilers.

Mr. Khaitan.—We have taken the best types of boilers and furnaces that were given to us by competent people. We cannot scrap off the existing ones.

President.—It struck us in the course of our tour that in some areas factories are running on their own bagasse and some others work with extra fuel. But they have all the same capacity.

Mr. Thapar.—That is right to some extent.

President.—There is room for improvement in the factory efficiency.

Mr. Thapar.—Yes.

President.—There has been great improvement in recent years. The quantity of fuel other than bagasse has decreased noticeably. It looks as though there is still room for improvement.

Mr. Thapar.—Everybody is trying to reduce his costs.

Dr. Jain.—About bye-products, the most important bye-product is the molasses and the price of molasses has gone down considerably: in fact, it hardly fetches any price. The question which has to be determined is what is the best use for molasses? Various suggestions have been made by several people but the Board is looking to the Association for their opinion on this important point.

Mr. Khaitan.—So far we are informed by technicians that the best use for molasses would be to convert them into absolute alcohol. There should be legislation that petrol should not be used without some admixture of alcohol. We are always pressing the Government and the Technological Institute to find out other uses for molasses. You might have seen that the Tata Institute is trying to do some research work but as to how their research can succeed nobody can say. They are not yet commercially success-

ful in that direction. But at the present moment the best use that is suggested is the manufacture of absolute alcohol.

Dr. Jain.—One suggestion is cattle feed. Experiments are being made at Cawnpore.

Mr. Khaitan.—We hear that experiments are being made. We have not yet heard of the success of those experiments.

Dr. Jain.—Another suggestion is manure and then road-surfacing.

Mr. Khaitan.—All that is in the experimental stage yet.

Mr. Gandhi.—There is also the possibility of reclamation of alkaline lands. After all, all these will only take a fraction of the large quantities of molasses that are produced.

Dr. Jain.—There is also the question of export by the Indian Molasses Company.

Mr. Khaitan.—Almost for nothing.

Dr. Jain.—They offer a price of 1 anna 5 pies.

Mr. Khaitan.—It depends on the railway freight. Whatever they want we are prepared to give.

Dr. Jain.—They say that they cannot take more than 100,000 tons.

Sir Vijaya.—They cannot go beyond a line to the west of Cawnpore and they cannot go to the south or west of India. Their range of operations is limited by railway freight. From Cawnpore up to Calcutta they take. They pay 1 anna 5 pies.

Dr. Jain.—There is the possibility of manufacturing molasses into acetones and acetic acid.

Mr. Gandhi.—Those are all only possibilities.

Dr. Jain.—Of all the various suggestions, is absolute alcohol by far the best?

Mr. Khaitan.—Yes.

Dr. Jain.—Have you any statistics on the subject?

Mr. Khaitan.—The consumption of petrol was 100 million gallons in 1936-37. It has been proved by experiments and by practical experience in European countries that a mixture of 75 per cent. petrol and 25 per cent. alcohol will command superiority in performance. In India 20 million gallons can be consumed at present if treated with petrol.—One ton of molasses will make 6 gallons of alcohol. 3 lakhs of tons would be consumed out of 5 lakhs that we produce.

Dr. Jain.—About the marketing of power alcohol there does not seem to be much difficulty. The question is whether it is economical to manufacture and what price molasses will fetch.

Sir Vijaya.—We can produce at 5 annas 4 pies per gallon.

Dr. Jain.—That is the manufacturing cost.

Sir Vijaya.—Including the price of 4 annas paid for molasses per maund.

Dr. Jain.—Would you recommend the manufacture of power alcohol for all factories in all areas?

Mr. Khaitan.—In all areas.

Dr. Jain.—Near the ports it may not be profitable to manufacture it.

Mr. Khaitan.—It is not a question of the manufacture being profitable or unprofitable. We have to import petrol. This is to come out of the raw material produced in India. It should not only be made possible but provided by law that no petrol should be used without being mixed with alcohol. Such a law obtains in other countries.

Dr. Jain.—If you have got a note ready on that, you may send it.

Mr. Khaitan.—Yes.

Dr. Jain.—There is the question of loss of revenue to Government that has to be considered.

Mr. Gandhi.—Power alcohol would pay the same duty as petrol.

Dr. Jain.—So that there would be no loss to Government.

Mr. Gandhi.—No.

President.—You know the development of the Indian sugar industry in Indian States. If they make power alcohol it might entail loss of revenue to Government.

Dr. Jain.—That is an important point.

President.—At present there is no loss to Government, because petrol is imported. The Government of India would lose revenue if power alcohol is manufactured in Indian States.

Mr. Khaitan.—They can only manufacture to the extent they have sugar mills.

Mr. Rahimtoola.—They can put up more sugar mills.

Mr. Cameron.—There is already a case of one State manufacturing power alcohol. In Mysore they do it.

President.—We have seen it. They are using it for their own lorries.

Mr. Rahimtoola.—The point which has been raised is the loss of revenue to Government.

Mr. Khaitan.—But they need not lose all the revenue. You will find that 10 annas per gallon would still be paid by power alcohol. I hope after due consideration you will give a very strong support to this question. We can't see any difficulty.

Mr. Rahimtoola.—There is no getting away from the fact about the question that there will be a loss of revenue if it is manufactured in Indian States.

Mr. Khaitan.—Even assuming that the industry developed in the States, the law can lay down that no petrol is sold in British India without admixture of alcohol manufactured in British India. So that apprehension need not stand in the way of our being able to utilise molasses which are now being thrown away.

President.—If I may return to the question of bagasse, I have now got the technical note before me and there are three items mentioned (1) too much moisture in the bagasse and its lower calorific value (2) inefficient type of boilers and furnaces and lack of proper scientific control of combustion, and (3) wasteful methods of using steam such as long and insufficiently insulated pipe lines and too many widely apart steam consuming units. These are mentioned as items of importance.

Mr. Khaitan.—As regards the last two, these are matters which cannot be easily corrected. Boilers have been put in and furnaces and leads of pipes have been put in on the best advice available and there they are and have got to be worked.

President.—Putting better ones will reduce the cost of manufacture?

Mr. Khaitan.—If they have the money, when the machinery became obsolete they would put in new ones. In some factories furnaces have been changed. It all depends upon what reserve a certain factory has to be able to spend money on these things.

Mr. Rahimtoola.—We have got to deal with a factory of reasonable efficiency.

Chaudhuri Mukhtar Singh.—As far as too much moisture perhaps it is fact, but it is due mostly to the fact that we have been manufacturing so far over the capacity. Since last year the moisture content has become reduced considerably.

Mr. Rahimtoola.—I do not know if the Association has enquired whether there is still more boiling done in India.

Mr. Khaitan.—If more boiling is required it must be due to the fact that there is more water in the cane.

Dr. Jain.—About molasses your figure for export is 134,925 mds. in 1936-37 while on page 35 of your replies you say 100,000 mds. are taken by the Indian Molasses Company.

Sir Vijaya.—These figures were furnished by the Imperial Council of Agricultural Research; then I had a talk with the officers of the Molasses Company and I had to correct it, so that figure is wrong.

Dr. Jain.—The Indian Molasses Company told us that last season the quality of molasses deteriorated.

Dr. Neilsen.—I think it is true. The diameter of the pipe is too small and you have to force steam to force the molasses right through.

Dr. Jain.—This is a thing which they said could be easily put right?

Dr. Neilsen.—That is easy to mend.

Dr. Jain.—Otherwise the quality of molasses in India is quite as good as in any other place?

Dr. Neilsen.—Ours are better because people who are buying it are getting more sugar than they get elsewhere.

President.—We pass next to storage and transportation. The Association has given no replies to questions on storage and transportation of sugar and that is a somewhat controversial subject of which we heard a good deal from the Indian Merchants' Association, about the keeping quality of sugar and so on. Have the Association any comments to make?

Mr. Khaitan.—The position is, firstly, the noise that is made by Indian merchants is much more than what the position deserves; secondly, the keeping quality of Indian sugar has very much improved during recent years and, thirdly, in a large number of cases the keeping quality of Indian sugar is quite as good as that of Java sugar.

Mr. Kelso.—That is our experience also.

President.—Do I understand that the Association have no remarks to make except what they have made in answers to questions 89 and 91?

Mr. Khaitan.—Yes.

President.—Have the Association taken up the question of improvement in the storage godowns?

Mr. Khaitan.—The Association have been educating the factories and several of them have improved their storage accommodation both from the point of view of large space and from the point of view of better keeping quality. You must have noticed that in course of your tour.

President.—Yes. Is there much damage in the transport of sugar from factories to markets?

Mr. Khaitan.—Yes there is. The railways admit that there is leakage in wagons, but they say they are helpless, but they get us to sign risk notes!

Mr. Gandhi.—We have proved that in some instances.

President.—There has been a general complaint about the difficulty of obtaining wagons by individual factories?

Mr. Thapar.—Yes. Whether for bringing in cane or for exporting sugar there is always shortage of wagons.

President.—Have the Association any complaint about the type of wagons?

Mr. Khaitan.—We sent a circular letter to all the factories in United Provinces and the following complaints have been received: leaking doors damaged roofs, unsatisfactory arrangement at transshipment stations, absence of proper ventilation and wood lining in the iron sheds; many wagons were found unfit for use, wagons were supplied in a deteriorated condition; sometimes coal wagons were supplied. These were communicated to the Railway Board, the East Indian Railway, Bengal and North-Western Railway, Oudh and Rohilkund Railway and a reply was received from the Railway

Board was that our communication has been forwarded to the various railways concerned to take such action as may be found necessary.

Sir Vijaya.—The Board added that action to remedy defect would be considerably facilitated if the members would bring to the notice of the administration concerned, each case in which they had cause for complaint. The East Bengal Railway replied informing the Committee that every effort would be made to supply suitable wagons for the carriage of sugar traffic during the next monsoon. The Bengal and North-Western Railway also replied on the 27th February 1937, informing the Committee that wagons used on their railway were of an approved standard type. They added that all reasonable care was taken in dealing with the goods within the custody of the railway. Still the damage in transit continued to occur over the East Indian and the Bengal and North-Western Railway and again the Association went on to address them to give urgent attention to this matter. If you like I would leave a copy of the Report which contains all specific points against the railways. I do not know whether you would like to see the original correspondence.

President.—It is hardly necessary. About freight rates one important question has been raised in which there is difference of opinion amongst the members of the Association and that is that the Southern India and Western India factories complain that the freight rates give the Northern India factories an unfair advantage. It can hardly be expected that there would be unanimity of opinion amongst the Members of the Association on a matter of that sort, but we would like to hear the view of any one interested on the subject.

Mr. Khaitan.—It is always a point of controversy between Mr. Lalchand and Mr. Kelso on the one side and ourselves on the other. By ourselves I mean the United Provinces and Bihar. Whenever they refer to the railway freight they are clever enough to refer to the railway freight only to the port stations, namely Bombay and Madras. They ignore that we have got to send our sugar to the internal markets. I wrote to the District Traffic Superintendent of Bengal and North-Western Railway to give me a list of the freight to some internal stations selected by him at random. He has given me a list of the freights from all the stations on Bengal and North-Western Railway to several station in Bombay and Madras Presidencies. You will find the total freights given in red ink. You will find that we work at a disadvantage of Rs. 1-8-0 to Rs. 3 per maund. They have got that advantage. The average freight to Madras and Bombay themselves is about Rs. 1-1-6. They do not send their sugar to Bombay and Madras. As the provinces of Bombay and Madras produce much less sugar than they consume, they don't have to send their sugar to the town of Bombay or to the town of Madras. They sell in the internal markets. So far as the internal markets are concerned, we have got to bear the freight which amounts from Rs. 1-8-0 to Rs. 3 as you will see from this list. I do not know how much more freight they want to impose.

Dr. Jain.—From which place is it Rs. 3?

Mr. Khaitan.—For example from Nawabganj to Bezwada it is Rs. 2-14-8 and from Biswan to Bezwada is Rs. 3-1-2. To Belgaum the average freight would work out to about Rs. 2-2-0 or Rs. 2-3-0. To Ghatak the freight is about Rs. 2.

President.—We gather from the representations that have been made to us from those areas that these special rates for ports were given under special circumstances to enable Indian sugar to compete with foreign sugar at ports.

Mr. Khaitan.—There were three reasons. I was mostly responsible for these adjustment of freights. Formerly the freights were adjusted from the ports to the interior stations, because there was hardly any sugar moving from United Provinces and Bihar to long distances. All the sugar that was produced in United Provinces and Bihar was consumed at internal stations and by force of that reason they could very nearly fetch a price

of Java sugar landed in Calcutta *plus* the railway freight to the interior stations. Therefore the question of moving sugar to long distances didn't arise. When the Sugar industry came into existence, we found that we shall have to move sugar to internal markets of Bombay and Madras Presidencies. Then we approached the Railway Authorities and it took us six months to analyse the whole position and the point of view which ought to be considered was steamer competition, then Java competition and thirdly the ability of the consumers on the one side and the factories on the other side to pay that railway freight. Another principle which the Railways followed was to make the freight from all the factory stations in United Provinces and Bihar to the different ports as nearly equal as possible because it didn't lie at the option of the persons to determine where a factory should be set up. It is not like a cotton mill. Cotton could be conveyed from one part of India to another and therefore a cotton mill can be put up anywhere, but a sugar mill has to be put up where sugarcane is readily available. Recognising these factors the railways agreed that as far as possible the freight from the different stations in United Provinces and Bihar to the different ports should be made equal. The first thing they had to take into consideration was the steamer competition and it was upon that basis that the freight was calculated and fixed at the present level. We wanted the differential rule to apply. You are perhaps aware by the differential rule is meant if sugar is conveyed from any Bengal and North-Western Railway station, say to Madras, then the freight to a station lying between Bengal and North-Western Railway and Madras should not be higher than the freight to Madras, because a shorter distance is covered, but they didn't quite agree to that for these reasons. In the first place they said that we could not carry sugar to internal stations by steamer and in the second place Java sugar when imported had to pay the freight from Madras to that internal station. I am using Madras by way of illustration. The same arguments would apply in the case of Bombay and Karachi. Java sugar had to pay that freight and they said that they would not apply the differential rule, but the freight to internal stations would be the freight to the port *plus* the freight to internal stations. I hope I am making myself clear.

President.—Yes.

Mr. Khaitan.—From that point of view the freight to Madras was regulated both by Java competition and the steamer competition. The railways wanted to attract the traffic to themselves and they could not afford to lose the traffic. Even if Java competition didn't exist, in order to get that traffic, they would have to reduce their freight to the same level as it exists at present. To some ports the railway freight is even now higher by 4 to 5 annas than the steamer freight to that place and the railways are losing that traffic.

Dr. Jain.—For instance?

Mr. Khaitan.—Cochin, Calicut and Mangalore.

President.—The contention of the other side was that the railway freight was not really higher.

Mr. Khaitan.—All those facts were very carefully taken into consideration by the railways. I had seen the list at the East Indian Railway Office, because recently I had occasion to discuss the matter with them again and Mr. Thapar was also with me. We found that so far as several ports are concerned railway freights are higher by 3 or 4 annas and the railways are losing that traffic. So far as Madras, Bombay and Karachi are concerned, the landing charges and other things added to the steamer freight was just slightly lower than the railway freight to that place. The consignees prefer to take the goods by railways, because they could get the goods quicker when they wanted them to be delivered and because Companies like the Scindia Steam Navigation Company didn't take full care of the goods. The name of the Scindia Navigation Company was by way of joke. People would prefer to take goods by rail even if railway freights were a bit higher. If

there was a big difference in railway freight, they prefer to take goods by steamer. That is the position. They are already getting advantage over United Provinces and Bihar to the extent of as I have already said Rs. 1-8-0 to Rs. 3. There were not many cases where the difference is Rs. 3, but there are quite a large number of cases where the difference is Rs. 2-4-0 to Rs. 2-8-0. They are getting that advantage. They are able to sell their sugar at an appreciably higher rate than what we can sell our sugar at so that from the industrial point of view they can have no complaint whatsoever. Besides with longer period and more recovery, Bombay people are better business magnates.

President.—I don't think that is a point which the Tariff Board can take into consideration.

Mr. Khaitan.—The Government of India take a judicial note of that. I submit that there is a very good ground for decreasing the railway freight rather than increasing it.

President.—A further point is raised by these factories that this railway freight is not really of much advantage to Northern India factories because they could always undersell them in their local markets. Production in Southern India is not equal to the demand. They must import sugar from Northern India. They could always undersell Northern India factories owing to the freight advantage.

Mr. Khaitan.—They have two kinds of protection. We have one kind of protection. The two protections are protection against Java sugar through the protective tariff; they have protection against us in addition in the shape of railway freight, whereas we have got the Java protection *minus* the railway freight that we pay. They have got Java protection *plus* the railway freight that we have got to pay.

Dr. Jain.—Would you call it natural advantage?

Mr. Khaitan.—Call it what you will. It operates as an advantage in comparison to us and they are not satisfied with it and still go to you and go to the Railway Board and sometimes in the name of Steamer Companies and sometimes in the name of Sugar manufacturers. Actually a representation was made to the Railway Board in the name of Steamer Companies that the Steamer Companies would lose their whole trade if the railways were allowed to continue to have their rate at the present basis and when the signatures were seen, it was found that one of the two signatories owned two sugar companies.

President.—Perhaps we might hear the other side of the picture.

Mr. Lalehand.—Mr. Khaitan said that there were three considerations for reducing the freight, firstly competition from Java, secondly competition from the Shipping Companies and thirdly to give an advantage over the Northern India factories to sell their sugar in Bombay and Madras territory. As regards Java competition he has probably himself answered that there is no more competition and that reason does not exist. As regards shipping competition, I don't think Mr. Khaitan is a champion of the railways to say that the railway freight should be reduced or the shipping freight should be increased, or anything of the kind. That is the concern of the railways and shipping companies. Our concern is this: as you said just now it is rather a natural advantage that so much railway freight should be paid by the Northern India sugar factories for sending their sugar to Bombay or Madras. Is it fair that a utility company of the country should deprive us of that natural advantage. There are certain natural advantages for the Northern India Sugar Factories against which we have no complaint to make. If they pay low wages as much as 2 annas per day to a labourer, we never ask them why they pay 2 annas to the labourer. If they got any other advantages such as lower prices for their sugarcane, we don't quarrel over that. If we have got a natural advantage we ought to get it. Sugar factories of Northern India ought to be broadminded to give us that advantage. But more important than that, as you just now said, is the

fact that by having lower freight rates for their sugar they do not get any advantage because we have to sell our sugar as long as we work our factories and at whatever price at which they offer their sugar we also have to sell our sugar. Therefore this reduced freight by railways adds only to depress prices without any appreciable advantage to those factories. Further Mr. Khaitan has said that we have a big advantage in railway freight which amounts to as much as Rs. 2-10-0 or Rs. 3 whereby he means to suggest that our factories are situated at places like Belgaum or some such distant station. But that is not correct. Messrs. Marsland and Company whose factory is situated at Kalamb have to sell 60 per cent. of their sugar in the Poona market. The freight from Bombay to Poona is 5 annas 6 pies and the freight from United Provinces and Bihar to Bombay is Rs. 1-1-0. The total is Rs. 1-6-6, while it costs 5 annas to transport our sugar from the factory to the Poona market.

Mr. Khaitan.—Mr. Lalchand is mistaken. I have here a list furnished by the Bengal and North-Western Railway containing freight rates from all their stations to the principal markets in India. There I find that the freight from Bengal and North-Western Railway stations to Poona is Rs. 1-9-6 and not Rs. 1-6-6.

Mr. Lalchand.—If the rate from a factory in United Provinces or Bihar to Bombay is Rs. 1-1 and from Bombay to Poona it is 5 annas 6 pies then does it come to Rs. 1-1-6 or Rs. 1-9-6 as it is now stated by Mr. Khaitan? They send their sugar to Bombay and re-direct from there to Poona.

Mr. Khaitan.—Bombay costs are very high and it cannot be done like that.

Mr. Rahimtoola.—Can it be done or not?

Mr. Khaitan.—It cannot be done. Bombay charges have to be paid then. These despatches are bought by people who buy sugar and sell in small lots. They cannot arrange like that.

Mr. Rahimtoola.—Supposing you send your sugar to a merchant in Bombay can he not send it to Poona?

Mr. Khaitan.—It would not pay to send sugar like that.

Mr. Lalchand.—Most of the sugar comes to Poona from Bombay. I would like to give you another example. The Belapur Company have to send their sugar to Akola. From Bombay to Akola the freight is 11 annas and that from Belapur to Akola is 7 annas. It is only an advantage of four annas over the railway freight. What Mr. Khaitan takes into consideration is the total freight from the factory in United Provinces or Bihar to Bombay and from Bombay to the local market. But he does not realise that the Deccan factory has also to incur transport cost to send its sugar to the market from the factory.

President.—That is obvious. Mr. Kelso, have you got anything to say?

Mr. Kelso.—Our view is that as long as the consumption of sugar in South India is approximately double the amount of sugar produced in South India that there is no reason at all why the railway should give special facilities in the way of cheap freights to factories in North India to send their sugar to compete with South India. It merely means that the South India producers have to accept a lower price and does not enable the man in North India to sell a single ton more sugar. The man in South India is going to come down in his price and sell the whole of his sugar so that we see no reason at all why railway freights to South India should be cheaper than the cost of moving sugar from North India by sea or any other way.

President.—Now that both sides have stated their case, let us get on to the next point.

Mr. Khaitan.—I will just add one sentence. When it pays the railway to carry sugar at the freight that they have fixed, the railways are not justified in increasing the freight at all.

Mr. Rahimtoola.—What is the block capital required for a economic unit of 500 tons.

Mr. Thapar.—Rs. 15 lakhs.

Sir Vijaya.—For 400 tons it will be 13½ lakhs.

Mr. Rahimtoola.—I do not know whether you can give us the details. Our information is different. You know the last Tariff Board took 13½ lakhs or a 400-ton factory. We have been told that the freight and the machinery prices have since increased.

Mr. Thapar.—That is so.

Mr. Rahimtoola.—Then your figure seems to be lower than what it ought to be.

Sir Vijaya.—I thought you wanted figures for a factory which had already been erected but if you want for a new factory which will be put up, you will have to give us time.

President.—I do not know how far the Association are prepared to give us information about the new Selling Syndicate. We know nothing at present. Could you give us an outline so that we might think it over and ask you any questions that might suggest to us on Monday.

Mr. Khaitan.—Briefly this is how the Syndicate works at present. It is a Company limited by guarantee. It is not a Company limited by shares. It is provided in the Memorandum of Association that in case of winding up every member should be liable to pay up to Re. 1 per maund of sugar which that member sells to the Syndicate. That is the liability of members. The operation of the Syndicate is carried on by means of paper purchase made by the Syndicate of all the stocks of sugar held by the member himself at a price which was originally fixed on the basis of first fortnight of March this year. You will remember that the Syndicate was formed on the last day of June or in the first week of July. It was further provided that if it was found owing to the fluctuations in the price of sugar between the first fortnight of March and the time when the Syndicate started operations there was a difference in price, the Directors were entitled to reduce the basic price—we called that basic price, i.e., the purchase price—by not more than 8 annas. As a result of that we found it necessary to reduce the basic price by 3 annas, that is, regarding the purchase of sugar from the members by the Syndicate. Then the Board of Directors fixed a period of about a fortnight—in some cases a little less and in some cases a little more—during which every member of the Syndicate is allotted a quota to sell on behalf of the Syndicate the sugar he holds. That is to say the quota must be applied to the 7½ per cent. of the stocks or 30 per cent. depending upon the possibilities of offtake in the market. Then the member tries to sell the amount of quota that is allotted to him during the period. The member is not entitled to sell at a lower rate than what has been fixed by the Board of Directors. The Board of Directors say that the members are to sell so much at the basic price or so much lower or so much higher than the basic price. If a member sells at a price lower than the selling price fixed by the Syndicate he has got to pay a penalty, and besides that he has got to pay the Syndicate the rate fixed by the Board of Directors. In case a member is able to sell the whole of his quota during the period and sells at a higher rate than the selling price fixed by the Board of Directors then he is entitled to keep to himself the difference between the selling rate fixed by the Directors and the rate at which he has actually sold his sugar. Now, although the stock of sugar is held by the member on account of the Syndicate he is himself responsible for any damage that might be done to the sugar: that is to say, if the sugar has deteriorated and an allowance of 2 annas or 4 annas is needed on account of the deterioration in quality, it is the member who has got to suffer: that is to say he is responsible to maintain the sugar in as good a condition as it was in when the Syndicate purchased it. This is the basis on which the Syndicate is working at present. The Syndicate was formed for the season 1936-37

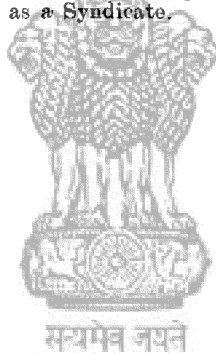
only because it was an experimental thing. A General Meeting of the Syndicate has been called for the 6th of this month to consider the desirability of continuing the Syndicate in future. I should point out, Sir, that when the general discussion takes place to find out whether the same method should continue or whether a different method should be adopted, it is likely that the same method might be continued or some might feel that there might be a change. Instead of the Syndicate purchasing the sugar, the Syndicate might take upon itself the duty of selling the sugar while the sugar may be held by each member on his own account. That is a matter which will have to be discussed or it may burst altogether as Mr. Thapar says. That is the position.

President.—Would you mind telling us how many Mills have joined the Syndicate?

Mr. Thapar.—92, the position is like this. In North India 19 big factories and 17 smaller factories have not joined. Madras totally stands out and from Bombay 3 have joined and 4 have not joined. That is the position.

President.—In Southern India there is a sort of Syndicate working on their own.

Mr. Thapar.—They are selling on something like a consumption basis. Our basis being different they found it difficult to join us. But I had a discussion with them and they are quite prepared to join us; but they cannot join individually but as a Syndicate.



(2) Evidence of representatives of Indian Sugar Mills' Association on Monday, 4th October, 1937.

President.—I think in regard to the Sugar Syndicate your Association will have a meeting in the next two or three days and you might give us a note on the subject, stating the points which you want us to be treated as confidential.

Mr. Khaitan.—I will let you know which portions may be kept confidential and which portions should be published; we do not want to be unnecessarily punctilious.

President.—We will only publish an outline of the scheme in the report.

Mr. Khaitan.—We will send you a note.

President.—I think we might now being with the question of zoning and perhaps the most satisfactory procedure will be for the Association to set forth what their objection is to the scheme put forward by the Bihar Government.

Mr. Khaitan.—As regards the note, the question of zoning begins with the second paragraph of that note. I do not want to trouble you with every detail but only the main outlines unless you think I have omitted anything and ask me about any other portion. In the first instance I might begin with paragraph 6 of the note. There is a misleading heading "Bilateral Agreements"

President.—The Tariff Board have heard a good deal about that.

Mr. Khaitan.—The heading is Bilateral Agreements but if you go through the paragraph itself you will find "After the preparation of the register as detailed in the preceding paragraph a registered grower or cane growers' Co-operative society can require the factory to enter into bilateral agreements for the purchase and supply of cane". Then it goes on to say "Thus a cane grower or a cane growers' co-operative society in the zone will be given a statutory right in regard to the disposal of his or its cane to the factory". Then it says "It should, however, be clearly understood that there will be no obligation on the part of the cane grower or the cane growers' co-operative society to enter into an agreement for the supply of cane, but as no other factory or licensed purchasing agent will be allowed to purchase cane from the zone, the refusal of the cane grower or the cane growers' co-operative society to enter into an agreement with the factory will mean that he or it may only grow cane for the manufacture of gur or khandisari sugar". We cannot accept this position that we shall be bound to take cane and that the grower will not be bound to supply us with cane. As a matter of practice it is quite true—it has been our experience—that although we enter into binding contracts, that is contracts binding on both sides, it has been found that the agriculturists do not always carry out their part of the contract.

President.—I may mention that the complaints from the opposite side are that factories have promised to take cane and then have not taken it.

Mr. Khaitan.—Let us assume both positions: if that be so, the proper position would be that both sides should be bound to take and give delivery. On the other hand, the Bihar Government note as adopted by the United Provinces Government distinctly says that "there will be no obligation on the part of the cane grower or the cane growers' co-operative society to enter into an agreement for the supply of cane to the factory". That we consider to be very wrong. In the previous paragraph you will find that "the grower or the cane growers' co-operative society shall be entitled to a certified copy of the entries in the register relating to him or it. If the factory refuse to register a cane grower or a cane growers' co-operative society the latter may make an application to the Collector and the Collector may, after making such enquiries as he thinks fit and hearing the parties, order the factory to register the name of the cane

grower or the cane growers' society in the register". It gives the right to the grower to have his cane entered in the register but there is no corresponding obligation on the grower that if he is within the zone and if the factory wants to enter into contract with him, the grower will be bound to enter into a contract with the factory. That again becomes one-sided. These are about the corresponding obligations on both sides. Then comes the question as to what should be the size of the zone. That is dealt with in paragraph 4 of this note. It says "In Bihar it is considered that the zone should be fixed so as to provide approximately 50 per cent. of the factory's estimated requirement of cane". Then it goes on to say "In the United Provinces, however, where there is an up to date survey, the percentage may be raised to 65 or possibly even to 75". As regards this our feeling is that it should be qualified by these conditions, namely "provided that the present facilities enjoyed by the factories of drawing cane to a larger extent, than has been mentioned in the Government note, from areas in their vicinity are not taken away". If I may explain it further, what we want is this: certain factories at the present moment are able to draw more than 80 per cent. of their requirement of cane from places in their vicinity and sometimes it goes up to 90 or even 95 per cent.

President.—One factory is actually drawing 100 per cent.

Mr. Khaitan.—Yes. What we want is this. If a certain factory has in the past enjoyed these facilities, the zoning system, because of the remarks made about Bihar and United Provinces, should not take away those facilities. Secondly that a right of pre-emption be observed in regard to areas outside the natural zone from which factories have been in the habit of drawing their cane supplies. Let us assume that a five mile radius will be allotted to each factory as its zone for the purpose of drawing cane from there. At the present moment, generally speaking, from the five mile radius a factory is not able to draw more than 80 per cent., or 40 per cent. or say 50 per cent.—I am deliberately mentioning these figures. In some places from a five mile radius it is not possible to draw even 20 per cent. of its requirements. Now, those factories have set up a kind of custom of drawing their remaining cane supplies or a substantial part of it from certain distinct areas. They have established a kind of relationship between cane growers and factories; they have advanced money; they have given seeds. I don't mean to say that every factory has done it but a large number of factories have done it. What we want is that in assigning these zones the right of pre-emption be observed in areas outside the natural zone from which factories have been in the habit of drawing their cane supplies. Then again in the case of areas outside the natural zone from which factories have been in the habit of drawing their supplies, but which may have to be allotted within the zone of another factory, some other suitable area bearing equal proximity to the factory should either be allotted or allowed to them for drawing their cane supply. What is meant is this. It is a corollary of the second point I have made, namely that a right of pre-emption should be observed. It is quite possible that a portion of that area in respect of which we ask for pre-emption may have to be allotted as the zone of another factory. In those cases what should be done is that so far as possible other areas in equally close proximity should be allotted or allowed—allotted means within the zone and allowed means outside the free area. This again is very necessary otherwise that factory would be at a great disadvantage. For example, if a certain factory is at present drawing its cane from a distance of 10 or 12 miles, if that zone is allotted to another factory and he is asked to go 50 or 60 miles to draw its cane and sufficient endeavour is not made to allot or allow to it a certain area which, is about 10 or 12 miles from it, that factory will be put at a great disadvantage. These are the three modifications we want in the system. The fourth that I am going to mention now is very important, namely that "the fixation of zones should be carried out by Area Committees on which all the factories

in that area must be represented" It would seem rather surprising that we should ask for all the factories to be represented on each Area Committee. Generally speaking a group of say 10 or 12 factories elects two or three representatives to represent them on a certain committee. For example, out of 150 factories we have only 10 persons here and I have not the slightest doubt that we command the full confidence of the 150 factories. But this zoning is a thing in which each factory may have adverse interests to the other factories because they have been in the habit, except in the factory gate itself, two or three factories drawing their cane supplies from certain outstation. You will thus see that the interests of the factories themselves are adverse and it is desirable that on each area committee all the factories situated in that area should be able to send a representative. It will ultimately be to the good of all interests concerned. For example it will not be necessary to make any appeals. Appeals are not desirable things. When a question of delineation of boundaries arises and assuming things which cannot express or prove the legal position but still has great importance in determining the commercial nature of things which cannot be demonstrated, but which at the same time is felt by the merchants, it is very necessary that all the factories should be represented on that. It will necessarily lead to this that a large number of committees will have to be set up rather than that there should be grievances that representatives elected look after themselves better than looking after those whom they are representing. We have very fully considered this matter and it will certainly not be difficult to arrange it because zoning will have to be done by persons who know the locality because a large number of Government officers too, say for example the District Magistrate of Saran, will not be able to allot zone in the Champaran district and if you go further down you will find that the District Magistrate of Gorakhpur, for instance, will find it physically impossible to allot zones to a large number of factories situated in that district. It will have to be done by officers subordinate to the District officers who know the locality in greater detail. Therefore it will not be impossible or impracticable or difficult to have all the factories represented. And this will be required when the zone areas are first initiated; afterwards whenever boundaries have to be altered--boundaries will necessarily have to be altered--difficulties will become less and less as time passes, but at the commencement it will be very necessary and I have made this statement because we attach great importance to this. I am now going to refer to a matter which governs everything that I have said before, namely that allotment of areas should be made with due regard to the quality and quantity. We have always found mention is made of quantity in that note but nowhere is quality mentioned. We do not blame Government; perhaps they are not aware of the great difference that it may make between different areas as regards the quality. It is very necessary that attention must be paid to both quality and quantity. As regards the figures of 50, 65 and 70 per cent. which are mentioned here it seems that the idea of the Government is a little different from our idea. Our idea is that zones should be allotted in such a manner that with proper development of cane cultivation a factory may be able to get the whole of its requirements from the zone. That should be the idea of the allotment of a zone.

President.—Eventually?

Mr. Khaitan.—Yes. The note issued by the Government suggests that that is not the idea passing through the mind of Government. It is very necessary when zones are allotted, I should have hopes in the future of drawing all my cane requirement from the zone itself and then there will be a greater impetus in me to develop the right quality of cane and sufficient quantity of cane within the zone. Then there will be sufficient impetus in me to see that better quality of cane is grown, that early ripening varieties and late ripening varieties are encouraged and I should be able to draw the whole of my requirements from that zone. If I can

show increase in the tonnage that will surely be one of my chief objectives because if the sugar industry is to stand on its own legs without protection at any time, be it 5 years or, 25 years it does not make any difference—it can only do so when as regards cane we achieve the same results as Java has achieved, otherwise it is impossible for the sugar industry to live without protection. If the price of sugar is lower then there will be better consumption so that we should be able to improve the standard of life of the people. In this connection of thought we are now dealing with, just by way of further evidence I might remind you that on account of cloth having become cheap eventually the consumption of cloth increased by 25 per cent. during the last 6 or 7 years, so also with the cheapening of the price of sugar the consumption is bound to increase. In order that sugar may be sufficiently cheap, it is necessary that sugarcane should become cheap and there should be more sucrose content in the sugarcane that is available. All these things will have to be borne in mind by us in developing the zones that will be allotted to us. I hope I have made myself understood so far as that is concerned. Then comes the question of safeguards for growers. The first thing is (a) the exclusion of all middlemen from the zone. So far as zoning is concerned we are absolutely at one with the Government that all middlemen should be excluded from the zones. So far as (b) part of it is concerned, we agree to the proposal of definite assurance to the effect that in the zones the cane of each grower will be taken by the factory and that the surplus cane in the zone will get a preference over cane grown in a free area, if the factory required an additional supply. The meaning of it is this. If a zone allotted to a particular factory which can supply 50 to 60 per cent. of its requirements and if the cane grown in the zone be more than 50 per cent. or 60 per cent. of its requirements, then we shall give preference to the cane that is grown in the zone rather than to the cane which is grown in the free area. This again is a corollary of what I have already said that zones should be allotted in such a manner that 100 per cent. cane can be obtained. All this again is subject to the mill-owners right to refuse to take cane on the ground of inferior quality. What happens is that often times they bring dry sticks instead of sugarcane and as the note is drawn up that right of ours will be taken away. If we have entered into a contract with the grower, we must take whatever he chooses to deliver. That will deteriorate the quality of cane and that will put us into a very inconvenient position. There should also be a overriding clause of what I may call a kind of force majeure on both sides. Supposing a cultivator enters into a contract to deliver to me 1,000 maunds of cane and then there is frost or due to reasons of weather or other things, he is not able to deliver to me 1,000 maunds due to no fault of his, then he should be free from the obligation. Under this note he is absolutely free, but I assume that that unreasonable attitude will not ultimately be adopted by the Government. On the one side the grower should be given that liberty and on the other side the millowners should also have that liberty in the case of breakdown or if the factory closes for other reasons, then the factory should not be made to take delivery of the cane. A force majeure clause occurs in every contract and there is no reason why it should not be done. I might at once be asked what the grower will do with the cane. We shall give two replies. Firstly what the factory owner will do with the cane if the factory is not working and secondly in such circumstances that it is the duty of the Government also to come in and help. If the factory cannot work and if I am fastened with all obligations and no third party taking the slightest obligations, then the ordinary law of contract should apply with a force majeure clause in it that both sides should be free from obligations, but if the Government as the upholder of the position of the agriculturist recognises its liability, there is a certain obligation on the part of the State also to come to the rescue of the cultivator on an occasion of that kind. The Government might be able to arrange that the cane may be crushed into gur

or arrange that that cane should go to other factories and not to the factory which has no use for that cane. I hope I have again made myself clear on that point.

As regards Co-operative Societies what we do insist on is both in our interest as also in the interests of the grower that there should be no members of Co-operative Societies who are not growers themselves. It has been found from experience and we have told you yesterday when there are outsiders, they are certainly not better than as, and certainly not better than the other middlemen whom we employ. We therefore insist that when Co-operative Societies develop there should be no member of any Society who is not a grower. Then there is another point which you will find at the bottom of paragraph 4 of the note and that is the cost of such survey should be recovered from the factory at a prescribed rate per acre. It seems that the sugar mills in India are Indian cows, but that they are perhaps British cows that can give 25 maunds of milk per day. After all we are Indian cows and we cannot give more than one or two seers of milk per day at the present moment. Whatever comes up it is expected that the mill should do it; the mill should bear that burden; the mill should bear the third burden; the mills are thieves and they are dishonest people. All kinds of burden should be imposed on the mills. They must be called all sorts of names. There is no trust, no facilities to be given to mills, but at all times a burden should be imposed upon them. Even the cost of survey is to be thrown on the mills. We consider this to be very unreasonable.

President.—Do not a good many mills or a certain number of mills actually do that already?

Mr. Khaitan.—It is reciprocal. I must confess that there are malpractices on the side of mills.

President.—You have not understood me. What I mean is that there are some factories who do make surveys of the areas.

Mr. Khaitan.—This survey will be of a different kind. What we do at the present moment is not really a survey. Our men go—almost every factory does it—to the interior to find out the name of the cultivator and ask him “on how many bighas of land you have grown sugarcane and what quantity of cane do you expect”. Those records we have got, but we are under no legal responsibility as regards the correctness of that entry. It will be a regular survey. The survey will be actually of the bighas and how many bighas are under sugarcane. It will be a regular record. I do not know whether on the Madras side you have seen settlement operations.

Sir Vijaya.—What is contemplated by the Government here is a regular survey of the land. What factories now do is only the appraisalment of the standing crops. What they want in areas unsurveyed as in Bihar is a complete survey of the zone.

President.—On that matter it may not be very difficult in the United Provinces where they have a regular survey, but the difficulty is much greater in Bihar.

Mr. Khaitan.—Why should we bear that cost? It is the Government's duty.

Mr. Thapar.—We have not to pay the cost of survey. We have our permanent staff who will look after the cane supplies and we will know how much cane will be available from such and such a village.

President.—Do you consider that a sort of rough survey which is done at present by a good many factories will meet the case?

Mr. Khaitan.—They won't accept our survey results.

Sir Vijaya.—So far the man who has not come into the picture is the proprietor. In all regular surveys it is the proprietor who has got to bear the cost.

Mr. Rahimtoola.—What will be the cost?

Sir Vijaya.—It differs. Even in Madras from District to District the cost of survey differs. They know it in the Survey Department.

President.—Sugarcane is not usually grown on the same plot. It moves from one plot to another. You need not survey it and fix the stones. It seems to me very difficult to have a regular survey of the sugarcane area of particular fields. Is that the idea?

Sir Vijaya.—Where a large amount of sugarcane is grown in a particular area it will be sufficient to deal with the whole area.

President.—You do not know the area. Do you want a permanent mark from year to year.

Mr. Khaitan.—It is not particular fields that will be allotted, but it will be large areas—villages, will be allotted.

President.—It strikes me that there must be a certain amount of confusion as to what kind of survey is really wanted.

Sir Vijaya.—If you read the paragraph, there is a confusion in the Government's mind. I can understand that they are not accustomed to a revenue survey in Bihar. They do not know what it is.

President.—Permanent survey is different from the temporary survey which is done from year to year. Sugarcane jumps out from one field to another.

Sir Vijaya.—Ordinarily an area cultivated with sugarcane would be cultivated with sugarcane particularly where there is no rotation.

President.—Are you thinking of a survey of individual fields?

Sir Vijaya.—I was not thinking so much of that. There should be at least a boundary survey, a village boundary at least. Supposing there is sugarcane in a dozen villages which we know by name, but one doesn't know in Bihar where the village really begins and where it ends.

President.—In the United Provinces it is definitely known.

Sir Vijaya.—In the United Provinces a survey will not be costly.

President.—It will have to be a village survey.

Sir Vijaya.—Not a field boundary, but a village boundary.

President.—Mr. Khaitan is thinking of surveying fields.

Mr. Khaitan.—That is what I understood from the note.

President.—You can get some idea as to what the Government mean by survey.

Sir Vijaya.—I have a fairly clear idea of what it means.

President.—Even in Bihar the cost would not be much whether it is a survey of villages or fields.

Mr. Khaitan.—They want a detailed survey.

Sir Vijaya.—It seems to me that this matter will have to be gone into by the Sub-Committee.

Mr. Thapar.—They want survey from field to field. It is quite evident from this note.

President.—In regard to field survey the time factor comes in. Surveying takes months. How can that be done in time?

Mr. Khaitan.—To my mind they ought to look at it from a wider point of view. They have gone about it in a very detailed manner, but our idea of zoning would be to allot to a factory certain specified areas and the factory should be expected to draw its full cane requirements from that zone in course of time. That was our idea of zoning, but the detailed manner in which the two Governments have gone, we are a bit apprehensive of its results.

Mr. Thapar.—Without a complete survey how can zones be fixed?

Mr. Khaitan.—In a big area we have some idea as to how much cane is at present grown in certain villages.

Mr. Thapar.—Will Government depend upon the factory figures or on their own figures?

President.—If you have a detailed survey it means survey from year to year. Very often sugarcane will be grown in different fields.

Sir Vijaya.—If you survey the outer boundaries of fields, you know how much there is.

President.—You do not know how much will be under sugarcane?

Sir Vijaya.—If we know Survey No. 1, the sugarcane area within that will have to be estimated as our patwaris do by an estimation of the eye.

Mr. Gandhi.—With regard to the costs of the survey I heard from the Secretary to the Government of Bihar that in the case of average factory it will come to Rs. 10,000.

President.—Rs. 10,000 every year.

Mr. Gandhi.—Yes.

President.—Some of the holdings might be quite big and it is difficult to estimate the area under sugarcane.

Sir Vijaya.—What would be necessary would be a survey of boundaries of fields and inside the field there ought not to be any attempt at survey at all. It ought to be an appraisalment.

President.—Even then it will only be an approximation.

Sir Vijaya.—Yes, but you would be able to identify the fields.

Mr. Thapar.—As we say we are going to concentrate on the yield per unit. If to-day 20,000 acres are needed for the full quantity of cane required by the factories after the introduction of the improved varieties and better cultivation 10,000 acres may be enough to supply cane to the factory. Will it then be binding on the factory to take that. Every second year or third year the zones will have to be revised.

Sir Vijaya.—If fields are surveyed, it would not be necessary to alter the survey. We would know for instance in each case within Survey No. 1 there are so many acres for a particular year.

Mr. Khaitan.—It will change.

President.—Actual plots may change.

Mr. Khaitan.—Yes. It may be taken that they intend to take it from the very beginning. Experience has to be acquired in order to make it fully successful and in a scheme of this character I have not the slightest doubt that the factories will co-operate with the Government in making it successful. If successful it will be to our advantage. We will get all our requirements of cane. The next point is: The factory should have the right to close down at any time during the season without being under an obligation to take cane thereafter. I have already mentioned the question of breakdown of machinery, but what we feel is this. On the one side we have to pay a price for cane which is fixed by Government and on the other side the price of sugar cannot be under our control. Within these two limits or between these two stones we do not want to be ground down. When Government fix the price of cane and when the market fixes the price of sugar, we should have liberty to work our factory only as long as we like.

President.—A suggestion has been made to us and I do not know what the Association will think about it. Just as the price of cane is fixed by Government so also the price of sugar should be fixed by Government, as it is done in some countries.

Mr. Khaitan.—I do not know whether the price of sugar or any other commodity can be successfully fixed by any Government.

President.—I believe the price of sugar is actually fixed by Government in one or two countries.

Mr. Khaitan.—I do not know what those countries are.

President.—In Australia it is done.

Mr. Khaitan.—There the conditions are quite different. In India we have got the spectacle of two provinces producing about 85 per cent. or more of the total quantity of sugar turned out in the country. They have got to send their sugar to distant markets while there is every possibility of sugar factories developing in those distant markets. Apart from the provinces there is the question of Indian States who are very keen on developing the Sugar Industry. Even at the present moment I know that Gwalior, Bhopal, Hyderabad, Binkaneer and Udaipur are trying to develop. Of course it won't be quite easy. The Governments of United Provinces and Bihar are not desirous that the factories in those provinces should close down. They want what that their factories should crush sugarcane and produce sugar and sent it to other parts of India. I am very doubtful whether it will be possible. We have established factories in order to work them as long as we can and not as short as we can, so that this permission should be given to factories. The agriculturists are not bound to grow sugarcane. Similarly we should not be bound to produce sugar if we do not want to.

President.—In that case, don't you think it is reasonable that some kind of notice should be given?

Mr. Khaitan.—In the case of a breakdown of machinery?

President.—I am not talking of any breakdown of machinery.

Mr. Khaitan.—If we close the factory for the season we can give notice.

President.—Some reasonable notice should be given.

Mr. Khaitan.—If you say 4 months I should not call it reasonable. We have to deal with people who honestly consider that 4 months notice should be given.

Sir Vijaya.—Theoretically a year's notice ought to be given.

President.—There is another point of view. Supposing the cane cannot be crushed, the probable alternative is to convert it into gur. The cultivators will have to get kolus. When we talk about reasonable notice, we must remember that they want reasonable notice in order to make other arrangements.

Mr. Khaitan.—How many months' notice do you want?

President.—It is not for us to suggest.

Mr. Khaitan.—In the case of breakdown, it is not possible to give any notice.

President.—I am not thinking of the case of breakdown. I am ruling that out.

Mr. Khaitan.—As regards the closing down of the factory, even a week or 10 days notice in actual operation would be found to be rather a long notice.

President.—Not from the point of view of a grower who has to make some other arrangements for the conversion of his cane into gur.

Mr. Khaitan.—I quite realise that. If the factory closes after giving a notice of a week or ten days, the cane can remain standing in the fields and arrangements can come into operation after 20 days or so. In actual operation we have found that it is not possible to give more than a week or ten days notice.

Mr. Thapar.—In the case of the grower, the loss will not be much because his crop will only be standing in his field for a few days more whereas in our case it will mean thousands of rupees a day.

President.—We have definite information that in some areas cane growers have to go out of their way in converting their cane to gur. If

a sudden change is to take place in the matter of their disposal of cane, they will want some time to make the necessary arrangements for getting the proper equipment to convert their cane into gur.

Mr. Thapar.—As I say, the grower does not lose anything because his cane will be standing in the field.

President.—The cane may deteriorate.

Mr. Thapar.—It cannot deteriorate so rapidly.

President.—That is not possible for us to say. It is for the Association to say what their views are.

Mr. Khaitan.—That is what we consider reasonable taking the difficulties of both sides. Then the factory should not be under an obligation to take cane from the grower who does not get his name entered in the register or who refuses to enter into agreements for the supply of cane. There will be no objection to this, I think, but that is not mentioned here. Further if growers refuse to deliver cane at the price fixed by Government the factory should be entitled to take cane from other places and the quantity purchasable from the growers in the zone should be reduced to the extent required by the period of strike. It has already happened in some places that growers have gone on strike and have not supplied cane to the factory although the factory was prepared to pay the price fixed by Government.

Mr. Thapar.—Rather more in some cases.

President.—We have heard of that.

Mr. Khaitan.—We can only run our factory up to a certain period and not beyond that. If they go on strike the factories should be entitled to take cane from other places.

President.—Under the scheme, you can get cane from the free zone up to any amount.

Mr. Khaitan.—The cane to be taken from the grower in the zone should be reduced to that extent.

President.—Does not that automatically follow?

Mr. Khaitan.—You consider that to be reasonable but it does not follow from what has been said in the Government note.

Sir Vijaya.—There will be a proportionate reduction in the amount of cane to be taken from the zone.

Mr. Khaitan.—As regards compulsory bonding we would suggest that compulsory bonding in the free area should be postponed until sufficient experience of the working of the zoning scheme is gained. What they want is that we should bond cane in what they call the free area or outside area. What we would suggest is that for achieving success about zones this compulsory bonding in free areas should not be insisted upon. I hope it follows as a matter of course and therefore we need not waste your time.

President.—We understand the point.

Mr. Khaitan.—I did not mention anything about licensing because it did not come strictly within zoning. But if you like our objections on that

President.—You have touched on the question of contractors in the questionnaire and so we would like to hear your views. We have received a good many complaints about agents and so on.

Mr. Khaitan.—What we have to say is this. About the weighment clerks and the cane staff of factories and the weighment clerks of purchasing agents, it is provided here that they should be licensed. The present practice is that we send to the District Magistrate the names of our weighment clerks and of the cane staff. Supposing somebody falls ill, there is no time to get a licence for him. So, it would be impracticable to insist on licensing of weighment clerks and cane staff. So, we object

to that. Then comes the question mentioned in sub-paragraph of paragraph 9. "The existing Act requires that cane shall be purchased direct from the grower or through a carter or a co-villager. This practice should be recognised." For obvious reasons it should be recognised and we agree to the proposal of recognising the practice of a carter or a co-villager supplying cane on behalf of a grower. Then, the note goes on to say that the grower can appoint licensed agents. In the interests of the growers themselves we would suggest that this should not be permitted. When growers come in direct touch with factories, they get the full price but if they are allowed to appoint licensed agents, a kind of very strong middlemen will arise. The very middlemen to whom both Government and ourselves are objecting will become the licensed agents of the growers. We have very strong objection to growers being allowed to appoint licensed agents. We who can exercise control over our licensed agents are not always able to exercise control over them and the growers who are poor people will be far less able to exercise control over their licensed agents.

I need not trouble you about the minimum price, unless you want to know our views on that.

President.—We would like to know what is the fair minimum price?

Mr. Khaitan.—Would our views be of any use to you? As you know, the minimum price is going to be fixed within a day or two. Our views will be of absolutely no value.

President.—That minimum price will only affect the two provinces. But we have to look at it from an all-India point of view. Perhaps the actual figure need not be discussed. Have you anything to say on what basis should the minimum price be fixed? Should it be fixed on the basis of cost of production?

Mr. Khaitan.—Our submission to both the Governments has been that it is not possible for us to find out the cost of production of cane. Even the figures given by the two Directors of Agriculture have varied from 2 annas on the low side to 6 annas on the high side.

Mr. Gandhi.—As a matter of fact, the highest figure is Rs. 1-2-0.

President.—You are no doubt aware that the previous Tariff Board went into the cost of cultivation and fixed the price of cane at 8 annas for the first half and 6 annas for the second half of the period of protection. The present Tariff Board has also to look into the matter. As you are aware we are giving a lot of attention to the matter and you are also aware that the Imperial Council of Agricultural Research have conducted a survey in the last two years and their figures will be available very soon. Do I understand from what you say that the minimum price should be based on the cost of production?

Mr. Khaitan.—No, for this reason. Even the Imperial Council of Agricultural Research after three years have not been able to find out the cost of production of sugarcane. I shall tell you the argument that we advanced before the Lucknow Conference. We are of opinion that a price of less than 4 annas a maund will be deleterious both to the interests of the grower and ourselves—ourselves because it will be deleterious to the interests of the grower and the grower because he will not be able to make sufficient profit out of the cultivation of sugarcane. We were all united in submitting to the Lucknow Conference that in United Provinces and Bihar a price of less than 4 annas should not be fixed in the present circumstances.

President.—Is that to be a uniform price for both the provinces?

Mr. Khaitan.—They are going to have a uniform price for both provinces.

President.—You are no doubt aware that the costs of cultivation not only vary from province to province but they also vary even in different parts of the same province.

Mr. Khaitan.—For that matter, even in parts of the same district they vary. In our written evidence we submitted to you that the minimum price

of cane should be based on the cost of cultivation and we have to withdraw it because it is not possible to work out the price on the basis of cost of cultivation.

Mr. Rahimtoola.—May I interrupt you? What is the price to be based on if it is not based on the cost of production?

Mr. Khaitan.—Because we feed from our experience that when the price of cane goes below 4 annas, there is a smaller tendency on the part of the agriculturist to grow sugarcane for the purpose of supplying it to the factories. They have not got sufficient enthusiasm in them to grow cane. It does not mean of course that they do not grow at all, but we do not find sufficient enthusiasm in the agriculturists to grow cane.

President.—On the other hand 4 annas may cause too much enthusiasm in one area and not enough in another.

Mr. Khaitan.—About "too much enthusiasm" we have given another figure and that is a price of 5 annas. Our experience has been that when the price of 5 annas has ruled there has been too much enthusiasm amongst the agriculturists to grow sugarcane.

President.—You have not quite followed my point. My point is that if a price of 4 annas is fixed there might not be sufficient incentive in one area while there might be too much incentive in another area.

Mr. Khaitan.—That is quite correct. If there is to be a uniform price, even in one province that difficulty will arise.

President.—It has been suggested to us that in the last season it was not so much a question of overproduction of sugarcane but it was a question of maldistribution of the production. In the Central United Provinces factories had to close down for want of cane, while in other parts of United Provinces they had to be induced to go on crushing longer than usual.

Mr. Khaitan.—I do not know how far it is a question of maldistribution in the last season.

President.—That is the evidence we have received. We have definite information that some factories in parts of the United Provinces closed down for want of cane earlier than usual.

Mr. Rahimtoola.—I think you yourself refer to it in answer to question 19?

Mr. Khaitan.—I have got no solution for that.

Mr. Singh.—If the market price of sugar is the same the price of cane would also be the same.

President.—Even now the price of cane is not the same all over India; in Bombay and Madras at present it is higher.

Mr. Singh.—Western United Provinces has always to pay more for cane.

Mr. Gandhi.—Even at the last Lucknow Conference after the conference was over the Premier suggested that it was possible they might fix a little higher price for Western United Provinces when there was a little higher price for sugar.

Mr. Khaitan.—We are giving evidence as an Association. We as an Association cannot submit that because western United Provinces is getting a higher price for its sugar, it should be made to pay a higher price for its cane. All that we say is this, that in arriving at a minimum figure of 4 annas below which it will not be desirable to fix the price of cane, we have taken a figure which should have uniform application in the whole of the two provinces for the purpose of serving as a sufficient inducement to the cultivators to grow cane.

President.—Is that at the field?

Mr. Khaitan.—Delivered at the factory gate. That was the lower figure that we mentioned—4 annas. On the higher side we gave our experience that we found that at 5 annas there was overproduction of cane. We therefore suggested on behalf of the Association that some price should be

fixed between 4 annas and 5 annas and our suggestion was Rs. 0-4-6 at the gate and 4 annas at outstations because the the cost of getting cane from the outstation to the factory gate is always half an anna—it is sometimes more than one anna and on the average it will be 9 pies—and we suggested that there should be half an anna difference in price between gate cane and outside cane. There were other proposals and we have still to see what decision the Government arrive at in that connection. But we do feel that Government are not going to accept our advice as regards 4 annas 6 pies.

President.—When is the decision going to be published?

Mr. Khaitan.—Within two or three days. We shall send you a note on what the decision is.

President.—There is one point that strikes me as regards the taking of cane from stations. At present there are some arrangements entered into by which cane is not booked from railway stations adjoining factories to other factories.

Mr. Khaitan.—The railway authorities in certain circumstances do not allow other factories to set up weighbridges at those stations

President.—You have given a very clear exposition of the defects you find in the zoning system. I take it that it is generally agreed that zoning is at present necessary only in two provinces, namely Bihar and United Provinces, and not anywhere else in India?

Mr. Khaitan.—Yes. May I just draw your attention to one sentence at the end of paragraph 11 of the Government note under "Inspection". It says "It is for consideration whether any other person can suitably be appointed as inspector, e.g., the Secretary or member of a local sugar-cane committee or any other non-official". I might answer to that in one sentence that we have very strong objection to non-officials being appointed as Inspectors or officers junior to officers belonging to the Provincial Service.

President.—That of course is a matter of detail on which the Tariff Board can hardly enter into. The question I was leading up to is the question of border provinces. We have heard that in the past Punjab factories have imported cane from United Provinces; United Provinces factories have imported cane from Bihar and Bihar have imported from Bengal. When a minimum price is fixed in the adjoining areas in those particular areas on the borders difficulties might be created. There is some complaint in Bengal that their cane is being taken away in Bihar by some persons.

Mr. Thapar.—I would like to impress this point that until we have gained some experience the operation should be voluntary and should not be compulsory between the cultivators and the factories. After we have gained some experience it might be made statutory on both sides.

President.—I don't think I have any more to say except that during our first tour we had the advantage of discussing with individual factories and we got a good deal of information on this subject already.

Mr. Rahimtoola.—Do I understand that although at present the Association is in favour of zoning you do not want any penalties to be attached? You do not want any statutory obligation but want it to be based on a voluntary basis?

Mr. Thapar.—If there is compulsory purchase of cane and on the other side he must sell the cane to us.

Mr. Rahimtoola.—Do you think zoning will be successful under these circumstances?

Mr. Thapar.—Surely; it is already there. Just as Government want to give him a free hand we also want a free hand to buy all the cane from a particular zone.

Mr. Rahimtoola.—Government can only come in if there is a statutory obligation. If there is a voluntary basis of co-operation as it exists to-day then that is no zoning.

Mr. Thapar.—Zoning avoids internal competition of mills, otherwise nobody takes interest to improve the cane and go into direct touch with the grower. Zoning would actually help the mill and the grower to come into closer touch with each other.

Mr. Rahimtoola.—Zoning as understood is that there should be Government control and supervision and there should be compulsion I understand Mr. Khaitan's point of view, is the difficulty of the mills in accepting the scheme as put forward by the Provincial Governments. But zoning as understood ordinarily is something different from what you want us to recommend.

Mr. Thapar.—Our idea is that the best thing would be firstly to allot zones and acquire experience, say, for a period of two years. After all the whole idea should be that from a zone a factory should get all its requirements, that the factory should have incentive to develop cane within the zone to get all the requirements both from the point of view of quality and quantity. Penalties should be thought of after two years after gaining experience, but if penalties are prescribed from the very beginning, there ought to be obligation on both sides.

Mr. Rahimtoola.—I don't think zoning and working on voluntary basis can go together. My point is this: If you have a system of zoning then a certain area is allotted, never mind what the percentage is, then the factory is assured of his cane supply and the cane grower is assured that his cane will be bought by a particular mill. Therefore he need not turn his mind to the manufacture of gur or khandsari sugar. If there is a voluntary basis he is never sure of his cane and you are never sure of the cane supply.

Mr. Khaitan.—His point was more to emphasise reciprocity than anything else.

Mr. Rahimtoola.—Another point I want to understand is about minimum price of cane. I understand the Association has now changed its views. Instead of saying that the price should be considered by the Board on the actual cost of production they suggest the fixing of the price on the basis of the experience of the mills. Will 4 annas enable the grower to supply to the factory in preference to making gur. Out of this 4 annas how much will you deduct for cartage?

Mr. Khaitan.—That figure also varies.

Mr. Rahimtoola.—The Board has got to fix a certain price before determining the cost of production.

Mr. Khaitan.—When even the Directors of Agriculture are not able to give the costs what can we do?

Mr. Rahimtoola.—I am talking of the basis on which you want the Board to work. You think 4 annas is a fair price to the grower?

Mr. Khaitan.—The growers have sufficient incentive to grow cane and deliver it at 4 annas at the gate.

Mr. Rahimtoola.—Out of this 4 annas what will the grower actually get for his labour?

Mr. Khaitan.—In my own case the grower will actually get 4 annas when he carts the cane himself. In some cases he will have to pay one pice or two pice for cartage and in some cases it is quite possible he may have to pay as much as one anna. I have not heard of more than one anna.

President.—We have got a good deal of evidence in some provinces of more than one anna.

Mr. Singh.—That depends upon the distance and facilities of communication.

Mr. Khaitan.—It pays him to pay one anna and still deliver the cane to the factory if he does it of his own accord.

Mr. Thapar.—He might have paid one anna when the price of cane was 8 annas or 9 annas.

Mr. Rahimtoola.—Another point that arises out of this is the question of protection for the whole industry. Does the Association represent all the mills. Would you consider 4 annas a fair price for the whole of India?

Mr. Khaitan.—No.

Mr. Rahimtoola.—What should the Board fix as the all-India figure?

Mr. Khaitan.—For purposes of protection taking all provinces together we have suggested 5 annas 6 pies delivered at the factory.

President.—And you adhere to that figure?

Mr. Khaitan.—Yes, and for this reason: firstly, we do not know what price will be fixed by the United Provinces and Bihar Governments and, secondly, we cannot be sure of what price will be reasonable for the next 7 years. The price of wheat may increase or the price of rice may increase or prices of agricultural products like cotton might increase. And if the price of other commodities increase naturally the price of sugarcane will have to increase if we are to get sugarcane. The third factor is that you have got to take into account, in making your calculations, the fact that the factories will be working properly the whole season: it may or may not happen to be so. There may be earthquakes, there may be floods, there may be other circumstances which may prevent a peaceful working and a smooth working. Taking everything into consideration we suggest that for purposes of protection we ought to take 5 annas 6 pies as the fair price of cane delivered at the factory.

Sir Vijaya.—The cost of cultivation is higher in Bombay and Madras.

President.—The previous Tariff Board based their cost of production on the principal provinces. That does not necessarily follow they will do it this time. The situation has altered. There are many more factories in India. There are two possibilities: either follow the previous procedure or adopt an All-India basis.

Sir Vijaya.—We felt that an All-India basis is the proper thing, because the cost of cultivation is distinctly higher in Madras and Bombay.

President.—The number of factories has increased very much since 1930 outside United Provinces and Bihar.

Sir Vijaya.—We felt that 5 annas 6 pies delivered at the factory gate would be on an All-India basis.

Dr. Jain.—That would allow for possible improvement in the sucrose content in the coming years.

Sir Vijaya.—For possible improvements in the next 8 years.

President.—Do you think that that figure ought to be reduced within the next 8 years?

Mr. Khaitan.—It is really a matter for Agricultural Experts. You have heard what Mr. Venkatraman said.

President.—The Board know what the evidence is. We only wish to know whether the Association can express an opinion.

Sir Vijaya.—I have my own personal opinion. The Association is not in a position to express an opinion. My own opinion is that in the next 7 years there would be no appreciable reduction in costs. An appreciable reduction in the cost of production followed with the introduction of Coimbatore varieties, but I see nothing in the horizon yet which would reduce further the cost of production in the next 7 years.

President.—Even in South India?

Sir Vijaya.—Yes, even in South India.

President.—When I mentioned South India what I meant to convey was this. Coimbatore first concentrated on Northern India and produced cane suitable for Northern India. In South India they have only taken up recently research into the cane of thick or noble variety.

Sir Vijaya.—I had that in mind when I gave my answer. Experience shows that it takes 6 years for a new variety to spread in any province. If we allow 6 years, it would very nearly come to the end of the period of protection which the Board has in contemplation.

President.—Co. 419 is already spreading.

Sir Vijaya.—I won't say it is spreading. In certain parts of India people are trying it. I don't think we have yet seen as much as 20 acres cultivated with Co. 419.

Dr. Jain.—The view of Mr. Venkatraman and Sir William Wright is that the cost of production in Southern India and Northern India will come to the same level.

Mr. Khaitan.—If I may respectfully say they were too optimistic.

Mr. Lalchand.—As regards Co. 419 there are yet doubts. Though it might give tonnage, about sugar content we have our doubts.

Sir Vijaya.—It is still in the experimental stage.

President.—I think we have gone into the question of zoning as thoroughly as we can. We shall now pass on to the other question. Another matter we postponed is the question of licensing and quotas. Perhaps before we start on that, we might discuss the question of recent crisis in the industry as to whether it is due to the overproduction of sugar in India which presumably will be the justification for quotas and licensing or whether it is due to some defects in the marketing organisation. We have the two points of view put to us and perhaps we might discuss the preliminary point first. What was the cause of the recent crisis? Two causes have been suggested to us, (1) overproduction and (2) some defect in the marketing organisation.

Mr. Thapar.—There are many factors for this. The first is that many factories are not so financially equipped that they could hold back their stocks for the coming season. So they have to throw their stocks on the market and secondly there is no marketing organisation whereby the goods may be marketed in a proper way and thirdly this is the first year. So far nobody can say whether we have been overproducing. Some people only apprehend perhaps we are overproducing. Some people say there is no overproduction. This will be determined at the end of November as to whether there was any overproduction or not. Many people apprehending that there is overproduction, they start selling so that they may first be bought leaving the others in the lurch. Of course this point will be determined by the 1st December as to whether there is any overproduction or not.

President.—The Association is not prepared to admit that there is overproduction, but they agree that there are defects in the marketing organisation.

Sir Vijaya.—We think that there are defects in marketing.

President.—You don't want to express an opinion one way or the other.

Sir Vijaya.—A large number of our members are against the view that there is overproduction.

President.—I want to know whether licensing of factories is necessary.

Sir Vijaya.—The Association is still in favour of the view already expressed that new factories and extensions of the existing factories should be licensed, and we suggest an All-India Body. There was some little doubt expressed as to whether under the present law it could be done. That was a point on which the Association has no opinion of its own.

President.—We are attempting to get some information on that point.

Sir Vijaya.—We do feel very strongly that both new factories and extensions of existing factories should be licensed.

Mr. Thapar.—As we pointed out in our reply if there is no overproduction this year, next year there will be overproduction. This year we expect 12 lakhs of tons of production. Next year it is bound to be 14 lakhs of tons. If we attain that there would be overproduction next year. With the addition of some 4 or 5 factories this year and also the extensions of the present factories, we do expect that the next year's production will be at least 14 lakhs of tons and if we reach that figure, there will be positive overproduction.

President.—In 1937-38 season?

Mr. Thapar.—Yes.

President.—Allowing for the fact that the imports will probably be nothing.

Mr. Thapar.—10,000 or 15,000 tons.

President.—What about the increase in consumption?

Mr. Thapar.—There are no definite consumption figures. So far we have been importing. This is the first year that we have been able to produce to meet our own requirements. We tried at Lucknow in our Conference. Mr. Srivastava gave us figures and Mr. Sherwani gave figures. So far we had no statistics.

President.—I take it the view of the Association is that if the licensing of factories is done, it will also be necessary to fix quotas.

Sir Vijaya.—It is unnecessary now to fix quotas. The need for quotas might arise in the future.

Mr. Thapar.—The need will come next year when production will be more.

Mr. Rahimtoola.—Is it not desirable to consider this point at the present juncture?

Mr. Thapar.—Yes provision must be there.

Mr. Rahimtoola.—If you are in favour of licensing of new factories and also restricting the extension of existing factories, how would you meet the objections raised by factories in Bengal and Madras.

Mr. Thapar.—In the future the consumption may increase and there can be some exports. We can come to some marketing arrangement whereby without permitting any new extensions to already established factories or establishment of new factories, other provinces may be given preference where there is scope for the development of the industry.

Mr. Rahimtoola.—What about the point of view which they have put forward, viz., that they would like to make Bombay and Bengal self-supporting. In Bengal one or two mills are already in course of construction.

Mr. Singh.—In that case some factories in the United Provinces must close down.

Mr. Khaitan.—There are already some factories established and they are manufacturing sugar and it is found more or less that the quantity of sugar that they can produce is not less than sufficient.

Mr. Rahimtoola.—Shall we say about equal to consumption.

Mr. Khaitan.—Yes in most of the provinces. I am talking of the whole of India. Perhaps it will be agreed when factories have already been established, it is not desirable that they should be closed down and new factories should come into existence.

Mr. Rahimtoola.—The point of view is that the existing factories might have a quota.

Mr. Khaitan.—That is why we are objecting to quota at the present moment. It is more economical for factories to work to their full capacity

than the present working of the established factories should be restricted by means of quotas.

Mr. Rahimtoola.—The object of quota is to give other provinces who are at present consuming more than they are manufacturing an opportunity to manufacture more sugar than they are doing at present.

Mr. Khaitan.—The reply that I am giving is this. You are not writing on a clean slate that the industry is established in India as a whole and it is not desirable that the factories that have already been established should be pulled down and new factories should be established in other places. The chances of other provinces should be from increased consumption. They will have to grow more sugarcane. They will have to establish new factories. Nobody is asking that the present factories that are established should be pulled down. We don't want—I mean the United Provinces and Bihar factories—that no established factory in Bengal, Madras, Bombay or Punjab should be pulled down. We also expect that the factories in those provinces or the Government of those provinces or the public of those provinces should not wish that the factories that have already been established in United Provinces and Bihar should be closed down, because there will be an economic waste if existing factories close down. Therefore what we want is that licensing should be carried on an All-India basis so that the All-India Committee or Authority, whatever might be set up, will see to it that if there is scope for the establishment of a factory in Madras or Bombay or any other province, preference will be given to those provinces rather than to new factories in the United Provinces and Bihar where the industry has developed sufficiently. In these circumstances we do not like the idea of a quota at present in order that new factories may be set up in other provinces while the existing factories in the United Provinces and Bihar are closed down or do not work to their full capacity.

President.—I shall just explain what the point of view of the other provinces is. Their line of argument is: "India has now become self-sufficient in the matter of Indian production at the expense of Java mainly. Why should we not become self-sufficient in the matter of production of sugar just as India has become self-sufficient?"

Mr. Khaitan.—I have heard that and I have given very full thought to that question. It will lead us into a very awkward situation if that argument is followed to its full extent.

Mr. Thapar.—If India is to develop in water tight compartments and if India is to develop according to Provinces and even District towns, then of course this argument is quite all right, but if India is to be treated as one unit and as one country, these arguments can never stand.

Mr. Rahimtoola.—You must recognise the fact that sugarcane is a cash crop. Bengal Government is encouraging people to grow sugarcane in preference to jute and owing to this factor some mills are under construction and other are being contemplated. Therefore the question of over-production is a question which you will have to consider very soon.

Mr. Khaitan.—Bengal has got a cash crop which is jute; Bombay and Punjab have got cash crops in cotton and wheat. Madras has got a cash crop in groundnut and has got very good trade in hides and skins.

President.—I don't think hides and skins come in.

Mr. Khaitan.—Groundnut in any case. So far as the United Provinces and Bihar are concerned, you will find that sugarcane is the only crop for the people of the province.

President.—What about wheat?

Mr. Khaitan.—Very little of wheat is sent out from the United Provinces and Bihar.

Sir Vijaya.—I may add when we discussed it in Committee we felt that an All-India Body would be the proper venue in which our conflicting provincial claims may be considered and perhaps reconciled, and that is

why we don't want to fix a quota. The Association considers that at present there is no need for fixing a quota, but realises that the need may arise in the near future. Our point was that this question of quota had better be left open, particularly as the factories in Madras and Bombay just now are small, and if you now fix a quota it would be unfair to them. We felt that the whole question had better be left open till the All-India Licensing Body had begun to operate. That body would be in a position having the representatives of all the provinces to go into all provincial claims and come to some fair working arrangement. I admit that a logical adjustment is not possible. But a practical one is feasible. We thought that an All-India Body would be able to do that.

Mr. Thapar.—With more education and more industrialisation the differences are bound to arise. The United Provinces and Bihar factories have been discussing this question amongst themselves, and have come to this conclusion. We are quite prepared that any extensions that may be considered desirable may be allowed to other provinces where there is scope for the development of the sugar industry.

Mr. Khaitan.—If this provincial feeling is encouraged by the Central authorities—and the Tariff Board is one of them—United Provinces and Bihar may well ask themselves why they should take cotton piecegoods from the Bombay Presidency.

President.—You must not take it as the argument of the Tariff Board. I am only saying that this argument has been put forward. The Tariff Board have not made up their minds yet on that point.

Mr. Thapar.—Even if you take the period before protection, United Provinces has been the largest sugarcane producing province. Sugarcane has been the cash crop in that province even before protection. So no other province should grumble on that score.

Mr. Ghandhi.—The population of India is growing at the rate of 1 per cent. per year. There may be some scope for other provinces to develop the industry in course of time. I am mentioning this point only to show that there is some room for expansion on account of the rise in consumption.

Mr. Rahimtoola.—You say that it should be left to an all-India body. Which body are you thinking about?

President.—All-India Selling Organisation?

Sir Vijaya.—This is a different body from that.

Mr. Rahimtoola.—Is this recommendation supported by mills of Bombay and Madras.

Sir Vijaya.—As a matter of fact I am speaking at the minute on their behalf and at their request.

Mr. Thapar.—We represent the views of the Association and not those of Bihar and United Provinces alone.

President.—Perhaps as we have touched on the question of marketing, we may take that up at this stage. Lack of proper marketing organisation is one of the reasons assigned for the recent crisis. As you are aware, the last Tariff Board practically made no mention of marketing at all because presumably no marketing problem had arisen in 1929-30. Since then marketing has become increasingly prominent and therefore the Tariff Board thought that they ought to go into the history of marketing in recent years and sent out a circular letter to your Association and the Indian Merchants Association to try and get a history in the past two years. I have put the replies together and find a good deal of agreement between the two. Perhaps if I give you the main heads, you can state whether you agree with the conclusions or not. In 1930 two thirds of sugar consumed in India was imported and the merchants at the ports were the people chiefly concerned with marketing. The movements of sugar were

mainly from the ports to the interior, the Indian production of sugar being mainly consumed in the neighbourhood of the producing centres or factories. Is that a correct statement?

Mr. Khaitan.—Yes.

President.—With the expansion of Indian sugar production a change in the conditions became necessary and many merchants at the ports began to open branches in Cawnpore for dealing in Indian sugar.

Mr. Khaitan.—Cawnpore is one of them.

President.—Merchants in Calcutta, Bombay and Madras opened branches at Cawnpore.

Mr. Khaitan.—Yes.

President.—The first year in which Indian sugar competed with imported sugar at the ports was 1934-35.

Mr. Thapar.—In 1933-34 we practically ousted them.

Mr. Khaitan.—The Indian factories began to move a considerable quantity of sugar to the ports in that year.

President.—It would be very much more in 1934-35.

Mr. Khaitan.—Yes.

President.—So there is practical agreement in the evidence.

Mr. Khaitan.—Yes.

President.—In September 1935 occurred the outbreak of the Abyssinian War. Here we get into the region of dispute. The view of the Association is that there was some speculation in commodities including sugar on the outbreak of war and a good many merchants bought forward and then when as a result of the conclusion of the war prices rapidly came back to the normal level merchants were left with stocks bought on a speculative basis. That was the reason for the beginning of the trouble between the Merchants Association and the Sugar Mills Association in 1936.

Mr. Khaitan.—Yes.

President.—There is a difference of opinion on that point. The Merchants Association say that speculation has practically nothing to do with it and your Association take a different view. There is common ground that there was no marketing trouble until the beginning of 1936.

Mr. Khaitan.—The two Association are agreed on the dates but differ in respect of cause and effect.

President.—Their point of view is that the Sugar Mills Association had not sufficiently foreseen the change in conditions and that they were not sufficiently organised to market their sugar. On this question of over-production I would like to quote a few figures. In the year 1930-31 the available supply—by available supply I mean imports *plus* internal production—ran to about 1,355,000 tons, which includes khandsari sugar.

Mr. Khaitan.—Yes.

Sir Vijaya.—As regards khandsari sugar, it is a speculative figure.

President.—We have to take it for what it is worth. The figure is about 13 lakhs of tons. If you look at the figures for the next four years, they remained steady at very nearly 1 million tons—a little above or a little below.

Mr. Khaitan.—Yes.

President.—Then you get to the year 1935-36—the beginning of the crisis—when the figure went up to about 13 lakhs. The point has been put to us in 1930-31 the available supply was actually more than in 1935-36. There was no sort of crisis following 1930-31 figures. That is correct. There is no particular difficulty about the gradual absorption of the supply.

Mr. Khaitan.—There was a crisis and many people lost a large amount of money.

President.—I am thinking of the price of sugar. Was there any great change in the price of sugar?

Mr. Khaitan.—I know many friends of mine became bankrupt as a result of the change in price.

President.—Have you got the prices?

Mr. Thapar.—No.

Mr. Khaitan.—I remember in 1930-31 there was a great crisis. On account of large imports in the previous year many merchants lost heavy sums of money.

President.—I am looking at the question more from the Indian point of view. Was there any trouble with Indian factories?

Mr. Khaitan.—The production of Indian factories was very small.

President.—I don't see any difference in price in 1930-31.

Mr. Khaitan.—The average price of Indian sugar was Rs. 10-10-0 in 1930-31 and Rs. 9-7-0 in 1931-32.

President.—The average prices were—

1930-31—Rs. 8-14-0.

1931-32—Rs. 10-2-10.

1932-33—Rs. 10-6-3.

Mr. Khaitan.—The price of Java sugar fell from nearly Rs. 13 to Rs. 11 and the price of Indian sugar went down from about Rs. 10-8-0 to Rs. 9-8-0 between 1929-30 and 1931-32.

Mr. Rahimtoola.—Are you talking of average of one port or of all ports?

President.—My figures were averages of all ports.

Mr. Khaitan.—I remember this that in 1931-32 there was something like a crash.

Mr. Thapar.—The slump started in 1930 and it became very acute in the middle of 1932.

President.—The average price in Cawnpore in 1930-31 was Rs. 8-13-1 and in 1931-32 it was Rs. 9-3-0. On these figures it does not appear that there was a crisis.

Mr. Khaitan.—I find that in June 1930 the c.i.f. price of Java ruling was an average of about Rs. 5-8-0.

President.—The official figures of average price of imported sugar in 1930-31 is Rs. 8-14-0 to Rs. 10-2-10 and that of Indian sugar Rs. 8-12-0 for special sugar at Cawnpore. In 1931-32 it is Rs. 9-3-0.

Mr. Khaitan.—In 1930 the price of Java sugar was almost on the average Rs. 5-8-0 whereas in 1931 the c.i.f. price of white Java sugar was almost on the average Rs. 3-10-0 or Rs. 3-11-0 I know of some friends who had incurred losses on sugar which have not yet been cleaned off their slate.

President.—In the following years the available supply remained constant at about a million tons and then in 1935-36 it took a sudden jump of roughly 300,000 tons.

Mr. Khaitan.—That was because of the speculative contracts they entered into when they knew that Indian factories were going to produce larger quantities and they entered into contracts for large quantities with Java.

President.—That was the first year in which reduction in imports did not correspond to the increase in production. Do you attribute that to speculation in Java sugar?

Mr. Khaitan.—Yes, because of the Abyssinian war.

President.—Actually in 1936-37 the available supply was less than in 1935-36 owing to the shrinkage of imports; although the production of

Indian sugar was higher the available supply was less. We have got the statistical position more or less cleared up.

Mr. Khaitan.—Yes.

President.—The downward tendency of Indian sugar began in 1936 towards the last quarter but there was no spectacular fall until the end of 1936.

Sir Vijaya.—Yes it got bad in November-December.

President.—So that crisis again developed and what was then described as panic conditions eventually prevailed. Was it due to the fact that the merchants had then withdrawn from the forward market?

Mr. Thapar.—All the factors combined.

President.—The merchants confined their purchases mainly to ready sugar?

Mr. Thapar.—It was a combination of several factors. In fact they were left with no money to go in for forward sales.

President.—You agree that in that year the merchants had withdrawn to a great extent?

Mr. Singh.—In Punjab we made more forward sales last year than before. In Cawnpore market it happened like this.

Mr. Khaitan.—Except in Cawnpore there wasn't that kind of disturbance. It actually happened after the Abyssinian War. They bought large quantities of Java sugar and our production had also improved. The result was that they lost money. Then they became apprehensive and again next year prices began to fall and they lost more money.

President.—I am trying to get at this point, whether the disorganisation of the market was due to the withdrawal of merchants from the forward market.

Mr. Khaitan.—That was not the only factor.

President.—Was that one of the factors?

Mr. Khaitan.—It was one of the factors but that would not lead to any disorganisation.

President.—As a result of their withdrawal from the forward market factories had to carry stocks which were previously carried by merchants?

Mr. Thapar.—Merchants never carried stocks. So far as actual stocks are concerned that remains with the factories. They only speculate.

President.—I will now deal with the question of financing. The merchants say that when they were doing forward business they were financing and they were carrying stocks.

Mr. Khaitan.—They buy forward; it is the mill who finance. When they are able to sell they sell. They send despatching instructions, the goods are sent out and then they pay.

Dr. Jain.—Does not buying forward affect the market?

Mr. Khaitan.—The market would be getting the quantity that a person wants to buy forward and the mills want to sell forward. If they have mentioned financing we can say that they are taking credit which they do not deserve.

President.—Your main contention is that the withdrawal from the market was a contributive cause?

Mr. Khaitan.—They are making it appear as if they are one body of merchants and they are acting in close consultation with each other. They are all individual merchants more in rivalry with each other than the mills are. Each merchant takes his own view of the market and operates. They combine only when representations are to be put forward. Just as we carry on our manufacturing process independent of each other they carry on their operations independently of each other.

President.—At any rate you do not agree with this contention of the merchants about their withdrawal from the forward market?

Mr. Khaitan.—There is no such thing as withdrawal of merchants; there is no such thing as financing by merchants.

President.—At any rate from the last quarter of 1936 prices went down very rapidly and in spite of the imposition of the additional excise duty in February it had practically no effect on the market and it went down until June.

Mr. Khaitan.—Yes. There was very good reason for that. The market got news that the excise duty was going to be increased. As a result of that in Calcutta there was a very large off-take of sugar from the factory godowns and that sugar naturally passed into the market. On the one hand so far as factories were concerned that was the busiest part of the season and the factories would be getting the highest amount of recovery in February. In order to avoid the additional excise duty they got out all the sugar into the market and every holder was keen to sell with the result that in spite of the increased duty prices went down.

Mr. Rahimtoola.—The market anticipated the additional excise duty?

Sir Vijaya.—Yes. Contracts were entered into in Bombay in which the law was reversed, that is to say the factories were to pay the additional excise duty if that duty was imposed.

President.—And that price continued its downward course until the rumours of the Syndicate appeared and then the market became steady. Is that more or less a correct description except the withdrawal of the forward market being the contributory cause?

Mr. Khaitan.—Yes. In commercial language one would say because the market was going down there were few purchasers.

President.—Was the crisis due to the fact that there were a good many weak holders in the market?

Mr. Khaitan.—Particularly that.

President.—It comes to this. You attribute the crisis very largely to the fact that there was a fear that the available supply would be more than the demand and that depressed the market and there was more sale by weak holders.

Mr. Khaitan.—After the excise duty was increased and the factories found that it would not pay them to crush for a long time they were thinking of closing the factories and there were requests to the factories from Bihar and United Provinces Governments as also from the Congress to continue crushing. That was one factor. That resulted in larger production.

President.—Prolongation of the season was another contributory cause?

Mr. Khaitan.—Much more than that was the action of Bihar and United Provinces Governments bringing down the price of cane to enable factories to crush for a longer time. The result was that the factories began to crush cane bought at a lower rate than previously. So the cost price of gur became less than before. Sugarcane prices having been reduced the cost price of sugar was reduced; that naturally had an effect on the market. Then there are the other factors you have mentioned. Instead of the increased duty having the effect of increasing the price of sugar it had the effect of reducing the price of sugar.

Dr. Jain.—Are you suggesting that if there was no excise duty on sugar prices would have been higher?

Mr. Khaitan.—I believe so because the price of cane would not have been reduced.

Dr. Jain.—Is that really correct because there is overproduction of cane in some areas in any case?

Mr. Khaitan.—The whole position became so chaotic at the time that nobody looked back; there was pressure from United Provinces and Bihar Government; there was appeal from the Congress; there was disorganisation in the whole industry.

President.—Is it agreed that those are the main causes of the slump?

Mr. Khaitan.—To my mind this was the main cause.

Dr. Jain.—I do not know how far it is correct to say that if the excise duty did not come prices would not have fallen.

Mr. Khaitan.—What we feel is that if the increased excise duty had not come there would not have been that open announcement by the mills that crushing would be reduced; if that had not come United Provinces and Bihar Governments would not have pressed us to crush for much longer period and if that had not come there would not be the desire to reduce the price of cane.

Sir Vijaya.—I should say the process was in operation already but the operation would have been slow. The effect of the excise duty was to accelerate the process. It has disorganised the industry.

Mr. Thapar.—We were holding our stocks. We had to pay excise duty on those stocks which were produced when the cane price was 5 annas.

President.—Some factories in other parts of India who entered into contracts with cane growers were even worse hit, because they could not reduce the price.

President.—There are just a few more points on the marketing. Let us finish that off before we get on to the efficiency of production. I think the time is rather limited and we had better concentrate on the few main points. Question 92 regarding the carrying of stocks in what may be called the import period, 1930, most of the stocks in India were held at ports. Is that a correct statement?

Mr. Khaitan.—Yes.

President.—And Indian made sugar passed fairly rapidly into consumption and the factories didn't stock very much, as there was no need.

Mr. Khaitan.—We had to carry some stocks. Every manufacturer must carry some stocks.

President.—The manufacture of sugar is concentrated for four or five months and so naturally some stock must be carried over. I take it that they were not considerable at that period.

Mr. Khaitan.—No.

President.—As the imports decreased and as the internal production increased, the factories had to carry more and more stocks.

Mr. Khaitan.—Yes.

President.—And at the present day most of the stocks are carried by factories. Is that the position? I think the other day you gave us the invisible stocks and stocks held at market centres as 50,000 and all the remainder is carried by factories. Is that a correct statement of the case?

Mr. Khaitan.—Yes.

President.—That is a new feature of the industry in India that stocks are carried and financed by factories.

Mr. Khaitan.—Yes.

President.—As regards the question of the methods of financing you have given a reply saying that it is done partly by working capital, partly by banks and partly by other agencies.

Sir Vijaya.—We have given as full a reply as we could.

President.—Therefore I don't think we need very much go further into that. Merchants do not play any considerable part in the financing of stocks as things stand at present. That is the correct statement.

Mr. Khaitan.—Yes.

President.—There is the question of marketing survey of the industry. The main lines of recent marketing surveys have been first of all to discover the movements of commodities. Of course in the case of sugar it is hardly necessary as the trend of trade is so well known.

Mr. Khaitan.—I don't think we consider that to be necessary.

President.—Not from that point of view. The second point of view is to discover where the stocks are held and the quantity held at different centres. Would a marketing survey be useful from that point of view.

Mr. Khaitan.—Personally I consider that much cannot be gained from that point of view either.

President.—The third point of view must be how sugar actually passed into consumption, the relations between merchants and dealers, dealers and retailers and so on and the difference in price between the wholesale and the retail price.

Mr. Khaitan.—So far as we are concerned, we know the position.

President.—You don't think that a marketing survey would be very much useful.

Mr. Khaitan.—I don't think so.

President.—That is your personal view.

Mr. Khaitan.—The real thing about the marketing scheme is the amount of railway freight from one factory to a particular market.

President.—We have already dealt with that.

Mr. Khaitan.—Those figures are obtained by railways.

President.—And the movements of sugar can be obtained. Nearly all movements of sugar are by rail and the rest by steamer. There is practically no other means of transport.

Mr. Khaitan.—No.

President.—All the figures are available.

Mr. Gandhi.—It would be useful if we could get the figures of consumption in the provinces. It is all a very rough estimate.

President.—Another function of the marketing survey is to arrive at a better estimation of consumption of each province.

Mr. Gandhi.—Yes.

President.—The *per capita* consumption in different provinces is somewhat vague.

Mr. Gandhi.—They are all worked out generally on the population basis *plus* the tendency of the people to consume sugar.

President.—They worked it out on a different basis, internal production *plus* or *minus* imports.

Mr. Gandhi.—It is estimated as to how provinces consume sugar.

President.—It is worked out in this way, internal production *plus* or *minus* imports.

Sir Vijaya.—*Plus* imports *minus* exports.

President.—In some Provinces it is *plus* figure and in some it is *minus*.

Sir Vijaya.—I doubt whether a marketing survey will be able to get much reliable information. There are the rail-borne trade returns.

Mr. Khaitan.—The figures can be obtained from the railways and steamers.

President.—I do not know whether the Association had an opportunity of discussing this point with Mr. Livingstone, the Marketing Officer.

Sir Vijaya.—No.

Mr. Gandhi.—The question was raised at the Naini Tal Conference.

Dr. Jain.—Your Association is in favour of a marketing survey.

Sir Vijaya.—I know the Imperial Council of Agricultural Research are financing a marketing survey, and there is no particular reason why we should obstruct the survey when they are prepared to carry it out as part of their general marketing operations and at their expense.

Mr. Rahimtoola.—Your point is that it will not serve any useful purpose.

Sir Vijaya.—Not a highly useful purpose.

Mr. Khaitan.—From the railways and steamer companies we can find out how much sugar goes into a particular province. That would be helpful. Beyond that to find out how much is held by a particular merchant is neither possible nor useful.

President.—We are collecting rail-borne figures for the different provinces.

Mr. Khaitan.—It would be useful.

Dr. Jain.—Are you still of the view that a marketing survey is an essential preliminary to a marketing organisation?

Sir Vijaya.—In theory still it is.

Mr. Khaitan.—As to how much sugar goes to a particular provinces that is very useful.

President.—That will be an estimate from the rail-borne and steamer traffic. I take it that your position is that you don't mind a survey as long as you don't have to pay for it.

Sir Vijaya.—That is really my view.

President.—Does that sum up your position?

Sir Vijaya.—Yes, it does. I don't say that they can pick out many facts.

President.—Let us pass on to the question of standardisation of Indian sugar? The Association is generally in favour of standardisation.

Mr. Khaitan.—Yes.

President.—But the Tariff Board would like to know how the thing is to be worked whether on two or three standards. Of course during the import period sugar was sold on Dutch Standard 25 and above. On how many standards is Indian sugar to be sold?

Dr. Nielsen.—We ought to have only one standard, but many of the factories disagree with us. For merchants and for us it would be much easier if we have one standard. If we are not up to the standard we have to pay some rebate.

President.—That is the contention of the merchants. If it is sold on one standard, it would be easier.

Mr. Rahimtoola.—Under present conditions is it possible?

Dr. Nielsen.—Not under present conditions. It requires some change in installations which requires money.

Mr. Khaitan.—The experience of others is that the consumers actually want various kinds of sugar. When we discussed the question of standards with Mr. Srivastava, the Sugar Technologist, we ourselves were under the impression at that time that a few standards might be sufficient for marketing purposes, but later on we discovered that we were not correct in that view. For example we thought that the market would prefer white sugar, but we subsequently discovered in a province like Assam for instance they prefer brown sugar to white sugar. Similarly in Rajputana brown sugar was preferred to white sugar. Then the characteristics of brown sugar demanded in Assam and that demanded in Rajputana were different. So

to suit Indian taste and in order that white sugar may replace gur, it is not possible to deal in one standard only.

Mr. Rahimtoola.—How many standards do you think would be necessary?

Mr. Khaitan.—Roughly speaking certainly over a dozen.

Mr. Rahimtoola.—The old established factories are selling on their established marks.

Mr. Khaitan.—Yes.

Mr. Rahimtoola.—If you have as many as 12, is there much gain?

Mr. Khaitan.—This thing requires to be watched a little.

Mr. Rahimtoola.—Every one recognises the fact that in 1936-37 there was a marked improvement in the quality of Indian sugar. Roughly 50 per cent. of the sugar now made is generally equal to Java sugar in grain and colour as against only 15 per cent. in the previous season. Standardisation has thus become a much more practical proposition than before and judging by the rate of progress made in the last season presumably 1937-38 a larger percentage will be about equal to Java sugar.

Mr. Khaitan.—It is quite possible.

Sir Vijaya.—If things are left to themselves, there will be an automatic tendency to the number of qualities being reduced:

Mr. Rahimtoola.—Do you think that under present conditions the quality of Indian sugar has not reached a degree of quality that will enable it to be sold on a single standard.

Mr. Khaitan.—Yes.

Mr. Rahimtoola.—Have you got any experience of the standards which Mr. Srivastava wanted to introduce?

Mr. Khaitan.—Yes.

Mr. Rahimtoola.—What is your opinion?

Mr. Khaitan.—As I have told you when these standards were fixed, sufficient experience of the marketing requirements had not been obtained and it is on account of that reason mainly that the standards could not be put into force.

Mr. Rahimtoola.—Is there any difficulty with regard to plant or machinery in producing one Standard quality?

Mr. Khaitan.—That is also correct. It depends partly on plant and machinery and partly on the Chemist that works the machinery and partly also on the requirements of the market.

Mr. Rahimtoola.—How would you compare the present standards of mills which have adopted these Indian Standards?

Mr. Khaitan.—Some mills are producing equal to Java and other mills are not producing because they are catering for other markets.

Mr. Rahimtoola.—Not that they cannot produce, but because they are catering for particular class of consumers.

Mr. Khaitan.—Yes. I will give you one example. There was a time when the difference between No. 1 Grade and brown sugar was 8 to 10 annas per maund or even Re. 1 per maund, but now the difference is less because more white sugar has been produced and less brown sugar is produced. There was a greater demand for brown sugar than was thought.

Mr. Rahimtoola.—Is there a difference between carbonatation sugar and the sulphitation sugar?

Mr. Khaitan.—Yes.

Mr. Rahimtoola.—Does the consumer appreciate the difference in quality?

Mr. Khaitan.—Not always.

Mr. Singh.—In some markets they do.

Mr. Khaitan.—Bombay and Peshawar markets prefer carbonatation sugar.

Mr. Rahimtoola.—What is the difference?

Mr. Singh.—Carbonatation sugar is generally of a whiter quality.

Mr. Rahimtoola.—And also has a better keeping quality?

Mr. Singh.—Carbonatation sugar is generally considered to be better sugar. That is the general belief.

Mr. Rahimtoola.—Your Association has got factories of both processes. Would it be correct to say that there will be a difference of 4 to 5 annas in the price?

Dr. Nielsen.—I don't think that they are getting very much more for carbonatation sugar. It may be an anna or two more but I am not quite sure.

President.—The question of keeping quality was mentioned. I take it that a great number of factories or nearly all to-day have to carry considerable stocks in their godowns during the monsoon period and therefore the keeping quality of sugar has become a matter of increasing importance. Is that correct?

Mr. Khaitan.—Yes.

President.—In the old days it was sold as soon as it was made, and therefore it did not matter. Now it has become a pressing question.

Mr. Khaitan.—Yes.

Dr. Jain.—Does it happen as a result of there being two many qualities that some qualities are produced which are really not required?

Mr. Khaitan.—I don't think so.

Mr. Singh.—All sugar is sold.

President.—Some factories are so inefficient that they cannot produce decent sugar and that is being put on the market. Is that a correct statement to make?

Mr. Khaitan.—Inferior qualities are sold at a lesser price, but they are all sold.

Dr. Jain.—That is one of the things which a good marketing survey could tell us.

Mr. Khaitan.—Long before the marketing surveyors could tell us, we will know by results.

President.—Factories are making inferior sugar not because they have any market but in fact they cannot do any better.

Mr. Khaitan.—Out of 150 factories it is quite possible that two or three are of that type.

Dr. Jain.—You have no definite information on that subject.

Mr. Rahimtoola.—So long as the factories are able to sell, the Association do not get any information.

President.—If inferior sugar is put on the market, it has an effect on price.

Mr. Khaitan.—Not that.

President.—Does it not have the effect of depressing the price?

Mr. Khaitan.—The buyer will claim an allowance if the quality offered is inferior. It is settled between the buyer and the seller. Throwing a sugar on the market does not create the slightest effect. If a man has an inferior quality of goods to sell, he will sell it at a lower rate.

President.—Supposing the market is flooded with sugar of inferior quality, does not that react on factories that manufacture better sugar?

Mr. Khaitan.—That is a different question. If all the factories started making inferior quality, then surely people would not like to pay as high a rate as they do now, because it would be considered inferior quality.

Mr. Singh.—There is not much of a difference in the cost of manufacture of inferior quality and better quality of sugar. So, every one wants to make as good a quality as possible because he will get a better price.

President.—50 per cent. of the sugar manufactured is inferior to Java sugar.

Mr. Khaitan.—It does not mean bad quality.

President.—Not necessarily, no.

Mr. Khaitan.—The Indian market mostly does not require Java quality. Some confectioners, for instance, do not like big crystals because they have to use more fuel to convert big crystals into *chasni*. They prefer generally soft sugar which is very easily boiled with a small quantity of fuel.

President.—Java sugar is not necessarily big crystal sugar. Dutch Standard 25 is based on colour.

Dr. Nielsen.—Only on colour.

Mr. Lalchand.—And also on grain.

President.—Dutch Standard 25 is based only on colour.

Dr. Nielsen.—Yes.

Mr. Khaitan.—They have big crystals.

President.—But the standard is based only on colour.

Mr. Khaitan.—They may have originally based it on colour but the actual sugar sold contains bigger crystals.

President.—We have seen some Java sugar which is quite small grained.

Mr. Khaitan.—Unless samples are produced we won't be able to say. What is known as Java crushed sugar fetches a higher price provided high grade crystals are crushed. The appearance of the crushed sugar is better.

President.—It is used in making high-class sweets.

Mr. Khaitan.—Generally the Indian *Halwais* will prefer to have sugar containing smaller crystals.

President.—I am talking of the Dutch crushed sugar.

Mr. Khaitan.—That is true.

President.—We may now pass on to the question of central organisation. You have already promised to send a note about the Syndicate in due course. That is to some extent a different question. If an all-India organisation including all factories on some statutory basis is necessary what form should it take? No doubt you are aware that a central body in England to some extent regulates the industry. The Board would like to know what your ideas on the subject are.

Mr. Rahimtoola.—Have you seen Mr. Macmillan's report on beet sugar?

Sir Vijaya.—We have not been able to get a copy. As regards the central all-India organisation, there is the difficulty that there are already Committees working on commodities like cotton, jute and lac, and those Committees have no control over the industry. There is for instance the Indian Central Jute Committee. It is purely a research committee for the benefit of the trade and in spite of some requests from interested quarters the Government of India deliberately excluded from its purview any powers over the trade, that is to say, any control over the trade in respect of selling. The same is the position of the Indian Central Cotton Committee. It has no control over the cotton trade. A certain amount of control is

however vested in the East India Cotton Association. We have got therefore to find out what we want. For instance, the Licensing Body already referred to would be entirely different.

President.—Need it be necessarily different?

Sir Vijaya.—Yes. For research we want a separate statutory body.

President.—Do you want anything more than the Sugar Committee of the Imperial Council of Agricultural Research?

Sir Vijaya.—So far as research is concerned, the Imperial Council itself has made two references to us in which it is proposed to expand and alter the personnel of its Sugar Committee to a certain extent, but I don't think that it is proposed to expand its functions.

President.—They want to get some statutory powers from what I saw; at least a suggestion has been made to that effect.

Sir Vijaya.—It is rather difficult for them. The Imperial Council itself is constituted not by Statute but by an Order in Council.

President.—I think a suggestion is made to the effect that some statutory body should be created.

Sir Vijaya.—We have been rather inviting ideas from the Government of India as to what they want to do. So far, we have not had any very clear communication from them telling us as to what they want to do. Our replies so far have been merely provisional and in the nature of an enquiry. At the request of the Association, when I was in Simla 3 months ago, I attempted to get from the Government of India what they would like and whether they would consult us. Probably they have not formed their own views yet. There has been a great deal of confusion of thinking in this matter.

President.—Certainly there has been.

Sir Vijaya.—So far as the Association goes, I think our idea on the question of controlling Sugar sales is that although we might ask for Government assistance, we should like it to be run by business people and not with Government in the business. We might require the Government of India's help, but we have not yet formulated our proposals. When we do formulate our proposals, we would probably ask for some statutory powers from the Government, but we would like the Committee to be left to us to run. There are precedents for this.

President.—At present the difficulty of the Syndicate is that the Mills who stand out sell at a lower price. You would like to have power to compel factories not to sell below.

Sir Vijaya.—We have not really yet formulated our proposals because we are expecting proposals from the Government of India. Two references have been made to us, but there is a certain amount of confusion in both the references and we are not sure whether it is research that they are thinking of, whether they are attempting an organisation on the lines of the Jute Committee or the Cotton Committee which they already have or something more than that. The Tea Cess Committee for instance has certain powers. If it is laid down as a condition precedent to the grant of statutory powers to a selling organisation that it should have 100 per cent. of the industry behind it, it would be an impossible condition to satisfy.

President.—Are you in favour of a Committee on the model of the Tea Cess Committee?

Sir Vijaya.—It is more concerned with exports. It will probably be a misleading analogy.

President.—Somebody said that some such body as the Tea Cess Committee might do in connection with licensing.

Sir Vijaya.—As regards licensing, it would be a matter which would vitally affect private interests. The kind of Committee I was thinking of

in that connection—here I am speaking on my own—was an all-India organisation with a retired High Court Judge or a very senior executive official as the Chairman, the 2nd Member to represent agricultural interests being the Vice-Chairman of the Imperial Council of Agricultural Research for he is the one man who represents the Government of India in all agricultural matters, the 3rd Member a factory representative to represent the factories of United Provinces and Bihar, and the 4th Member another factory representative to represent the factories of other parts of India. I was thinking of a Committee with 4 Members and with a casting vote for the Chairman. They would have duties to perform essentially of a judicial character.

President.—You think that the industry might have two or three bodies for its proper rationalisation.

Sir Vijaya.—I think there should be a separate body for sales.

President.—When you talk about sales, I put it to you that this body should have some statutory maximum price fixed. You want to have a committee run by the industry. This body might put up the price above a reasonable level and that might not be fair to the consumer.

Sir Vijaya.—The Government of India should have power to meet such a case. So far as sugar is concerned, it is a protected industry and they could insert a provision in the Act for the protection of the consumer.

Mr. Khaitan.—Perhaps it will not be necessary for the Government of India to exercise any power at this stage. The industrialists themselves not only understand but are very very keen that the price of sugar should not be raised very high.

President.—There might be a fear that the price would be put up.

Sir Vijaya.—In order to provide for that contingency, there might be a provision in the Act by which the Government of India could step in.

Mr. Rahimtoola.—They may fix the maximum price.

Mr. Khaitan.—The maximum price cannot be fixed by legislation. When the price of other commodities goes up, the price of sugar also will have to go up and therefore you cannot fix the maximum price by legislation. If at any time the Government of India find that the price has been taken up unduly high, they can intervene and fix the maximum price.

Mr. Rahimtoola.—"Unduly high" is a phrase difficult to define.

Mr. Khaitan.—It will have to be understood in the light of the situation prevailing at the time.

Mr. Rahimtoola.—The industry gets a price called a fair selling price fixed by the Tariff Board. Do you think that that will be the maximum price?

Mr. Khaitan.—Prices fluctuate from time to time. Just for the sake of argument, suppose you want to maintain the price at Rs. 7. When you talk of Rs. 7, it does not mean exactly Rs. 7.

Mr. Rahimtoola.—I am talking of the maximum price.

Mr. Khaitan.—Take it as maximum. When you talk of Rs. 7, you do not mean a round figure of Rs. 7. You mean the price fluctuates between Rs. 6-14-0 and Rs. 7-2-0. There must be some fluctuations in the price of any commodity. We cannot fix by law as to what price should prevail. As I have already said it is a relative problem.

President.—Presumably there would be automatic action. If you raise prices to the Java level, presumably Java sugar will come in.

Mr. Khaitan.—It is not our desire to raise the price to that level at all. We want a lower price.

President.—The quality of your sugar is inferior to Java sugar.

Mr. Khaitan.—Even for quality for quality, our price will be less.

President.—From the constitutional point of view we are not aware of any precedent where statutory power is given to an industry to fix prices without some control or some representation of Government on that body.

Mr. Khaitan.—The kind of control I was thinking of should not be exercised in the day to day working of that body. That control can only be exercised in relation to price. In case the Government of India think that the price has been raised unduly high, then that kind of control comes in. Otherwise, it does not. Suppose we want to sell 1,000 bags to a station on the Bombay, Baroda and Central India Railway and we admit four nominees of Government to our Board of Directors. They may say, "You cannot send those bags to that station or you cannot sell it through a certain agent". Work cannot go on like that.

President.—I gather your tentative view is to have two bodies, a selling syndicate controlled by businessmen and another a licensing body which would be mainly official?

Sir Vijaya.—Mainly official except for the two representatives of factories there would be an official majority. The Chairman with his casting vote and the Vice-Chairman of the Imperial Council of Agricultural Research will.

Mr. Khaitan.—There is a third body we are thinking of about research. A small compact body not having so many members as the Central Jute Committee or the Cotton Committee.

President.—On the lines of those committees?

Mr. Khaitan.—The phrase "on the lines" have created a lot of confusion, so I do not mention it.

President.—You mean having the same function?

Mr. Khaitan.—Yes.

President.—You want three organisation for the general control of the industry?

Sir Vijaya.—Yes. One for research, another for sales and a third for licensing and fixing of quotas if necessity should arise. But perhaps the licensing body may not have to work all the year round; it may be like the Railway Rates Advisory Committee which assembles when there are applications.

President.—What about the representation of merchants?

Mr. Khaitan.—On the marketing and selling we would not allow them any representation for this reason that we want to have this organisation for the purpose of orderly marketing of sugar. Supposing there is cross haulage—Western United Provinces sending goods to Bengal and Eastern United Provinces sending goods to Punjab—we want to prevent that kind of cross haulage. The second thing is, the marketing organisation will consider the question of how many factories should work. The merchants will have an adverse interest to the marketing board necessarily because the marketing board will have to work through selling agents and these merchants will be the selling agents. If they are in the directorate, there will be directors with adverse interest to the marketing board itself. It will be a Board of sellers whereas the merchants should necessarily be either buyers or selling agents. We shall have to appoint them as selling agents. We shall have to appoint them as buyers.

President.—On the other hand, I take it, taking a long view, it is to the interest both of manufacturers and merchants to have some stability in prices.

Mr. Khaitan.—Merchants cannot control prices. They take the view of the market; when they think the market will go up they buy. That is the function of jobbers. They do not fit in at all.

President.—About this contract form do you want to add anything?

Mr. Khaitan.—We have put the whole correspondence before you including the notes.

President.—The next question is about their terminal market. What do you think about that?

Mr. Khaitan.—We have already said that we are not in favour of a terminal market.

President.—Supposing you have a central organisation?

Mr. Khaitan.—A terminal market will not fit in there at all if a central selling organisation works. There is no place for a terminal market because our endeavours will be to regulate despatches of sugar to the most favourably situated markets in relation to any particular factory whereas a terminal market will thrive on speculation. A terminal market cannot exist without speculation. The jobber will buy a certain quantity from a particular factory or any other seller and will like to sell it to any person he likes. That is the function of the terminal market whereas the essential function of the central selling organisation is to regulate sales to the markets most favourably situated in relation to every factory.

President.—And also to fix the minimum selling limit? Those will be the two main functions?

Mr. Khaitan.—Yes, whereas a terminal market will go against it.

Sir Vijaya.—Terminal markets do not exist in case of commodities which are not exported in any appreciable quantity, and in the absence of any definite and fixed standards it will be impossible to work on a terminal market.

Dr. Jain.—There is a definite difference of opinion on this subject. I find important factories have mentioned that they are in favour of a terminal market.

Mr. Khaitan.—I do not know whether they are thinking in conjunction with a central organisation.

Dr. Jain.—In conjunction with both.

Mr. Khaitan.—Then I can only say that they have not given full thought to the matter.

Mr. Rahimtoola.—How does the selling organisation work at present?

Mr. Khaitan.—We have stated that in answer to question 84.

Mr. Rahimtoola.—Mills do not deal with retailers?

Mr. Khaitan.—Can't say not at all, but quite the larger quantity of transaction takes place in this way: After the buyer buys he sends instructions to the mill to despatch the goods and the mills despatch the goods according to instructions. But mills sell in smaller quantities also. There are some big merchants who deal direct with the manufacturers without an intermediary or broker. They send their orders direct and buy the goods.

President.—In that connection the merchants have advanced the contention that the manufacturers are trying to cut them out of the business altogether.

Mr. Khaitan.—They spoke to me at Lucknow and I assured them that natural forces would compel us to work through merchants. It is not possible for the manufacturers to go right up to the consumer although Government want us to establish direct relationship between ourselves and the village merchants—I mean small merchants—but it is not possible for the manufacturers to do all transactions in that way. Mostly the transactions will have to be done through merchants.

President.—One contention of the merchants is that the fact that factories deal partly with merchants and partly with smaller men leads to a good deal of confusion in the market.

Mr. Khaitan.—There can be no truth in that.

President.—The point they raise is that when they place a large order to a factory and send out challan for delivery to a particular place, the factory sends out agents to that place who get direct orders.

Mr. Khaitan.—It is very difficult to give credence to that. They might have interpreted it in that way. It might have happened that a factory agent had gone down to a particular place and the merchants may have also given challan for the place. But when despatching instructions go there is no time for the factory to send out an agent.

Mr. Rahimtoola.—Do they not ask for immediate delivery when they send the challan?

Mr. Khaitan.—Challan means immediate delivery.

President.—There may be delay on the railway and in the mean time the agent might get to the place and get the order?

Mr. Khaitan.—He must have rushed to that conclusion from some incidental coincidence.

Mr. Rahimtoola.—We shall now take up the question of factory efficiency. First of all I would like to get a clear idea of the number of factories reported working in 1936-37.

Sir Vijaya.—I can give you a complete list.

Mr. Rahimtoola.—*Mr. Khaitan* has pointed out that this is the first enquiry where we have been able to receive answers from a large number of mills. I may say in the last textile enquiry we asked the Millowners Association to supply us with costings of mills of average working efficiency and of mills working in different provinces and with different agents. Could you supply us with that kind of information? Would you regard the mills for which you have given figures as mills of average efficiency?

Sir Vijaya.—I took 49 factories at random and gave them without selection.

Mr. Rahimtoola.—I would like the Association to help us in this matter to a certain extent. We want to know the progress made by the mills of average efficiency.

President.—Compare the efficiency in 1930-31 and 1936-37.

Mr. Rahimtoola.—Can you say what are the representative mills?

Mr. Khaitan.—It is very difficult to say really which is a representative mill. In the case of the textile industry it is a very old industry—as old as the American Civil War—but here you are dealing with an industry which has recently started apart from 29 factories.

Mr. Rahimtoola.—But according to you the Industry has made substantial progress.

Sir Vijaya.—The list I have given is fairly representative. We will give you a revised list confidentially.

Mr. Rahimtoola.—I would like to know whether the figures given for 1936-37 are the actual figures supplied by the mills.

Sir Vijaya.—I may say at once, for the last 4 or 5 days I have set a man to check these figures over again and when I have finished the scrutiny we will send you a revised statement.

Mr. Rahimtoola.—I find in one case the overhead charges are as low as 2 annas!

Sir Vijaya.—I looked into it. The mill gave only one item of cost and said it had no other figures.

President.—From the point of view of the Tariff Board the figures of 1936-37 are of great importance because in that year according to general opinion I presume the greatest improvement in efficiency is taking place.

Sir Vijaya.—We have not yet been able to get satisfactory returns for 1936-37. These we have got in a hurry. The staff was away at the time.

Mr. Rahimtoola.—Manufacturing and overhead charges are given in a collective form. I would like to have them separately.

Sir Vijaya.—I will give you another statement which will show what the overhead charges are and what the manufacturing charges are and what exactly is the price.

Mr. Rahimtoola.—I want the detailed headings.

Sir Vijaya.—I will give you confidentially a list of the factories together with the details you want. I may say at once that except myself, no one, not even the Managing Committee know the names of the factories in the list. The idea is that one factory should not know the costs of another.

Mr. Rahimtoola.—As regards the efficiency figures you have given us in some cases only for 1935, 1936 and 1937.

Sir Vijaya.—They didn't give for previous years. Probably they had just started in 1936. The factories which have not filled in for earlier years are all new ones.

Mr. Rahimtoola.—Do you think there is any likelihood of the efficiency increasing in the next 7 years, for instance in mill extraction?

Mr. Khaitan.—If sugarcane improves.

President.—Apart from sugarcane.

Dr. Nielsen.—It will surely increase.

President.—Would you like to put a percentage on the increase you expect?

Dr. Nielsen.—That is very difficult to say.

Mr. Rahimtoola.—There are mills which have shown 70 and 71 and others 80-81.

Dr. Nielsen.—They vary according to the factories.

Mr. Rahimtoola.—Just as the Board is able to judge the progress made by the industry up-to-date when compared to Java, we would also like to get an idea of the progress which the industry is likely to make in the next period of protection.

Sir Vijaya.—The general belief is that it was not possible to expect much in the next few years.

Mr. Khaitan.—May I refer you to the progress we have already made?

Mr. Rahimtoola.—I have seen that. The over-all recovery is 82.5.

Mr. Khaitan.—You cannot expect that efficiency to be realised at all times. That is the maximum efficiency that you can get.

Mr. Rahimtoola.—That is not the average I find.

Mr. Khaitan.—It is over 80. That is the maximum beyond which it is not possible for anybody to go.

Mr. Rahimtoola.—You have reached the maximum so far as the over-all recovery is concerned.

Mr. Khaitan.—Yes. There are some factories which have not yet reached that and they are expected to make some progress.

President.—One factory has hazarded a guess that 10 per cent. increase in efficiency is still possible apart from the cost of raw material.

Sir Vijaya.—It is such a pure guess that I would not like the Board to assume it as anything to go upon.

President.—This was by a technical person.

Mr. Khaitan.—Does he expect 90 per cent. recovery?

President.—10 per cent. on the present figures?

Sir Vijaya.—I would not make it the basis of any reasoning.

President.—I am thinking of the whole thing apart from raw material.

Sir Vijaya.—I put the question to factory owners. I knew the question would be put to me. The general opinion was that it was not possible to expect very much more hereafter.

Mr. Rahimtoola.—How do the conditions here compare with Java?

Dr. Nielsen.—Our installations are not as good as those of Java being smaller in pans, in centrifugals, etc. It is not possible to get as low an output of molasses as we get in Java.

Mr. Rahimtoola.—2.86 per cent.

Dr. Nielsen.—That is the purity of the molasses.

Mr. Rahimtoola.—How much will that be?

Dr. Nielsen.—Ours will be 32 to 36 and in Java it is 28.

Mr. Rahimtoola.—You get 32 to 35.

Dr. Nielsen.—Yes.

Mr. Rahimtoola.—You don't think it is possible to have 28.

Dr. Nielsen.—I don't think it is possible. You will have to increase your capacity. Then it becomes question whether it will pay or not.

Mr. Rahimtoola.—Those mills which have got a higher capacity like 2,000 or 1,000 do they get the same efficiency?

Dr. Nielsen.—Some of them get.

Mr. Rahimtoola.—Some factories have actually got that efficiency.

Dr. Nielsen.—I have not a single one for molasses.

Mr. Rahimtoola.—What about the important group?

Dr. Nielsen.—I have seen a few factories and they are not up to the Java standard.

Mr. Rahimtoola.—I would like to get an idea about the economic output. You said the crushing capacity is 500 tons. In order to arrive at the fair selling price, I would like to have details of manufacturing cost. The number of days you say may be taken as 120.

Mr. Khaitan.—Yes.

Mr. Rahimtoola.—And the recovery of sugar 9.5.

Mr. Khaitan.—9 per cent. only.

Mr. Rahimtoola.—The average recovery for the whole of India is 9.4.

Dr. Nielsen.—Yes.

Sir Vijaya.—9.5 is the current figure. It may go down next year.

Mr. Rahimtoola.—Under normal conditions I don't think it should go below 9.5.

Mr. Khaitan.—You are taking the highest figure.

Mr. Rahimtoola.—No. The average for Bombay is 10.75.

Mr. Khaitan.—Yes, because they have better cane. So far as the United Provinces and Bihar are concerned one got 9.2 and another 9.6. The conditions of 1937 were very good. All the factories got a large quantity of gate cane on which they cannot rely. Next year you will find that the recovery will go down. In many places the cane is diseased. In many places sufficient cane has not been grown in the vicinity of the factory and cane will have to be brought from long distances. I shall feel very happy if we get 9.6 per cent. provided the season is as long as in the previous year. If we only work from the middle of December to the middle of March, we shall get that recovery.

Mr. Rahimtoola.—That is what I am myself thinking, but you suggest 120 days.

Mr. Khaitan.—From 15th of December to the end of March.

Mr. Rahimtoola.—In view of the progress made by the industry so far, I don't think you have any reason to assume that you will get a lower percentage.

Mr. Khaitan.—Very much depends upon the quality of cane.

Mr. Rahimtoola.—I don't think the quality of cane will deteriorate to such an extent that you will not only have no progress but will have retrogression.

Mr. Khaitan.—We are told by the Provincial Government not to expect much improvement. We can't put sucrose content in the cane itself. In 1934 the recovery was less than in 1933.

Mr. Rahimtoola.—Do you think for the next seven years we should assume 9 per cent. recovery?

Mr. Khaitan.—Yes.

President.—In 1934 was there not an attack of pyrilla?

Sir Vijaya.—Yes.

President.—In 1936-37 season a good many factories went on crushing to a time when they said they were actually losing money and that ought to have affected the recovery rate.

Mr. Khaitan.—It did.

Sir Vijaya.—Even towards the close of April, for instance when we went to Gauri Bazaar, I was surprised that they had as much as very near 11 per cent. It is very unusual.

President.—The season was favourable.

Mr. Khaitan.—It is the hot wind that generally comes after the middle of April.

Sir Vijaya.—I think it would not be safe to assume a rate of recovery higher than 9 per cent. in the next 8 years.

President.—Against an average of how much this year?

Sir Vijaya.—9.5.

President.—Even in 1935-36 the average was about 9 per cent.

Mr. Khaitan.—Yes.

President.—In the next 7 years we may possibly expect some improvement in the cane and better recovery.

Mr. Khaitan.—The Directors of Agriculture have not given us hope in that direction.

President.—In the evidence tendered to us they have forecasted something of that kind.

Mr. Khaitan.—If they give us better sugarcane, we shall get a larger recovery. We won't take less sugar out of the cane than we possibly can.

President.—I am only saying that your figure of 9 per cent., in the view of the possibilities of improvement in cane, seems to be rather conservative.

Mr. Khaitan.—That is because Directors of Agriculture themselves have said so.

President.—They have not said that to us.

Mr. Khaitan.—Whenever we press them to give us better sugarcane, they tell us, not only to us alone, but in conferences not to expect better results. Within the last four days they have said that.

Mr. Rahimtoola.—Another point I want to find out is the stocks held by the mills. The last Tariff Board considered one-third of the season's output and calculated interest on working capital on that basis.

Mr. Khaitan.—In December there will be very little stock. January produces a good quantity and February also produces a good quantity. The stocks will be higher in April.

President.—At the end of April?

Mr. Khaitan.—About the beginning of April or end of March. The stock will be about two-thirds of the year's consumption.

Mr. Rahimtoola.—You mean production.

Mr. Khaitan.—Production or consumption is the same thing, but it is not always, so that in calculating interest I think you would be justified in taking half.

President.—Instead of one-third?

Mr. Khaitan.—Yes.

President.—Would you say that you would have the maximum stock as early as March taking into account that the crushing goes on to the end of April?

Mr. Khaitan.—After the beginning of April the percentage of recovery goes down and the mills begin to close down after the first week of April so that I am calculating that what is produced in the latter half of April will be about equal to consumption in that period.

President.—What about the latter half? What about the first half?

Mr. Khaitan.—It will be slightly more.

President.—The maximum will be in the middle of April.

Mr. Khaitan.—It will differ in different years.

President.—Taking an average year—of course last year was exceptional—leave that out of account.

Mr. Khaitan.—No body can be definite to the exact date.

Mr. Rahimtoola.—How do you calculate that?

Mr. Khaitan.—There is no fixed rule about that. It depends upon whether a man follows what some auditors say.

Mr. Rahimtoola.—All the balance sheets contain an item:—"Stocks of sugar and molasses"—and the value is calculated. I want to know how that item is arrived at.

Mr. Singh.—They generally take the market price.

Mr. Rahimtoola.—Suppose the market price is Rs. 7?

Mr. Khaitan.—Some factories might put in Rs. 6-14-0.

Mr. Rahimtoola.—That is inclusive of the excise duty.

Mr. Khaitan.—Yes. Others show the excise separately.

Mr. Rahimtoola.—Suppose you have got a stock of 2,000 maunds of sugar. They take the price of Rs. 6-14-0 and then calculate on that basis.

Mr. Khaitan.—They deduct Rs. 1-8-0 which is not paid.

Mr. Rahimtoola.—They deduct it from the price.

Mr. Khaitan.—Yes.

Mr. Lalchand.—They put the price as Rs. 6-14-0. On the other side they make provision for excise.

Mr. Rahimtoola.—I suppose in arriving at that figure do they take into consideration the depreciation of the quality of sugar.

Mr. Khaitan.—Sometimes that has to be done.

President.—On the question of stocks, have the Association got any figures of stocks with factories other than those from the Technological Institute, that it stocks held on different periods?

Mr. Khaitan.—Our figures are not complete.

President.—Are they any more complete than the figures published by the Technological Institute?

Mr. Gandhi.—No.

Mr. Khaitan.—Those figures may be taken as reliable.

President.—You have nothing better than these?

Mr. Khaitan.—No.

President.—Because one point which the Tariff Board has to look into is the statistical position of the industry in the last three years. I should like to know about stocks.

Mr. Singh.—Last year there were large stocks. Before that most of the factories had no stocks.

Mr. Rahimtoola.—Would you work out the manufacturing costs of a 500 ton plant?

Mr. Khaitan.—Yes.

Mr. Rahimtoola.—What interest on working capital would be reasonable to take.

Mr. Khaitan.—Many mills have to pay even more than 6 per cent.

Mr. Rahimtoola.—The Bank rate is only 3 per cent.

Mr. Khaitan.—Many mills have to pay actually more than 6 per cent.

Mr. Rahimtoola.—Does the rate vary according to the season?

Mr. Khaitan.—Yes and according to the credit of the factory.

Mr. Rahimtoola.—Does it vary from 3 to 8 per cent.?

Sir Vijaya.—One per cent. over the Bank rate must be the minimum.

Mr. Khaitan.—4 to 8 per cent. will be the variation. The average would be 6 per cent.

Mr. Rahimtoola.—Would you also send us a statement as to how many mills are private limited and how many are public limited companies?

Sir Vijaya.—We have that information.

President.—Will you also let us know which factories have distilleries attached to them?

Sir Vijaya.—Yes.

President.—I have just got some figures of stocks for different fortnights. Actually the highest stock in the current year was on the 30th of April and then after that it began to go down.

Mr. Khaitan.—After that it would necessarily go down.

President.—Of course this year was a little exceptional.

Mr. Khaitan.—Yes.

President.—I have not got figures for previous years.

Mr. Khaitan.—In any event it would be some time in April.

President.—The big jump is at the end of March.

Mr. Khaitan.—Yes, that is what I say.

President.—That is the beginning of the increase and the maximum is reached at the end of April.

Mr. Khaitan.—Yes, I stand corrected.

Mr. Rahimtoola.—With regard to Question 103, it is stated "In 1934, Java landed her sugar in India at unremunerative prices". I would like to know whether the Association has any knowledge of the cost of production in Java.

Sir Vijaya.—We have. Dr. Nielsen has had exceptional opportunities of knowing the cost of production in Java.

Dr. Nielsen.—The cost of production of an average factory in Java is Rs. 2-6-0.

Mr. Rahimtoola.—What will be the freight from Java to Bombay or Calcutta?

Mr. Dhadda.—6 annas from Java to any port in India including insurance. One anna per maund is the landing charge.

Mr. Rahimtoola.—The landed price is Rs. 2-13-0.

Mr. Dhadda.—Yes.

Mr. Rahimtoola.—Here the prices shown are more.

Mr. Gandhi.—In November 1934 it was Rs. 2-9-3.

Sir Vijaya.—We have really quoted what the Tariff Board said in the answer to Question 103.

Mr. Rahimtoola.—We did not say "unremunerative".

Sir Vijaya.—This is what we said in our answer to Question 103:—"The last Tariff Board considered that under normal conditions the price of Java sugar landed in Calcutta would be Rs. 4 a maund *ex-duty*, but in circumstances of exceptional competition or for special reason Java manufactures

might go down to as low as Rs. 3-4-0 per maund." We know here it was below Rs. 3-4-0 per maund.

Mr. Rahimtoola.—Have you seen the price in 1936, which was as low as Rs. 1-15-6 per maund?

Sir Vijaya.—I doubt it. The lowest c.i.f. price that we have got is Rs. 2-13-6.

Mr. Rahimtoola.—We have seen Rs. 2-1-6. What do you think should be the minimum which the Board should take into consideration? You say that Rs. 2-6-3 was the cost price for Java sugar?

Sir Vijaya.—Last year?

Mr. Rahimtoola.—This year we have been told the price has gone down further to somewhere about Rs. 2, and that the cost of cane is about one anna per maund.

Sir Vijaya.—We agree that the cost of cane in Java is one anna per maund and the manufacturing cost is Rs. 1-6-0. It was Dr. Nielsen who put me on the track.

President.—The landed price will be about Rs. 2-13-0. You don't think it safe to go lower than that.

Mr. Khaitan.—They have sold in the past. There is no reason why they should not sell it in the future.

Sir Vijaya.—At Rs. 2-13-0 we cannot call it dumping.

Mr. Khaitan.—The idea of everybody in giving protection should be to see that the import from Java does not take place again. India is producing sugar sufficient for purposes of consumption in the country. Whether the protection that is given to us is more than the calculation needs will not affect the situation so far as Java is concerned. You may give us more protection. As regards the consumer in the country he is protected by our internal competition, so that I humbly request you not to be stingy in recommending the quantity of protection to us.

President.—That leads us to another question. What is the margin between the Indian sugar and Java sugar which you think is safe—8 annas or Re. 1 or Rs. 2?

Mr. Khaitan.—Quality for quality 8 annas, but we produce inferior sugar.

Mr. Rahimtoola.—After allowing you a fair selling price, do you want an extra margin of 8 annas?

Mr. Khaitan.—Yes, provided we sell a quality equal to Java, we would sell it at a difference of 8 annas.

Mr. Rahimtoola.—What percentage of Indian sugar is equal to Java in all respects?

Mr. Gandhi.—Very little, I think.

Mr. Rahimtoola.—With regard to colour it is about 48 per cent.

Mr. Khaitan.—You may determine it with reference to colour, size and crystals, but there is the intangible value attached to Java sugar as such.

Sir Vijaya.—Like the goodwill of a trade.

Dr. Jain.—That is very difficult to estimate.

Mr. Khaitan.—It is very difficult to dislodge the idea even if we reach to the Java standard. The best hostels would buy Java sugar.

Sir Vijaya.—I telephoned to Firpo's not to send Java sugar the other day for our party and still they sent it.

Mr. Rahimtoola.—May I refer you to the memorandum which you have sent about the export of sugar? I shall first deal with the export by land and then I shall take up the question of export by sea. At present the market that it being catered for by India is chiefly Burma.

Mr. Khaitan.—Yes.

Mr. Rahimtoola.—What about the other markets?

Mr. Khaitan.—At present we are not able to send any to Afghanistan or Nepal.

Mr. Rahimtoola.—What about Ceylon?

Mr. Khaitan.—We are not sending any.

Mr. Rahimtoola.—I find only 12,000 tons go to Burma and the figures given on page 13 show a tonnage of 33,000.

Mr. Dhadda.—It includes Java sugar which is re-exported.

Mr. Rahimtoola.—I am told there is one difficulty in extending the trade namely the refund of excise duty.

Mr. Khaitan.—We have addressed the Central Board of Revenue.

Mr. Rahimtoola.—I want to know exactly what is the procedure. Is the excise duty paid by the factory? How long does it take to get the refund?

Mr. Gandhi.—We recently sent sugar. It is now 3 months and still we are not able to get the refund. Three months is a fairly long period and we have sent several reminders. Still, nothing has happened.

Mr. Rahimtoola.—With regard to duties in the United Kingdom, I find that the duties vary according to polarisation. You have taken the duty as 4s. 6-3d. for Empire sugar: that means 96° polarisation not exceeding 97° polarisation. Are you able to make sugar of 95° polarisation not exceeding 96° polarisation. I want to know the reason why this particular polarisation has been selected.

Mr. Khaitan.—That is needed for export to the United Kingdom.

Mr. Rahimtoola.—I am talking of export to the United Kingdom.

Mr. Khaitan.—We are not able to export.

Sir Vijaya.—We can make sugar of less than 96° polarisation if there is a demand for it. In India we are selling a higher grade sugar.

Mr. Rahimtoola.—My point is this. There are various polarisations and duties vary according to polarisations. I want to know why this selection is made. Is it because the market wants that quality?

Mr. Khaitan.—Yes, 96° polarisation and below.

Mr. Rahimtoola.—I find over 1 million cwt. have been imported into the United Kingdom of sugar exceeding 98° polarisation.

Mr. Khaitan.—Our own sugar contains 99-6° polarisation.

Mr. Rahimtoola.—These are figures from the blue book—imports from Australia, etc.

Mr. Lalchand.—Australia produces sugar of 96° polarisation and below.

Mr. Gandhi.—98° may be a misprint of 96°.

Mr. Rahimtoola.—Mauritius sends sugar of 98° polarisation.

Mr. Kelso.—I have seen Mauritius sugar. It has 98° polarisation.

Mr. Khaitan.—I have always been told that it is 96° polarisation.

Mr. Rahimtoola.—A very large quantity of sugar of 98° polarisation has been sent to the United Kingdom. There are three types which are going to the United Kingdom—exceeding 96 and not exceeding 97, exceeding 97 and not exceeding 98 and 98 but not exceeding 99° polarisation. I want to know why you have particularly chosen 96° but not exceeding 97° and why not make an attempt to send the sugar which you are at present making in India?

Mr. Khaitan.—Because we have to pay a very high duty at present.

Mr. Rahimtoola.—May I know how you have arrived at the cost of production for 96° polarisation and what are the items included under it?

Mr. Khaitan.—We have not got these figures with us; we will send them on to you later.

Mr. Rahimtoola.—I suppose there is no difficulty in manufacturing this class of sugar. The cost is lower as compared to the cost of manufacturing sugar of 98° polarisation?

Mr. Khaitan.—Yes.

President.—Will that mean any installation of new machinery?

Dr. Neilsen.—We must have a sugar drier, but there are factories who can make it to-day.

Mr. Rahimtoola.—Another point is, how did you obtain these c.i.f. prices, are they wholesale or retail?

Mr. Khaitan.—These were supplied to us by the market in July 1937; they are wholesale prices.

Mr. Rahimtoola.—According to your figures I suppose India cannot export unless it can get the Colonial rate?

Mr. Khaitan.—We want the Certified Colonial Rate.

Mr. Rahimtoola.—Suppose that is not granted?

Mr. Khaitan.—Without any subsidy it would not be possible.

Mr. Gandhi.—The latest opinion of the Imperial Council of Agricultural Research is that even with the present duties India will be able to export sugar.

Mr. Rahimtoola.—The prices I have received are somewhat different from the prices you have received. In July 1936 the retail price as given to us was 2½d. per lb. which works out to 21s. per cwt. in the United Kingdom.

Mr. Singh.—There is always a difference between the wholesale and retail prices.

Mr. Rahimtoola.—Will there be such a big difference?

Mr. Khaitan.—It is difficult to understand that figure.

Mr. Rahimtoola.—We have asked for more figures. But can we rely on the figures you have supplied?

Mr. Khaitan.—Yes.

President.—One point I would like to put to you is this: if the minimum price of cane is fixed, say for example, at 5 annas per maund, would not export be possible?

Mr. Gandhi.—Most countries export sugar; they do not necessarily export at a minimum price.

President.—Supposing the price of cane is fixed at 5 annas would it make export impossible?

Mr. Khaitan.—It would.

Mr. Gandhi.—The higher the price of cane, more impossible it becomes.

Dr. Jain.—With regard to question 105, is it your opinion that the excise came at such a time that it upset the industry?

Sir Vijaya.—Every section of the industry was disorganised by the 1937 enhancement of the grower, the manufacturer and the merchant.

Dr. Jain.—I take it your Association is not opposed to excise in principle?

Sir Vijaya.—As a form of taxation no, but we do think that if the present enhanced duty is taken off the industry will be better off.

Dr. Jain.—Is it your view that the burden was borne mostly by the cultivator?

Sir Vijaya.—I think the successive orders of the local Governments of United Provinces and Bihar reducing the price of cane every fortnight in April and in May would show that the burden did fall immediately on the raiyat.

Dr. Jain.—But in the case of sugar made before 28th February the whole burden of the duty fell on the industry?

Sir Vijaya.—Naturally because the raiyat had been paid his full price. When the duty was first imposed the burden was distributed between the cultivator, the manufacturer and the consumer.

Dr. Jain.—Would it be correct to say in regard to this excise that small factories were more hit than bigger factories?

Sir Vijaya.—Factories which had better financial backing could stand a bad year better, but factories with smaller finances were not able to withstand its effect.

Dr. Jain.—More efficient factories are able to withstand it better than the others?

Mr. Khaitan.—I want to say this, that if you take purely manufacturing efficiency I would not say yes, but if you mean rich people with big balance could stand because they could easily pay out of their pocket, that is correct.

President.—In 1936-37 you made good profits?

Mr. Khaitan.—The reason is that some factories foresaw the trend of the market and sold their sugar at the beginning of the season before the factories commenced to work.

Dr. Jain.—Shall we say that the excise is responsible for the reduction in the price of cane as well as the adverse treatment of labour?

Mr. Khaitan.—Adverse treatment?

Dr. Jain.—More dismissals and more dispensing with the services of labour in order to reduce the costs?

Mr. Gandhi.—To some extent yes.

Sir Vijaya.—I should not like to answer that question because it puts too severe a strain on our conscience!

Dr. Jain.—You have a clause in the contract form No. 17, by which you can put up the price of sugar exactly by the amount of the excise duty?

Sir Vijaya.—We could not avail ourselves of it, for the very good reason that we were at the mercy of the buyers.

Mr. Khaitan.—After the additional excise was imposed, rates began to fall and the buyers refused to pay the increased duty. It was not a question of good or bad organisation, it was just commercial management of business. We can't afford to file suits against dozens of people who refused to pay the excise duty. They refused to take delivery of goods and we had to effect delivery of goods and had to make compromises.

Sir Vijaya.—The general law provides that where an excise duty is enhanced, the increase shall be borne by the purchaser. In this case contracts entered into after 15th February in anticipation of the increase provided expressly that the seller shall bear the enhanced excise.

Dr. Jain.—Your whole point is that the circumstances were so exceptional and the excise duty came without warning that it was not possible to pass the excise on to the quarter you might otherwise have passed it on?

Mr. Khaitan.—It comes to that.

Dr. Jain.—Would you like to say anything about the possibilities of increased consumption of sugar in the next few years?

Mr. Khaitan.—It would depend very much on cane prices.

Dr. Jain.—Or on the improvement in the quality of sugar?

Mr. Khaitan.—Both.

Sir Vijaya.—I think within the next two or three years it is possible to improve the quality of sugar.

Dr. Jain.—Another point involved in it is the price of sugar. Supposing the present price of sugar goes up by one rupee as a result of the Syndicate?

Mr. Khaitan.—The consumption will decrease.

Sir Vijaya.—We cannot estimate the percentage.

Mr. Khaitan.—This question was discussed at Lucknow and the governments of United Provinces and Bihar asked the manufacturers and merchants as to the level of prices at which the present consumption could be maintained and reply was that at Rs. 7 as the price of sugar in Eastern United

Provinces and North Bihar the present amount of consumption could be maintained. There is a difference in present consumption and the consumption 3 or 4 months ago. It was higher then. But the present consumption may be maintained if the price is Rs. 7.

Dr. Jain.—But quite recently the consumption has distinctly fallen?

Mr. Khaitan.—Yes.

President.—What is the reason?

Mr. Khaitan.—The price of sugar went down to Rs. 5-12-0; it has gone up to Rs. 6-6-0. Rs. 5-12-0 looks very cheap and a person is inclined to buy more sugar. It is more a psychological factor.

President.—You have not answered question 101 about subsidiary industries. Would you like to answer that now?

Mr. Khaitan.—Unless the price of sugar goes down its industrial use for making jams, chutneys, jellies and so on to enable it to come into competition with the imported stuff is not possible. The manufacturer must get his sugar at a cheap rate. There is every reason that this industrial use should be available to India, not simply for the sake of sugar but for the sake of fruit growers as well.

President.—What about sugarcandy?

Mr. Khaitan.—It is being imported to a certain extent.

Mr. Gandhi.—There are certain factories in Bengal manufacturing things like toffee and so on.

President.—The duty on sugarcandy is Rs. 10-8-0 a cwt. It is a special rate. Even this does not keep out sugarcandy altogether.

Mr. Khaitan.—Imports must have decreased a good deal and I think the public taste for sugarcandy has gone down.

Mr. Rahimtoola.—Because there is a high duty.

Mr. Khaitan.—In spite of the high duty it is coming.

President.—Do you think that the duty ought to be raised?

Sir Vijaya.—I have not considered the question.

Mr. Singh.—The ordinary manufacturer cannot manufacture in competition with the imported stuff. If we put up a factory for manufacturing sugarcandy, the consumption will not justify the expense.

President.—In Bombay they are making a good deal.

Mr. Singh.—On the cottage lines they can do it, but not on factory lines.

Sir Vijaya.—In the old days, along with *pansupari* sugarcandy used to be given to guests, but now nobody gives sugarcandy.

Dr. Jain.—What about Cube sugar?

Mr. Khaitan.—We have got a small market for Cube sugar.

Sir Vijaya.—When I was in Ootacamund, I made a reference to 2 or 3 selected factories. They all said they could make it, but they didn't do it, because the demand was small and it would not justify the cost of the additional machinery.

Mr. Khaitan.—When the Sugar industry was doing well, we didn't think of the ways and means of developing the industry, but now the Sugar industry is in such a bad position and has such a very dark future before it that we really do not know along what lines to think.

Dr. Jain.—When it was doing well, you didn't think of it. Now it is not doing well, you cannot think of it.

Sir Vijaya.—In the very first year when a good many factories started, that is in 1934, you put on the excise duty. Three years later you increased it. There was no breathing space.

President.—Some factories as you probably know are turning their attention to the manufacture of sweets and other things. They are only a few.

Sir Vijaya.—Those factories which make sweets and other things to which you refer are 40 years old.

Mr. Singh.—They are simply experimenting.

Dr. Jain.—I think the conscience of the industry has to be roused.

Mr. Khaitan.—You mean the Sugar industry should make logenges. Excuse me, Sir, it is not the function of the Sugar industry at all. These subsidiary industries should be run by the educated middle classes and the Provincial Governments through their Industries Departments must encourage them.

Dr. Jain.—You would rather leave it to others.

Mr. Singh.—In the whole of Japan there are three groups and these people make these things.

Mr. Khaitan.—It is not the function of the sugar manufacturers to start these smaller industries. That is my view.

President.—I don't think the Tariff Board have any further question to ask. Would the Association like to make any statement or raise any further point which has not been raised?

Mr. Khaitan.—Except the level of protection should be maintained.

President.—Protection depends upon the fair selling price.

Mr. Khaitan.—And other considerations. Our conclusion that the level of protection should be maintained as it is, is in view of the various facts we have mentioned.

Mr. Gandhi.—Sir, I would like to emphasise one point in regard to the research work and I shall read to you a small portion from "1937 Indian Sugar Annual", which is my own publication and it is this: "In one of their recent Reports, the Tariff Board remarked correctly and with justification that 'protective duties divorced from the constructive measures proposed in connection with them may represent an immediate gain to public revenues, but they constitute in reality an expensive and wasteful form of assistance to industries'. We hope the Government will bear in mind the latter remark as there is little doubt that without adequate measures of research, the real purpose of the scheme of protection is likely to be delayed, if not defeated".

President.—It is engaging the attention of the Board very much and a great number of questions have been directed towards that point in the questionnaire.

**(3) Evidence of Mr. D. P. KHAITAN, Mr. A. L. CAMERON, and
Sir T. VIJAYARAGHAVACHARIAR, representing the
Indian Sugar Mills Association, recorded
at Calcutta on Saturday, the
20th November, 1937.**

President.—The first question on which the Board would like to have further discussion with you is about stocks or the carry-over. We have been taking a good deal of trouble to arrive at some sort of figure which will be of use to the industry. We got the Statistician from Cawnpore and went with him into the matter of figures—figures which we had collected and which the Institute had in their possession. We have also got excise figures which provide another check. What is your estimate of the carry-over during the last two seasons? I think we may say with some certainty that the carry-over for 1934-35—I am talking of factory stocks—was negligible, not more than 4,000 tons. Do you agree to that?

Mr. Khaitan.—The figure of 5,000 tons occurred to me, but 4,000 tons might be more correct. Anyway, 4,000 or 5,000 tons does not make much difference.

President.—What is your estimate of the carry-over for 1935-36?

Mr. Khaitan.—In 1935-36 there was a very big carry-over owing to large importations from Java.

President.—What is your estimate of the carry-over?

Mr. Khaitan.—In 1935-36 the carry-over would be over a lakh of tons.

President.—I may say at once that we have gone into the figures of stocks in up-country markets. As far as they are concerned, there does not seem to be any great variation in the last three years.

Mr. Khaitan.—At the ports?

President.—At the up-country marketing centres.

Mr. Khaitan.—At the end of 1935-36 in the market there was a larger stock than in the previous year.

President.—You have not the figures which we have got.

Mr. Khaitan.—From our experience we can say that in the markets there was a bigger stock at the end of 1935-36 than at the end of 1934-35. I am talking of 1st November.

President.—We will take the 1st November as the date. I am not talking of factory stocks. I am talking of stocks held in godowns in up-country markets from which the Cawnpore Institute gets its returns. The figures thus collected show no great difference in stocks.

Mr. Khaitan.—At the end of 1935-36?

President.—Yes, and in fact in the last three years.

Mr. Khaitan.—The stock was larger at the factories.

President.—I am not talking of factories. I am trying to clear the ground. I am talking of up-country marketing centres.

Mr. Khaitan.—About that we won't be able to say anything with certainty.

President.—From the figures collected by the Institute and such information as we have been able to get, the variation is not considerable.

Mr. Khaitan.—Possibly.

President.—It will not be more than 10,000 tons.

Mr. Khaitan.—That may be right.

President.—The tendency appears to be that stocks might be even smaller.

Mr. Khaitan.—It is very difficult to estimate that.

President.—The information supplied by the Institute is not very reliable.

Mr. Khaitan.—For the whole of India we always base our calculations on a stock of about 50,000 tons being in all the markets, but you are not taking note of all the markets.

President.—If we take ports and up-country markets, roughly speaking, stocks vary between 40 and 50 thousand tons.

Mr. Khaitan.—That is the basis on which our calculations are made.

President.—That was not invisible but visible stock.

Mr. Khaitan.—In one sense you might call it invisible stock because it could not be checked, but it is all visible.

President.—These figures vary between 40 and 50 thousand tons.

Mr. Khaitan.—Your figure agrees with ours.

President.—The only important thing is factory stocks. What was the increase in the carry-over at the factories? What was the total quantity of stocks in November, 1936?

Mr. Khaitan.—About 50,000 tons at the factories.

President.—I think that it must have been more than that from the figures we have received.

Mr. Khaitan.—If Mr. Srivastava has given you certain figures they will be about right.

President.—We independently got returns, I think, from 87 factories and we asked for figures at the beginning and end of the working season.

Mr. Khaitan.—Could you give us an idea of those figures?

President.—For 87 factories, it would be about 50,000 tons.

Mr. Khaitan.—It would be about 60,000 or 65,000 tons on the whole.

President.—The Cawnpore Institute have got actual figures and they a great deal more than what you have stated.

Mr. Khaitan.—The figure of 1 lakh is somehow sticking in my mind because of the larger imports of Java sugar. Due to the Abyssinian war, many people contracted to buy Java sugar and therefore although our production was less than in 1936-37, still the carry-over at the end of 1935-36 was substantial. I do not know why, but the figure of 1 lakh is sticking in my mind. I have not, of course, checked it.

President.—Would you look into the matter further?

Mr. Khaitan.—Yes.

President.—Do you think that the carry-over at the present moment, at the beginning of the season, is larger than that of the previous year?

Mr. Khaitan.—Yes.

President.—Very much larger?

Mr. Khaitan.—Yes.

President.—The statistics we have been able to collect do not indicate that.

Mr. Khaitan.—It will be 125,000 tons on the 1st of November.

President.—Is that your estimate?

Mr. Khaitan.—Yes.

President.—The statistics do indicate an increase but not a very large increase.

Mr. Khaitan.—There is a difference between the position last year and this year. Last year stocks were due to the fact that there was a large importation of Java Sugar, but this year the stocks that we have is due to our own production. That makes a large difference, so that even if

our stocks have increased by 25,000 tons this year, the increase for commercial reasons becomes much more on account of the fact that, as I have already said, this year's stock is due to our own production whereas last year's was due to Java imports. Java imports in the present circumstances are much easier to tackle than our own production because there are complications in reducing our own production. For example, the cane grower suffers if we do not take his cane: on the other hand, if we produce less, our cost of production goes up.

President.—We will come to that later. I am trying to get at the facts at present. You think that the carry-over at the present moment is about 25,000 tons more than last year.

Mr. Khaitan.—If the figure of 1 lakh was correct for last year, then the increase in the carry-over would be about 25,000 tons. But if the figure for last year was less than 1 lakh, then the carry-over would be more than 25,000 tons.

President.—What would you put the present carry-over at?

Mr. Khaitan.—125,000 tons.

President.—Have you got much information on that? Is it based on figures?

Mr. Khaitan.—It is based partly on actual figures and partly on calculations. The figures which we have for certain factories are actuals and for the others we have to estimate.

President.—I dare say you are aware that we have sent out a circular enquiring about stocks. We hope we will be able to get more information which will be a further check. It seems to us very important to arrive at some figure as to what the stocks are.

Mr. Khaitan.—The estimate of 125,000 tons on the 1st of November this year would be a fairly good one.

President.—Cawnpore figures are higher.

Mr. Khaitan.—How much do they give?

President.—Not very much higher.

Mr. Khaitan.—May I know the figure?

President.—It would not be more than 150,000 tons. It seems to lie between 150,000 and 125,000 tons.

Mr. Khaitan.—Mr. Srivastava's estimate is 125,000 tons.

President.—His is more. We recently got excise figures which would be a good guide.

Mr. Khaitan.—Mr. Srivastava is in a good position to make an estimate because he gets all the excise figures up to date.

President.—This is the first time in which excise figures have been collected.

Mr. Khaitan.—Mr. Cameron tells me—and perhaps that is correct—last year the stock at the factories on the 1st of November was about 50,000 tons and the figure of 1 lakh that is sticking in my mind must be factory stocks and market stocks taken together. This year on the 1st of November it will be 125,000 tons.

President.—On the information before us, it looks as if your stock estimate is an under-estimate.

Sir Vijaya.—The returns which you have asked for, when they come, may solve your difficulty.

Mr. Khaitan.—There is one difference between Mr. Srivastava's estimate and ours. Mr. Srivastava has got figures of 73 factories and for the rest he calculates the stocks in the same proportion.

President.—He has abandoned that practice.

Mr. Khaitan.—But we know as a matter of fact certain factories had no stocks. That accounted for a difference between Mr. Srivastava's figures

and ours. Our estimate of stocks on the 1st of November this year is 125,000 tons.

President.—We went into the matter of proportions. We had Mr. Srivastava here about a week ago and we were told that that method had been abandoned as it was found unsuitable. So, I think we should probably arrive at a better figure. But it appears that your estimate of 50,000 tons must be wrong.

Mr. Khaitan.—Unless we look into the figures again we could not say.

President.—Then, of course, we did not fix a definite date. We said at the beginning of the working season. The beginning of the working season might be different for different factories. But in an ordinary year November would be the month.

Mr. Khaitan.—Some factories started in November.

President.—But on the whole the season began later. That is correct.

Mr. Khaitan.—Yes.

President.—Would you look into the matter again and let us know?

Mr. Khaitan.—We shall give you the best figures that we can lay our hands on.

President.—We had a representative of Messrs. Bird and Company before us and he said that it would be about 85,000 tons.

Mr. Khaitan.—All figures vary, but we shall do our best.

President.—The question of a central organisation is becoming a matter of even greater urgency than I imagined from what happened at Lucknow. We have been looking into various organisations in different countries. You know the organisation of NIVAS. We have not been able to get much more information.

Sir Vijaya.—I have searched International Sugar Journals for five years. I could not get anything about the personnel and organisation. We could only get at the method by which it is worked.

President.—I assume that the organisation is much the same as it was when it was first started.

Sir Vijaya.—With a little more Government control.

President.—Perhaps much the same.

Sir Vijaya.—I have read of Government cutting down figures which the factories sent up.

President.—Another matter is the organisation in Great Britain under the Sugar Industry Act. I do not know whether you are aware of that.

Sir Vijaya.—I am aware of that.

President.—There roughly speaking you have a corporation of the members of the industry who control the production of beet and production of sugar and so on, and then you have an outside commission exercising general control—very wide power indeed I have been told of control or recommendation to the Central Government. They may even close down the factories.

Sir Vijaya.—As a matter of fact they have rationalised the industry and all the factories work as one unit for several purposes, and Government exercise control through the Sugar Commission. There is this difference between the English thing and here. They spend a great deal of State money there; here apart from the protection we do not get a rupee of Government money.

President.—If on the other hand you are going to have a zoning system and the licensing of factories and so on as proposed by the Governments of United Provinces and Bihar, there must be some sort of statutory body or a body with statutory power.

Sir Vijaya.—Negotiations are still going on with the United Provinces and Bihar Governments, but nothing yet is definitely known except that the

Chief Minister of United Provinces told me personally that he was determined to have legislation to make it compulsory for factories to join a sales syndicate. But how far it will materialise we do not know.

President.—It would only apply to factories in United Provinces and Bihar?

Sir Vijaya.—Yes.

President.—When you gave evidence before us, if I understood it rightly, you wanted the rationalisation of the industry. Do you adhere to that view?

Sir Vijaya.—We still adhere to that view subject to the negotiations with the United Provinces and Bihar Governments. They have now offered to us that they would enact legislation which would practically prevent any factory keeping itself out of the syndicate. If that scheme came in we are bound to accept some control. But everything is in a state of flux; nothing is definitely known.

President.—Then I conclude that nothing has happened since our last meeting which would make you modify your views?

Mr. Khaitan.—No.

President.—You are no doubt aware that the first organisation in Java failed because some factories did not co-operate and some eventually withdrew.

Sir Vijaya.—Perhaps it is on account of that that the United Provinces Government has not yet decided the question. There is a book by an American Professor in which he describes the history of 10 countries in which the industry finally did have to get Government assistance to compel the blacklegs to come into the syndicate.

President.—That is why Government had to intervene and NIVAS came into existence in Java in 1932.

Mr. Rahimtoola.—I wonder whether you are aware of an organisation existing in Great Britain?

Mr. Vijaya.—As I pointed out, they are using Government money.

Mr. Rahimtoola.—You want an independent body without any Government control?

Sir Vijaya.—Without any control whatsoever except what we said in answer to the Board's question. Supposing the trade made a corner and raised prices unduly for the consumer: then Government should come in and intervene and that would be by special legislation, I take it. But ordinarily we do not like the idea of a representative of the Central Government sitting along with us as a director of the concern.

President.—Would you favour an organisation like the Central Cotton Committee?

Sir Vijaya.—The Central Cotton Committee has no powers with regard to marketing or sale. It is purely with regard to research.

Mr. Rahimtoola.—You ask for several committees. What about one comprehensive committee?

Sir Vijaya.—I think it would be dangerous to have one Committee for the very good reason that a Government representative would necessarily have to sit on the Research Committee. It would be rather like the East India Cotton Association. The East India Cotton Association control the trade whereas the Central Cotton Committee is prevented from interfering with the trade. If you were spending Government money I can quite understand that Government would like to have a representative. That is why on the Research Committee, Government having spent money, might feel that they must have a representative.

Mr. Rahimtoola.—Do you want some part of the excise duty to be set aside for the purpose?

Sir Vijaya.—The Syndicate do not want Government money. All that we want is legislation that all factories should be compelled to join.

Mr. Rahimtoola.—What about the other provinces?

Sir Vijaya.—Negotiations are going on, but it is very difficult for us to commit ourselves very much.

Dr. Jain.—Would you at present rather prefer provincial control to Central control?

Sir Vijaya.—I am afraid we do because they have something to offer us; and further I do not know whether legally the Central Government can interfere.

Mr. Cameron.—What is taking place now in Lucknow may be regarded to some extent as a measure of emergency which must necessarily be dealt with in a different way from what you would do if it was a long term policy.

President.—What rather strikes us is that if you fix the minimum price for cane which interferes with the ordinary laws of supply and demand of cane, it necessarily leads to the regulation of the production of cane: then that further leads to the question of zones. We are covering the lines of thought of the United Provinces and Bihar Governments. I am rather stating their views. If you have zones you must have the licensing of factories, otherwise it would upset the zones when a new factory starts or a factory increases its capacity, and then if you are going to maintain your minimum price of cane there must be a certain price for sugar or factories will close down.

Sir Vijaya.—That is a point I impressed upon the Chief Minister.

President.—So you start from the basis of fixing a minimum price for cane and it leads up to all sorts of ramifications and complications and there may be control of production of sugar also.

Mr. Cameron.—We regard all that as an emergency measure.

Sir Vijaya.—As a long range measure we still adhere to the opinion we expressed that we would not like the industry to be interfered with by Government.

Mr. Cameron.—Our position is entirely different from that in other countries. In the case of Java and Cuba they have a big industry which has always been dependent upon Government and they have not been able to control their market because they are entirely dependent upon foreign markets. Our position is somewhat different because as long as the policy of protection continues and as long as we cannot export we have a market which cannot disappear from us suddenly.

Dr. Jain.—There is still the danger of some factories not joining the organisation unless you have some sort of statutory control as regards price.

Mr. Cameron.—We never said we want a rigid marketing board as a permanent feature. We would like some means of regulating the production so that it would remain comparable with the demand and then the law of supply and demand will prevent any serious difficulty in the marketing of sugar.

President.—We gather from such statistics as we have that the internal production is now equal to the internal consumption, if it is not in excess.

Mr. Khaitan.—There is no doubt about that.

President.—Next year there will be more factories in existence. Mr. Srivastava estimated that the increase in production from new factories and factories extending their capacity will be about 50,000 tons, and if you raise your price of sugar there is not likely to be much increase in consumption. How would you meet that extra production?

Mr. Khaitan.—It is all working in a vicious circle.

President.—As regards this licensing, that we presume will have to be done by some outside body?

Sir Vijaya.—Some body of a quasi-judicial character, as I said the other day.

Mr. Khaitan.—An independent Chairman, two representatives of the industry in United Provinces and Bihar and one representative of outside factories.

President.—It is very unfortunate that at this stage of our enquiry all these questions have arisen in United Provinces.

Sir Vijaya.—We could deal with this question much more easily if the United Provinces and Bihar Governments were not going on with their negotiations as they are doing now.

President.—We are only concerned with the long range view; we are not concerned with the emergency. We will now pass on to the question of the cost of manufacture—the question about the khandsari industry. I take it you have no particular knowledge of what is the quantity of sugar manufactured by open pan factories?

Mr. Khaitan.—No. Apart from that, Mr. Srivastava's figures are based upon a census taken 3 years ago by the Imperial Council of Agricultural Research.

President.—Since then there has been a great change in the situation as the evidence before us showed. It is quite possible the estimates made then would now be over estimates. There is another matter. There is one difficulty with regard to the khandsari industry of which you are no doubt aware. From the point of view of khandsaris they say owing to the excise duty the only thing for them to be able to survive is to split up one factory into two so as not to come under the Factories Act. That is not an economical way of proceeding. One matter we have under consideration is whether the duty could not be revised in some way so that the difficulty can be got over and the khandsaris allowed a reasonable chance of survival.

Sir Vijaya.—"20 workmen" is one of the tests. Would you like to raise the minimum?

President.—That is one alternative. Another alternative is to propose the duty in a different way, for example, monthly registration fee for centrifugals.

Sir Vijaya.—Mr. Khaitan reminds me that we are ourselves asking for the repeal of the enhanced excise duty imposed this year and the whole thing has got to be viewed in relation to that. I believe we have got the strong support of the United Provinces Government in that respect.

Dr. Jain.—Consistently with your position what do you say with regard to the khandsari industry?

President.—If some concession is given on these lines, would it affect the open pan factories?

Mr. Khaitan.—We shall suffer if relief is given only to them.

Mr. Rahimtoola.—What is the price at which khandsari sugar is sold as compared to the vacuum pan sugar?

Sir Vijaya.—You have got information about that.

Mr. Rahimtoola.—I want to know from the association as they deal in the market every day.

Mr. Khaitan.—I haven't got the figures with me at the moment.

Mr. Rahimtoola.—Does the khandsari sugar compete with the vacuum pan sugar?

Mr. Khaitan.—Not seriously, but it does.

Mr. Rahimtoola.—The difference in the excise duty between the two is Re. 1 per cent.

Mr. Khaitan.—Yes.

Mr. Rahimtoola.—Suppose the duty on khandsari sugar is removed, would that affect the sale of the vacuum pan sugar?

Mr. Khaitan.—Yes, it certainly would affect seriously if the duty is totally removed.

Sir Vijaya.—It affected us to a certain extent even when a partial reduction was made. We objected as an Association three years ago when the original duty was imposed.

Mr. Rahimtoola.—You mean the excise duty of 1934.

Mr. Khaitan.—We want to help the khandsaris, but at the same time we do not want to kill ourselves.

President.—I gather that you would not object to some revision in order to allow khandsaris to increase their efficiency.

Mr. Cameron.—Provided it will not result in an immense increase of khandsari sugar which will tend to narrow the market for vacuum pan sugar.

President.—At present the consumption of khandsari sugar is going down steadily.

Mr. Khaitan.—I think they will recover now, because while we are made to pay 5 annas 3 pies for our sugarcane, they will pay only two-thirds of three annas. Two-thirds of 5 annas and two-thirds of 3 annas is a different proposition.

Mr. Rahimtoola.—But their cost of production is higher.

Sir Vijaya.—Their recovery is much lower. I think there is *prima facie* objection to imposing on them the same price of cane.

Mr. Khaitan.—As I said they have got this advantage. Two-thirds of 3 annas gives a difference of one anna per maund and two-thirds of 5 annas gives them a difference of 2 annas per maund of cane. They have got automatically an advantage.

Mr. Rahimtoola.—We were told that the difference in the realized price between these two classes of sugar about 12 annas per maund. The difference in the duty is also annas 12 per maund. If the duty is entirely removed, the difference would be about Rs. 1-8-0 per maund.

Mr. Khaitan.—We object to the removal of the duty altogether. They are able to sell 12 annas lower. There are certain markets which are practically their monopoly. For example Rajputana prefers khandsari sugar to vacuum pan sugar on the ground of orthodoxy. There are other markets where khandsari sugar is given preference even if they have to pay a higher price.

Mr. Rahimtoola.—For sentimental reasons.

Mr. Khaitan.—They play a very prominent part.

Dr. Jain.—Is not that sentiment weakening?

Mr. Khaitan.—It is true. It has not died out. But the difference of Re. 1 per cwt. is quite a good difference.

President.—You would not object?

Sir Vijaya.—We would not object to that subject to what Mr. Cameron has said.

Mr. Rahimtoola.—Are you asking for the abolition of the additional excise duty in the interest of the sugar industry generally?

Mr. Khaitan.—Yes.

Mr. Rahimtoola.—I would like to know what would be the difference which should be considered a fair margin between the fair selling price of khandsari sugar and vacuum pan sugar so that both can sell at a profit.

Sir Vijaya.—Why not go back to the old state of things? Before this new duty was imposed, it was 15 annas 7 pies for the white sugar man and 10 annas for the khandsari sugar man.

Mr. Rahimtoola.—I am not talking of the duty.

Sir Vijaya.—I thought you were.

Mr. Rahimtoola.—I was talking of what should be the actual difference in the sale price between these two kinds of sugar.

Mr. Khaitan.—12 annas to a rupee.

Mr. Rahimtoola.—With the present excise duty the difference in price is 12 annas per maund. The proposal is to abolish this duty. The difference

then would be Rs. 1-8-0 per maund between the khandsari sugar and the vacuum pan sugar. I want to know what should be the difference which should be maintained in order that there may not be any injury to either class.

Mr. Khaitan.—12 annas to Re. 1. I don't think there can be any doubt about this. This is a fixed quantity.

President.—We might pass on to the question of refineries. A suggestion has been made that refineries consume a pretty large quantity of gur. Possibly there is overproduction of gur. It would be a great help to the cultivator if more gur were refined. Consequently refineries should be given some concession with regard to the excise duty, not necessarily the same concession as is given to the khandsari sugar, but some concession. We would like to hear your views on that point.

Sir Vijaya.—Our first reaction to your proposal is that we are against it.

Mr. Khaitan.—The question may be looked at from this point of view. As you are aware the quantity of consumption of white sugar is a certain fixed quantity for a year. I don't mean to say that it is not elastic. If the price is less there is more consumption. For the price that prevails at a certain time, the quantity of consumption of white sugar may be treated as a fixed quantity. That being so, the factories for the manufacture of that amount of white sugar that is needed for the consumption in India are existing at the moment. There is no dearth of factories. If factories produce sugar then there is an economic advantage to the country, because we get 9 per cent. recovery from sugarcane. So far as gur refineries are concerned it is 10 per cent. gur that is got from cane. From gur the extraction is not more than 65 per cent.

President.—The last Tariff Board dealt with that point of view at some length.

Mr. Khaitan.—They can get at the most 6·5 per cent. of white sugar from cane through the process of gur whereas we easily expect to get 9 per cent. There is economic wastage to the extent of 2·5 per cent. Therefore there is no meaning in giving any artificial support for gur refineries. It is, I submit, not only with confidence but with some amount of emphasis that it is a wrong policy to encourage gur refineries at the cost of white sugar factories. I hope I have made myself clear.

President.—It is better for the grower to take his cane to the factory and have it crushed there than to go through the intermediate process of converting it into gur?

Mr. Khaitan.—Yes, because ultimately the consumption of white sugar doesn't increase.

Mr. Rahimtoola.—I suppose the Association does not represent the views of the cane refineries.

Mr. Khaitan.—We have refineries as our members.

Mr. Rahimtoola.—Is this the view of the Members (refineries) of your Association?

Sir Vijaya.—Yes, for the very good reason there are some cane factories which have got a refinery side as well.

Mr. Rahimtoola.—I am talking of the independent refineries like the Cawnpore refinery.

Sir Vijaya.—That Begg Sutherland will agree with us in this matter, I have no doubt.

Mr. Khaitan.—Those who have only refineries will say that there should be no excise duty. Unless consumption is increased, it is no use giving artificial stimulus to gur refineries. It would be an economic waste to the country.

President.—There is one other question about stocks which I have overlooked. We are looking at the question from two points of view, viz.

the extent of the carry-over and also, in order to arrive at some estimate of the consumption of sugar about which nobody knows very much. Of course the only way we can arrive at some estimate of consumption is to take the opening stocks, net imports (i.e., imports minus exports) and internal production, deduct closing stocks and arrive at some figure. The difficulty is that there are many elements of uncertainty with regard to stocks. On such figures as are available it would appear there is a very large increase in consumption this year from October, 1936, to November, 1937. That is the inference which I can draw from the figures.

Mr. Khaitan.—The consumption increased because of the low price.

Sir Vijaya.—That is the most probable element.

President.—Have your Association attempted an estimate of consumption in recent years?

Mr. Cameron.—Yes only in the way you have indicated.

President.—You don't remember what your estimate is.

Mr. Cameron.—No.

Sir Vijaya.—For the purpose of our memorandum we estimated it at 11 lakhs.

Mr. Khaitan.—When we said 11 lakhs, that was on the basis of consumption between April and June. At that time the price of sugar was very low. After that the price of sugar has gone up and at the present moment roughly speaking the estimate of consumption of white sugar is 10½ lakhs tons.

President.—That does not tally with the estimates based on figures at all—on the method I have given you.

Mr. Khaitan.—We shall be able to give you figures.

President.—Working on the lines I have indicated, the indications are that there is a very considerable increase in consumption from October, 1936, to November, 1937. It is more than 11 lakhs of tons.

Mr. Khaitan.—Are you including khandasari sugar?

President.—Yes, I am talking of the whole consumption.

Mr. Khaitan.—10½ lakhs tons does not include khandasari sugar. I have not taken that into account because I do not know what the quantity is.

President.—The estimate is 100,000 tons. It is probably an over-estimate. That is my personal opinion.

Mr. Khaitan.—Then consumption will be 11½ lakhs.

President.—If the price of sugar is raised, do you think that the consumption is likely to fall?

Sir Vijaya.—I think so.

President.—Or at any rate, it would remain stationary?

Sir Vijaya.—Quite. Take an analogous case. In Madras there was a larger consumption of rice after the fall in price in 1931.

Dr. Jain.—Once the new consumers begin to take white sugar, they may not easily go back if the difference is not very great.

Sir Vijaya.—It depends upon the length of time to which they have been habituated. If it has been only for a year or two, they may go back. We found the same difficulty with regard to wheat from the Punjab.

Mr. Khaitan.—There are certain kinds of sweets made in villages. They can be made both from gur and from sugar. If the village confectioners get sugar cheap, they will like to make their confectionery appear white, but if the price of sugar is high, they will make them out of gur although the colour will be black.

Mr. Rahimtoola.—We have received two cost statements, one prepared by Messrs. Begg Sutherland and Company and the other by Messrs. Narang Brothers. We have also received a large number of balance sheets and the details of costs in the forms as asked for by us. I find there are

various discrepancies in these statements compared to the actuals and I would like to have some explanation for those discrepancies. I therefore propose to go through them with you in order that you may be able to understand my meaning. Taking the statement submitted by Messrs. Begg Sutherland and Company, the first point is about "Freight, commission, etc., paid for cane delivery". I want to know the details of these charges.

Sir Vijaya.—Do you want to know the normal charge of commission?

Mr. Rahimtoola.—I want to know what is the commission, what is the freight, and what is the "etc."?

Sir Vijaya.—Commission, I believe, is 3 to 4 pies per maund.

Mr. Rahimtoola.—Suppose the price of cane is 5 annas 3 pies per maund. Is the whole of it paid to the grower?

Sir Vijaya.—Yes.

Mr. Rahimtoola.—Is that price for cane delivered at the factory?

Sir Vijaya.—It will be 5 annas if it is delivered at a railway station.

Mr. Rahimtoola.—I am talking of the gate cane at present. Is the price of 5 annas 3 pies per maund inclusive of transport and commission?

Mr. Khaitan.—Generally speaking, yes.

Mr. Rahimtoola.—I want to know whether there is any extra expenditure.

Mr. Khaitan.—Confining myself to the gate cane for the present, there is the charge for unloading the cane from the cart and transferring it to the carrier.

Mr. Rahimtoola.—Is that not done by the grower?

Mr. Khaitan.—The grower does not do it.

President.—In some cases it goes straight to the carrier.

Mr. Khaitan.—No. We have to employ a dozen men for this purpose.

Mr. Rahimtoola.—Will not the charges incurred under this head be covered under "Salaries and wages"?

Mr. Khaitan.—It is a cost to the cane. We may assure you that the figure has not been debited twice. This particular item comes under "raw material". Some put it under "labour" and some under "raw material". But the charge is all right.

Mr. Rahimtoola.—I want to know whether any addition is required to be made to the price of cane for these charges.

Mr. Cameron.—I am afraid without a knowledge of the method of accounting of all our members we could not answer that question. Probably it is done in some cases in one way and in some other cases in another way.

Mr. Rahimtoola.—I am not talking of individual cases. I want to find out the difference between the two costings that have been supplied to us.

Mr. Khaitan.—The charge for unloading the cane from the cart and transferring it to the carrier would be a rupee per 100 maunds.

Mr. Rahimtoola.—Can you give me the details? Is it mainly wages or something else?

Mr. Khaitan.—Entirely wages.

Sir Vijaya.—If you like, we will make enquiries of Messrs. Begg Sutherland and Company and let you know.

Mr. Rahimtoola.—With regard to commission, is this added to the cost of raw material.

Mr. Khaitan.—Not in all cases commission is paid. Sometimes there are middlemen but mostly there are no middlemen, in respect of gate cane. We cannot rule them out absolutely.

Mr. Rahimtoola.—What does the "etc." mean?

Mr. Khaitan.—Unloading charge.

Mr. Rahimtoola.—Let us take the price for rail cane, viz., 5 annas.

Sir Vijaya.—Provided it comes from beyond 5 miles. Loading into the wagon at the railhead would be Rs. 1-8-0 per 100 maunds. That is a little more than for unloading. Loading requires packing.

Mr. Rahimtoola.—It would come to a quarter of an anna.

Sir Vijaya.—Yes, then there is the freight.

President.—What is the average freight?

Sir Vijaya.—9 pies to 1 anna a maund.

President.—What load do you base that on?

Mr. Khaitan.—40 miles will be the average. The load is, however, different for individual mills.

Mr. Rahimtoola.—This is not the actual but the average.

Mr. Khaitan.—Yes.

Mr. Cameron.—The average freight has been arrived at on the basis of the total amount paid and not on the basis of lead.

President.—We should rather like to know what the average lead for rail cane is.

Sir Vijaya.—We shall let you have the calculation sheet showing how 9 pies to 1 anna has been arrived at and also the distance.

Mr. Rahimtoola.—After it reaches the station, what other charges have to be incurred?

Mr. Khaitan.—Unloading and loading.

Mr. Rahimtoola.—From the station to the factory, is there any cartage?

Mr. Khaitan.—There are sidings but the siding charges have to be paid. The siding charges are, I think, included in 9 pies.

Mr. Rahimtoola.—For purposes of lead, you have to separate it.

Mr. Khaitan.—Yes.

Mr. Rahimtoola.—In Mr. Narang's statement, the railway siding rent given is Rs. 4,000.

Mr. Khaitan.—Rent is different.

Mr. Rahimtoola.—Rent is for the lease of the siding.

Mr. Khaitan.—It is mostly assisted siding.

Mr. Rahimtoola.—That is not shown in Begg Sutherland's costing?

Mr. Khaitan.—Some people put rent under freight.

Mr. Rahimtoola.—Another point that arises out of this is labour charges. The labour charges in different mills vary considerably. Actuals in some cases are very much less.

Mr. Khaitan.—That difficulty will always remain. Some Accountants will put certain expenses under particular headings and others under different headings.

Mr. Rahimtoola.—We have also received the cost statements from Mysore and Bombay and there charges under labour and repairs and renewals are high. I want to know whether you can give some explanation for these charges being higher in Bombay than in United Provinces and Bihar.

Mr. Khaitan.—Another possible point is stores. It is a matter of accounting as to whether a particular item is to be charged to stores or repairs.

Mr. Rahimtoola.—There is not much difference under stores.

Mr. Khaitan.—It is difficult to say unless the details are known.

Mr. Rahimtoola.—What figures are we to take.

Mr. Khaitan.—We can only guarantee you that the figures that we have given you are absolutely correct.

Mr. Rahimtoola.—The actuals differ widely and we want to know what figures we should take to arrive at the fair selling price.

Sir Vijaya.—Don't you think that it would be better to take the average?

Mr. Rahimtoola.—The difficulty there would be the capacities of factories. They differ very much.

Sir Vijaya.—We have not done it provincially. We have done it on an All-India basis. I went into the figures of 49 factories, added up the manufacturing charges and by dividing the total by 49, I got an average which curiously enough came to Rs. 2-2-11. In several of these cases in the factories' returns some of the items of expenditure have been omitted.

Mr. Rahimtoola.—Packing is not shown separately in many factories.

Sir Vijaya.—That was our difficulty. All we could do was to indicate to you by a footnote where they were necessary what items had been omitted in the returns. There are some factories which omit fuel too. Rs. 2-2-11 was the general average for the 49 factories selected at random as mentioned in the Appendix to our Memorandum.

President.—In some cases packing might go under sales expenses.

Sir Vijaya.—We have given clear instructions about packing. I think you will find that they fairly agree. Narang's figure is on the whole a bit cheaper than Messrs. Begg Sutherland's figure. I have been analysing all that in the little time left to me. I have a statement here showing the differences between the two.

Mr. Rahimtoola.—As regards depreciation. In Narang's group it is calculated at 6½ per cent. on the whole investment.

Mr. Khaitan.—6½ per cent. I think would be about right. On electrical machinery it is 7½ per cent., on some it is 10 per cent., on some it is 5 per cent. and on buildings it is 2½ per cent.

Mr. Rahimtoola.—Are these calculated according to the income-tax rates?

Mr. Khaitan.—Income-tax rates are on the liberal side. In sugar 6½ per cent. will be a very good average.

Mr. Rahimtoola.—The previous Tariff Board calculated 5 per cent. on plant and machinery and 2½ per cent. on buildings.

Mr. Khaitan.—At that time there was not sufficient experience of these things. Now we have got more experience. I do not know how in the case of sugar mills people could agree to 5 per cent. If you calculate separately 2½ per cent. on buildings and 5 per cent. on machinery, that will be very much on the wrong side against the manufacturer. The rollers for instance are bound to break down in three or four years, sometimes every year.

Mr. Rahimtoola.—There is a disparity under insurance. In Narang's insurance it is calculated as Rs. 4,000 whereas in Begg Sutherlands it comes to 1½ annas per maund; that will come to Rs. 15,000.

Sir Vijaya.—It is a bit more —1·76 annas.

Mr. Rahimtoola.—That is highest. I am taking 1½ annas as the average.

Mr. Khaitan.—It is quite possible for such a difference to occur for various reasons. Supposing in one factory there are large stocks over a longer period the charge for insurance will go up. Generally speaking insurance rate is 4 annas and there is a condition attached that if the stock of sugar is more than 35,000 maunds the charge goes up to 6 annas. In certain cases that guarantee of a quantity of 35,000 maunds is deleted so that even if the factory has more than 35,000 maunds it has to pay insurance charges of 4 annas instead of 6 annas. Certain factories are more fortunate on account of Lloyds having approached them and in those few cases the Insurance Association has reduced the charge from 4 annas to 3 annas.

Mr. Rahimtoola.—Some managing agents may also be managing agents of Insurance companies?

Mr. Khaitan.—Sometimes yes, sometimes no, but if managing agents give rebate to the companies they do something that is wrong and is against the rules of the Insurance Association. But these are obviously the differences which do make a difference in the incidence of insurance charges.

Mr. Cameron.—There is another factor which has possibly a bearing on Begg Sutherland's figures and that is that, I think they would include insurance against earthquake and insurance against consequential loss. There is room for wide variations.

Mr. Rahimtoola.—That probably accounts for it. I suppose managing agency charges vary according to their agreements with the shareholders.

Mr. Khaitan.—Yes.

Mr. Rahimtoola.—I find in the balance sheets credit is taken for the stocks of sugar and molasses. When you take credit do you take the market rate into consideration or the cost price. Does it also include the excise duty?

Mr. Cameron.—There are the two methods of accounting: either you value your stocks at the market rate and deduct the excise and show the stocks at the net rate or show the full market value and take the liability of the excise.

Mr. Rahimtoola.—I want to know the general system. In one balance sheet I find that the profit was about Rs. 4 to Rs. 5 lakhs after taking credit of Rs. 7½ lakhs for sugar and molasses.

Mr. Khaitan.—There are those goods and they have to be taken into account.

Mr. Rahimtoola.—What is the general practice? For instance, take your mills, Mr. Cameron. What price do you take when you give credit for sugar?

Mr. Cameron.—In our case we show the value of the sugar at the market rate less excise. The market price is Rs. 6.

Mr. Rahimtoola.—That is ex-factory price?

Mr. Cameron.—Yes, without paying excise.

Mr. Rahimtoola.—What is your practice, Mr. Khaitan?

Mr. Khaitan.—The same thing, market price deducting excise. If excise duty is added to the market rate then there will be a corresponding credit on the other side. It will be done in one of two ways: if the market rate shown on the right hand side is + the excise duty then you will find a corresponding entry on the left hand side as credit for excise duty. If we show the price at Rs. 7 which includes the excise duty then there will be a corresponding left hand side entry showing a credit of Rs. 1-8-0.

Mr. Rahimtoola.—When you say market price it would be exclusive of excise duty?

Mr. Khaitan.—Yes.

Mr. Rahimtoola.—Another point is about sales expenses. They also vary very much. Begg Sutherlands have shown 2 annas per maund and Belapur has given 1 anna 6 pies whereas in Narang's group it comes to about 1 anna 3 pies.

Mr. Khaitan.—That would depend upon the rate of commission paid to brokers or selling agents. There are some agents who give a guarantee against purchasers' defaults and their rates will be higher.

Mr. Rahimtoola.—Take another item "Travelling, motor and other conveyance expenses" in Narang's group. Is it for the directors' travelling expenses?

Mr. Cameron.—Directors' travelling allowances have to be paid and also travelling expenses for managing agents who have to go from office to factory.

Mr. Rahimtoola.—In that case the amount is very small, Rs. 2,000 for the whole year.

Mr. Khaitan.—In the case of our factory when Mr. Birla goes to the factory he does not charge anything at all.

President.—In the commission they include head office expenses?

Mr. Khaitan.—That is also different in different companies; sometimes commission includes head office charges and sometimes it does not.

Mr. Rahimtoola.—The amount is too small in Mr. Narang's case.

Mr. Khaitan.—Mr. Narang lives on the premises.

Mr. Rahimtoola.—The next item is No. 26—Interest and Discount. Is that interest on working capital? What is the discount?

Mr. Khaitan.—Discount will be about *hundis* and other things. Interest will be on working capital. Discount is for remittances, exchange commission and so on which is known in the market as discount.

President.—Should it be strictly speaking put to the interest on working capital?

Mr. Khaitan.—Considered logically it does amount to interest in the end.

Sir Vijaya.—I think interest and discount in this very particular case being a small figure that would be for overdrafts. It is a very low figure. It includes a portion of the interest.

Mr. Rahimtoola.—Another item is stores. Under this item what other raw materials are included?

Mr. Khaitan.—Sulphur, lime and other things are not raw materials. They should come under stores. The raw material is only cane.

Mr. Rahimtoola.—Limestone is other raw material. Some people have shown "Stores" inclusive of these raw materials.

Mr. Cameron.—They may be called auxiliary materials. I must confess I have not had an opportunity of examining these figures to say how they are made up. I find the figure under "Stores" is one which in our opinion does not include lime and sulphur. I should be surprised if the actual figure could cover all these items.

Mr. Rahimtoola.—They are included. The two correspond. Are not Lime, sulphur, press cloth, lubricating oil, filtergur, sumazine, blankit, washing soda and so on stores?

Mr. Khaitan.—They are all stores.

Mr. Rahimtoola.—The figure given by Mr. Narang comes to Rs. 20,000, whereas the figure given by Begg Sutherland is Rs. 28,000.

Mr. Cameron.—In spite of that, I would regard the figure as very low. If the factory is maintained at a high state of efficiency, it would be nearer 5 annas a maund.

Mr. Rahimtoola.—Don't you think 2 annas and 10 pies under Power and Fuel given by Messrs. Begg Sutherland and Company rather high?

Mr. Cameron.—It depends upon the factory using a good deal of extra fuel.

Mr. Rahimtoola.—Their average fibre content is over 16 per cent.

Mr. Cameron.—I cannot say beyond that.

Mr. Rahimtoola.—The Association has told us that if the fibre per cent. of cane is 16, there will be practically no charge under power and fuel.

Mr. Cameron.—Except in the beginning.

Mr. Rahimtoola.—Mr. Narang's group have given the figure as one anna. The whole object of my cross-examination is to know what figures we should which may fairly represent the actuals.

Mr. Khaitan.—It will differ with the location of the factory as well. It will depend upon how much railway freight is paid on coal. It is quite possible that Begg Sutherland have conceived a factory which pays a higher rate of railway freight. A 500-ton factory will necessarily require some fuel throughout. It is only 13,000 maunds per day.

Mr. Rahimtoola.—This factory will produce 5,700 tons of sugar working for 120 days, 6,175 tons working for 130 days and 6,650 tons working for 140 days and 7,125 tons working for 150 days.

Mr. Khaitan.—What extraction have you taken?

Mr. Rahimtoola.—9½ per cent.

Mr. Khaitan.—We have taken 9 per cent.

Mr. Rahimtoola.—The only other item is the staff. The staff is both seasonal and permanent.

Mr. Khaitan.—Yes.

Mr. Rahimtoola.—Mr. Cameron, do you agree with the figures given here? Technical is more or less permanent. Here also I find disparity between various mills. Some say 1 anna 2 pies per maund, some mills show 3 annas and others 2 annas 5 pies per maund.

Mr. Khaitan.—Some include panmen under Technical and some do not. Engineers are sometimes called chemists. Sometimes laboratory assistants are called chemists and included under technical and sometimes not. Assistant Engineers are necessarily technical. Panmen I have seen sometimes are not included under technical.

President.—People might put them under ordinary labour.

Mr. Khaitan.—They might.

Mr. Rahimtoola.—Under the head "Salaries and Wages", Mr. Narang has given a figure of Rs. 1,17,000 which comes to about 12 annas per maund.

Mr. Khaitan.—Yes.

Mr. Rahimtoola.—Begg Sutherlands have given 17 annas per maund.

Mr. Khaitan.—Yes.

Mr. Rahimtoola.—I have seen figures as low as 7 annas and 10 annas.

Mr. Khaitan.—7 annas would not be correct.

Mr. Rahimtoola.—In one instance I found the figure of 5 annas under Salaries and Wages.

Mr. Khaitan.—I am sure they have made some mistake.

Dr. Jain.—They may not be paying their labour.

Mr. Khaitan.—If they are getting their labour for nothing, then that is a different matter.

Mr. Rahimtoola.—Do you think 12 annas would be a fair average?

Mr. Khaitan.—12 annas would rather be on the low side.

Mr. Rahimtoola.—Mr. Narang has given 12 annas and so also Mysore.

Mr. Khaitan.—Unless a person is working a 500-ton factory, it is difficult to say. 12 annas would be on the low side. In any case the "average typical factory" would be a difficult thing to work.

Dr. Jain.—What figure would you consider adequate?

Mr. Khaitan.—I think somewhere near 14 annas would be a very reasonable figure.

Mr. Rahimtoola.—There is another item "Repairs and Renewals". There is a great discrepancy under this item. Is 2-71 annas per maund given by Begg Sutherland a reasonable figure to take?

Mr. Khaitan.—They have given 3-05.

Mr. Rahimtoola.—They have given us 8 costings and the average comes to 2 annas 9 pies per maund.

Mr. Cameron.—When I mentioned 5 annas for stores, I find it includes repairs and renewals.

Mr. Rahimtoola.—Both together come to 5 annas 4 pies per maund. That would be a fair average?

Mr. Cameron.—Yes.

President.—Would it be more correct to put the two together? Is it really so difficult to separate?

Mr. Khaitan.—The Tariff Board have insisted on keeping renewals and repairs separate. It is better to take repairs and renewals separately,

because it is a very important item in the Sugar industry, more so than in any other industry. At the end of the season we must have repairs and renewals in the case of a sugar mill, whereas in a cotton mill, we might sometimes ignore it in one particular year.

President.—On the other hand, so much has been spent on repairs and renewals that depreciation ought to be less.

Mr. Khaitan.—That is a different thing. In our “repairs and renewals” we include such items as cleaning the pipes. It must be done; at the same time, pipes do depreciate. Cleaning the pipes and making the joints perfect do not take away the depreciation.

President.—Not altogether. I am not saying that it takes away depreciation. Take, for instance, rollers.

Mr. Khaitan.—What we are allowed in the income-tax depreciation rates is much less than what we have to spend.

Mr. Rahimtoola.—The machinery is not used for over six months in a year.

Mr. Khaitan.—No.

Mr. Rahimtoola.—The depreciation rates are calculated according to the life of the machinery. The reason given by the last Tariff Board for lowering the rate was that the life of the machinery is increased because the factory is not working for more than six months and hence the agents get enough time for repairs and renewals.

Mr. Khaitan.—Perhaps you have not taken into account the fact that in the case of the sugar mill the wet process eats up the pipes and other machinery much more quickly than in a cotton or jute mill.

Mr. Rahimtoola.—I am now talking of the rates fixed by the Income-tax Department.

Mr. Khaitan.—The rate fixed by the Income-tax Department in the case of a sugar mill is certainly not on the high side.

Mr. Rahimtoola.—Do you mean $6\frac{1}{2}$ per cent. for machinery?

Mr. Khaitan.—The rate of $6\frac{1}{2}$ per cent. is not prescribed as an average. It is $7\frac{1}{2}$ per cent. in some case and 10 per cent. in some others.

Mr. Rahimtoola.—For sugar mills and flour mills, the income-tax rate is $6\frac{1}{2}$ per cent. for depreciation. संयमन जपन

Mr. Khaitan.—The question was being investigated recently and there must have been a change. $6\frac{1}{2}$ per cent. is certainly not on the high side on rollers and other things. We have to incur more expenditure on crystallisers, for instance.

Mr. Rahimtoola.—As regards the “miscellaneous” item, I find that 2-21 annas per maund is the average for the Begg Sutherland group. The rates for water and lighting differ in different cases. In some cases it is nil.

Mr. Cameron.—In the majority of cases, they provide their own water and lighting.

Mr. Rahimtoola.—There are two miscellaneous items, one under “overhead” and another under “manufacture”.

Mr. Cameron.—Stationery will come under overhead. It is a matter of accounting how it is shown. You will find a great many things besides water and lighting have been included under “miscellaneous”.

Mr. Rahimtoola.—As regards managing agency commission, the last Tariff Board calculated it on the basis of $7\frac{1}{2}$ per cent. on profit.

Mr. Khaitan.—That would be dangerously low.

Mr. Rahimtoola.—In Mr. Narang’s costing sheet, it is given as Rs. 500 a month.

Mr. Khaitan.—That must be monthly allowance.

Mr. Rahimtoola.—The managing agency commission as such is not shown in Mr. Narang's sheet whereas in Begg Sutherland's statement it is Rs. 18,000 to Rs. 20,000 and for Belapur Rs. 20,000 on the seasons production.

Mr. Khaitan.—I think that the average of all recent flotations in the country will show that the remuneration of managing agents is 10 per cent. on profit *plus* office allowance.

Mr. Rahimtoola.—Office allowance is included in the agents commission.

Mr. Khaitan.—I am speaking of new companies floated in the last eighteen months.

Mr. Rahimtoola.—There is a tendency in recent times to have Managing Directors in place of agents.

Mr. Khaitan.—So far as new flotations are concerned, they have all managing agents. The remunerations for managing agents is 10 per cent. on the net profits *plus* an office allowance, which goes to the managing agents, varying from Rs. 500 to Rs. 2,000 a month. I am not talking of sugar mills only.

Mr. Rahimtoola.—You think 10 per cent. on profit.

Mr. Khaitan.—Managing agents get 10 per cent. on net profits. We are asking for 10 per cent. on the block capital on the gross profit.

Mr. Rahimtoola.—The managing agency allowance ought to be calculated after deducting depreciation.

Mr. Khaitan.—We personally think that it is a great mistake made in the Indian Companies Act where it is said that depreciation ought to be deducted before calculating the managing agent's income, but still it is there in the Act. It is being cured by the minimum provision that is permitted under the Companies Act. The Managing Agents' commission is never calculated after deducting depreciation. There may not be sufficient profit for depreciation.

Mr. Rahimtoola.—With regard to the block capital you state that Rs. 17,85,000 is the amount required for a mill of this size.

Mr. Khaitan.—For a mill of what capacity?

Mr. Rahimtoola.—Crushing 500 tons per day.

Sir Vijaya.—The figure was made up by one of our members.

Mr. Rahimtoola.—I think the figure is on the high side. Begg Sutherland's have given us Rs. 15,90,000. That would be correct I think.

Mr. Khaitan.—For a mill of 500 tons capacity, it should be Rs. 16 lakhs.

Mr. Rahimtoola.—What do you think would be required for a reasonably well equipped factory?

Mr. Khaitan.—It would be difficult to say off-hand.

Mr. Rahimtoola.—The last Tariff Board adopted a unit of 400 tons and took 13½ as the Block Capital.

Mr. Khaitan.—Including the cost of construction.

Mr. Rahimtoola.—Including everything.

Mr. Khaitan.—In 1933-34.

President.—Before the recent rise in prices.

Mr. Khaitan.—Yes.

Mr. Rahimtoola.—I think the figure suggested by Mr. Khaitan tallies with the figure given by Begg Sutherland's.

Mr. Khaitan.—I am talking of a sulphitation factory. A carbonatation factory would cost more.

Mr. Rahimtoola.—As regards the carbonatation factory, I am told that it would cost Rs. 50,000 more.

Mr. Khaitan.—I think there is some mistake.

Mr. Rahimtoola.—Would you agree to this that the additional cost in a carbonatation factory would be about 4 to 5 annas a maund?

Mr. Khaitan.—That is my information.

Mr. Rahimtoola.—The carbonatation factory sugar would also fetch a higher price to that extent.

Mr. Khaitan.—My information is that the cost of manufacture of a carbonatation factory would be 5 to 6 annas higher. Formerly they used to get a price for their sugar which was higher than 5 to 6 annas but nowadays they are getting 5 to 6 annas only more.

Mr. Rahimtoola.—They are getting a higher price.

Mr. Khaitan.—Yes, but not as much as before.

Mr. Rahimtoola.—What would you put it at?

Mr. Khaitan.—About 5 to 6 annas.

Mr. Rahimtoola.—They don't get that.

Mr. Khaitan.—I am talking of the general conditions. There is some mistake when you say that the establishment of a carbonatation factory costs only Rs. 50,000 more.

Mr. Rahimtoola.—That is what they say.

Mr. Khaitan.—Generally the cost of a carbonatation factory is 10 per cent. more if it is done initially than that of a sulphitation factory. But if it is done later, that, is, if a sulphitation factory is converted into a carbonatation factory, then the cost will be more than 10 per cent.

Mr. Rahimtoola.—The conversion figure is very much less. The conversion cost of a 1,000 ton factory is Rs. 1,50,000 and that of a 500 ton factory Rs. 1,00,000.

Mr. Khaitan.—If I guess rightly, the person who has given the cost of conversion does not know yet the final amount because the conversion in his case is not yet complete.

Mr. Rahimtoola.—I am not talking of that case. I have been told that the cost of conversion of a 500 ton factory is a lakh of rupees.

Sir Vijaya.—Rs. 1,00,000 for a 500 ton factory and Rs. 2 lakhs for a 1,000 ton factory.

Mr. Rahimtoola.—That figure has since been modified. One thing has been brought to our notice during our inquiry that the factories which have sulphitation process have, by the use of some filtroid, been able to make the quality of sugar equivalent to that of a carbonatation factory sugar.

Mr. Khaitan.—The difficulty is that we do not know about the keeping quality.

Mr. Rahimtoola.—Do you know whether there are some factories which have got that adjustment?

Mr. Cameron.—As regards the actual process of manufacture every chemist has his own idea of what he calls 'control'—proportion of lime, etc. That mainly accounts for the variation. Some sulphitation factories do produce a quality of sugar equal to that of a carbonatation factory.

Mr. Rahimtoola.—There are one or two questions with regard to the fair selling price which have been raised by your association. One is with regard to quality. You want an adjustment of 8 annas in that respect and another adjustment which you require is on the ground of freight. I would like to deal with both of them separately. With regard to quality, sugar generally possesses 5 intrinsic qualities, viz., colour, grain, lusture and keeping quality.

Mr. Khaitan.—Another is uniformity of grain.

Mr. Rahimtoola.—I include that under grain. We have been told that as far as Indian sugar is concerned, the quality has improved to the extent of 50 per cent. in respect of grain and colour. Would that be a correct statement?

Mr. Khaitan.—I cannot follow what you mean by 50 per cent.

Mr. Rahimtoola.—I mean that 50 per cent. of the sugar produced in India would be more or less equal to Java sugar.

Mr. Khaitan.—If you mean that 50 per cent. of the sugar produced in India is equal to Java sugar it is not correct.

Mr. Rahimtoola.—Is it not correct in respect of colour and grain?

Mr. Khaitan.—About 2 per cent. would be equal to Java sugar.

Dr. Jain.—You are, I think, having in your mind not only grain and colour but other things as well.

Mr. Rahimtoola.—I want to know the percentage of improvement which has taken place in comparison with Java in those two points.

Sir Vijaya.—We can say that 3 factories produce sugar comparable to Java's in every respect.

Mr. Rahimtoola.—It cannot be that the whole of their production would be equal to Java's.

Mr. Khaitan.—But they produce a quality which may be said to be equal to Java's.

Mr. Rahimtoola.—On what ground would you base the difference of 8 annas per maund to be allowed over and above the cost of manufacture?

Mr. Cameron.—The vast bulk of Indian sugar is not fully up to the Java standard in such matters as lustre, uniformity of grain: over and above that Java sugar has for many years enjoyed a reputation in India and as a result Indian sugar has to be sold at a lower price, and one knows from other industries that when there is a tendency for a commodity to be regarded as "cheap" it is difficult to command an equal price for a long time. Java and Indian sugar did not come into direct competition in those days as Java was sold from the ports and factory sugar was sold from the factories and you cannot have the two things selling at a comparable price.

Mr. Rahimtoola.—When did they actually come into competition?

Mr. Khaitan.—I have got the import figures. It started partly in 1933-34 and partly in 1934-35.

Mr. Rahimtoola.—If you take 1933-34 there was a price difference of Rs. 2 between imported sugar and Indian sugar.

Mr. Khaitan.—I think what you are comparing is f.o.r. factory price with the c.i.f. import price including duty. Then there would be a Rs. 2 difference.

Mr. Rahimtoola.—Can you give me an idea of what was the price of Indian sugar at Calcutta in 1933-34 as compared with imported sugar?

Mr. Khaitan.—Rs. 2 is correct if the difference is between Java sugar price at the port and ex-factory price. In the Calcutta market the difference will be a little more. The freight would have to be added.

Mr. Rahimtoola.—My point is this: there has been a difference in quality apart from freight between Indian sugar and imported sugar in the past when there was competition. Could you give me some prices during that period either at Calcutta or Bombay?

Mr. Khaitan.—Yes. We will give you for 1933-34 and 1934-35. But the 8 annas that we want is the difference which is really needed assuming that both qualities are equal. Java sugar has a large amount of reputation in India; it comes with better goodwill than the Indian sugar does and therefore Indian sugar has to be sold at a lower rate in order to capture the market from Java. 8 annas is not much.

Mr. Rahimtoola.—Indian sugar has already captured most of the Indian markets.

Mr. Khaitan.—Not absolutely *pucca*.

Mr. Rahimtoola.—If you see the imports you will find that 15,000 tons were imported through the Kathiawar ports and 14,000 tons were imported this year into British India. I am told that out of the 30,000 tons about

3,000 to 4,000 tons are sugarcandy which is not shown separately; and there are also other class of sugar which form a quite special class which are made in refineries in Java; and there is also cube sugar.

Mr. Khaitan.—That is a very small amount.

Mr. Rahimtoola.—Is it not a fact that most of the sugar that is coming is of special quality?

Sir Vijaya.—The bulk of the sugar imported is "Java white", 25 Dutch Standard.

Mr. Khaitan.—If we offer sugar which looks like Java sugar and if the price difference is only 4 annas, then people will prefer to buy Java sugar but if the difference is 8 annas then they would buy Indian sugar.

Mr. Rahimtoola.—Is it not a fact that at present the difference is between Rs. 3 to Rs. 4 per maund and still Java sugar is coming in for a special class of consumers?

Mr. Cameron.—But to a negligible extent.

Mr. Rahimtoola.—With regard to freight, what percentage of sugar produced in United Provinces and Bihar is consumed in the internal markets?

Mr. Vijaya.—The percentage of sugar coming from United Provinces to Calcutta is 3·2; Bombay 4·5; Karachi 95; Madras 83. From Bihar it is—Calcutta 15·6, Bombay 3·2, Karachi 38 and Madras 3·3.

Mr. Rahimtoola.—Percentage of the total production?

Sir Vijaya.—Yes.

Mr. Rahimtoola.—What about the internal markets of Bengal and Bombay?

Sir Vijaya.—As a matter of fact we saw in the godowns of Poona a lot of Buland and Raza sugar, but that would go direct *via* Dhoud and Manmad.

Mr. Rahimtoola.—What is the total production of United Provinces and Bihar?

Sir Vijaya.—Figures for 1935-36 are as follows:—

United Provinces—530,000.

Bihar—250,200.

Mr. Rahimtoola.—Supposing imported sugar is allowed to come in to-day, the bulk of the production of sugar produced in Bihar and United Provinces will be automatically protected as far as the internal markets are concerned, because the Indian sugar has got the advantage of freight in those markets over imported sugar. For instance, suppose imported sugar comes to Cawnpore; in that case Indian sugar will have advantage over imported sugar.

Mr. Khaitan.—It is in very few markets that there would be automatic protection. The freight structure is like this: freight is fixed to the ports of Madras, Bombay and Karachi and then in internal markets we have got to pay freight which is equal to the freight to Madras *plus* freight from Madras to the internal station.

Mr. Rahimtoola.—Let us take one of the big markets in India, say Rawalpindi, or Amritsar, or Delhi. Are these the markets where the bulk of the production of United Provinces and Bihar factories goes?

Mr. Khaitan.—Unless United Provinces and Bihar factories are able to sell in Bombay, Madras and the Punjab, they would not be able to dispose of their production and the price *f.o.r.* factory is regulated by what we can get in the most distant markets.

Mr. Rahimtoola.—I am now discussing the question of freight advantage. Java sugar comes to Calcutta; from there it has got to go to internal markets. Take Burdwan.

Mr. Khaitan.—On the East Indian Railway a differential rule applies and therefore they do not charge a higher freight to Burdwan than they charge to Calcutta. If the freight to Calcutta is 13 annas they would charge to Burdwan the same rate also. The same rule does not apply to all railways.

Mr. Rahimtoola.—Can you send me a note on the subject showing the freight advantage the factories have in those markets as compared to imported sugar.

Mr. Khaitan.—The freight to Poona is the freight to Bombay *plus* the freight from Bombay to Poona. Even for an intermediate station, for instance, Bhusaval, the freight from factory in the United Provinces and Bihar to Bhusaval is the freight to Bombay *plus* the freight from Bombay to Bhusaval. The freight to Bhusaval is neither equal to the freight to Bombay nor less than the freight to Bombay, but is more than the freight to Bombay.

Mr. Rahimtoola.—Do I understand that in internal markets the factories have to pay more freight than the sugar imported from ports?

Mr. Khaitan.—That is correct. Our freight is freight to Bombay *plus* the freight from Bombay to Poona.

Mr. Rahimtoola.—I am informed that within a radius of 200 miles factories have a distinct freight advantage.

Mr. Khaitan.—Yes.

Mr. Rahimtoola.—I want to know what percentage of sugar of factories is sold within that radius.

Mr. Cameron.—We have no figures. It must be small.

Dr. Jain.—It cannot be very small.

Mr. Khaitan.—The factories in the United Provinces and Bihar have got to send 80 per cent. of their production outside.

Dr. Jain.—Not outside the radius of 200 miles. That makes all the difference.

Mr. Khaitan.—It might be more than 60 per cent. instead of 80 per cent. The figures are given by Mr. Srivastava. But that carries us nowhere as to how much sugar is consumed locally.

Mr. Rahimtoola.—If I include in the protection the full freight of Rs. 1-1-6 then within the radius of 200 miles, factories will have an advantage of 9 annas.

Mr. Khaitan.—Our rate is f.o.r. factory which is based on the freight to the ports.

Mr. Rahimtoola.—I don't think you have understood my point. My point is this: I am not discussing the prices. I am taking the fair selling price which the Tariff Board has to arrive at. You want us to make an addition of Rs. 1-1-6 as freight disadvantage against imported sugar.

Mr. Khaitan.—Quite so.

Mr. Rahimtoola.—If I find that within a radius of 200 miles of the factory 60 per cent. of the production is sold and if the freight in that radius is less than Rs. 1-1-6, to that extent the factory gains.

Mr. Khaitan.—But it does not raise the price.

Mr. Rahimtoola.—The price is not the point at issue. We are assuming that if protection is successful, you will get the fair selling price fixed by the Tariff Board.

Mr. Khaitan.—Unless we are able to send the sugar to the port, we won't get that price. Our price is f.o.r. factory and we have got to send it to the most distant markets and we have got to compete with Java sugar at the ports and on that sugar we have borne a railway freight which works out to Rs. 1-1-6. Our price is based upon that railway freight which we have got to pay.

Mr. Rahimtoola.—Your price at the port will include freight. Rs. 1-1-6 is the average of all the ports in India but does not take into account the lower freight in the internal markets.

Mr. Khaitan.—It includes a large number of internal markets. In spite of the freight being over Rs. 2-3-0, we mentioned Rs. 1-1-6 for this reason that the difference between Rs. 2-3-0 and Rs. 1-1-6 has to be borne by Java sugar also and therefore so far as Java sugar is concerned, we are placed at a disadvantage which is calculated at Rs. 1-1-6. In some cases it is slightly more and in some cases slightly less, but the average is Rs. 1-1-6.

Mr. Rahimtoola.—Would you give us a detailed note on the subject.

Mr. Khaitan.—But I would submit to you that we won't be able to get consumption figures in different markets.

Mr. Rahimtoola.—One factory may say that Amritsar is its biggest market and another may say Rawalpindi. I want to get an idea of the percentage of sale and production of important factories.

Mr. Khaitan.—A rough calculation has been made by Mr. Srivastava as to how much sugar is consumed in different provinces. It is not accurate. What we submit to you is this that the price of sugar is f.o.r. factory. There can't be different prices for different destinations.

Mr. Rahimtoola.—Except the addition of freight.

Mr. Khaitan.—There can't be a different price.

Mr. Rahimtoola.—But the prices must differ from market to market because of freight difference.

Mr. Khaitan.—So far as f.o.r. price is concerned, we have got to fix one price and that price is fixed on the basis of the railway freight to the port where it has got to compete with Java sugar.

Mr. Rahimtoola.—It is not based on the cost of production.

Mr. Khaitan.—You can take it as selling cost. It does not make the slightest difference. F.o.r. factory price can only be fixed on that basis and it is necessarily Rs. 1-1-6. Therefore we ask that that should be added in ascertaining what the fair selling price ought to be.

Dr. Jain.—Would you agree that the more interior you go the greater the freight disadvantage to Java and more the freight advantage to Indian factories?

Mr. Khaitan.—That would be so.

Dr. Jain.—With that proposition you have no quarrel?

Mr. Khaitan.—I would supplement that proposition by saying that we cannot have several sets of f.o.r. factory prices.

Dr. Jain.—I appreciate that point. That is obvious. I was trying to see the relative advantage and disadvantage.

Mr. Cameron.—As Mr. Khaitan has been explaining, our point is that although geographically as you go more into the interior the freight disadvantage against Java increases only in districts adjacent to the factory, we have in theory the position that the factory has low freight and Java has to pay a higher freight, but owing to the necessities of marketing we are not in a position to take advantage of that. The custom of the market is that sugar has to be sold *ex-factory*. We do not know at the time the sale is made where it will go. In 99 per cent. of the cases the destination is not known.

Mr. Rahimtoola.—A buyer in Bombay pays the *ex-factory* price.

Mr. Cameron.—Let us suppose that a factory sells for the sake of argument 10,000 bags of sugar delivered *ex-factory* to a large firm. That firm resells to its customers who in their turn resell again. The sugar is actually despatched from the factory in lots of 50 or 100 bags or even less to destinations all over the country starting from the factory at Rs. 7. What price it is sold at, at various destinations, depends upon the number of

hands through which it passes, on the merchants in competition with other merchants, so that you may say radiating from the factory you would have sugar being sold at *ex-factory* price *plus* the freight from the factory. What it means is that consumers near the factory got cheaper sugar than consumers at a distance. That is exactly what happens.

Mr. Rahimtoola.—The prices prevailing in different markets are different.

Mr. Khaitan.—The price to the consumer is different, but the *ex-factory* price is the same. We have to take into account the freight to distant ports like Madras and Bombay. We have to compete with Java sugar at all the ports. In order to reach Madras and Bombay we have to pay Rs. 1-1-6, sometimes more and sometimes slightly less.

Mr. Rahimtoola.—What about the local factories situated in the very province? They will get a profit of 9 annas in respect of freight.

Mr. Khaitan.—You cannot grant different rates of protection to different factories. It is the United Provinces and Bihar that are manufacturing 80 per cent.

Mr. Rahimtoola.—Yes, to-day?

Mr. Khaitan.—You have to take to-day's position into account.

Mr. Rahimtoola.—What about the 8 factories in Bombay?

Mr. Khaitan.—They are at a distinct advantage.

Mr. Rahimtoola.—The freight from Belapur to Bombay is only 9 annas.

Sir Vijaya.—In these matters you will have to be guided by the most distant and not the less distant markets.

Dr. Jain.—Freight rates from factories to certain markets are on the basis of ports *plus* the distance to those markets. Does that apply to certain parts of India or all over the country?

Mr. Khaitan.—Except the East Indian Railway.

Dr. Jain.—It applies to all other railways.

Mr. Khaitan.—There is another proviso. If the freight at the scheduled rate from the factory to the station is less than the freight from the factory to the port *plus* the freight from the port to that station, then the smaller freight is charged.

Dr. Jain.—That is a very interesting point.

Mr. Khaitan.—There are only some stations which come under that category.

Mr. Rahimtoola.—I want to know whether it is possible for the factories to produce raw sugar during the silent season.

Mr. Khaitan.—For export to United Kingdom, not except from *gur*, because no cane is available.

Mr. Rahimtoola.—As regards the manufacture of raw sugar, the production cost is lower and there are certain economies in the process of manufacture.

Mr. Cameron.—It cannot be done except during the cane season.

Mr. Rahimtoola.—You cannot get cane for more than five months.

Mr. Khaitan.—That is so in the United Provinces and Bihar.

Mr. Rahimtoola.—But I find some factories crush from about the beginning of October and some factories close as late as end of May.

Mr. Khaitan.—Supposing there are 10 factories, 9 factories close down and one factory getting its supply from several places goes on for some time, i.e., till the 3rd week of May.

Mr. Rahimtoola.—I am thinking of the possibility of getting cane till the end of May.

Mr. Khaitan.—Not for all the factories.

Mr. Rahimtoola.—If you want to make raw sugar, would you have to stop manufacturing ordinary sugar?

Mr. Cameron.—We could not make the two side by side in the same factory.

Mr. Khaitan.—It can be done at different periods.

Mr. Rahimtoola.—2½ months white sugar and 2½ months raw sugar. Export can only be done if you are able to produce raw sugar during the period when cane is available. That means certain factories will have to concentrate on this class of sugar.

Mr. Khaitan.—If we can export we can produce more. We have got the capacity for producing more. This year factories won't start before the 5th December. If we could export, then the factories could start earlier.

Mr. Rahimtoola.—Three or four points arise out of that. The cost of production according to you is Rs. 4 per maund. If you are working during the season, you will have to take 5 annas 3 pies per maund as the price of cane.

Mr. Khaitan.—We have not taken the price of cane as 5 annas.

Mr. Rahimtoola.—What price did you take?

Mr. Khaitan.—4 annas per maund.

Mr. Rahimtoola.—Do you think that you will be able to get cane at four annas?

Mr. Khaitan.—In Bengal and other places there is no minimum price for cane.

Mr. Rahimtoola.—I understand that Madras is going to follow the example of United Provinces and Bihar with regard to fixation of minimum price of cane.

Mr. Khaitan.—Just as United Provinces and Bihar Governments can permit a lower rate for cane for khandsari sugar, I have not the slightest doubt that they will permit a lower price of cane for exports.

Mr. Rahimtoola.—I should like to have more information. Personally I think that with cane at 5 annas 3 pies raw sugar cannot be produced economically in this country.

Sir Vijaya.—Practically all the exporting countries have got two sets of prices for exports and for internal consumption.

Mr. Rahimtoola.—Not for the raw material. I want to know whether factories would be prepared to stop making ordinary cane sugar and manufacture sugar not exceeding 96° polarisation. Do you think that the present machinery will be sufficient for the purpose of producing this class of sugar?

Mr. Khaitan.—I think that the same machinery will do.

Mr. Rahimtoola.—I don't think definite investigation has been made by the association.

Mr. Cameron.—From the Association's point of view it is not practical politics. The position is that the Government of India have taken a part in the International Sugar Conference and as far as we understand there is no possibility of export.

Mr. Rahimtoola.—You are personally of opinion that export is possible and that Indian factories can make sugar of 96° polarisation, provided India is allowed to export.

Mr. Cameron.—As we understand that there is no chance of export, we have not gone into the matter.

Mr. Rahimtoola.—So far as you are concerned, you have not made any sugar of 96° polarisation.

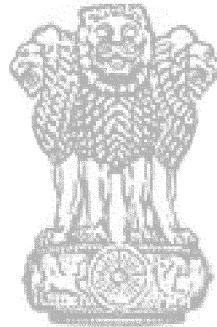
Mr. Cameron.—About the possibility of export we have not the slightest doubt.

Mr. Rahimtoola.—Can you manufacture at an economical price?

Mr. Khaitan.—Yes.

Dr. Jain.—Provided some preference is given in the rate of duty.

Mr. Khaitan.—Yes, provided we are allowed to send sugar at the Colonial rate.



सत्यमेव जयते

**(4) Evidence of Sir T. VIJAYARAGHAVACHARIAR and
Mr. T. W. KELSO, representing The Indian Sugar
Mills Association, recorded at Calcutta on
Sunday, the 21st November, 1937.**

President.—Before we begin, there is one small point which I want to clear up. When you manufacture sugar from cane gur, do you pay the excise duty?

Mr. Kelso.—Yes.

President.—When do you manufacture sugar from cane gur?

Mr. Kelso.—We finish the palmyra crop first and a day or two after that, we start on cane gur.

President.—With regard to the price of palmyra gur what is the lowest price which you have actually paid for it?

Mr. Kelso.—I don't think that we have ever been below Rs. 17 per candy.

President.—Will the tappers accept that price now?

Mr. Kelso.—I doubt it.

President.—You remember when we discussed with them the question of price at Samalkot, they mentioned the figure of Rs. 22. In connection with cane, the Tariff Board have to consider the fair price of cane. Similarly in the case of palmyra gur, we have to consider what is a fair price to the tapper. It is only fair that the tapper should get his share of the benefit so to speak of protection. Do you think that on the figures you have given Rs. 17 is really a fair price?

Mr. Kelso.—Yes, on the present selling price of sugar.

President.—Not from that point of view, but from the point of view of a man making his living?

Mr. Kelso.—I must admit that he makes very little out of it—Rs. 4 or Rs. 5 a month.

President.—For himself and his family?

Mr. Kelso.—Yes. In one of the statements we have submitted to you we have shown the monthly earnings of a tapper as Rs. 8.

President.—On what price?

Mr. Kelso.—Rs. 19-8-0 per candy?

Mr. Rahimtoola.—What does he make for the season?

Mr. Kelso.—Rs. 8 a month.

Mr. Rahimtoola.—That means Rs. 40 for a season of 5 months.

Mr. Kelso.—Yes.

President.—That is for the tapper and his family.

Mr. Kelso.—Yes.

President.—His family consists of four people.

Mr. Kelso.—Yes.

Dr. Jain.—To what year does that relate?

Mr. Kelso.—1936.

Mr. Rahimtoola.—For a family of 4 persons?

Mr. Kelso.—Yes.

President.—Looking at the question from the tapper's point of view do you think that it is a fair return?

Mr. Kelso.—It is not.

Mr. Rahimtoola.—Looking to the present price of sugar, the Company cannot afford to pay more than Rs. 17 per candy.

Mr. Kelso.—Yes.

President.—There is a difference between the prices of gur in Samalkot or Nidadavol and the prices in Palghat and in Tinnevely. According to that, with Tinnevely gur you ought to be able to manufacture cheaper.

Mr. Kelso.—Yes, if the quality is the same.

President.—Certain figures have been supplied to us for Tinnevely about the cost of production of gur. There cannot be any very great difference between Tinnevely gur and Nidadavol gur as both are from palmyra.

Mr. Kelso.—Quite.

President.—We understand that in future the Company will not be refining sugar from palmyra gur at Nellikuppam but that it will be done at Travancore.

Mr. Kelso.—That is the idea.

President.—We understand that in future the Company will not be of the difference in the price of raw material.

Mr. Kelso.—Yes.

Mr. Rahimtoola.—From Tinnevely to Nellikuppam the lead is longer than it is from Nidadavol to Samalkot, and therefore the cost of transport ought to be more.

Mr. Kelso.—Yes.

Mr. Rahimtoola.—At present Nellikuppam is not taking jaggery from Tinnevely.

President.—Yes, it does.

Mr. Rahimtoola.—Then we can get the cost from them.

President.—They did not give us figures because they were going to give it up.

Mr. Rahimtoola.—Then we must consider the cost of transport from Tinnevely to Travancore which will be less because the distance will be less.

Mr. Kelso.—Yes.

President.—On an average the distance will be 50 miles.

Mr. Rahimtoola.—That means the cost of transport from Nidadavol to Samalkot would be practically the same as from Tinnevely to Travancore.

Mr. Kelso.—Yes.

Mr. Rahimtoola.—Can you tell us what percentage of production is of palmyra sugar at Nellikuppam?

Mr. Kelso.—No. I have never been in Nellikuppam.

Mr. Rahimtoola.—What percentage of cane gur is crushed at Samalkot?

Mr. Kelso.—When we do get, it is 10 per cent. But we do not get it every year.

Mr. Rahimtoola.—That sugar is manufactured separately and kept aside.

Mr. Kelso.—Yes.

Mr. Rahimtoola.—Now I would like to go into the question of cost of raw material. You have stated that the cost of transport and wastage on transit is Rs. 9 per ton.

Mr. Kelso.—Buying charges at the buying centre plus railage to Samalkot plus unloading charges amount to Rs. 9.3 per ton.

Mr. Rahimtoola.—Allowance for loss of weight due to runnings is 18 per cent., is it not?

Mr. Kelso.—Yes.

Mr. Rahimtoola.—That will be about Rs. 11 per ton.

Mr. Kelso.—Yes, for Runnings and Wastages.

Mr. Rahimtoola.—Having regard to the recovery, I think that 1½ maunds of jaggery would produce 1 maund of sugar.

Mr. Kelso.—Yes, 1½ maunds of drained jaggery.

Mr. Rahimtoola.—The price of Rs. 44 per ton for the runnings is correct, is it not?

Mr. Kelso.—Rs. 44·8.

President.—Do you allow any credit for runnings?

Mr. Kelso.—Yes, Rs. 10 per candy.

Mr. Rahimtoola.—If you take the cost of palmyra jaggery at Rs. 17-8-0 per candy it will be Rs. 2-15-0 per maund.

Mr. Kelso.—Yes.

Mr. Rahimtoola.—If we take the cost at Rs. 13 per candy, it would be about Rs. 2-2-0 per maund.

Mr. Kelso.—Roughly.

Mr. Rahimtoola.—If we take the cost at Rs. 19 it would be about Rs. 3-3-0.

Mr. Kelso.—Yes.

Mr. Rahimtoola.—With regard to the capital invested, I find it is given in the "Capital", under The Deccan Sugar and Abkari Co. This is the Company, which manufactures sugar from palmyra jaggery.

Mr. Kelso.—Yes. We have also got a distillery and a confectionery.

Mr. Rahimtoola.—Under the same Company?

Mr. Kelso.—Yes.

Mr. Rahimtoola.—Therefore the capital is meant for all.

Mr. Kelso.—Yes.

Mr. Rahimtoola.—Originally the company was started for the purpose of manufacturing palmyra sugar.

Mr. Kelso.—Yes.

Mr. Rahimtoola.—The original capital was about Rs. 8 lakhs and it was later extended. The gross capital to-day is Rs. 29 lakhs.

Mr. Kelso.—The Distillery was started shortly after the factory. The Confectionery was a recent addition.

Mr. Rahimtoola.—The reserve fund including depreciation comes to about Rs. 37 lakhs. I think that the gross block would contain some of these items.

Mr. Kelso.—I have no knowledge of these things. I am purely concerned with the manufacturing side.

Mr. Rahimtoola.—When it was started, it was started purely as a palmyra sugar manufacturing concern.

Mr. Kelso.—Yes.

Mr. Rahimtoola.—You work for about 285 days.

Mr. Kelso.—9½ months.

Mr. Rahimtoola.—The production is 195,368 maunds.

Mr. Kelso.—For the last three years.

Mr. Rahimtoola.—The recovery is 66·37 per cent.

Mr. Kelso.—That was the recovery in 1936.

Mr. Rahimtoola.—The recovery from cane jaggery is 66 to 68 per cent.

Mr. Kelso.—Yes, if it is very good cane jaggery.

Mr. Rahimtoola.—1 candy is equal to 500 lbs. or 6 maunds.

Mr. Kelso.—Yes.

Mr. Rahimtoola.—The only thing I have to ask you now is the cost of manufacture. First of all let me ask you whether the cost of manufacturing sugar either by means of palmyra jaggery or cane jaggery will be the same.

Mr. Kelso.—The cost of manufacture of sugar from the two jaggeries would be exactly the same. I have never crushed cane and so I cannot tell you about that.

Mr. Rahimtoola.—You are not aware of the working of the factory at Nellikuppam.

Mr. Kelso.—No.

Mr. Rahimtoola.—Are those costings based on cane?

Mr. Kelso.—Yes.

Mr. Rahimtoola.—Which are your markets for sale?

Mr. Kelso.—Within 200 miles north and south of the factory. It is mostly in the north as far as Vizagapatam and up to Bobbili.

Mr. Rahimtoola.—You realise the price which vacuum pan factories realise in these markets?

Mr. Kelso.—Yes.

Mr. Rahimtoola.—Or on an average 2 to 3 annas more sometimes?

Mr. Kelso.—Probably 2 annas a bag more.

Mr. Rahimtoola.—If we grant protection to the Indian sugar industry that will also protect palmyra sugar?

Mr. Kelso.—Yes.

Mr. Rahimtoola.—Suppose the Board arrive at a figure of Rs. 8 to Rs. 9—as the fair selling price of sugar and though to-day you realise only Rs. 7-12-5 per maund, you would be able to get that price for your sugar?

Mr. Kelso.—Yes. It will depend on the price of incoming sugar from other markets.

Mr. Rahimtoola.—I have gone into the statement of the cost of manufacture given by a refinery and I find that the cost is Re. 1-10-7 per maund. Your cost is rather on the high side because there are three concerns and costings of overheads are theoretical? Did you purchase the material at Rs. 19 or Rs. 17 per candy in 1936?

Mr. Kelso.—Rs. 19-8-0 per candy of 500 lbs.

Mr. Rahimtoola.—And your cost of raw material was Rs. 5-14-11?

Mr. Kelso.—Yes.

Mr. Rahimtoola.—What is your figure including overheads?

Mr. Kelso.—Rs. 9-0-5 is the total cost.

Mr. Rahimtoola.—If we deduct Rs. 5-14-11 it comes to Rs. 3-1-6 as against Rs. 1-10-7 that we have been able to get. Could you give us a statement, on the lines of the one given by Begg Sutherlands, for your Samalkot factory?

Mr. Kelso.—It would be difficult to give you so liberally as they have done.

Mr. Rahimtoola.—We can give you the details of the statement and you might just let us know something as near to it as possible so that we may know where the difference lies.

Mr. Kelso.—The capacity of the plant may make a difference. Ours is 180 candies a day, i.e., 40 tons against 70 tons.

Mr. Rahimtoola.—Do you get sufficient amount of palmyra jaggery for the whole of the period?

Mr. Kelso.—We have no difficulty; we have had sufficient for about 8 months working for the last 3 or 4 seasons.

Mr. Rahimtoola.—I suppose your figures also include depreciation?

Mr. Kelso.—Yes.

Mr. Rahimtoola.—And interest on working capital?

Mr. Kelso.—Yes.

Mr. Rahimtoola.—What was the capacity of the Travancore factory?

Mr. Kelso.—It is very small; I think it is very much smaller than Samalkot.

Mr. Rahimtoola.—In a note supplied by your Company it is stated that a certain quality of palmyra jaggery is consumed locally. What would be the percentage approximately?

Mr. Kelso.—80 per cent. is refined and 20 per cent. passes on to direct consumption.

President.—To what do you attribute the difference in price between Tinnevely jaggery and West Godavari jaggery?

Mr. Kelso.—There are more tappers there, and tapping is their main source of income.

Mr. Rahimtoola.—You state in your letter that you allow 1 per cent. for wastage. Is that before it is drained?

Mr. Kelso.—That is before it is drained—in transit and in storing.

Mr. Rahimtoola.—Is the jaggery stored for about 7 months?

Mr. Kelso.—For at least five months.

Mr. Rahimtoola.—And the runnings you sell to your distillery?

Mr. Kelso.—Yes.

Mr. Rahimtoola.—The figure that you have given is about Rs. 10 per candy? That is what you have realised from the distillery?

Mr. Kelso.—Yes.

Mr. Rahimtoola.—Would you get that price if you sold it outside?

Mr. Kelso.—We doubt if we would. But I do not know what the market rate is.

President.—Interest on working capital is rather high.

Mr. Kelso.—I have no knowledge of these things. These are dealt with by the head office.

President.—It is high in comparison with the interest on working capital in ordinary vacuum pan factories. Why should the working capital be much higher than in Nellikuppam?

Mr. Rahimtoola.—The managing agency charges are also very high.

President.—I understood from Sir William Wright that the whole business was so mixed up that the allocation for managing agents was rather arbitrary.

Mr. Kelso.—Yes.

Mr. Rahimtoola.—Rs. 9-0-5 is your total cost?

Mr. Kelso.—Yes.

Mr. Rahimtoola.—If I exclude depreciation, interest on working capital and managing agency charges, what will be the balance?

Mr. Kelso.—Rs. 7-14-8.

Mr. Rahimtoola.—If I exclude from Rs. 7-14-8 the cost of raw material (Rs. 5-14-11) how much will that be?

Mr. Kelso.—Rs. 1-15-9.

Mr. Rahimtoola.—That is pure manufacturing charges.

Mr. Kelso.—There are one or two other small items such as Directors' fees, Auditors' fees, rates and taxes and insurance.

Mr. Rahimtoola.—Yes we have included them. If we deduct the cost of raw material from Rs. 7-14-8, it comes to Rs. 1-15-9.

Mr. Kelso.—Yes.

Mr. Rahimtoola.—Have you got anything like the selling expenses? There again I find it is high as compared with your own factory at Nellikuppam. The figure given by the Samalkot factory is 2 annas 2 pies.

Mr. Kelso.—It must be under one of the other headings. 'Selling expenses' is 1 anna 8 pies.

Mr. Rahimtoola.—There it is reduced by 6 pies.

Mr. Kelso.—Yes.

Mr. Rahimtoola.—What was the figure for 1900?

Mr. Kelso.—2 annas 2 pies.

Mr. Rahimtoola.—If we take Rs. 9-0-5 and deduct the cost of raw material which is Rs. 5-14-11, the total manufacturing charges inclusive of overhead come to Rs. 3-1-6.

Mr. Kelso.—Yes.

Mr. Rahimtoola.—When you send your statement, I want you to compare that with the statement supplied by the Nellikuppam Factory and point out the differences.

Mr. Kelso.—Yes.

Dr. Jain.—There is just one point I want to clear up. You stated in 1936 you were paying Rs. 19-8-0 per candy for jaggery.

Mr. Kelso.—Yes.

Dr. Jain.—What that inclusive of middleman's charges?

Mr. Kelso.—Yes.

Dr. Jain.—So that the tapper got Rs. 17-8-0 per candy. Rs. 2 is stated to be middleman's charges.

Mr. Kelso.—Rs. 2-8-0.

Dr. Jain.—He got Rs. 17 net.

Mr. Kelso.—Yes.

Dr. Jain.—If the excise is taken off and at present prices of sugar, what would you be able to give to the tapper?

Mr. Kelso.—There is no excise.

Dr. Jain.—I am trying to clear up this point. Really the amount which is paid to the tapper will depend upon the price of sugar irrespective of the excise being taken off or not taken off.

Mr. Kelso.—We will not be able to pay lower than Rs. 17-8-0. If we pay less we won't be able to get the material.

Dr. Jain.—Tapper will not be able to get more than Rs. 17-8-0 inclusive of middleman's charges.

Mr. Kelso.—No.

Dr. Jain.—The benefit of protection will depend on the increase in the price of sugar.

Mr. Kelso.—Yes.

Mr. Rahimtoola.—Percentage cost of gur on total cost is 65.73.

Mr. Kelso.—Yes.

Mr. Rahimtoola.—The Company at Travancore has got a capital of Rs. 20 lakhs. Also intends to include some other subsidiary industries.

Mr. Kelso.—Yes.

Mr. Rahimtoola.—When you buy the cane jaggery which you use to a certain extent—sometimes as much as 10 per cent.—the price you pay for cane jaggery would be about Rs. 3 a maund.

Mr. Kelso.—That was the price this year.

Mr. Rahimtoola.—1937?

Mr. Kelso.—Yes.

Mr. Rahimtoola.—What was the price last year?

Mr. Kelso.—Rs. 4/3 per maund last year. We were unable to purchase in 1935.

Mr. Rahimtoola.—This year you were able to purchase at Rs. 3.

Mr. Kelso.—Yes.

Mr. Rahimtoola.—Supposing you don't get palmyra jaggery, would you be able to get sufficient quantity of cane jaggery?

Mr. Kelso.—No. It depends entirely upon the price of jaggery in the market. In 1935 the price was high. As the price was lower during the last two years we were able to buy.

Mr. Rahimtoola.—I want to know what price you would be able to pay if you purchased cane jaggery in preference to palmyra jaggery.

Mr. Kelso.—We are unable to get cane jaggery.

Mr. Rahimtoola.—Supposing you get both the cane jaggery and the palmyra jaggery, at what price you would prefer the cane jaggery as against palmyra jaggery.

Mr. Kelso.—I have to work that out. The working cost will remain the same.

Mr. Rahimtoola.—How many maunds of cane jaggery you would require to make one maund of sugar?

Mr. Kelso.—The outturn will be the same.

Mr. Rahimtoola.—You say $1\frac{1}{2}$ maunds of palmyra jaggery would be required to make one maund of sugar.

Mr. Kelso.—The same quantity will be required.

Mr. Rahimtoola.—The price of cane jaggery is Rs. 2-15-0 and palmyra jaggery is Rs. 3. The cost of raw material would be practically the same except that there will be no running and no wastage in transit.

Mr. Kelso.—There will be no wastage in transit in the case of cane jaggery.

Mr. Rahimtoola.—And the transport charges would be the same.

Mr. Kelso.—We don't pay the transport charges. We buy it at Rs. 3 landed in factory.

Mr. Rahimtoola.—Would one per cent. be the wastage?

Mr. Kelso.—Yes.

Mr. Rahimtoola.—There will be no runnings.

Mr. Kelso.—No.

Mr. Rahimtoola.—To that extent cane jaggery will be cheaper?

Mr. Kelso.—Yes.

President.—What was the price of cane jaggery in previous year?

Mr. Kelso.—The price in 1936 was Rs. 4-3 per maund and the price quoted in 1935 was Rs. 5-8 per maund.

President.—Rs. 3 per maund was the lowest?

Mr. Kelso.—Yes.

President.—When was that? सत्यमेव जयते

Mr. Kelso.—This year.

Mr. Rahimtoola.—What was the price of gur at Cawnpore?

Sir Vijaya.—Rs. 2-8-0.

President.—Eating gur is Rs. 2-6-9.

Sir Vijaya.—Yes.

Mr. Rahimtoola.—What happens to the gur that is produced at Palghat?

Mr. Kelso.—In the past it was sent to Nellikuppam.

Mr. Rahimtoola.—Does the Nellikuppam factory manufacture sugar out of palmyra jaggery?

Mr. Kelso.—Up till now they have been.

Mr. Rahimtoola.—The price there is lower. It is Rs. 16.

Mr. Kelso.—Yes. They take more from Tinnevely than from Palghat.

Mr. Rahimtoola.—Even in Travancore I find from the figures they produce 10,000 candies.

Mr. Kelso.—Yes, in Travancore itself.

Mr. Rahimtoola.—The cost of that will be much lower.

Mr. Kelso.—Yes, at Thuckalay.

THE EAST INDIA DISTILLERIES AND SUGAR FACTORIES, LIMITED, MADRAS.

**Evidence of Sir WILLIAM WRIGHT and Mr. A. McAUSLAN
recorded at Madras on Thursday, the 8th July 1937.**

President.—Sir William Wright, you are a partner of Messrs. Parry and Company and Messrs. Parry and Company are the Managing Agents of the Nellikuppam and Samailkot Companies, is that a correct statement?

Sir William.—Yes, actually Director of a Limited Company.

President.—Judging by the prospectus in newspapers, I gather that you are also a Director of the Company in Travancore.

Sir William.—Yes.

President.—Are Messrs. Parry and Company Managing Agents?

Sir William.—Yes, under another name, Secretaries and Treasurers—in effect Managing Agents.

President.—In fact you are now a Director of three Companies producing sugar?

Sir William.—Yes.

President.—You have given us a very full and valuable note on the subject and I do not propose to waste time by going through the points which you have made perfectly clear, but there are just a few points which myself and my colleagues would like a little further elucidation. There are one or two points on which I would like to have your opinion. First of all we shall deal with sugar manufacturing side and then take up the palmyra sugar industry. We notice that you have in recent years reduced your own cultivation very considerably. What is the reason for that?

Sir William.—We are unable to produce cane as cheaply as the ryot.

President.—Even allowing for the fact that with better cultivation you get better results.

Sir William.—We have to rent land and we regard the rent as really the ryot's profit of producing cane, and so we had to reduce the acreage. Of course they don't have the overheads we have—I mean supervision.

President.—Do you find that under this new arrangement by which you buy a major portion of your cane, you get a satisfactory quality of cane, as good as before?

Sir William.—Yes.

President.—In some factories that we visited, the tendency has been the other way to undertake more cultivation rather than less.

Sir William.—If it is possible to obtain large blocks of land in the vicinity of the factory, we would probably wish to see what we could do in the way of cultivation of our own cane, but it is quite impossible to get anything more than one or two acres.

President.—The difficulty being due to the fragmentation of holdings.

Sir William.—Yes. On that particular point we prepared a very short note which we thought might be helpful. (Handed in).

President.—Coimbatore experts lay considerable stress and they have very great hopes of Co. 419. You have just begun experiments with that cane.

Mr. McAuslan.—Yes, since two years we have been experimenting.

President.—What is your experience of it so far?

Sir William.—The average yield was 42·85 tons over three seasons.

Mr. McAuslan.—Yes, on smaller plots.

President.—Then these have excelled the wonder cane of Java.

Mr. McAuslan.—They are reckoned superior.

President.—Coimbatore experts think that their cane is definitely superior.

Sir William.—Yes, Co. 349 we consider as good as Co. 419.

President.—With regard to this question of yield per acre the Coimbatore experts hazarded the opinion with the introduction of these new varieties, the cost of production per maund of sugarcane in the tropical region, that is Bombay, Madras, Hyderabad and Mysore might be reduced practically to the level of the cost of production in the sub-tropical region, viz., United Provinces and Bihar. What is your opinion on that?

Sir William.—To annas 4 a maund.

President.—Approximately yes.

Sir William.—We agree with you.

President.—Do you think it is possible?

Sir William.—Yes.

President.—It will take some time to spread 419 among the ryots. He thought it would take 5 years and hazarded the opinion that in 5 years the cost of production of sugarcane would be the same as in northern India.

Sir William.—Yes with that outturn. For Co. 281 we have figures here. The cost per ton of cane in that variety is just about 4 annas a maund now.

President.—We also went into the question of fibre content of cane with Rao Bahadur Venkatraman. You are no doubt aware that in northern India many factories work on bagasse alone. Some even have a surplus and practically all factories are reducing their fuel bill by improved furnaces and so on. In southern India practically all factories use appreciable quantities of fuel other than bagasse. Can you account for that?

Sir William.—The fibre content in our own cane is less than the fibre content in the cane in the north whereas there is more sugar in our cane, more juice recovery in cane and there is less fuel provided to deal with it. We get it both ways.

President.—The Coimbatore experts suggest that it might be possible to have a judicious mixture of canes, some with more fibre content and some with less for factories in Southern India with a view to working on their own bagasse. What do you think of that?

Sir William.—That is what we are ourselves aiming at? We are encouraging the spread of more than one variety of cane with that idea in view.

President.—One other thing suggested is—I do not know whether there is anything much in it—if you have canes, some with high fibre content—thin canes—and others with less fibre content—thick variety—it might produce some complication in crushing. When you have canes of different thicknesses, is there difficulty?

Sir William.—We have to set our rollers in our mill to crush different thickness of cane, but I don't think the canes which we hope to deal with are going to vary to such an extent in their thickness to make it impossible to crush the two canes together economically.

President.—One of the main economies recently effected in northern India is in fuel.

Sir William.—Yes.

President.—That is one of the most promising lines in reducing the cost of manufacture in the north.

Sir William.—Yes.

President.—I will pass on to another point, that is the fixation of cane prices. As you are no doubt aware, cane prices are fixed in two provinces, United Provinces and Bihar, but not in other parts of India at present though the matter has been considered in Madras, and I have no doubt, in other provinces. In the United Provinces and Bihar where arrangements

are more or less similar—I do not know whether you know the arrangements by which they fix the price.

Sir William.—I know.

President.—Supposing it is possible that prices may have to be fixed for Madras like other provinces, would you consider that as a satisfactory method?

Sir William.—We would like to start off by saying that conditions in Madras are entirely different, because the sugarcane as a crop competes with so many other crops. There is no question of the factory dictating to the grower what rate he is going to pay for his cane. The factory has to compete with other crops and the growers are assured of getting an economic price for their cane or otherwise they would not grow it. In our own district a large number of ryots who previously were growing cane turned over to cotton. Whether it is temporary or whether it is going to continue or whether they are going to use cotton crop in rotation with cane, we do not know. Another point which is very very different in Southern India as compared with Northern India is that we fix the price at which we are going to buy our cane when the cane is planted and not at the time of harvesting. I think that the ryot has got so accustomed now to be told a year ahead exactly what he is going to get for his crop before he agrees to plant the cane that any system of fixing the price as it done in the north will not appeal to them at all.

President.—Conditions down here are different to those in the north, but it is possible that after all Government may think it necessary to fix the price of cane. Supposing that was necessary, can you suggest a satisfactory basis? For example I believe that in Philippines the arrangement is that the factory takes 50 per cent. of the price of sugar and the other 50 per cent. goes to the grower and the grower simply gets that proportion of the realised price of sugar.

Sir William.—Provided a reasonable ratio was fixed, from the manufacturers' point of view there would be no objection. In fact we would prefer it to taking the whole of the risk of the market ourselves which we are doing, but I don't think it would appeal to the ryot, so much so that it might endanger the size of the area under cane.

President.—Could you suggest any other method of fixing the minimum price?

Sir William.—The only other method, I think, is the method we have adopted for some years. We fix the minimum price with a sliding scale upwards based on the price of sugar obtained from that particular cane. We have put in with our replies to the questionnaire a notice giving the cane price and a probable bonus for every rupee rise in the price of sugar above Rs. 213 per ton. In other words the ryots directly benefit from any unexpected rise in the price of sugar. It has actually only come into force for one year, because our basic rate has been so high. In 1932-33 we actually did pay bonus when the price of sugar went up.

President.—It has been suggested to us in connection with some such system as you have that it is very difficult to be able to determine which raiyat brought in which variety of cane and there is a danger of the raiyats mixing up different qualities of cane. Therefore it is said that it is very difficult to work such a system in practice. Have you found any difficulties in that way?

Sir William.—No.

President.—How are you able to distinguish different varieties?

Sir William.—We have a separate ledger account for every raiyat. We know exactly what is brought by each raiyat and what variety it is.

President.—You have not found any difficulty of the raiyat mixing up different varieties?

Sir William.—No. We were not paying a bonus based on the variety of the cane. We were paying a bonus on what was our basic price for each variety and the bonus itself was based on the price of sugar.

President.—If I remember rightly you said something about paying a higher price on account of better qualities.

Sir William.—We pay different prices for different canes. Our record is complete as to which individual raiyat brought in which variety.

President.—I am making the point because in Northern India it was suggested that it was almost impossible to work such a system.

Sir William.—We have it actually working and we have found it satisfactory. Our different varieties are so unlike each other that it would not be possible for the raiyat to pass one for the other.

President.—Then, that system really depends on the fact that the canes are so completely different.

Sir William.—Quite. The easy working of the system is dependent on that, but I can see no difficulty in working the system even if the canes are similar.

President.—A suggestion has been made that if you have a flat rate for the cane, there is no encouragement to the raiyat to grow better varieties of cane. That is the basis of that proposal and you realise that.

Sir William.—Yes.

President.—In fact you are paying a bonus for better qualities.

Sir William.—Yes, for better varieties.

President.—Have you made any experiments as to what was the average loss of cane owing to disease in cane brought in?

Sir William.—We have no figures that we would like to put up as reliable. We have made efforts to make as close an estimation as possible but we do not regard them as reliable (see page 14 of our evidence).

President.—They are only rough estimates.

Sir William.—Yes, they are only just an indication.

President.—With regard to the standardisation of sugar, you would suggest a simplification of the standards in the Technological Institute.

Sir William.—Yes.

President.—I think you suggest that on page 42. Do you think that it would be possible to work on so many standards?

Sir William.—Do you mean to produce them?

President.—What I was rather getting at is up to seven years ago when most of the sugar in India was imported and sold on Dutch Standards, the standards were about three or four.

Sir William.—There were three or four Dutch Standards actually imported. Actually the big importer, a house like Ralli Bros., would buy on Dutch Standards, but the hazar merchant in South India buys on sample. He either bought imported sugar on samples or he bought a locally manufactured sugar on marks which he knew well. I don't think the average sugar dealer in South India has ever seen Standard Dutch samples. He would not know what they were if he saw them. If you took 1,000, I don't think that two of them would ever have seen Dutch standards. I know it is quite different up in the north where the business is in much bigger hands. Generally speaking we are very much nearer to the retailer here.

Dr. Jain.—Do you mean many qualities came from Java?

Sir William.—No, I did not mean that. What I said was that the average market dealer in sugar did not buy on Dutch Standards. He did not know what a Dutch Standard was.

Dr. Jain.—Very few qualities came then.

Sir William.—Yes, very few.

Dr. Jain.—Things were much simpler in those days.

Sir William.—Yes.

President.—I may tell you, looking to the question of marketing, we now find that it is necessary to review the history of marketing in the last seven years and to point out the change that has come over from the change from imported to Indian sugar and how far the change over has contributed to the present marketing difficulties. We have not referred the matter to individual factories, but we have referred it to the Associations for their remarks—the Indian Sugar Mills Association and the Sugar Merchants Association—to see how far the change over has upset the marketing arrangements. Do you think that there is anything in that point particularly?

Sir William.—As far as South India is concerned, our own arrangements by which we market our sugar are just the same as they have always been, but when our competitors in South India were importers of Java sugar, price variations were nothing like so big as they are at present. At the present moment the price of sugar in South India is governed entirely by the price in Northern India. The sugar is sent down here and it comes down to a very large number of merchants who buy sometimes in comparatively small lots from Northern India, and there is not the same possibility of holding up the price as there was when the trade was in a comparatively small number of hands.

President.—Did you ever deal in imported sugar at any time?

Sir William.—I think I may say practically speaking, no, except that when we were short of raw material, we used to import raws for refining.

President.—You have not really been interested in the import trade in the days when imports were considerably high.

Sir William.—To such a small degree and at such very long intervals that we can really say 'no'.

President.—I do not know whether you would like this not to have it reported, but we understand that you handle a good deal of the sugar trade in South India at present.

Sir William.—Yes.

President.—Could you give us some idea of the arrangements for the handling of sugar under present conditions and how they have changed in the last 7 years? I rather gather from you that your own arrangements have not changed.

Sir William.—No.

President.—Do you handle sugar for several other factories?

Sir William.—For the Mysore Sugar Company outside the State of Mysore. We also sell a certain amount of sugar for a few Northern Indian factories. We are in close touch with them. We have just come to an arrangement with the Mysore Sugar Company, and the three companies for which we ourselves are the managing agents, and two other companies have promised to come in, to form a Sugar Marketing Board for Southern India. We hope practically all the producers of sugar in the South will come into the Board and we will be able to fix prices.

President.—But I take it that North Indian factories will not come into that.

Sir William.—There is no reason why they should not employ the Board to sell their sugar if they want to send it down. Two of them have already expressed their wish to do so.

President.—I gather from your replies that you are generally in favour of an All-India Sugar Organisation. Am I correct in that statement?

Sir William.—Yes.

President.—The Associations will probably deal with that point in general, but would you like to say something on that subject?

Sir William.—I don't think so. We down in South India really do not know very much of the conditions in Northern India to be able to express

any opinion which will be useful. We would only be able to speak for the industry in South India.

President.—I am afraid I am skipping from one subject to another, but the notes have been recorded at different times. I pass to a different subject now. About the returns which you send to the Technological Institute in Cawnpore, I presume you send them regularly.

Sir William.—Yes.

President.—Do you find any difficulty about them? It has been suggested in some quarters that they ask for too much of what might be considered confidential information. Have you any objection to the present forms of returns?

Sir William.—Our chief difficulty in supplying information to the Technological Institute lies in the allocation of overheads because none of our companies is a sugar producing company pure and simple. It is easy to allocate overheads in the case of a sugar company which is producing sugar and sugar alone, but it is very difficult for any company like our principal company which produces besides sugar; confectionery, carbonic acid gas, spirit and owns a large chemical works and also a large stoneware and pottery works. In many cases, the different industries are in the same compound and under the same main control. The whole office work is probably done in one office and one individual accounting clerk may be working for three or four different industries, all owned by the same company. In such cases, it is very much a question of taking an allocation which may be quite correct one year and quite incorrect another year.

President.—It is quite arbitrary.

Sir William.—Yes, to that extent I feel perhaps some of the figures which we do supply are not so useful as the figures of a company which produces sugar pure and simple.

President.—Have you any objection to any returns at present called for as being apt to give away trade secrets and that sort of thing?

Sir William.—No.

President.—You give your recovery rates and the cost of manufacture.

Sir William.—I don't think that it is really of any help to anybody else if it is known that we get a slightly better or worse recovery than any other factory.

President.—In a few countries, like America, for instance, they have a system by which all information is pooled by all factories. The justification for that is that if there is protection, the consumer has certain rights and by pooling information the general cost of production may be reduced.

Sir William.—There is nothing secret really in sugar manufacture and you cannot prevent another man making sugar by keeping the benefit of any knowledge to yourself.

President.—If one factory knows that another by its side is making a better recovery, it will understand at once that something is wrong with its methods of manufacture. You have no objection to that, have you?

Sir William.—No. We go further and say that we are definitely in favour of pooling any information that is available.

President.—That is very interesting. We have heard contrary views expressed on that point. Of course, the question of zoning does not really arise in Southern India and so we need not touch on that.

Sir William.—No.

President.—It is a rather delicate question which you might not like to have recorded and it is for you to decide: Is there much friction between producers of sugar and sugar merchants in Southern India?

Sir William.—None at all.

President.—In the North, there is a considerable friction. It does not arise down here?

Sir William.—No.

President.—No doubt you are aware that there has been a good deal of controversy over the form of contract? You do not work on that?

Sir William (inaudible).—No. In our case a man pays a small deposit and when the sugar is received at his station he pays the full price.

President.—In practice do many disputes arise between you and merchants as to the quality of the sugar, colour and so on?

Sir William.—Very few indeed.

President.—We would like to let us have your views on the question of railway freights to South India?

Sir William.—Our view is that as long as the consumption of sugar in South India is approximately double the amount of sugar produced in South India, there is no reason at all why railways should give special facilities by way of cheap freights to factories in the North to send their sugar to South India and so force us to accept a lower rate for our sugar. This freight advantage does not enable him to sell a ton more sugar in South India because the South Indian factories will anyhow sell the whole of their sugar locally. We say there is no reason why railway freights on sugar consigned to South India should be cheaper than the cost of moving Northern India sugar by sea or any other route to the South.

President.—Do you have to say anything about the local rates? Do you think the local rates for sugar are high in comparison to the rates in the north?

Sir William.—We are more affected really by the question whether the movement of sugar is by rail or by road. We usually find that railways bring down their rates to the level of road transport in order to secure traffic.

President.—Have you any particular difficulty about getting wagons?

Sir William.—No.

President.—In this connection I think you mention the question of open trucks for transport of cane. Of course in Northern India that is the general practice already.

Sir William.—At the present moment we are working on an experimental basis with open trucks. It is only within the last three years we have brought in any cane to our factory by rail.

President.—I now pass on to the question of bye products. Most of your molasses, I take it, is used in your distillery?

Sir William.—Our cane molasses, no.

President.—You use your palmyra molasses?

Sir William.—We do use a certain amount of cane molasses. But it would be impossible to continue refining palmyra jaggery unless we have the benefit of the distillery.

President.—Is the palmyra molasses superior to cane molasses?

Sir William.—There is nothing in it really.

President.—To some extent you burn molasses, do you not?

Mr. McAuslan.—We do in certain years.

President.—Is the effect of burning molasses in your boilers detrimental? It has been said to us that there is a good deal of corrosion and so on.

Mr. McAuslan.—We have a special molasses furnace.

President.—How do you dispose of your cane molasses otherwise?

Mr. McAuslan.—We sell a certain amount to other distilleries, e.g., the Pondicherry distillery. We use a certain amount in the cane fields. During the monsoon period we throw some away into drains. If we use the right time when flood water is running there is not much objection to this as there is no foul smell.

President.—Do you find it useful as a manure?

Sir William.—We don't gain anything by it.

President.—Your pressed mud is better?

Sir William.—We are experimenting on that.

President.—It has been said that the one remedy is the manufacture of alcohol.

Sir William.—We have never considered that point. Mandya is manufacturing power alcohol.

President.—They are using it but they say that it must be an admixture. You have done nothing in the way of export?

Sir William.—I don't think we produce enough. To export molasses we require special wagons, special arrangement for pumping at the ports and so on.

President.—As no doubt you are aware, the Indian Molasses Company are taking this up question of export of molasses rather seriously and I thought the matter might interest you.

Sir William.—We have not gone into the possibilities of export of molasses. Where you get a large group of factories it is an economical proposition no doubt.

President.—I pass now to another question and that is the question of confectionery. You are no doubt aware that imports of confectionery on the whole have been steadily increasing in the last seven years. That seems rather curious. We were told yesterday that sweets manufactured by you are affecting the imports into Madras very considerably in that particular line, but the fact remains that confectionery imports are on the whole on the increase in India. That seems rather strange considering that there is a duty of 50 per cent. with a preference to the United Kingdom of 10 per cent. Can you account for that in any way?

Sir William.—As far as South India is concerned, if you go back a few years you will find that it was the other way and that imports of confectionery have gone down considerably. Import of confectionery however is so small that its effect on the sugar industry can be ignored and I think if the imports are examined you will find that they are confectionery of a very much higher class than it will be possible to manufacture in India or in any case economically as at the present moment the demand is different, i.e., for less fancy qualities.

President.—Roughly speaking import of confectionery is in the neighbourhood of 1,500 tons. It was suggested that this might represent a thousand tons of sugar.

Sir William.—That is nothing at all. We might almost say corn sugar is as much a raw material of confectionery—glucose is not produced in India. Madras Presidency alone used to import much more than 1,500 tons of confectionery 20 years ago.

Mr. McAuslan.—These imports are all specialised.

Sir William.—As the standard of living goes up there is likely to be an increase in the imports of superior confectionery such as chocolates.

President.—On the other hand very good chocolates are made in India?

Sir William.—Yes.

President.—Do you manufacture any loaf sugar at all?

Sir William.—No.

President.—Most of the loaf sugar used in India is imported sugar?

Sir William.—A large quantity comes from Hong Kong.

President.—Hong Kong is really an importing port?

Sir William.—Sugar is refined in Hong Kong; there is a very large refinery in Hong Kong. It is a British company operating in Hong Kong.

President.—Where does the raw material come from?

Sir William.—I should imagine they buy sugar in Java.

Mr. McAuslan.—It is the Taikoo Sugar Company in Hong Kong which works on Java raw.

President.—Most of the sugar manufactured in Hong Kong is loaf or cube sugar?

Sir William.—I should say the whole of the sugar manufactured in Hong Kong which is imported into India is loaf or cube.

President.—Do you manufacture treacle?

Sir William.—We have tried but the market is limited: we have made golden syrup.

Mr. Rahimtoola.—I would like to take the questions one by one so that I can get information in addition to what you have given in reply to the questionnaire. The factory that you built in 1932, was after the protection.

Sir William.—Yes.

Mr. Rahimtoola.—Did you put in a plant for 300 tons?

Sir William.—700 tons.

Mr. Rahimtoola.—What was the block capital required for that?

Sir William.—We gradually have increased it to 1,000 tons and the block capital is Rs. 23 lakhs.

Mr. Rahimtoola.—Is that for a thousand ton factory including building, machinery, godown, electric plant and so on?

Sir William.—Yes, everything.

Mr. Rahimtoola.—I wonder whether you have seen the statement of Noel Deer given in the Tariff Board Report of 1931. I want to know whether prices have since gone up. (Shows a copy of the Tariff Board Report, 1932).

Sir William.—It is very difficult really to answer that question because there are so many items in Mr. Noel Deer's estimate which were not included in our estimate of cost at all because bungalows and things like that were there already.

Mr. Rahimtoola.—I am particularly anxious to know the cost of machinery.

Sir William.—I think we paid slightly less than Mr. Noel Deer's estimate.

Mr. Rahimtoola.—The last Tariff Board worked it out as Re. 1 per maund.

Sir William.—This estimate of Mr. Noel Deer contemplates a factory working 6 months?

Mr. Rahimtoola.—About 120 days, with a production of about 4,000 to 4,500 tons per season.

Sir William.—We spent Rs. 23 lakhs for a production of 1,000 tons.

Mr. Rahimtoola.—Can we say that the price of machinery has gone down by about 5 per cent.?

Sir William.—Prices of machinery have gone up considerably recently. When we bought our factory in 1932 it was slightly below the estimate of Mr. Noel Deer.

Mr. Rahimtoola.—Supposing you want to put up a factory to-day of the same capacity what would be the block capital required: may I put it at Rs. 30 lakhs? It would be more than Rs. 23 lakhs at any rate?

Sir William.—Considerably more. We shall however provide you with a statement later on.

Mr. Rahimtoola.—In reply to question 7 (b) you have stated that you would put down the economic unit as 1,000 tons crushing capacity.

Sir William.—Yes.

Mr. Rahimtoola.—Whereas in 1930 your representative was of opinion that 500 to 600 tons would be an economic unit.

Sir William.—The opinion we express now is based on experience.

Mr. Rahimtoola.—Since the last Tariff Board reported?

Sir William.—Yes.

Mr. Rahimtoola.—To-day you think the economic unit should be 1,000 tons?

Sir William.—That is based on the experience of working a similar factory and gradually increasing its size.

Mr. Rahimtoola.—You sell on the basis of 24 B Indian standard. How do you exactly arrive at that standard?

Sir William.—As the highest standard we can produce, whilst producing one quality of sugar only.

Mr. Rahimtoola.—I am only asking you in order to compare this quality with the Java quality. Did you take that into consideration?

Sir William.—We took into consideration qualities coming from Northern India.

Mr. Rahimtoola.—It had nothing to do with the comparative quality of Java Sugar?

Sir William.—No.

Mr. Rahimtoola.—Can we take that standard as the best standard India is able to produce?

Sir William.—I would not like to say that. It is the best standard at the moment which we can produce, producing one quality of sugar.

Mr. Rahimtoola.—How does it compare with the imported quality?

Sir William.—Slightly larger in grain.

Mr. Rahimtoola.—What about colour?

Sir William.—About the same.

Mr. Rahimtoola.—And the keeping quality?

Sir William.—We have never experimented with the keeping quality. We have however never had any trouble with the keeping quality.

Mr. Rahimtoola.—Because you have been able to sell all your sugar?

Sir William.—Yes.

President.—How does it compare in respect of lustre or brilliance?

Sir William.—It is rather difficult to say. Java quality has improved tremendously during the last 10 years. Speaking from memory Indian Standard 24 B is more attractive than the old Java. It is more suitable to the South Indian market.

Mr. Rahimtoola.—We asked you about limestone and coal and your reply is 'No'. In what respect did you find difficulty?

Sir William.—We are not well situated geographically.

Mr. Rahimtoola.—Is there freight disadvantage?

Sir William.—Yes.

Mr. Rahimtoola.—Did you apply to the railway for any concession?

Sir William.—We get supplies of coal by sea.

Mr. Rahimtoola.—I am considering it from the point of view of limestone.

Sir William.—We could get it locally, but it is not very convenient to get it.

President.—Your process doesn't require very much of that.

Sir William.—No. We import our limestone.

Mr. Rahimtoola.—If you look at page 4, you have given us different varieties of cane that were planted by the Company during the last five years, and I find that Fiji B has gone down from 276 acres to 4 acres, though the yield has been quite satisfactory. May I know the reason?

Sir William.—The varieties of cane which we plant are chosen with the idea of getting an improved variety. We don't go on planting with the same variety when it is proved that it is suitable.

Mr. Rahimtoola.—Co. 281 is better than Fiji B.

Sir William.—It is a more economic cane to grow. We get a bigger tonnage per acre. POJ. 2878 has only been planted hitherto in trial plots.

Mr. Rahimtoola.—Please see the costs given on page 7 of your replies to the questionnaire. Costs were given to us also in 1930 by your firm. Under supervision it was Rs. 57-7-4, whereas in 1936-37 it is Rs. 114-14-11. It is nearly double. I should like to have your explanation.

Sir William.—The acreage was getting very much smaller as we stopped planting ourselves.

Mr. Rahimtoola.—This is the overhead charge?

Sir William.—Our supervising staff also assist the ryots generally, but of course we make no charge to the ryots. The total cost of supervision remains as it is and it has to be divided over a very much smaller acreage. In 1930 we had 500 acres under cultivation and last year we had 100 acres.

Mr. Rahimtoola.—What was the acreage in 1932-33?

Sir William.—400 acres.

Mr. Rahimtoola.—Supervision charges are divided over the area planted?

Sir William.—We have a man whom we call Cane Superintendent and he has an Assistant. His duties are to look after the small acreage where we are experimenting and he also has to assist the General Manager in dealing with the ryots and in advising them and fixing up cane supplies.

Mr. Rahimtoola.—Their salaries are put under supervision?

Sir William.—As a matter of convenience it is allocated under supervision. It is entirely an arbitrary allocation.

Mr. Rahimtoola.—It is 25 per cent.?

Sir William.—25 per cent. of the actual charge is debited to this account and 75 per cent. is debited to the cost of cane purchased from ryots.

Dr. Jain.—In 1934-35 the area planted was 400 acres and in 1935-36 it came down to 150 acres, but the supervision charges rose from Rs. 70 to Rs. 78. In 1935-36 the area was 150 acres and in 1936-37 106 acres and the supervision charges rose from Rs. 78 to Rs. 114.

Sir William.—There are certain exceptional circumstances. The particular cane superintendent might have gone home and we might have engaged another man.

Dr. Jain.—I was wondering whether you would be able to give an explanation for the considerable rise in supervision charges.

Sir William.—This figure has nothing to do with the cost of growing cane. It is entirely an arbitrary allocation of certain expenses we have at Nellikuppam.

Mr. Rahimtoola.—Which price should we take for the cost of cultivation, the price given here or the figure given on pp. 17-18?

Sir William.—If you take the second total, you get the total cost including the fallow charges.

Mr. Rahimtoola.—Rs. 328.

Sir William.—These are all actual figures. We would give you the cost of supervision as Rs. 35 per acre if we were cultivating 1,500 acres.

Mr. Rahimtoola.—What we want to know is the fair price to be paid to the grower for the cane and what is actually the condition in the tropical area specially in the Madras Presidency.

Sir William.—The note which we handed you this morning will give you the required information.

Mr. Rahimtoola.—There is a very big variation. You have taken the average as Rs. 251. What will be the outturn for this total cost per acre? It is varying. You have put down the average yield as 21.57 tons on page 2 of your note.

Sir William.—A little further on we say the yield ought to be 27·2 tons. In the one case we are dealing with a specific case of 53 ryots whose expenditure we have been able to check and in the other case it is an estimate of what the whole area ought to produce.

Mr. Rahimtoola.—It is Rs. 251 which you have taken as the average cost of cultivation. Does that correspond to 21·57 tons? Are these of 53 ryots?

Sir William.—That is right.

Mr. Rahimtoola.—The other one which you want us to consider is Rs. 241 per acre for dry land and Rs. 149 for wet land with 27·20 tons yield, is that correct?

Sir William.—Yes.

Mr. Rahimtoola.—Or have you taken the average as Rs. 215 per acre?

Sir William.—Yes.

Mr. Rahimtoola.—We can take Rs. 215 as the cost of cultivation and 27·20 tons as the yield per acre?

Sir William.—Yes.

Mr. Rahimtoola.—I want to know whether Rs. 215 include supervision charges.

Sir William.—No.

Mr. Rahimtoola.—I understand that the details are given on page 1 Rs. 251 comprises all these charges?

Sir William.—Yes.

Mr. Rahimtoola.—What about fallow charges which are not shown here?

Sir William.—The ryot does not allow the land to lie fallow. He grows something else. So the fallow charge doesn't come in.

Mr. Rahimtoola.—Is this your cost?

Sir William.—That is the ryot's cost.

Mr. Rahimtoola.—On dry and wet land?

Sir William.—Yes.

Mr. Rahimtoola.—Does that include labour charges?

Sir William.—Yes.

Mr. Rahimtoola.—I find that fallow charges and cutting charges are missing.

Sir William.—They come under harvesting. Fallow, rental and supervision are the three charges which are omitted in comparing with our costs. The ryot is cultivating his own land and so there is no rental. As regards supervision he will provide his own supervision.

President.—Have you included land assessment?

Sir William.—Assessment is included in his rental.

Mr. Rahimtoola.—What would you add for that?

Sir William.—Rs. 4 to Rs. 6 per acre. The average would be Rs. 5.

Mr. Rahimtoola.—Do you consider that as the average for the Presidency?

Sir William.—We have no information except round about our factory.

President.—One of the cane growers in your neighbourhood put down the rent as Rs. 60. That is rather an extraordinary figure. Is land ever rented at as high as Rs. 60?

Sir William.—No. The highest we have paid Rs. 35. You may pay that much for the wet land, but not for the dry land.

Mr. Rahimtoola.—With regard to question 13, you give various fertilisers. Are you still experimenting or have you come to any definite conclusions regarding fertilisers?

Sir William.—We are still experimenting.

Mr. Rahimtoola.—Do you get any assistance from Coimbatore or the Madras Government in this respect?

Sir William.—Not in regard to fertilisers.

Mr. Rahimtoola.—Do you get canes direct from Coimbatore?

Mr. McAuslan.—We get canes direct from Coimbatore, but an order has now been passed that the setts in future should only be purchased through the Agricultural Department.

Mr. Rahimtoola.—Since when?

Mr. McAuslan.—18 months ago.

Mr. Rahimtoola.—Do you get them after the Provincial Government has experimented on the canes or you just get them when they arrive?

Mr. McAuslan.—We keep in very close touch with Coimbatore and if Rao Bahadur Venkatraman thinks that he has got a variety suitable for us, he will let us know. In the past whenever he had a variety suitable for us, he arranged to send us setts, but since this new order was passed, he has not sent us any.

Mr. Rahimtoola.—I am asking you what is the period that lapses between the receipt of the promising canes for tropical area by the provincial Government and the receipt of the same in your factory for trial.

Mr. McAuslan.—We have no experience of that as yet.

Mr. Rahimtoola.—In the last 18 months you have not received any canes from the provincial Government? You have probably not asked for them?

Mr. McAuslan.—We have had so many new varieties under trial in the last two years that we have considered it desirable to reduce the number.

Mr. Rahimtoola.—All these canes came directly from Coimbatore?

Mr. McAuslan.—Yes.

Mr. Rahimtoola.—Have you received any suggestion or advice from the provincial station?

Mr. McAuslan.—No.

Sir William Wright.—We would like to bring in a point as regards that question and that is we think that the Government Agricultural Department can do more by coming to us instead of expecting us always to go to them.

Mr. Rahimtoola.—In what way? For instance, if they find after experiments, trials and selections that a particular variety is a promising one, they should write and let you know.

Sir William.—Yes.

Mr. Rahimtoola.—That is the kind of assistance you would like them to do rather than your enquiring every time whether they have got a suitable cane for your area.

Mr. McAuslan.—The position hitherto has been quite satisfactory while Mr. Venkatraman was issuing new varieties to us direct. But now a new order has been issued that new varieties can only be issued through the Agricultural Department to factories. We do not feel that that is right, because on our experience we have been equally successful in experimenting with new varieties suitable to us as have the local Government farms.

Mr. Rahimtoola.—I put that question to Rao Bahadur Venkatraman and he told me that he would rather like that the promising canes either for tropical or subtropical area, should be tried under local conditions and the best medium to try those canes would be the provincial Government farms. At present they are sent there and if they are found successful, they are demonstrated to the cultivators and then they are given out.

Mr. McAuslan.—Did he not say that he was always issuing promising varieties to us direct before?

Mr. Rahimtoola.—In fact, I asked him whether he had any connection with the factories and whether he was sending anything direct to the factories. He said that he was dealing with provincial Governments and he had nothing legally to do with the canes the moment they leave his station.

Mr. McAuslan.—He always maintains his interest in the canes that are issued from his station.

Mr. Rahimtoola.—He may be coming and seeing. As at present arranged the provincial Governments are directly dealing with factories and the Coimbatore Station is dealing with the provincial Government farms.

Mr. McAuslan.—If we want any new varieties or if they get a new variety which they find is suitable for us, then they will let us know. So far, nothing of that kind has arisen because as I say up till about 18 months ago we used to receive our new varieties direct. The trouble about the new varieties in the past two years has been that so many have been under experiment that we have decided to reduce the number.

Mr. Rahimtoola.—Do I understand that you have a staff capable of tackling the problems regarding selection?

Mr. McAuslan.—Yes, for testing the yield and the quality of the cane.

Mr. Rahimtoola.—And for trying it in trial plots?

Mr. McAuslan.—We carry out many trials.

Mr. Rahimtoola.—How many years do you give for trials?

Mr. McAuslan.—You will find the answer given on page 11. We advance one stage per annum unless we find a variety particularly promising.

Mr. Rahimtoola.—You say 6 stages which roughly mean 6 years.

Mr. McAuslan.—You will find in the case of CO. 349 we have jumped from stage 2 to stage 4 in one year as it has been obviously so promising.

Mr. Rahimtoola.—On an average shall we take 5 years?

Mr. McAuslan.—5 to 6 years.

Mr. Rahimtoola.—On page 13 I find the production has gone down in one year. The highest was in 1934-35, viz., 129,639 tons. It fell down to 95,911 tons in 1935-36 and in 1936-37 it was less than what it was in 1934-35. Was it due to the shortage of cane or frost or disease?

Sir William.—A smaller area was planted in that year.

Mr. Rahimtoola.—With regard to the supply of cane, from where do you get your requirements?

Sir William.—We purchase.

Mr. Rahimtoola.—Is there any difficulty experienced?

Sir William.—We have no difficulty at present in getting our supplies. We are generally offered more than we require.

Mr. Rahimtoola.—On page 14, you say that a small survey early in 1936 indicated that 26 per cent. (by number) of the canes showed a red discoloration of the fibre chiefly as a result of borer damage. How much percentage of sucrose is reduced thereby?

President.—I asked that question myself and the reply was that they had no figures.

Mr. McAuslan.—We have figures for the purity of juice for diseased and undiseased canes. I can give you those figures.

Mr. Rahimtoola.—On page 16, you say "Our position can never be considered secure unless the protection on sugar is sufficient to enable us to pay for our cane in competition with other crops". Which other crops are you thinking of?

Sir William.—Groundnuts, cotton and paddy.

Mr. Rahimtoola.—Paddy prices are now down.

Sir William.—Yes.

Mr. Rahimtoola.—I understood from the Madras Government representatives yesterday that the prices, wholesale and retail, of jaggery were supplied by your Company to them. For instance, you have given the prices of Aska sugar and those of jaggery.

Sir William.—Is that palmyra jaggery or cane jaggery?

Mr. Rahimtoola.—I think it was cane jaggery.

Sir William.—We have very little information about the price of cane jaggery.

Mr. Rahimtoola.—Here are the figures (shown).

Sir William.—It is quite possible that my firm as a matter of routine may be sending some report to the local Government but I do not know much about it.

Mr. Rahimtoola.—Will you please look into it as I consider that point rather important?

Sir William.—Yes.

President.—The Director of Industries has promised to send us a note on that.

Mr. Rahimtoola.—In answer to question 50, you have given us the average number of working days for the last seven years. If we adopt an economic unit of 1,000 tons, what should we take as the average number of working days? May I take it that it will be somewhere about 130?

Sir William.—Yes.

Mr. Rahimtoola.—On page 30, you have made some complaint with regard to the allotment of Rs. 60,000. Did you draw the attention of the provincial Government about this matter?

Sir William.—We have been in correspondence with the Agricultural Department.

Mr. Rahimtoola.—Nothing definite has resulted from that?

Sir William.—No.

Mr. Rahimtoola.—On page 35, you have given us the rate which you charge as interest on working capital. You say that the interest is charged with a minimum of 4 per cent. and a maximum of 7 per cent.

Sir William.—In the last two years only 4 per cent.

Mr. Rahimtoola.—May I take it that an average of 5 per cent. would be reasonable? Do you think we should take your figure as the average for the Presidency?

Sir William.—For the Presidency, it may be a little higher.

Mr. Rahimtoola.—Do you think that 5 per cent. would be reasonable?

Sir William.—It entirely depends upon the credit of the borrower.

Mr. Rahimtoola.—With regard to the profits you say that you are not able to distinguish it because it is a factory which has got so many other lines of business.

Sir William.—The dividends are paid out of the profits made.

Mr. Rahimtoola.—You will be able to find out how much is lost or gained from the sugar industry.

Sir William.—Yes. We can give you what the gross profit is but the net profit is different because the allocation comes in.

Mr. Rahimtoola.—On page 37, you say that you hope to reduce your costs up to Rs. 30 per ton or Re. 1-10-0 per maund of sugar produced. Within what period do you hope to effect this reduction?

Sir William.—Within 1938.

Mr. Rahimtoola.—With regard to your answer to question 99, on what basis have you arrived at this consumption figure?

Sir William.—That is as far as we know. As regards the second figure I think our estimation should be 120,000.

Mr. Rahimtoola.—Have you estimated it per head of the population?

Sir William.—I can't tell you the figure of normal consumption for the whole of India which we have taken from official publications. But for South India we took it in this way: year by year from the Customs figures we took the total imports in those years before any sugar came down from Northern India. We took the total imports, the total production of sugar as they were made by the various factories in South India, and we added those two together.

Mr. Rahimtoola.—I was thinking of the all-India consumption.

Sir William.—We have simply taken the Indian Trade Journal estimates.

Mr. Rahimtoola.—In reply to question 109 you give the prices of Java sugar. What date was that? I find the price you have given is Rs. 3-8-0 per cwt. c.i.f. that works out to Rs. 2-3-0 per maund.

Sir William.—That was an actual quotation. I can give you the date.

Mr. Rahimtoola.—You say in reply to question 105 that "the net profit to the cultivator was still reduced and entirely wiped out". Am I to understand that the factories are at present working at a loss?

Sir William.—As far as sugar is concerned, yes.

Mr. Rahimtoola.—You deal both with Indian sugar and imported sugar?

Sir William.—Only Indian sugar.

Mr. Rahimtoola.—Have you come across any Java sugar in your Presidency?

Sir William.—No.

Mr. Rahimtoola.—What about beet sugar? Is there any indirect competition?

Sir William.—Nothing material I think. About a year ago I think some beet sugar was imported to the Malabar coast but nothing much.

Mr. Rahimtoola.—So that the industry is in no way worried about the imports of beet sugar?

Sir William.—No.

Mr. Rahimtoola.—I would like you to look at the cane prices for 1937-38 in enclosure I. How do you arrive at the price of Rs. 213 per ton when you say you will give a proportionate bonus for every part of a rupee rise in the price of sugar above Rs. 213?

Sir William.—Rs. 15 had been previously our basic price, and at the time Rs. 15 was the basic price sugar was selling at Rs. 245 per ton approximately and therefore we scaled the price down to Rs. 213 which was the price which we expected to sell sugar at when the notice was issued. Actually sugar price is considerably lower than Rs. 213.

Mr. Rahimtoola.—Do you sell sugar at a fixed price?

Sir William.—Prices vary every day.

Mr. Rahimtoola.—What are these average net prices?

Sir William.—Average net realised for the whole season. These are the actuals.

President.—Have you fixed your cane prices for the next season?

Sir William.—This is for the next season.

Dr. Jain.—In answer to question 32 you refer to a scheme about the formation of co-operative societies submitted to Government but which was turned down.

Sir William.—I don't think we submitted it but a draft scheme was submitted in consultation with us.

Dr. Jain.—Why was it turned down?

Mr. McAuslan.—The wishes of the Government of India did not appear to have been correctly interpreted by the Co-operative and Agricultural Departments of the Government and it was referred back for certain information regarding societies which have been formed in Bihar and United Provinces. The scheme was to enable raiyats to secure a fair price for sugarcane, and the different methods to secure that result put forward by the Madras Government did not satisfy that object.

Sir William.—It was not in line with the scheme that has been working successfully in Northern India.

Dr. Jain.—A little later you say "The inordinate delay in allocating funds suggests that the methods employed are not suited to the requirements of the situation". What suggestions would you make for the best utilisation of funds in the interest of the industry in general and the factories in particular?

Mr. McAuslan.—The scheme was turned down about the end of 1936. A whole year elapsed and nothing had been done. We were unable to get any information from the Co-operative Society as to what the position was. Simply the proposals had gone up to Government.

Dr. Jain.—Would you like to say something about the suggestion that you made?

Sir William.—We will put up a note later. We ourselves had a scheme by which we could utilise some of these funds in our own farms under supervision.

Dr. Jain.—What proportion of your labour is educated?

Sir William.—A very small proportion.

Dr. Jain.—Is it increasing and do you find the increase to your advantage?

Sir William.—Undoubtedly.

Dr. Jain.—In reply to question 58 you refer to the production of bye products. You give figures for molasses. Could you give us any figures for the production of spirits and carbon dioxide?

Sir William.—May we submit the exact figures later? Do you want for the last two or 3 years?

Dr. Jain.—For seven years if it is not too much inconvenience.

Sir William.—We will give you the figures.

President.—Is there any considerable market for carbon dioxide?

Sir William.—No. There is much competition. We used to supply the whole of the requirements of Messrs. Spencer & Co., who now manufacture themselves.

Dr. Jain.—You say your rate of depreciation is not the same as that allowed by the income-tax authorities. How does it vary?

Sir William.—It varies in each item of plant; some are more and some are much less. It is very nearly the same total.

Dr. Jain.—About marketing, it seems that you used to sell sugar north of Madras and at the west coast ports. You are not doing that now?

Sir William.—There we are running into competition with Northern India. It pays better to sell in the local markets.

Dr. Jain.—Is there any other reason for stopping the sale there?

Sir William.—No.

Dr. Jain.—You talk about futures and terminal markets and say you are against it?

Sir William.—I think we say it would not suit our local conditions.

Dr. Jain.—Don't you think it would steady prices on the whole? I know there is such a market in London.

Sir William.—Because there they sell the whole of their output to big merchants. We are on the other hand both producers and merchants.

Dr. Jain.—You deal very largely with small retailers. Do you find that system satisfactory?

Sir William.—Yes. We are ourselves the wholesale merchants.

Dr. Jain.—Regarding fixation of cane prices you give a statement in Enclosure I and say that this system has been introduced for the last few years. How long has this been in force?

Sir William.—Actually for 30 years in principle. 6 or 7 years ago we used to buy on jaggery contents. This idea of a sliding scale was in force six or seven years ago.

Dr. Jain.—And the fixation of price is made in advance?

Sir William.—That has always been done.

Dr. Jain.—Regarding railway freights you say you are at a disadvantage because the rates for Northern India factories to Madras Presidency are low. I put it to you, are you not at an advantage in so far as your factories are located in the centre of the market whereas the factories up in the north have to send their sugar to the south and bear the cost of transport, but that as at present your cost of production is high and you are not able to stand competition of the northern India factories, you would rather have the advantage of the freights?

Sir William.—In any case 60,000 tons of sugar has to come from Northern India and the cheaper freight rates which the producers up in the north are able to secure would correspondingly reduce their price and consequently the prices we get, but it does not enable them to sell one ton more.

Dr. Jain.—That is a general thing. I am talking of the competition between the north and the south.

Sir William.—There is no competition from the point of view that we are unable to sell our sugar. We shall always sell our production; but we shall have to sell at a cheaper price if railways give them facilities of freights.

Mr. Rahimtoola.—On page 45 of your answers to the questionnaire when you ask that the present duty and surcharge should be maintained at present prices of cane, I want to know what figure you took into consideration when you made that statement.

Sir William.—Rs. 13-8-0 per ton.

President.—We will now pass on to the question of palmyra sugar. Our special attention has been directed to the question of the exemption of the palmyra sugar from the excise duty and it would appear that properly speaking the justification for any special concessions to the palmyra sugar industry is the benefit to a very large number of tappers who are interested in the industry, whose number is 20,000. It is really from that point of view that we have mainly to consider this question and therefore we asked you to give us further information if you can from what may be called the tappers' point of view and how the industry really works. Have you been able to get any information on that point?

Sir William.—We have collected a certain amount of information on the expenditure by the tapper, on the quantity of jaggery he obtains and the rates at which he is able to sell it. We have got information from three different centres in the Presidency. There are two or three differences that we find rather difficult to explain and we have had to refer it back to the areas from which we get these figures. We will be able to get you in a week's time as far as we know a complete budget for the tapper.

President.—That will be very useful. Perhaps I might at once say that as at present arranged we are proposing to visit Samalkot about the middle of September and possibly by that time you will be able to give us full

information, when we are examining your representative in Samalkot or Waltair in September.

Sir William.—Yes.

President.—I may add the Director of Industries is also going to make some enquiries on the subject. What we really want to get at is ultimately what the tapper gets out of it, and what are his relations with the middlemen? I take it you deal with the middlemen and not with the tapper.

Sir William.—We do deal with both. The Memorandum we are putting up will be very full.

President.—Perhaps the details from that point of view will be more definitely dealt with in September when we come again.

Sir William.—We could arrange for one of our Assistants who has had experience and direct buying dealings with those persons to be present.

President.—We may leave it at that. On pages 4 and 5 you give us the cost of manufacture up to 1935-36. Could you give us figures for 1936-37 later on?

Sir William.—There was a strike of tappers this year. This year there has been no refining.

Dr. Jain.—What was the strike due to?

Sir William.—I think it was due in the first place to the trouble that the tappers had with the Excise Department and in addition to that to the considerably lower price we had to offer for palmyra jaggery owing to the drop in the price of sugar. A different system of excise supervision was put into force. A special force was sent up.

President.—I take it that that meant that there was less illicit practice and consequently less illicit gain.

Sir William.—Fines were considerably increased if tappers were found engaged in illicit practice and criminal cases were instituted against them.

President.—Could you give us any idea as to what has happened to the jaggery made this year?

Sir William.—None has been made. They did not tap.

Dr. Jain.—Was it a complete strike?

Sir William.—Yes. Any licences that were already taken out were surrendered and very few new ones have been taken out.

President.—Is there any hope of reducing the cost of raw material?

Sir William.—Not entirely. But efforts towards reducing the cost of raw material are partly responsible for the strike.

President.—Is it possible to cut out the middlemen to any extent?

Sir William.—It is very difficult indeed. It is impossible to deal individually with every single tapper. All tappers go to somebody who is in a position to advance for his pots, knives, etc. They sell at the end of the season and the middlemen provides them with the advance which sets them up for the season. That is the trouble we have found in trying to deal direct.

President.—Do you give advance to tappers?

Sir William.—Not direct to tappers. We advance to the middlemen.

President.—How many intermediaries are there between the tapper and the factory? Is there more than one middleman?

Sir William.—As far as possible we limit it to one where we don't buy direct from him.

President.—There is no question of small middlemen going to the big middlemen.

Sir William.—Generally speaking no.

President.—It is generally the tapper, the middleman and the factory?

Sir William.—Yes.

President.—You have given us figures about the cost of manufacture of palmyra sugar and sugarcane sugar. There is a difference of Rs. 34 per ton.

Sir William.—Yes after allowing for the excise.

President.—If an excise duty is put on, I gather from you that you would simply cease to manufacture.

Sir William.—At the present moment any sugar made from palmyra jaggery is made at a loss.

President.—That might be true of sugarcane also. It comes to that. Would the loss of manufacture of sugar from palmyra be more than the loss of sugar manufactured from sugarcane at the present moment?

Sir William.—Rs. 34 a ton more. The price you get for the sugar is very much the same.

President.—You don't see any possibility of reducing the cost of raw material.

Sir William.—Not to any extent.

President.—It is now Rs. 17-8-0.

Sir William.—That includes certain charges for transport. The memorandum we are giving you shows the actual amount which the tapper handles and we give details of the cost of transport, storage and so on which bring it up to that figure.

President.—Would you be able to give us in your memorandum any idea of what the tapper makes out of the thing?

Sir William.—Yes.

Mr. Rahimtoola.—The price that you have given is Rs. 17-8-0 per candy. Candy is about 6 maunds.

Sir William.—500 lbs. The point that you have made here is about Rs. 6 ex-factory about cane sugar. Is that the cost you have taken or the price?

Mr. Rahimtoola.—With regard to the excise a memorandum was sent showing the difference between the cost of cane sugar and the palmyra sugar. Here you have given us Rs. 6 per maund ex-factory.

Sir William.—Selling price.

Mr. Rahimtoola.—As far as the palmyra sugar is concerned you have taken the cost.

Sir William.—If they were able to sell at Rs. 6 per maund, they were manufacturing somewhere about that figure.

Mr. Rahimtoola.—Your experience shows that they cannot manufacture at Rs. 6.

Sir William.—Rs. 140 per ton with excise.

Mr. Rahimtoola.—27 $\frac{1}{5}$ maunds is equal to one ton.

Sir William.—Yes.

Mr. Rahimtoola.—That will be less than Rs. 6?

Sir William.—Yes. Do you think it should be higher?

Mr. Rahimtoola.—Yes.

Sir William.—It is actually the rate at which they are selling.

Mr. Rahimtoola.—It may not be a remunerative rate. That is why I am drawing your attention. It may not be the actual cost.

Sir William.—Quite.

Mr. Rahimtoola.—The market is dropping. I have seen a price as low as Rs. 5-4-0 or Rs. 5-8-0.

Sir William.—Yes.

Mr. Rahimtoola.—The price that you are able to realise for palmyra sugar is equal to the price of cane sugar?

Sir William.—Yes.

Mr. Rahimtoola.—You find no difficulty in selling sugar?

Sir William.—No.

Mr. Rahimtoola.—I find the production has increased since 1930.

Sir William.—You will find an increase in Samalkot and decrease elsewhere. The increase in the palmyra production at Samalkot is due to the fact that a large number of tappers who had migrated to the rubber plantations in Malaya had returned to their own country and taken up tapping as the only means of livelihood.

Mr. Rahimtoola.—Do you find any difficulty in securing tappers?

Sir William.—Not at the present moment. A large number of tappers who had migrated to Malaya.

Mr. Rahimtoola.—Now they have returned.

Sir William.—When they returned more jaggery was available. Actually the production decreased in other parts owing to the spread of education.

President.—By other parts you mean Tinnevely?

Sir William.—Yes.

President.—Are you working the Nellikuppam Jaggery Refinery plant?

Sir William.—Yes, only for about 6 weeks this year.

Mr. Rahimtoola.—Is it working at present?

Sir William.—No. It will be working next month.

Mr. Rahimtoola.—With regard to page 4, you say that it is the bare cost. What additions would you make with reference to the items enumerated here? What figure should we add for managing agents? May I say 4 annas?

Sir William.—I am afraid I cannot say off hand. I shall have to work it out.

President.—Before Dr. Jain asks you any questions, I might explain that he has the advantage of visiting the refinery at Thakkaly in Travancore.

Dr. Jain.—About the factory in which you are going to be concerned at Thakkaly, what would be the effect of the new factory on the price of jaggery and sugar in Travancore and outside when the factory begins to work?

Sir William.—Actually no more sugar is going to be produced because we are going to refine jaggery at Thakkaly which otherwise would come to Nellikuppam. We are not really providing any more sugar there. We are merely providing it in another place. We are concentrating more on cane at Nellikuppam.

Dr. Jain.—What is the capacity of this factory?

Sir William.—15 tons of palmyra jaggery a day.

Dr. Jain.—Am I right in understanding that the total capacity so far as palmyra jaggery refining goes will be maintained and not be increased by the addition of this new factory?

Sir William.—Yes.

Dr. Jain.—It will just remain the same—neither more nor less.

Sir William.—Quite.

President.—Does that mean that you will give up refining at Nellikuppam?

Sir William.—The position really is this that if we can get the specially earlier ripening cane we aim eventually at beginning in December and going on to May. Then we have got the after boilings to work on. As far as Nellikuppam is concerned we want to devote 6 months to cane. We want to have two or three months at least free. That is the usual thing in a big factory. That gives you nine months, leaving three months for jaggery in a normal year. At present sugar prices, the loss on sending

palmyra jaggery to Nellikuppam will be appalling. The idea is to concentrate the work of refining in a factory which is geographically well placed to deal with jaggery.

President.—How far is this factory from the Tinnevely border?

Sir William.—34 miles south of Trivandrum and 50 miles from Tinnevely. It is about 25 miles from Cape Commorin. It is not a new factory. It is an old factory.

Dr. Jain.—It is geographically well situated from the point of view of jaggery.

Sir William.—It is very much better than Nellikuppam.

Dr. Jain.—Why did the old factory fail?

Sir William.—I would rather not answer the question.

Dr. Jain.—Part of the raw material will come from Tinnevely and part of it will be obtained locally.

Sir William.—Yes.

Dr. Jain.—What would be the proportion?

Sir William.—5 to 2—5 from Tinnevely and 2 local.

Dr. Jain.—How would you get it from outside?

Sir William.—By road.

Dr. Jain.—Are the roads satisfactory?

Sir William.—Yes.

Dr. Jain.—I understand that the jaggery refinery will be combined with other allied industries like chemicals.

Sir William.—Yes.

Dr. Jain.—Are there any tappers' co-operative societies?

Sir William.—Not exactly co-operative societies. They tried to combine. I think the tappers in the district belong to two different castes and they distinctly attempted to form a union to work together. We have done our best to help them, but they are not successful.

Dr. Jain.—Would you regard it as a useful thing to organise them into co-operative societies?

Sir William.—Yes.

Mr. Rahimtoola.—As regards Rs. 13-8-0 which you gave us as the price per ton, is that a fair price to the grower?

Sir William.—That is the price we have actually been paying.

Mr. Rahimtoola.—Is that considered satisfactory by the cultivator?

Sir William.—We have never found the cultivator being satisfied with any price. It is quite impossible to continue to pay that price.

Mr. Rahimtoola.—This works out in the neighbourhood of 8 annas a maund which is fairly high.

Sir William.—We have actually paid as much as Rs. 19 per ton.

Mr. Rahimtoola.—This is at present prevalent in the South?

Sir William.—It is the rate at which we contracted to pay between January and May next year, not for all cane but for one variety.

Mr. Rahimtoola.—You have asked us to take that into consideration when arriving at the measure of protection. So I am taking the price in the neighbourhood of 8 annas.

Sir William.—We are hoping to reduce it.

Mr. Rahimtoola.—You have given us a figure of 4 annas which is very much distant from this figure.

Sir William.—If Coimbatore can produce a cane which will give the raiyat more than 40 tons to the acre, it will only cost him 4 annas a maund to grow cane.

Mr. Rahimtoola.—But at present I am told by the Coimbatore Research Station director that the average production is between 15 and 20 tons.

Sir William.—That is throughout the Presidency.

Mr. Rahimtoola.—Four annas is not a fair price to the grower at the present moment?

Sir William.—No.

Mr. Rahimtoola.—You make confectionery to a large extent. Do you use any imported sugar in that?

Sir William.—No, not cane sugar but corn sugar.

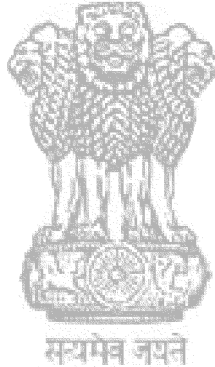
Mr. Rahimtoola.—What is the proportion of the imported sugar that you use?

Sir William.—10 per cent. of 1,500 tons a year.

President.—On the question whether the present rate is fair or not, has there been any decrease in the area under cultivation in the current season?

Sir William.—We will put it this way. Applications from raiyats to register their lands have been in excess of our requirements for the coming season. There is no question about that.

President.—Then it does not look as if the raiyats are not satisfied with the rates you are paying.



MYSORE SUGAR COMPANY, LIMITED, MYSORE.

Evidence of Dewan Bahadur. K. MATTHAN, Mr. K. ANANTHA-SUBRAMANIAM, Mr. C. J. H. PENNING, Dr. V. K. BADAMI and Mr. RAMA IYER, Director of Agriculture, Mysore State, recorded at Bangalore on Monday, the 12th July, 1937.

President.—Dewan Bahadur, what is your exact position?

Dewan Bahadur.—I am Chairman of the Board of Directors.

President.—Will your factory be 2,000 ton capacity on the 1st August?

Dewan Bahadur.—Yes, 2,000 tons crushing capacity.

President.—You have given us a very full and interesting note and there isn't very much that I think we have to ask you about. About the question of average yield of course you divide the state into three areas, but any figures you supply we should like to relate to the factory area. What would be the average yield per acre?

Dewan Bahadur.—In respect of raiyats' crops, the average was 23 tons in the last season but our figures show for this year's crop an average yield of 26 tons to the acre: it rose from 16 in 1933 to 19 in 1934, 23 in 1935 and this year it promises to be 26 tons in 1936-37. I may add that 16 tons in 1933 relate to the crop planted in 1933.

President.—We will go into that possibly with the Director of Agriculture later on. We want to know at present what we may take as the average yield to the cultivator?

Mr. Penning.—We are anticipating a better yield next year up to a certain point. May I supplement it by one word: when we say that is the average, it covers cases where the yield is only 2 or 3 tons. On the other hand there are plots where the yield is as much as 60 tons. There are a number of inefficient raiyats who are being eliminated. 26 tons is the anticipated average for the whole area.

President.—Later on I propose to ask you some questions about the maximum tonnage and so on. You give the sucrose content as 11 to 17 per cent. When you say sucrose content on what basis do you calculate?

Mr. Penning.—What we give you is the extraction at the mills of the mixed juice calculated on cane.

President.—I think when we had an informal talk with you you told us that advances were made at 9 per cent. interest.

Dewan Bahadur.—Yes. It used to be more. We have reduced it to 9 per cent. and have limited the payment of interest to a year. Even if the cane is delivered after 14 months we charge interest only for 12 months; so it may come to about 7½ per cent.

President.—In regard to the question of transport of cane, you give the average cost of transport at about 1½ pies per maund per mile. Is that for the people who have their own carts or those who hire carts?

Dewan Bahadur.—Even those who hire carts pay at this rate. It comes to about 3 annas per ton per mile. Even raiyats paying cart hire pay at the ton rate.

President.—Have you made any particular experiments on the question of deterioration of cane owing to delay in delivery?

Dewan Bahadur.—We made some experience when we got some cane from Bhadravati. It took a long time to arrive and had completely

deteriorated. Some tests had been made in the laboratory as to the purity.

President.—Have you made any investigation as to the percentage of damage to the cane owing to pests and diseases?

Dewan Bahadur.—We had borers rather heavily two years ago; last year it was much less and this year it is lesser still. The estimated loss on this account does not exceed 10 per cent, and I think that that is a very fair figure.

Mr. Penning.—It is rather difficult to estimate.

President.—One of the factories in Northern India carried on experiments to find out what the percentage was and it worked out extraordinarily high. It was about 46 per cent.

Mr. Penning.—That is possibly because they counted the stalks.

President.—What measures have you taken to check it?

Dewan Bahadur.—We have parasite control and also certain cultural measures to check the borer.

President.—In answer to question 43 you have given the average price paid for 1935-36 crop. Is that the crop crushed in 1936-37?

Dewan Bahadur.—No. When we say 1935-36 we mean the crop milled in 1935-36 from about January to December.

President.—Can you give us any figures for 1937?

Dewan Bahadur.—For this year it may be 10·2 for the first half year and 11·2 for the second half year. Of this ·2 represents expenditure incurred in connection with transport. I would like to make the point clear. The price paid to the raiyat in the first half of the year is at the rate of Rs. 10 per ton: To that ·2 is added. What the raiyat actually gets is Rs. 10 a ton in the first half year up to the end of June and in the second half we have to pay under contract Rs. 11 a ton and the average would come to Rs. 10·7 or Rs. 10·8 because the quantity milled in the second half of the year is very much more than that crushed in the first half.

President.—At any rate for this season it would be much lower than that in 1935-36?

Dewan Bahadur.—Yes.

President.—In answer to question 48 you say "The price of cane should be disconnected from the price of sugar and should be fixed on the cost of production, as ascertained by the Tariff Board in its present enquiries. The price once fixed at the commencement of the crushing season should be maintained for the whole of that season". This question of the fixation of prices is a very important one. You cannot suggest any other method of fixing prices except the minimum price fixed on the cost of production?

Dewan Bahadur.—The minimum price should be based on the cost of production.

President.—The trouble is to find out what the cost of production is. There is no really reliable figure in India anywhere. The Imperial Council of Agricultural Research is making special enquiries into the matter.

Dewan Bahadur.—Cost of production varies from province to province and even in parts of a province.

President.—You won't suggest any other method of fixation of prices?

Dewan Bahadur.—One should like to connect the price of cane with the price of sugar with reference to the sugar content, but that seems to be extremely difficult in present conditions because our raiyats are very small raiyats and getting the sucrose content of the various fields would be very difficult. We originally fixed the price having regard to the price at which jaggery was being sold.

President.—We will discuss that later.

Dewan Bahadur.—Now the price we pay for cane has no bearing on the price of jaggery. If we connect the two the price to be paid for cane would be very much lower. With the fall in the price of sugar we have effected a slight reduction in the price of cane, but we have felt that, having regard to the increasing yields per acre, what we have hitherto given is not inadequate. What we have to hope for is to reduce the cost of cane in the sugar by progressive reduction in the cost of producing cane.

President.—You find it difficult to suggest any practical means of fixing the fair price of cane except on the cost of production?

Dewan Bahadur.—We might think of fixing the price of cane with reference to the average price of sugar: but for the fact that the fall in price of sugar has been so great—one should have thought it would be reasonable to take the normal price of sugar for the previous year or two and fix the price of cane with reference to that; but on account of the great fall in prices that would be very difficult and very unfair.

President.—You know the practice in Bihar and United Provinces. The price of cane there does definitely relate to the price of sugar.

Dewan Bahadur.—And the result has been that if the price of cane is fixed at 4 annas, the price of sugar goes down; the price of cane is then still further reduced with the result that cheaper sugar is put on the market and this further depresses the price of cane. So the practice of fixing the price of cane fortnightly with reference to average price of sugar seems to have had a bad effect.

President.—You are rather strong on the point that price once fixed should be for the whole season and not fortnightly?

Dewan Bahadur.—Yes. It affects the market very considerably.

Mr. Penning.—May I say something?

In Philippines and Cuba, the planters, as a rule, do not get paid for their cane in cash, but by a share of the sugar manufactured from the cane that they supplied to the factory.

In Philippines, in most cases, the contracts were entered for thirty years and the planters were paid for the first 15 years 50 per cent. of the sugar manufactured and for the last 15 years, after the factory had been able to write off a good deal of their machinery, the planters received 55 per cent. of the sugar produced.

In a few cases, where machinery had been bought in the earlier days at a more advantageous price, planters were paid as high as 60 per cent.

In very few cases, the planters take actual delivery of this sugar and handle the sugar. In most cases, they negotiate their warehouse receipts for the liquidation of loans already received or for cash.

I maintain that a fair distribution in the case of factories, manufacturing plantation white sugar, would be 45 per cent. of the total sugar manufactured. Not only is the polarisation of white sugar 99.6 as against 96 in cargo sugar, but the cost of an installation to produce white sugar is considerably higher for a given capacity and operation is also much costlier, as costlier chemicals have to be used, the evaporation of the wash water used in white sugar manufacture requires more fuel and the wear and tear on machinery, especially in a sulphitation factory is very much more than the factory manufacturing cargo sugar. Also the extra supervision required is costlier. Therefore the factories in India, manufacturing plantation white sugar, should not pay more for their cane than 45 per cent. of what they obtain for their sugar.

In cases of factories where the recovery is less than 10 per cent., this percentage should even be lower.

It would be quite simple to determine the price to be paid for the cane on this basis, once a month.

President.—I wonder whether any such suggestion could be made. I was rather leading up to that point. It is very interesting to hear your experience on that.

Dewan Bahadur.—Of course Mr. Penning has brought this to our notice, but practical difficulties have prevented us so far from adopting any such method. At present we are paying for cane of the price of sugar, while Mr. Penning has been expressing the view that for white sugar 45 per cent. of the price of sugar would be a fair price for cane.

Dr Jain.—What is the practical difficulty to which you were just about to allude in accepting Mr. Penning's suggestion?

Dewan Bahadur.—The raiyat would not understand that to begin with.

Mr. Penning.—We could not find out how much sugarcane was produced from the various fields.

President.—In answer to question 61 you say that some of your molasses are burnt under your boilers?

Dewan Bahadur.—Yes.

President.—Does it have a bad effect?

Dewan Bahadur.—On the other hand Mr. Penning thinks it has a very good effect.

Mr. Penning.—It works very well.

President.—Do you take any credit for that?

Dewan Bahadur.—We have not taken any credit for that. At the most it can be put down at Rs. 2 a ton.

Mr. Penning.—We have always put it on our fuel account, the molasses that we burnt.

President.—As regards the question of grading sugar, have you any suggestions on what basis grading should be done?

Dewan Bahadur.—It depends on the size of the crystal and lustre.

President.—The Technological Institute at Cawnpore has got a very elaborate thing which runs up to 26. It has been suggested to us that they are far too many. Could you suggest anything on the lines of the present Dutch Standards which may be suitable for India?

Mr. Ananthasubramaniam.—What we have in view is this that we would like to have the three standards, viz., 23, 24 and 25 and not say as at present "below 23 and above 22". No sales can be effected on such basis. We want definitely three standards of the present Indian Sugar Standards. That will correspond to the Dutch Standard not below 25. It will help us.

President.—You are satisfied with the standards put forward by the Technological Institute, Cawnpore?

Mr. Ananthasubramaniam.—Yes.

President.—But you think that they are too many?

Mr. Ananthasubramaniam.—Quite.

President.—Another point is whether the standards should be made cheaper. They are rather expensive now

Mr. Ananthasubramaniam.—The dealer can't get them. The sales are not conducted on those standards. If there are few standards and if the sales are conducted on the basis of those standards, it would be all right.

President.—Standards could be made much cheaper.

Mr. Ananthasubramaniam.—Yes.

President.—On page 24 at the bottom you have given us some figures about the excise duty and the percentage of excise duty to margin of profit. That is up to the end of the working season, up to May.

Dewan Bahadur.—Yes.

President.—Are you in favour of a Central Selling Organisation in India?

Dewan Bahadur.—Yes.

President.—In regard to that matter would you favour one organisation for the whole of India, or one for Southern India and one for Northern India working in conjunction?

Dewan Bahadur.—We have now been thinking of a Southern Provinces Marketing Board, because we find that the prospects of an All-India Board are receding to the background. We have been actively pursuing the idea of having a Southern Provinces Marketing Board, but the consumption in the Southern Provinces is much more than the production and therefore of course factories from the north will come here. Our idea is that we in the Southern Provinces Marketing Board would like to come to arrangements with any similar organisation that may be formed in the Northern Provinces. Of course we would welcome an All-India Marketing Organisation, but because that seems to be not materialising, we have proceeded on these lines.

President.—Would Bombay come into your organisation?

Dewan Bahadur.—At present no. They have an organisation for themselves.

Mr. Ananthasubramaniam.—They have a Maharashtra Selling Organisation.

President.—A certain amount of your sugar is sold in Southern Bombay, and Hyderabad.

Mr. Ananthasubramaniam.—Also in Hyderabad and those of the Maharashtra Mills also come into the same market. Our organisation would probably negotiate with them.

President.—In Statement A you have given the cost of cultivation on Company Farms up to 1936. Could you later on give us figures for 1937?

Dewan Bahadur.—Yes.

President.—There are one or two points on which I would like to get a little further information later. In 1936 the cost of transport has gone up. That is on account of the increase in tonnage?

Dewan Bahadur.—Yes.

President.—Overhead charges have also gone up. That is on account of the decreased acreage?

Dewan Bahadur.—Yes.

President.—And land leases have gone up?

Dewan Bahadur.—Yes because of the smaller acreage. The lease is for the whole area, about 1,500 acres, that we have taken and that has to be charged to the actual number of acres from which sugarcane was obtained.

President.—I think 600 acres have been leased to you by the State?

Dewan Bahadur.—1,520 acres. Out of that, we have planted in the first year on 581 acres, second year 919 acres and third year 569 acres.

President.—Is that at a flat rate?

Dewan Bahadur.—The land lease is at Rs. 29 an acre per year for the whole area whether cultivated with sugarcane or not.

President.—In Statement B you have got Irrigation-wages?

Dewan Bahadur.—Yes.

President.—Does that include the cost of irrigating?

Dewan Bahadur.—Only wages.

President.—You have not got anything for that Irrigation charges?

Dewan Bahadur.—I have noted there: 'This is exclusive of Land Revenue payable to Government'. What is meant is, the land revenue payable to Government including the cost of irrigation, viz., Rs. 10 per acre.

President.—It includes irrigation?

Dewan Bahadur.—The irrigation charge is Rs. 10 per acre and the land revenue may be about Rs. 1-8-0.

President.—It will be more or less exclusive of land revenue and water rates?

Dewan Bahadur.—Yes.

President.—In Form I you have given figures up to 1935-36. Please give similar figures for 1936-37.

Dewan Bahadur.—Yes, we will give you figures up to the end of May.

President.—In Form II please give similar figures for 1936-37.

Dewan Bahadur.—Yes.

President.—In Form III you have given us figures up to the end of April. Could you give us figures up to the end of May?

Dewan Bahadur.—Yes.

Mr. Rahimtoola.—Mr. Matthan, I would like to deal with your representation first as I consider it rather important. The factory started working in January, 1934?

Dewan Bahadur.—Yes.

Mr. Rahimtoola.—And the balance sheet is for 6 months.

Dewan Bahadur.—Up to the end of September, 1934.

Mr. Rahimtoola.—The depreciation is shown in the "profit and loss account". If you will look at profit and loss account you will find that only Rs. 80,865 are set aside for depreciation.

Dewan Bahadur.—Yes.

Mr. Rahimtoola.—That depreciation is for 1933-34?

Dewan Bahadur.—Yes.

Mr. Rahimtoola.—Whereas in Form I, I see a higher figure for the same year.

Dewan Bahadur.—That is calculated according to the allowable rates, as desired by the Board.

Mr. Ananthasubramaniam.—The column says depreciation as per statutory rates.

Mr. Rahimtoola.—In actual practice it is less than the statutory rates.

Dewan Bahadur.—In that year we have taken less. That was the first year. In that year we took in the profit and loss account lower rates than statutory rates. We have subsequently made up for that. The deficiency in that respect has been fully made up.

Mr. Rahimtoola.—In 1935 the depreciation is Rs. 1,19,135 and in the Form I it is Rs. 1,89,773?

Dewan Bahadur.—This, as I said before, is according to the statutory rates.

Mr. Rahimtoola.—That is my point. The actual practice is to set aside less than the statutory rates.

Dewan Bahadur.—No. We made up the whole thing in 1935-36.

Mr. Rahimtoola.—That year it is Rs. 3,35,000.

Dewan Bahadur.—Yes.

Mr. Rahimtoola.—That means you have provided according to the statutory rates by making up the necessary deficiencies.

Dewan Bahadur.—I believe so.

Mr. Rahimtoola.—The company was floated with a capital of Rs. 20 lakhs?

Dewan Bahadur.—Yes.

Mr. Rahimtoola.—Then what about the debentures.

Dewan Bahadur.—Debentures were subsequently issued and we raised Rs. 16 lakhs.

Mr. Rahimtoola.—The first report mentions only Rs. 8 lakhs of debentures.

Dewan Bahadur.—They were called in at that stage only to the extent of Rs. 8 lakhs.

Mr. Rahimtoola.—You started your factory after the protection was granted to the industry.

Dewan Bahadur.—Yes.

Mr. Rahimtoola.—The capacity then was 400 tons, the one recommended by the Tariff Board.

Dewan Bahadur.—I cannot say how it was determined. We thought that a capacity of 400 to 700 tons would be suitable.

Mr. Rahimtoola.—If you just follow me, I would like to find out why you started with 400 tons capacity and not more or less?

Dewan Bahadur.—Yes.

Mr. Rahimtoola.—The block account given in your representation shows a figure of Rs. 16 lakhs.

Dewan Bahadur.—Yes.

Mr. Rahimtoola.—The Tariff Board in 1930 were told that a factory of 400 tons crushing capacity, would cost only Rs. 13½ lakhs. My point is this whether the prices of machinery or the buildings have gone up since then to justify the addition of Rs. 3 lakhs.

Mr. Penning.—The estimate given by the previous Tariff Board was for a bare 400 ton factory. When I came I suggested that we should lay out straightaway for a plant of 1,200 ton capacity for I saw there was great scope for expansion. So to begin with we laid out the yard for a much larger plant and made provision for water supply for 1,200 tons. We spent more money than would have been done by a man who had just enough money for a 400 ton factory.

Dewan Bahadur.—From the beginning we had a larger lay out in view. That has been stated in one of our replies to the questionnaire. Your question 5 is: what changes have been made in the lay out of your factory and what extensions of plant or replacement of machinery have been made since 1930? We have said in reply that "the above additions did not necessitate any change in the original lay out as these extensions had been contemplated from the beginning". That is what Mr. Penning says.

Mr. Rahimtoola.—It was not the block capital of a factory of capacity.

Dewan Bahadur.—It was not. We spent more than what was sufficient for a bare 400 ton factory. We had extensions in view from the very beginning.

Mr. Rahimtoola.—Suppose to-day one puts up a factory of 400 tons would it be possible to do so at the estimated cost given by the Board or do you think that a higher figure would be necessary in view of the prices of machinery, buildings, having gone up?

Mr. Penning.—Yes, considerably—by nearly 50 per cent.

Mr. Rahimtoola.—Even since you erected your factory?

Mr. Penning.—Since last September.

Mr. Rahimtoola.—I want to find out the difference between the calculations of the previous Board and those of to-day.

Mr. Penning.—The prices of machinery are now considerably higher. I can tell you my own experience. I was advising Bhopal and my estimate was based on prices which we had been paying here. When actual quotations were asked, we saw that the estimate was exceeded by nearly 50 per cent. England decided upon the new defence plan and all their factories were so full of work that prices went up.

Mr. Rahimtoola.—Can you give us an estimate of the cost of a 400 ton factory?

Mr. Penning.—It is very hard to give you the information. We got recently prices from different firms for the supply of a new evaporator. These prices varied between £6,000 and £10,000. So, it all depends on where one buys and on what conditions.

Mr. Rahimtoola.—The last Tariff Board went into the detailed cost of erecting a factory of 400 ton capacity.

Dewan Bahadur.—The price given on page 116 of the report is £52,000 for a 400 ton factory. Actually we paid £48,000 instead of £52,000.

Mr. Rahimtoola.—For a factory with a bigger crushing capacity?

Dewan Bahadur.—For a 400 ton factory at that time we paid less than this estimate of £52,000. Our capital is more because we have spent more on bungalows, cane cars, etc.

Mr. Rahimtoola.—Supposing you buy the machinery to-day for the same capacity would it cost £60,000?

Mr. Penning.—Not less than £60,000.

Mr. Ananthasubrahmanyam.—The plant of 600 ton capacity in Bhopal cost £58,000 to £60,000.

Mr. Rahimtoola.—As regards the interest charges, there also I find that the figures do not tally.

Dewan Bahadur.—It requires a little explanation. What is shown in the balance sheets represents the difference between the interest realised on loans and advances to raiyats and the interest paid by us to our debenture holders.

Mr. Rahimtoola.—I would like to have accurate information.

Dewan Bahadur.—I suppose you refer to the fact that Rs. 8,000 is more than the amount payable to debenture holders.

Mr. Rahimtoola.—Yes.

Dewan Bahadur.—That is because of the temporary accommodation we got from Government before debentures were issued.

Mr. Rahimtoola.—You have not shown the receipt of interest on advances.

Dewan Bahadur.—In all our balance sheets the interest figures represent as I say the difference between the amount we pay to debenture holders and any other creditors and the amount that we recover by way of interest on advances made to raiyats.

Mr. Rahimtoola.—Plus the interest you pay on the loan.

Dewan Bahadur.—Yes.

Dr. Jain.—What was the rate of interest you paid to the State on the temporary accommodation?

Dewan Bahadur.—4 per cent.

Mr. Rahimtoola.—I understand this company is run without a managing agency system.

Dewan Bahadur.—Yes.

Mr. Rahimtoola.—It is run with a Board of Directors.

Dewan Bahadur.—There is a Managing Director. In the beginning it was a Government officer in service who was in charge. Now there is a retired officer of Government in charge of the works to whom an honorarium is paid.

Mr. Rahimtoola.—What is this item "expenses of management"?

Dewan Bahadur.—That is head office expenses—Secretary, Accountants, Clerks, etc.

Mr. Rahimtoola.—I would now like to discuss the fair selling price as calculated in your representation given on page 12. You have taken the cane price as Rs. 10-12-0 per ton.

Dewan Bahadur.—Yes.

Mr. Rahimtoola.—That works out to 6 annas 4 pies per maund, if I take the Bengal maund.

Dewan Bahadur.—About 6½ annas.

Mr. Rahimtoola.—The percentage of raw material cost to the total cost would then be 67.

Dewan Bahadur.—Probably.

Mr. Rahimtoola.—Whereas your average for the last three years comes is 60 per cent.

Dewan Bahadur.—We had entered into an agreement with the raiyats under which a high price had to be paid for cane.

Mr. Rahimtoola.—The minimum price fixed is about Rs. 10 per ton.

Dewan Bahadur.—The minimum price was fixed only this season. Before that we had entered into contracts with the raiyats saying that we would give them Rs. 10 in the first half of the year and Rs. 11 in the second half of the year. Rules under Sugar Industries Safeguarding Regulations were passed in Mysore afterwards and the minimum price of Rs. 10 was fixed later.

Mr. Rahimtoola.—The minimum price was fixed by your Government on the basis of the cost of production of cane.

Dewan Bahadur.—I am not able to answer for that.

President.—They have given three factors.

Mr. Rahimtoola.—The important factor is the cost of production.

Dewan Bahadur.—That in my view is what should be done.

Mr. Rahimtoola.—I want to know whether that was done. When you want us to accept the fair selling price given in this representation we must inquire as to how this figure of Rs. 10-12-0 was arrived at.

Dewan Bahadur.—We have only given you the rate which we paid for the current season.

Mr. Rahimtoola.—The Board has to determine the rate of protection for the next seven years and it is necessary to know what should be taken as a reasonable price for cane for the whole of India.

Dewan Bahadur.—I have only given you the present price and I certainly think that the average price should be less for cane in the coming years.

Mr. Rahimtoola.—What do you think, should be the average for the next seven years having regard to the cost of cultivation?

Dewan Bahadur.—We cannot fix one price now because by progressive improvements in cane cultivation the price payable to the raiyat may be less, but we cannot immediately say that the average for the next seven years should be so much.

Mr. Rahimtoola.—Will it be fair to fix it between 5 and 6 annas per maund? I am asking you in view of the cost of cultivation given in Statement B of Rs. 173 per acre.

Dewan Bahadur.—That is the raiyat's cost.

President.—This might be better put to the Director of Agriculture.

Mr. Rahimtoola.—As regards profit you think 10 per cent. on the Block capital as reasonable.

Dewan Bahadur.—Yes.

Mr. Rahimtoola.—But in this calculation how it is based?

Dewan Bahadur.—It is on the price of sugar.

Mr. Rahimtoola.—When you calculate profit, it must either be on the capital invested or on block capital. What block capital have you taken into consideration?

Dewan Bahadur.—We did not put it with reference to the block capital. We put it with reference to the price of sugar.

Mr. Rahimtoola.—Do you think that is the right way to do it?

Dewan Bahadur.—There are various ways in which one can do it. Our share capital is about Rs. 21 lakhs and our block capital is Rs. 38 lakhs to-day. We might say that we might put down something up to 10 per cent. on the block capital.

Mr. Rahimtoola.—I note that there is some difference in the calculations you have made and those made generally by the Tariff Board.

Dewan Bahadur.—We can give figures worked out in any manner that the Board would desire.

Mr. Rahimtoola.—The fair selling price is given according to the conditions prevailing in Southern India.

Dewan Bahadur.—Yes.

Mr. Rahimtoola.—In reply to one of the questions you stated that Java sugar has been landed at so low a price as Rs. 3-12-0 a cwt. which seems to be unremunerative. Have you any figures to show the cost of production at Java?

Mr. Penning.—Only the other day I got a small pamphlet from Holland from a broker in which we have some figures as to the price of Java Sugar which might interest you:—

“The N. I. V. A. S. (Single Selling Agency) has published recent large sales so that half of the 1937 crop has already been sold. Moreover, during the last week, prices have been rapidly stiffening. The average prices for all destinations exceed at present, with a wide margin, the nominal price of 7 guilders per quintal (100 kilos)”. “As the cost price of good sugar companies is around 4 guilders per quintal, good profits will be now possible”. 4 guilders is about Rs. 3 a cwt.

President.—And they are selling at Rs. 3-12-0?

Mr. Ananthasubramanyam.—That was distress selling; now they have raised to Rs. 4-4-0.

Mr. Penning.—They are making 60 per cent. profit.

President.—Can you give me the date on which this price is quoted?

Dewan Bahadur.—Yes.

Mr. Rahimtoola.—Do you do any ratooning?

Dewan Bahadur.—Very little. In our farms when we cut for seed the crop is about 7 or 8 months old; that of course is ratooned and we get a fairly good yield from these short crop ratoons.

Mr. Rahimtoola.—Can you give us the costs?

Dewan Bahadur.—The Agricultural Department has got that. In the case of full crops ratooned, the results have not been satisfactory.

Mr. Rahimtoola.—Is the whole of 1,532 acres meant for experimental purposes?

Dewan Bahadur.—We have set apart some portion for that. The bulk of the yield of our farms comes into the factory, but we supply a lot of seeds also.

President.—When you reach the end of your lease period are you still contemplating to continue it?

Dewan Bahadur.—We are thinking of relinquishing some of it. Even now because we are finding the lease amount too much.

Mr. Rahimtoola.—Will you look at your answer to question 42? I suppose the raiyat cannot grow any cane unless you supply the seed?

Dewan Bahadur.—He can, but he will receive advance from us only if he has an arrangement with us to sell the whole of his cane to us.

Mr. Rahimtoola.—The impression that I got from your answer was that they grow cane only when you supply the seed.

Dewan Bahadur.—When we began it was like that. At that time they did not know the cultivation of cane. Now there are a few raiyats who grow cane on their own account and we may take that cane also. But the bulk of the cultivation is by arrangement with the company. The raiyat receives advance from us in which case he will supply the cane to us.

Mr. Rahimtoola.—You have got no other alternative crop and therefore the price of cane has no relation to any other crop?

Dewan Bahadur.—Not at present.

Mr. Rahimtoola.—Except probably based on *gur* prices?

Dewan Bahadur.—In our area *gur* making is not practised.

Mr. Rahimtoola.—But is it not open to the raiyat to go in for its manufacture if the price paid by you is not remunerative?

Mr. Penning.—As long as he gets the amount under the contract.

Mr. Rahimtoola.—But he is at liberty to do that?

Mr. Penning.—They have no plants for the production of *gur* either.

Mr. Rahimtoola.—In answer to question 6 you say that at present you do not contemplate further extension to the plant except some minor alterations. I suppose all the additions or alterations to the plant have now been completed?

Mr. Penning.—There is a lot to be done. The boiling house is not up to the crushing capacity.

Mr. Rahimtoola.—You have suggested that the extra labour employed during shut down periods is due to expansion. In the reduction of cost that you have mentioned in reply to the Chairman's question have you taken this factor into consideration?

Dewan Bahadur.—We have. A few more additions have to be made and they will take a little more time. Afterwards there will be some saving by keeping a smaller staff during the shut down period.

Mr. Rahimtoola.—You are using wood fuel and electric power. What is the rate per unit?

Dewan Bahadur.—Six pies per unit, but there is a minimum charge of Rs. 1,300 a month.

Mr. Rahimtoola.—But you always take more?

Dewan Bahadur.—At present we have been taking more.

Mr. Rahimtoola.—What is the price you pay for your fuel?

Dewan Bahadur.—Our wood fuel costs us about Rs. 8 a ton; we get various classes of fuel and the price varies from about Rs. 6 to Rs. 9 a ton.

Mr. Rahimtoola.—In answer to question 63 you say "filter press cake has manurial value". Does it lead to any saving?

Mr. Penning.—Nothing appreciable, but the cost of transportation is a great problem if we have to dispose of it.

Mr. Rahimtoola.—The prices given by you in answer to question 72 are ex-factory prices?

Mr. Penning.—Yes.

Mr. Rahimtoola.—The bulk of your sugar is exported?

Mr. Penning.—Yes.

Mr. Rahimtoola.—How is business transacted here?

Mr. Penning.—By contract.

Mr. Rahimtoola.—Is it on the basis of samples?

Mr. Penning.—They know our quality and they do not raise the question of sample.

Mr. Rahimtoola.—Do you have any complaints?

Dewan Bahadur.—We have hardly had any complaint. These are the contracts (shown). We do not make any forward sales.

Mr. Rahimtoola.—How do you arrange about the payment?

Dewan Bahadur.—When we accept an order we collect Rs. 2 per bag and the balance against railway receipt.

Mr. Rahimtoola.—You take payment before delivery?

Dewan Bahadur.—Yes.

Mr. Rahimtoola.—In answer to question 91 you mention that a margin of 8 annas a cwt. for quality difference should be allowed. How does your quality compare with that of Java?

Dewan Bahadur.—Our quality is quite good now, both in colour and in grain.

Mr. Rahimtoola.—Then why do you want such a high margin?

Dewan Bahadur.—We say "If a difference of 8 annas a cwt. or Rs. 10 per ton is to be maintained". That is with reference to all Indian mills and I have made that clear on page 25 in answer to question 109 where I say "Allowing a difference of 8 annas a cwt., or Rs. 10 per ton to be maintained in view of the superior quality of the Java product as compared with the product of the large majority of India factories".

Mr. Rahimtoola.—As far as you are concerned you can produce sugar equal in quality to Java sugar?

Dewan Bahadur.—As far as we are concerned we can. You were referring to the complaints about quality. We gave rebates to the extent of Rs. 11-15-0 or alleged inferiority of quality in the first year out of a total sale of 5,000 tons; in the second year our total rebates were Rs. 577 out of a total sale of the value of Rs. 48,83,000 and in 1936-37 so far out of sales to the extent of Rs. 21,25,000 rebates have been allowed to the extent of Rs. 400.

Mr. Rahimtoola.—The proposed All-India Selling Organisation is quite different from the organisation which has been formed for the South of India namely Travancore, Mysore and Madras?

Dewan Bahadur.—That has not yet been registered. In fact we are having Hospet, Travancore, the East India Distilleries and Ettikoppa.

Mr. Rahimtoola.—Do you include Hyderabad (Deccan)?

Dewan Bahadur.—We are including Hyderabad.

Mr. Rahimtoola.—I suppose the figures of consumption that you have given are taken from the Sugar Technologist?

Dewan Bahadur.—Yes.

Mr. Rahimtoola.—You state in reply to question 108 "With the present rate of duty the price at which Java sugar can be sold at the ports is Rs. 13 per cwt. or Rs. 260 per ton which is appreciably higher than the fair selling price of Indian sugar". Have you taken landing charges into consideration?

Dewan Bahadur.—We have said that Rs. 3-12-0 is the landed cost.

Mr. Rahimtoola.—How much should be allowed as landed charges? Can you give us an idea?

Dewan Bahadur.—We will do that.

Mr. Rahimtoola.—With regard to the unfair railway freight, we find that the usual practice of the railways is to allow favourable rates for long distances as compared with short distances.

Dewan Bahadur.—That is what they generally do.

Mr. Rahimtoola.—Do you mean to imply that the railways give favourable consideration to the Northern India mills?

Dewan Bahadur.—My complaint is this: from Calcutta to Madras and from Calcutta to Calicut the freight is about the same. To Madras it is

1,500 miles and to Calicut it is another 460 miles but the freight is the same for Calicut as for Madras.

Mr. Rahimtoola.—Take Cawnpore to Madras and Cawnpore to Calicut.

Dewan Bahadur.—Cawnpore to Madras is about 1,000 miles and Cawnpore to Calicut is an extra 460 miles. The railway freight is the same for both places. The point is that the rate allowed up to Madras is the same as the rate up to Calicut which is another 460 miles.

Mr. Rahimtoola.—How does it compare with the rate that you have to pay?

Dewan Bahadur.—Per mile per maund we pay very much more.

Dr. Jain.—But the total will not be more? You would still be better off so far as freight goes?

Dewan Bahadur.—Yes. We pay about 3 annas a maund less.

Dr. Jain.—So that you will still be at an advantage of 3 annas a maund.

Dewan Bahadur.—Yes.

Mr. Penning.—In any case 50,000 tons of sugar has got to come to South India; why then give concession freight?

Mr. Rahimtoola.—As regards railway freights I want to find out the treatment meted out to different factories.

Dewan Bahadur.—Railway freight seems to have some reference to ocean freight. These reduced rates are to the ports and the rates are practically the same as the ocean freights. Our point is this, that these ocean freights are available only for 3,000 bags and upwards and there are landing and other charges to be added whereas the railway allows practically the same freights for even 80 to 100 bags.

Mr. Rahimtoola.—That explains very clearly why railways quote reduced freights.

Dewan Bahadur.—This ocean rate will be available only for very big consignments and there are other charges such as landing, loading and unloading. If you take them into consideration these rates that the railways are offering now, we maintain, are lower than the ocean freights.

Mr. Rahimtoola.—In answer to question 110 (5) you say: "The production of existing factories should be controlled during the period of protection and quotas fixed for production". You suggest this to be done by legislation.

Dewan Bahadur.—I presume it would be necessary. It would be very difficult to enforce quotas except by legislation, and the creation of a Statutory Body.

Mr. Rahimtoola.—Have you heard about the utilisation of molasses for potassium carbonate?

Dewan Bahadur.—We have heard about the utilisation of molasses for the production of acetic acid, and we intend to make some investigations. We believe that it would not be economical.

Mr. Penning.—Glycerine is the latest. Recently molasses have been exported to England for the manufacture of glycerine.

President.—For making explosives?

Mr. Penning.—Yes. We have been going into the matter. The local sales are very very small and the product takes a lot of refining.

Mr. Rahimtoola.—On page 23 of your representation you talk of subsidies. You mean the Government of India should subsidise the export trade.

Dewan Bahadur.—A subsidy from the Government could not be out of place.

Mr. Rahimtoola.—Do you mean the Mysore Government or the Government of India?

Dewan Bahadur.—It might be either. We have only thought of that from the point of view of the industry.

Mr. Rahimtoola.—As far as your factory is concerned, is it not more or less controlled and managed by the Mysore Government?

Dewan Bahadur.—The Government have 60 per cent. of the shares and have a corresponding preponderant majority on the Directorate so that if they want to get anything done, they can do it.

Mr. Rahimtoola.—Have your Government in view the question of licensing of factories?

Dewan Bahadur.—They have got power to license new factories.

Mr. Rahimtoola.—So far there is only one factory though with the present capacity it may be equal to three factories.

Dewan Bahadur.—But our boiling capacity even with the additions would be only 1,500 tons. We might thus get 100 tons extra.

Mr. Rahimtoola.—Are the Directors at present elected by the shareholders?

Dewan Bahadur.—3 of them are elected by the shareholders and 4 are nominated by the Government of Mysore.

Mr. Rahimtoola.—Have you paid off the debentures?

Dewan Bahadur.—We have paid off only about Rs. 5 lakhs.

Mr. Rahimtoola.—Out of Rs. 16 lakhs?

Dewan Bahadur.—Yes, by converting them into additional shares.

Mr. Rahimtoola.—Ordinary shares?

Dewan Bahadur.—Yes. An offer was made to a certain proportion of the debenture holders and the result has been that nearly Rs. 6 lakhs have been paid.

Mr. Rahimtoola.—I find in the statement given here that in March 1937 the debenture were of Rs. 11 lakhs and the capital Rs. 21,79,000.

Dewan Bahadur.—The difference is due to the fact that we have paid off some of our debentures and that by exchange for shares. I understood you to desire that the fair selling price should be recalculated according to the standards fixed by the Board.

Mr. Rahimtoola.—Or if more convenient what you think should be the fair selling price for the industry.

Dewan Bahadur.—I will have it recast and indicate to you by a subsidiary statement how these are done.

Dr. Jain.—I would like to have information just on one or two points. You have a very interesting system of training apprentices sent to you by the Mysore Government.

Dewan Bahadur.—We are not now taking any apprentices.

Dr. Jain.—You refer to that somewhere, don't you?

Dewan Bahadur.—Not now. We trained up these men and they are being employed in our own factory.

Dr. Jain.—Am I right in understanding that you have stopped the system of training apprentices?

Dewan Bahadur.—We are not training apprentices for any outside purpose now.

Dr. Jain.—You have got what you wanted for your own purpose?

Dewan Bahadur.—Yes.

Dr. Jain.—There is no need for you to train any more?

Dewan Bahadur.—No.

Dr. Jain.—On page 13 you give some statistics of skilled and unskilled labour.

Dewan Bahadur.—Yes.

Dr. Jain.—I find in 1935-36 skilled labour declined from 203 to 189.

Dewan Bahadur.—Yes.

Dr. Jain.—Whereas during the same year the production of sugar increased by about three times. How do you explain that?

Dewan Bahadur.—When we had this additional building and all that, we had additional hands. Some of them became supernumerary.

Dr. Jain.—If you look at Form I, you have given the production of sugar for 1934-35 as 219,720 maunds, but in 1935-36 the production is 632,810 maunds.

Dewan Bahadur.—As a matter of fact during 1934-35 they were all new staff and they were just receiving training. Things have become standardised and you may take it that the 1935-36 figures is a fair standard. In 1934-35 a good many of the staff were new hands.

Dr. Jain.—My point is this: there was excise duty levied in 1934. Was it after the levying of the excise duty that you carried out some rationalisation as a result of which you were able to reduce the cost of manufacture?

Dewan Bahadur.—Nothing of the kind was done. That had nothing to do with it. It is just the normal thing.

Dr. Jain.—It just happened that you could get on with fewer hands.

Dewan Bahadur.—As I said there were a few more in the beginning, because they were all learning work, and also some were being trained. In 1935-36 we found we could get on with 189. As a matter of fact we did not send out anybody.

Dr. Jain.—In your factory I think there is a definitely larger proportion of educated to uneducated labour as compared with other factories. What is the proportion of educated to uneducated labour?

Dewan Bahadur.—We can give you figures later on.

Dr. Jain.—Is it on the increase or on the decline? Are you having more educated labour than you had in the past? To put it differently, do you find educated labour more profitable for your purpose?

Dewan Bahadur.—We find educated labour quite good in the factory.

Dr. Jain.—After receiving proper training?

Dewan Bahadur.—Yes.

Dr. Jain.—You find them more economical than uneducated labour.

Mr. Penning.—For the actual labour the figure is shown larger, because we opened weighbridges. Each weighbridge takes 6 men. There were 70 School Leaving Certificate fellows shown on the books. In the factory itself there is cane unloading, railway work and centrifugal work for which mostly illiterate villagers are used.

Dr. Jain.—On page 24 you give some interesting statistics in regard to excise duty, etc. Shall I be right in saying there is no objection to the excise duty in principle, the objection arises because it takes away the profit?

Dewan Bahadur.—It is not that. The excise duty is a duty which has no relation to the profit.

Dr. Jain.—You say somewhere that the 1934 excise duty did not hit the industry very much.

Dewan Bahadur.—Yes, the difference between the selling price and the cost of production was sufficient. There was a sufficient margin between the two to admit of the industry paying the excise duty.

Dr. Jain.—It is true to say that there is no objection to the excise duty in principle. The objection arises regarding the extent or circumstances in which it is imposed.

Dewan Bahadur.—Yes.

President.—Are there any points on which you would like us to hear you?

Dewan Bahadur.—I should like to refer to the possibility of some outlet being found for the molasses by the production of power alcohol.

President.—I didn't touch on that point because we went into that in some detail when we visited the factory. That is engaging our attention. I don't think it necessary to go into that again.

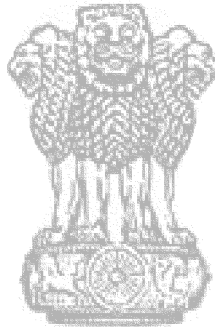
Dewan Bahadur.—Only I should like to say this with reference to that point. The cost of production of power alcohol from molasses would be very much less than seems to have been thought when the matter was considered previously, so that what was probably brushed aside as a thing not worth considering at all, could now be seriously taken into consideration, because the difference in cost is really very little.

President.—At present prices if we take molasses at one anna a maund, I take it it is obviously a good proposition. That is the average price that has been obtained for molasses in India.

Dewan Bahadur.—Yes, that is the average price now?

President.—In your books you allow credit for a bigger amount.

Dewan Bahadur.—We get Rs. 1-3-0 per ton. That comes to 8 pies a maund. Our actual receipt is only Rs. 1-3-0 per ton of molasses. If an outlet was found for the molasses elsewhere, it would be very helpful.



सत्यमेव जयते

THE DECCAN SUGAR FACTORIES.

B.—ORAL.

Evidence of Messrs. M. L. DAHANUKAR, MEYER NISSIM, LAL CHAND HIRACHAND, and D. V. KELKAR, recorded at Bombay on Thursday, the 5th August, 1937.

President.—Of what companies have you got representatives here?

Mr. Dahanukar.—The Deccan Factories is an organisation of 8 factories in the Deccan including the Belapur factory of which five factories are represented here. These 8 companies are as follows:—the Belapur Company, the Maharashtra Sugar Mills, Kalam Sugar Works of Messrs. Marsland Price & Co., the Ravalgaon Sugar Farm, the Saswad Mali Factory, the Kolhapur Sugar Factory, the Belvandi Sugar Farm, and the Phaltan Sugar Factory.

President.—Are all these mills members of the Mills Association?

Mr. Dahanukar.—Phaltan is not a member; Belvandi is also not a member of the Indian Sugar Mills Association.

Mr. Rahimtoola.—You might tell us what you think of the prospects of the industry established in the Deccan, namely whether it is on sound lines and how long it will take to fully develop.

Mr. Dahanukar.—The industry is established on sound lines but the industry in the Deccan will take some time to develop fully because here each factory has to grow its own cane and for that purpose several thousands of acres of land has to be leased from the people and also such leasing has to be done only by voluntary negotiation. In the case of Belapur Co., Ltd., the old area which is possessed by them was an outright purchase by Government and leased to them several years ago as it was a pioneer company. But in the case of the new companies there is difficulty about the acquisition of land by voluntary negotiation and to have to follow very hard rules of the Government regarding irrigation, and the process is therefore rather slow. The factories have owing to these difficulties so far made progress at a rate which each individual factory has set forth in its replies to the Board's questionnaire from which it will be seen that even in spite of adverse circumstances the factories have been progressing well and they have made various reductions in the cost of either cane cultivation or sugar manufacture.

Mr. Rahimtoola.—What has been the percentage of reduction since the last Tariff Board reported?

Mr. Dahanukar.—About 2 annas per maund of cane and about 4 annas per maund of Sugar. There was one committee appointed by the Government of Bombay which was called the Financial Improvement Committee in 1932 and its report was published mainly with the object of finding out ways and means for the establishment of sugar factories on the Deccan canals. In that Report recommendations were made that sugar factories can be established on the Deccan canals and on sound lines. Accordingly the Government of Bombay offered certain amount of facilities as regards irrigation, water supply and thus these seven new factories came into existence.

Mr. Rahimtoola.—How do you compare the rate of development of these factories compared to factories in other parts of India?

Mr. Dahanukar.—Allowing for their development after they have completed their cane estate and other things, I am sure they will be, if not better, on a par with the industry in United Provinces and Bihar.

Mr. Rahimtoola.—Even with regard to the price of cane?

Mr. Dahanukar.—They will be if you take the basic minimum cane price which is supposed to be about 5 annas but not the present price of 0-2-6 to 0-3-0 as in United Provinces or Bihar which is not an economic price.

President.—You can bring the average cost down to that level?

Mr. Dahanukar.—I am just taking the price of cane as well as the recovery percentage because in the Deccan the cane is of a superior quality and therefore we expect to have one per cent. better recovery than that obtained elsewhere in India. If our actual price of cane is 6 annas and if it is 5 annas or something like that in United Provinces it would be comparatively equal. Of course in the Deccan the industrialists have other disadvantage as regards risks that the factory has to take and suffer as a cane grower, from diseases and frosts, famine, fluctuations in prices of manures and so on. While in United Provinces and Bihar the factory owner is not concerned with it as his cane is grown and supplied by outside agencies.

President.—Not in all cases.

Mr. Dahanukar.—As far as my knowledge goes, in almost all case. The whole situation here is that whatever protection was granted in 1931 and the Act passed in 1932—the idea of starting factories came after the Kamat Committee's report which was published in 1932 and in the next year some factories were started—the industry in Deccan is just about three years old and in three years with the starting of cane estates it was not at all possible to take advantage of the benefits of the first and best period of protection when the sugar prices were high and when there was not internal competition, while factories in Northern India having abundant cane supply ready at their door could take full advantage of the situation, and could earn large profits and build up large reserves.

Mr. Rahimtoola.—What about the Padegaon Research Station? How far has it been of benefit to the industry?

Mr. Dahanukar.—At Padegaon they are experimenting on certain varieties of cane some of which they have released for experiments by factories as regards their suitability for Deccan. One or two of these varieties we are trying on our farm but the result is not known yet. Naturally any results of cane research cannot be expected within a short period of two or three years. And therefore the Padegaon Research Station will take some time in order to bring about such results as will help the factories in reducing the cost of cane growing.

Mr. Rahimtoola.—Have you made any suggestion to the authorities concerned with regard to the research station and on what lines they should do the research work?

Mr. Dahanukar.—So far we have not done anything.

Mr. Rahimtoola.—Has the Sugar Technologist at Cawnpore been of any assistance to the Deccan factories?

Mr. Dahanukar.—The Sugar Technologist has not been of much practical assistance to us. In the case of some factories they invite him once a year and we discuss with him and he also makes it convenient to visit factories when so invited and on payment of his fees and expenses. In this connection we have to make a suggestion that the sugar factories in the Deccan need more help from technical points, because they are small units and are still growing and there should be some regular programme according to to which the Sugar Technologist should come here at least once a year and visit of his own accord each factory and discuss the various points.

Mr. Rahimtoola.—What exactly is your relation with the sugar merchants?

Mr. Dahanukar.—As regards sugar merchants they are not connected with Deccan sugar factories because we have our selling agents.

Mr. Rahimtoola.—What commission do you pay?

Mr. Dahanukar.—About 1½ per cent.

Mr. Rahimtoola.—And most of the Deccan sugar factories do not send their sugar to the ports?

Mr. Dahanukar.—No. It is uneconomical.

President.—Within what period of time you think by improvement in cultivation and so on you can reduce the proportion that cane bears to the total cost of manufacture to the level of United Provinces and Bihar?

Mr. Dahanukar.—If we can get 5 to 7 years more uninterrupted and if the Local Government give us facilities and help we need we shall be able to develop and bring down the cost to just about the same level as is at present obtaining in United Provinces and Bihar. The problem of cane cost here is governed by outside agencies. The cost of manure is 40 per cent. of the total expenditure per acre of cane and prices of manure like oil cake and sulphate of ammonia whenever they are exported to foreign countries immediately rise and therefore the cost of cultivation to that extent becomes high. That is a factor which we cannot control. Barring that we are doing whatever is possible by planting better varieties of cane, by having better yield, by the use of better implements, and such other things as lie in our hands and we expect that prices will be reduced further.

President.—Why do you want as long a time as 5 to 7 years?

Mr. Dahanukar.—The Deccan factories have not sufficient acreage of land and we have to acquire it by voluntary negotiation. We do not get sufficient land by this voluntary process and therefore it has taken a long time to acquire land. Besides the experiments that we are doing as regards reducing the cost of cultivation, naturally take sufficiently long time to produce satisfactory result. At least one experiment takes about three years to get definite results and without which we cannot apply it to cultivation on a commercial scale.

President.—I was only wondering whether this period of 5 to 7 years which you gave was not long.

Mr. Dahanukar.—We can't help. This is regarding the estate development and unless we run the factory to full crushing capacity and for the full number of days in the season, we shall not be able to make sufficient economy and our difficulty about sufficient cane supply is the reason. We can't depend upon the outside cane supply because sugarcane crop is very costly here and people do not grow it like that in United Provinces and Bihar but grow a very small area for making *gur*. Further if *gur* prices go down, the cane cultivation also goes down. Besides we have organised our cane estates and equipped them with most up to date machinery, skilled, educated and experienced staff. We do it on most scientific lines. That would not be possible for a cultivator who is growing on a very small acreage with limited resources.

President.—May I interrupt you? In some other tropical areas factories are dealing directly with cultivators and giving them advances so that they can cultivate the standard cane, is that not possible?

Mr. Dahanukar.—Here the cultivators are of a different type. He is not used to this kind of cultivation. He is only used to do this for *gur* purposes on a very small scale and he is not going to take any such risk by himself. We have tried that method when the cane prices were high and when we had not sufficient cane areas of our own but nobody came forward and therefore we didn't do this. The factory had to resort to its own plantation.

President.—Is it due to the peculiar mentality of the cultivators in this neighbourhood? It is possible; it is done in other parts of the tropical region.

Mr. Dahanukar.—It is not prevalent on this side and therefore it is not possible.

Mr. Lalchand.—In the Deccan the sugarcane areas are very limited and unless there is legislation that whatever cane is required for the factory

must be sold to the factory at an economical price, it is rather difficult to persuade every cultivator round about the factory to sell it to the factory. So for persuading the cultivator to grow cane round about the factory and make him sell it to the factory legislation will be required for which probably people are not prepared.

President.—Factories in the tropical region are actually doing this. They enter into an arrangement with the cultivator at the time of planting and give them advances during the season and take the cane.

Mr. Lalchand.—So they do bind the cultivator by paying advances.

President.—Yes.

Mr. Lalchand.—We have not tried that. One factory did that experiment and had a very bad experience. It is the original factory of the Deccan and they depended upon the supply of cane from cultivators and they came to grief, and went into liquidation and lost all the capital.

President.—I am only suggesting the possibility, because it is being done.

Mr. Dahanukar.—We have tried on a small scale and the result was very bad. We have also suffered and we have given it up. We would have been happy if this could have been done. In that case the risk of the factory would have been very much less. This is as regards the development of cane estate. Now the other difficulties which the Deccan factories have to meet and which of course are getting minimised gradually are that we have to bring all skilled and technical men either from United Provinces or Bihar. This industry being new here, we don't get sufficient men locally and we had to pay much more to those people than what they get in their own provinces. We have also to meet their travelling allowances and other expenses connected with their agreements. Then there is the case of stores like lime which we have to bring from Katni and for which we have to pay double the freight.

President.—In that respect you are hardly worse off than factories elsewhere.

Mr. Dahanukar.—I am just comparing the circumstance of the factories in the United Provinces with those in Deccan.

President.—Are you so much worse off than United Provinces in that respect?

Mr. Dahanukar.—We pay more freight on lime.

President.—We have heard equal complaints from the factories in the United Provinces.

Mr. Dahanukar.—I can give you my price for lime.

Mr. Rahimtoola.—Have you any knowledge of the prices paid by the factories in the United Provinces and Bihar?

Mr. Dahanukar.—I know what some factories are paying. Therefore I say our cost is higher than theirs. We pay as much as Rs. 2-4-0 per maund of lime delivered at our station. The distance being long, we cannot bring loose lime or in bags, because it gets slaked and we don't get half the quantity by the time it reaches our factory. Therefore we bring the lime in tins properly soldered and so on, and the cost of that lime in that way becomes more.

President.—Possibly some factories in the United Provinces have got equal disadvantages.

Mr. Rahimtoola.—Are there any other difficulties?

Mr. Dahanukar.—Regarding gunny bags we have to bring them from Bengal. I suppose that we have to pay a little more freight charges on them. Then again there is the question of coal. In the Deccan area our cane contains less fibre and therefore we require auxiliary fuel. Our bagasse is not sufficient to run the factory. Therefore we have to import

Bengal coal, because firewood is not available in large quantities. On that we have to pay a much higher rate than any factories nearby in United Provinces and Bihar.

President.—On that point it has been suggested to us by Rao Bahadur Vonkataraman that by a judicious mixture of different varieties of cane, factories even in tropical region might be able to satisfy their bagasse requirements.

Mr. Dahanukar.—That may be true, but it will take some time. We have to grow varieties which will give us equal amount of sucrose and at the same time a higher percentage of fibre. We hope to reduce the costs. We have been doing it successfully. Formerly the cost of fuel per maund of sugar was one rupee. To-day it has come down to 4 annas. We may be able to bring it to 2 annas. These are some of the items on which we have to spend more than the factories in United Provinces and Bihar. The main item on which of course we have been representing is the abnormal reduction in railway freight. It stood at about Rs. 2-2-0 per maund from Cawnpore or from Northern India to Bombay in the year 1932 or 1933, and it was gradually reduced. To-day it stands at 14 annas to a rupee per maund. So much reduction has been done. On this question of reduction of railway freight we have also written to the Sugar Mills Association saying that this has affected our industry, very much.

Mr. Rahimtoola.—The Board is fully aware of the point which you are now mentioning and they are looking into it.

Mr. Dahanukar.—I am pointing out one of the difficulties of the Deccan Factories. We were told that it was only a temporary reduction for meeting the competition at ports by the Java sugar. As soon as that was stopped, the matter would be reconsidered. Last year as you know when the sugar prices went down to rock bottom, even below the economic level, and when additional exercise duty was levied, factories on this side were in great troubles.

Mr. Rahimtoola.—In view of the numerous difficulties you have mentioned, I am reminded of a statement issued sometime back by the President of the All India Sugar Merchants' Conference. He is reported to have said "Deccan has normally no future as a sugar producing area and competition in this industry with the United Provinces and Bihar will lead to economic tragedy".

Mr. Dahanukar.—I wish to say that the Deccan sugar merchants are not industrialists in the first place. They are merely traders of sugar. Either they trade in Java sugar or Indian made sugar. Whatever sugar is available, they buy and sell. The statements they make are most irresponsible. Either they have not studied this question or saying something which is absurd. Here I may cite an example. If any factory in Deccan is developed and stabilised as the Belapur Company, it can show the result. The Belapur Company's factory is the best in India and there is no reason why any other factory in the Deccan area should not achieve similar results provided it gets sufficient and uninterrupted period for getting developed on proper lines. This is the only reply which I can give to them.

Mr. Rahimtoola.—What is your opinion regarding the licensing of new factories in the Deccan area as well as the extensions of the existing ones.

Mr. Dahanukar.—About licensing of new factories, as a whole, it is necessary that the licensing of new factories should be there.

President.—We are only considering the question of Deccan factories.

Mr. Dahanukar.—In the interests of the industry as a whole, I would suggest that the licensing of new factories should be introduced even in the Deccan area, but the extension is a matter for investigation, as there

may be factories which are established and which may have scope for improvement. Some factories are established as small factories in the beginning because they don't have sufficient cane, but with the increase of cane estate, they have to extend to meet the present economic condition and internal competition which requires to run a factory to produce sugar at a particular cost. For that purpose I would not suggest any limitation on extensions of the existing factories in the Deccan.

President.—Is it not a fact that practically speaking no new factory can be put up because the whole thing is controlled by the Government in regard to the supply of water?

Mr. Dahanukar.—Yes; But there is room for new factories if Government would allow it.

President.—Government can control the erection of new factories. In fact they do.

Mr. Dahanukar.—At present they can. They have declared certain areas as factory areas. With their permission factories can be established and this means automatically the licensing.

Mr. Rahimtoola.—The point that arose this morning even with regard to the extensions of the existing factories was that Government have certain amount of control because of the water supply. I wanted therefore this question to be thrashed out by the representatives of the Deccan factories.

Mr. Dahanukar.—That is a fact. I would suggest that if the company thinks that the extension is desirable and has to be given, then of course the sanction of Government for water supply be given.

President.—Is there any interference at all between factory and factory in the Deccan Canal area? I mean a small quantity of cane is bought. Is there any competition anywhere?

Mr. Lalchand.—No.

Mr. Rahimtoola.—Is there any system of pooling?

Mr. Lalchand.—No.

Mr. Rahimtoola.—Is there any arrangement with regard to the marketing of products?

Mr. Dahanukar.—There is one organisation which is functioning only recently and this is the same organisation which is functioning both marketing and tackling some general questions. We only fix minimum prices on the basis of United Provinces prices, because if United Provinces prices are reduced, we have to reduce our prices. If they raise, we also raise. The control of our prices is not in our hands, but it has to be guided by the prices of sugar in the United Provinces, or in the Cawnpore area.

Mr. Rahimtoola.—Is the selling price fixed at the present moment?

Mr. Dahanukar.—Every week the minimum price is fixed.

Mr. Rahimtoola.—The whole arrangement is to avoid underselling.

Mr. Dahanukar.—Yes, it is working satisfactorily.

Mr. Rahimtoola.—Does your sugar pass through any members of the Sugar Merchants' Association?

Mr. Dahanukar.—No.

Mr. Rahimtoola.—Therefore the complaints do not apply to the Deccan Sugar factories.

Mr. Dahanukar.—No.

Mr. Meyer Nissim.—In connection with the statement made by the President of the All India Sugar Merchants' Conference, I don't mind saying that that statement is absurd, because there is quite a fair demand and good consumption in the Mahratta country for the sugar that is produced by the factories there. Speaking for the factory that I represent, even if there is no outside demand, the demand that exists round about

the factory would be quite enough to take all the sugar that we produce. Therefore I don't think that by the Deccan factories existing, they are in any way committing suicide.

Mr. Rahimtoola.—How do you compare your qualities with the qualities of Bihar and United Provinces?

Mr. Meyer Nissim.—I haven't got sufficient experience of that.

Mr. Rahimtoola.—You are connected with Saswad Mali. The Managing Agents are Jamnadas Mehta and Company.

Mr. Meyer Nissim.—Yes.

Mr. Dahanukar.—As regards our other difficulties in the way of bringing down the cost of manufacture in the Deccan area, the capacity of the factories is limited—I suppose to a maximum of 800 tons at any time due to the limited canal water supply. Therefore the question of establishing larger units of say 1,000 or 2,000 tons is impossible. To that extent the cost of production remains higher in the Deccan area than in the United Provinces and Bihar.

Mr. Dahanukar.—Here the present capacity of factories is from 200 to 600 tons. It is well known the larger the unit the lesser is the cost of manufacture. That is our additional difficulty.

President.—Do you wish to make a joint representation in connection with irrigation charges? We have already heard a certain amount.

Mr. Dahanukar.—We made a representation to the Government of Bombay (Interim Ministry). But now the Ministry has changed. I do not know what has happened to our representation. In any case if action has not been taken by the Interim Ministry, we shall represent our case to the new Ministry.

President.—It is not the intention of this Board to make any recommendation on that subject. If there are any complaints we make a note of them.

Mr. Dahanukar.—As regards irrigation, there are a lot of complaints. Some individual factories may submit evidence on that point.

Mr. Rahimtoola.—There is one small point I want to ask you. The Board has asked a question about the output of an ideal factory. You have dealt with it generally because the answer refers to the whole Presidency. I want to know whether your Association has considered that question. If you have not considered it, would you send a reply later on?

Mr. Dahanukar.—Yes.

Dr. Jain.—There are only two questions I want to ask you. Reference has been made to the invasion by the United Provinces and Bihar factories in your area. If I have understood correctly, it is said that your production in the Deccan is 50,000 tons and the consumption is 100,000 tons.

Mr. Dahanukar.—Yes.

Dr. Jain.—So that there is a surplus of 50,000 tons to be covered.

Mr. Dahanukar.—Yes.

Dr. Jain.—What is the amount of sugar which is coming from the United Provinces and Bihar, apart from the general statements you have made?

Mr. Dahanukar.—We have not got regular statistics. But our inference is that the balance of our requirement is met by the United Provinces and Bihar.

Dr. Jain.—It would appear then that the United Provinces and Bihar factories are rendering you a real service.

Mr. Dahanukar.—Our complaint is not against their sending the required quantity of sugar. But our complaint is against the low rates at which their sugar is being dumped here.

Dr. Jain.—You have no definite statistics on that subject.

Mr. Dahanukar.—In what way?

Dr. Jain.—Regarding the amount of sugar coming from the United Provinces and Bihar.

Mr. Dahanukar.—We shall try to send you later.

President.—In other words you may say that your stocks are accumulating.

Mr. Dahanukar.—We have asked for statistics from the Sugar Technologist. Our point is that the effect of the reduction in freight from Cawnpore to Bombay has been to reduce our prices. If their sugar is enabled to sell at a cheaper price in Bombay, we are also forced to bring down our price.

President.—It does not mean that more sugar is sent.

Mr. Dahanukar.—No.

President.—It is only a question of the difference in price.

Mr. Dahanukar.—We do not want the Indian sugar to be replaced by imported sugar. The question is raised because of the uneconomical rate at which it is dumped here.

Dr. Jain.—If the amount of sugar coming from the United Provinces and Bihar is not in excess of 50,000 tons or is just 50,000 tons, the question can be put in a different way. Do you want to have a sort of monopoly to raise your price?

Mr. Dahanukar.—Not at all. On one hand our cost of production is high due to circumstances which have already been explained. On the other hand the cost of production of factories in the United Provinces and Bihar is less and they have been given low freight rates to Bombay which enables them to compete with our sugar very favourably for themselves. If any sugar coming from outside is sold below our cost of production, it is natural that the local factories have to suffer loss. We do not want that the factories here should have abnormal profits and that they should have a monopoly for that purpose. Our contention is that we should not be compelled to sell our sugar at unremunerative prices in order to dispose of our output and incur loss. If that is done, we will have to go out of existence.

Dr. Jain.—I follow your point. The second question I want to ask you is about the pooling of information by factories.

Mr. Dahanukar.—We have not considered this question.

Dr. Jain.—Would you like to send in your reply later on?

Mr. Dahanukar.—I shall put it before the factories.

Dr. Jain.—It is an important point for the industry as a whole, and we should like to have the considered opinion of the Deccan Factories.

Mr. Dahanukar.—I shall put it before our Association and send you our considered reply.

BELAPUR COMPANY, LIMITED.

B.—ORAL.

Evidence of Messrs. J. N. MILLAR and D. MOIR representing the Belapur Company recorded at Bombay, on Thursday, the 5th August, 1937.

President.—Is it your contention that you can grow cane cheaper than an ordinary cultivator?

Mr. Millar.—Yes.

President.—Appreciably?

Mr. Millar.—Yes.

President.—Even if the cultivator receives assistance from a factory in the shape of advances against manure, and so on?

Mr. Millar.—In the Deccan the cultivators do not receive advances.

President.—No. I was rather comparing the Deccan with other parts of the tropical area where factories buy their cane from cultivators and many of them give very considerable advances. What I was trying to get at is would the cost of cultivation by a factory be more economical than the cost of cultivation by an ordinary cultivator supposing that cultivator had enough working capital for manure and so on?

Mr. Millar.—We think that the cost of cultivation by a factory would be still less than that of an ordinary cultivator. We realise that the ordinary cultivator labours under certain disabilities such as lack of capital.

President.—It is inevitable that we should make some comparisons, in so far as information is available, with Java. Java people are reluctant to give information about costs. We have got some information. I should like to ask you in a general way not necessarily with reference to your company, but with reference to the industry as a whole, to what extent is India in a disadvantageous position and in what respect? I do not know whether you have got any recent figures from Java.

Mr. Millar.—Java has the benefit of a good climate and good soils. Those are the two chief natural advantages it has. Then the system of land tenure in Java is such that the factories have complete control over the land for one year and six months after which the land is handed back by the factories to the cultivator.

President.—We do know more or less what it is. What I was trying to get at is: Could you assess what the advantage per maund of cane produced is? I don't know whether you have been to Java yourself.

Mr. Millar.—No, I have not been. Java produces good cane between 2 and 3 annas as against our 5 annas.

President.—You put the difference to natural advantages. I do not ask you as to what is actually being done. There have been improvements in India more than in Java. What would you estimate the natural advantages of Java which India cannot get over?

Mr. Millar.—Do you want me to put it into figures?

President.—Yes.

Mr. Millar.—As compared with Belapur a few annas.

President.—It must be a matter of opinion.

Mr. Millar.—Yes.

President.—In regard to manufacture we understand the factories, in Java have one advantage in that they are nearer to lime. The cost of lime is a serious item in the case of Deccan factories.

Mr. Millar.—The cost of lime for sulphitation factories is not nearly so serious as the cost of limestone for the carbonatation factories. To take Belapur again as an example, it is situated nearly 600 miles away from Katni and the freight on limestone is fully 5 times the cost of limestone itself.

President.—I think you have mentioned that. You have given very full answers to most of the questions and I don't propose to take up your time by simply asking you to repeat what you have written. We shall ask you questions only about points which need further elucidation.

In regard to the cost of cultivation of the ordinary cultivator, you have put down the land rent for block of 3 acres as Rs. 40, that is, calculating 10 times the assessment.

Mr. Millar.—No. These are only where the cultivator has selected lands.

President.—When you say interest, I presume you mean interest on working capital.

Mr. Millar.—Yes, the interest on manure costs.

President.—At what rate have you calculated?

Mr. Millar.—12 per cent.

President.—All this Rs. 417 would not have to be borrowed.

Mr. Millar.—The main item is manure.

President.—Nor would it have to be borrowed for the full period.

Mr. Millar.—Quite.

President.—Could you tell us how you arrived at the figure of Rs. 20—on what amount and for what period?

Mr. Millar.—Part of it is calculated for the full year; farmyard manure, cost of seed and then the sulphate of ammonia for about half the year.

President.—This question of interest on working capital is of some importance in connection with the suggestion of zoning system to be introduced, the suggestion being that if the zoning system was introduced, the factories would then advance money to the cultivators. It does not affect you, but it is rather important from the point of view of the industry.

Mr. Millar.—Yes.

Mr. Moir.—In reply to question 24 we said that it would be dealt with by the Sugar Mills Association. Sir Joseph Kay has written to me to point out to you that in the Deccan we have our own market, that we are not overproducing and that our views do not altogether coincide with the rest of India as regards selling and fixation of quota. He has not given me more definite information than that.

President.—The question of licensing does not apply to the Deccan area.

Mr. Millar.—No.

President.—We were told this morning—I put the question to the Deccan Association—practically speaking no new factory could come into existence without Government permission, owing to their control of irrigation. Is that a correct statement?

Mr. Millar.—Yes.

President.—And therefore factories are in fact licensed. They cannot come into existence unless Government agree.

Mr. Millar.—That licensing is simply from the point of view of availability of water, but the limit has been very nearly reached.

President.—So, to some extent the extension of factories is also controlled.

Mr. Millar.—Yes. At the same time the Deccan is not over-producing. From the production point of view licensing is not necessary.

President.—We are looking at it very much from the point of view of the zoning system apart from the question of production. If you have a zoning system, you must have the licensing of factories. The two go together. Of course, it does not apply to Bombay.

Mr. Millar.—Quite.

President.—I have not asked you any general questions which, I presume, the Indian Sugar Mills Association will answer and you have given us all the additional information that you consider desirable. So, I do not propose to ask you any more questions.

Mr. Rahimtoola.—You say in the beginning (1st page) that the cane is the highest in quality supplied to any factory in India. I want to know what variety you had in mind when you mentioned that point?

Mr. Millar.—The sentence refers to quality. Our cane is the highest in quality. It applies particularly to EK 28 and POJ 2878.

Mr. Rahimtoola.—Are not these canes grown by other people as well?

Mr. Millar.—Yes.

Mr. Rahimtoola.—Does it imply sucrose content or recovery?

Mr. Millar.—Judging by recovery.

Mr. Rahimtoola.—It means that you are able to get more sugar out of these varieties than other people who crush those very canes.

Mr. Millar.—Hitherto we have done. I am speaking of the Deccan.

Mr. Rahimtoola.—This point is rather important. With regard to the working season, you have a very exceptional position in the Deccan. But what do you think should we take as the fair average number of working days for the Deccan sugar factories?

Mr. Millar.—Do you want to know our average?

Mr. Rahimtoola.—Your working season is 7 months. Does that apply to all the factories

Mr. Millar.—No. Some of them start later.

Mr. Rahimtoola.—That is why I am asking you this question.

Mr. Millar.—Ours is long. The number of days we will be crushing will be 180.

Mr. Rahimtoola.—That is your actuals.

Mr. Millar.—Yes. It has been more but we have taken 180. Some other factories in the Deccan have had a shorter working season.

Mr. Rahimtoola.—Would you regard 180 days as the average for the whole of India?

Mr. Millar.—I should say about 130 days or say five full months.

Mr. Rahimtoola.—You have given the economic unit as 500 ton crushing capacity. Does it apply to the whole of India.

Mr. Millar.—Yes.

Mr. Rahimtoola.—In the last enquiry, the Board took 400 tons.

Mr. Millar.—Then we said 400 ton crushing capacity. This time we say 500 ton crushing capacity.

Mr. Rahimtoola.—One important group has suggested the same capacity. But you would like the economic unit to be raised to 500 tons.

Mr. Millar.—Yes.

President.—In the Deccan area where there is no poaching of one factory into another's area, would you put a smaller unit as a possible economic unit?

Mr. Millar.—No.

President.—You would not make any distinction.

Mr. Millar.—No.

Mr. Rahimtoola.—As regards your reply to question 9, I should like to know the kind of assistance which the factories receive from the Padegaon Research Station as well as from the Local Government.

Mr. Millar.—We have not yet received any assistance from the Padegaon Research Station. The investigation is in progress.

Mr. Rahimtoola.—Does your Company keep in touch with what is going on there?

Mr. Millar.—The results are not full yet. The Padegaon Research Station representatives have been and are coming and they have taken samples of our soil. We will get the results of their investigations in due course.

Mr. Rahimtoola.—What about the Sugar Technologist at Cawnpore?

Mr. Millar.—We have never called him in.

Mr. Rahimtoola.—Does he not come of his own accord?

Mr. Millar.—Yes, he has come in connection with enquiries regarding the sugar industry in general or the Deccan industry but not in regard to our particular factory.

Mr. Rahimtoola.—How long do you think you will take before you are able to give us your results on CO. 419?

Mr. Millar.—We can give you definite results after the next working season.

Mr. Rahimtoola.—In the Deccan area do you think 6 annas a maund would be a reasonable figure to take?

Mr. Millar.—To pay to the cultivator?

Mr. Rahimtoola.—Yes.

Mr. Millar.—No, it would not be reasonable.

Mr. Rahimtoola.—Do you think that it is low

Mr. Millar.—I don't think that he will supply cane at that price.

Mr. Rahimtoola.—In reply to question 20 you have given us the cost of an average cultivator as 417 with an yield of 40 tons exclusive of harvesting and haulage charges. If we include all the items the cost comes to 6½ annas per maund.

Mr. Millar.—6½ annas without profit.

Mr. Rahimtoola.—What do you think should be the fair price to induce the cultivator to continue to grow cane?

Mr. Millar.—At least 7 annas.

Mr. Rahimtoola.—Is the cost that you have given of a typical cultivator or is it an average?

Mr. Millar.—This is the average.

Mr. Rahimtoola.—With regard to fuel consumption, is it true to say that the fuel consumption depends upon the variety of cane used?

Mr. Millar.—Yes, to a great extent. The Coimbatore canes have a high fibre content.

President.—I don't think I mentioned this to you. When we were in Coimbatore Rao Bahadur Venkatraman told us that even in tropical India that with a judicious admixture of different varieties of cane, most of the factories ought to be able to run on their own bagasse, as they do in most of the factories in the sub-tropical region. Do you accept that proposition?

Mr. Millar.—I doubt it. I think there is a little misconception about the Northern Indian factories. There are very few factories in the north of India that have any fuel to spare. Most of them are using make up fuel.

President.—We have seen a good many in Northern India and generally speaking there is a very considerable reduction in the cost of fuel in all factories. The number of factories that are running on their own bagasse has increased in the last season.

Mr. Millar.—You can have a decrease in the fuel consumption in an unbalanced factory. By that I mean a factory that is crushing more cane than the sugar end can efficiently cope with.

Dr. Jain.—Do you mean there is a loss in recovery?

Mr. Millar.—During the last season, there was abundance of cane and some factories increased their crushing rate beyond their capacity, working out of balance.

President.—On the other hand without mentioning names, it is generally the most efficient factories that have most bagasse, judging by some other standards.

Mr. Millar.—There is such a thing as the economic use of fuel.

President.—Efficient furnace, and so on.

Mr. Millar.—Yes.

Dr. Jain.—The last Tariff Board said that an efficient factory ought to be able to run on its own bagasse.

Mr. Millar.—Conditions have altered since then. Factories are now to a very large extent making only one quality of sugar which means reboiling all their low grade sugar which in turn means use of extra fuel, so the conditions are not on all fours.

President.—Then I take it that you would not altogether agree with Mr. Venkataraman's dictum?

Mr. Millar.—No.

Mr. Rahimtoola.—Do you keep yourself in touch with Java costs?

Mr. Millar.—I have not done so particularly.

Mr. Rahimtoola.—We have received the figure of 3.5 guilders per 100 kilos as the cost of manufacture including the cost of cane.

Mr. Millar.—I am afraid I cannot give any authoritative figure about the costs in Java.

Mr. Rahimtoola.—Why is it that you do not send your sugar to Bombay?

Mr. Moir.—Chiefly on account of railway freight.

Mr. Rahimtoola.—Is the freight that you have to pay is higher than the freight from Cawnpore to Bombay?

Mr. Moir.—From our place to Bombay it is about 9 annas.

Mr. Rahimtoola.—But the freight is 0-14-0 to 1-0-0 from the United Provinces, etc., to Bombay?

Mr. Moir.—Yes. We can get much better price round about the factory and other areas.

Mr. Rahimtoola.—You are not handicapped by freight?

Mr. Moir.—We can probably get better price if railway freights were put up.

President.—Is the railway rate a flat rate?

Mr. Millar.—When they rail sugar from Cawnpore to Bombay they get a flat rate but for bringing it to Poona or Nasik they have got to pay from Bombay to Nasik or Bombay to Poona.

Mr. Rahimtoola.—We want to get an idea as to what the present cost would be to put up a 500 ton factory. Has there been any increase in cost since the last Tariff Board reported?

Mr. Millar.—There has been a very great increase; we should put it down between 30 and 40 per cent.

Mr. Moir.—It went up gradually for a time and since this re-armament business started it went up rapidly.

President.—Is that just a recent increase?

Mr. Rahimtoola.—Today's prices are 30 to 40 per cent. higher than the figure quoted in the last Report?

Mr. Moir.—I should think so.

Mr. Rahimtoola.—You are working on single sulphitation?

Mr. Millar.—It is still the same single sulphitation. We may have another sulphuring this year, this next season, and it would be a double sulphitation.

President.—You find your keeping quality quite satisfactory with single sulphitation

Mr. Millar.—Yes, but we also use a bleaching agent, which is really in fact double sulphitation (here explains the process).

Mr. Rahimtoola.—I was given to understand that in single sulphitation there is greater impurity because sulphur remains in sugar. Is that correct?

Mr. Millar.—No. There might be a very slight trace, an extremely slight trace.

President.—Have you ever made any experiment as to how long your sugar actually keeps in good condition?

Mr. Millar.—Not over a period of years.

President.—We know in some cases Java sugar will keep two to three years.

Mr. Millar.—Generally speaking carbonatation sugar keeps better than sulphitation sugar.

President.—We made enquiries, but no Indian sugar has been kept for more than about six months and so nobody can say how long Indian sugar can keep.

Mr. Moir.—Our production is always in consumption by the end of September.

Mr. Rahimtoola.—In answer to question 81 you have given comparative figures of 1930-31 and 1935-36. I only want to know whether the manufacturing cost includes cost of cane?

Mr. Moir.—It is including cost of cane.

Mr. Rahimtoola.—'Office Expense'—includes head office and managing agents?

Mr. Moir.—Everything inclusive of depreciation.

Dr. Jain.—I gather you keep your skilled labour employed in the silent season also and you seem to specialise in welfare work. You have got all your labour housed in free quarters and you maintain schools. Education is free for the children of your employees under Rs. 20. How many children take advantage of that?

Mr. Millar.—About 250.

Dr. Jain.—How many children are there of school-going age?

Mr. Millar.—About 50 per cent. take advantage of the school.

Dr. Jain.—What about the children of employees getting more than Rs. 20?

Mr. Millar.—They have the same education facilities but they pay small fees. There is a reason for that. People who are permanent employees and get Rs. 20 or over are eligible for the Provident Fund; those below Rs. 20 are not so the children of these people are not charged. Then there are graded fees according to the pay of the parent. Then also in the English school the amount of free tuition is limited by the Board of Education.

Mr. Moir.—We are now extending the school to accommodate more children.

Dr. Jain.—In answer to question 57 about fuel you say "make up fuel" is required. What is make up fuel?

Mr. Millar.—Furnace oil, in our case.

Dr. Jain.—What are the by-products in your factory. You say the only by-product is molasses. Is not bagasse a by-product?

Mr. Millar.—We do not classify it as by-product. Bagasse is actually used in the process of manufacture.

Dr. Jain.—About marketing in answer to question 85 about the sugar contract form you say that your sugar contract form is suitable although it is different from the Indian Sugar Mills' Association's form.

Mr. Moir.—We are in favour of adopting the Sugar Mills' Association's form but our buyers say they have not read the present form yet!

Dr. Jain.—What is the difference between your form and that of the Indian Sugar Mills' Association?

Mr. Moir.—Nothing much. There are a few additional clauses in the Association's form with regard to specific quality.

President.—The only point of difference is clause 8, the point about quality. Are your clauses materially different from that clause?

Mr. Moir.—I have never been called upon to refer to our quality clause through dispute, but there is little or no difference between our clause and that of the Indian Sugar Mills' Association.

Dr. Jain.—Could you send us a copy of your contract form?

Mr. Moir.—I will.

Dr. Jain.—As regards marketing survey, you are in favour of it partly with a view to avoiding uneconomic transport from one producing centre to another. Is that a general statement or had you any particular instances in mind?

Mr. Moir.—I was merely being guided by what happened in the cement merger.

Mr. Millar.—This is a question of concession in freight to Bombay, a concession which is granted to one or two provinces and not granted to the Deccan factories. Whether the railway company have been forced to make this concession in order to meet competition is a matter which you might enquire into.

President.—The question of coastal trade comes into that?

Mr. Millar.—Exactly.

Dr. Jain.—I have one more question to ask and that is about the futures or the terminal market. I wonder if you like to express any opinion. In principle would you be in agreement with it, I mean in general leaving the details to be worked out by the sub-committee?

Mr. Moir.—I don't think I have anything special to say on that.

Mr. Rahimtoola.—You have made some remarks about the pundia cane. I find that in some places it is still being used and is popular.

Mr. Millar.—It is popular with the *gur* maker. With his small power plant it is a very good cane. It is soft and easily milled. Also it gives good coloured *gur*. But from the sugar manufacturers point of view it is not a

good cane. At its best it is quite good. But it is a very delicate cane; it has a weak root system and is very susceptible to disease. It requires heavy manuring and is subject to any irregularities of irrigation or flood; it is not a heavy yielding cane. Pundia cane has been identified. It was grown in Java many years ago under the name of White Japara. For the very reason that we discarded it, Java discarded it. It was also grown in Mauritius and there again it has been discarded.

Mr. Rahimtoola.—Is Coimbatore variety hard and arrowy?

Mr. Millar.—They arrow.

Mr. Rahimtoola.—Have you made any suggestions for research in this direction?

Mr. Millar.—No.

Mr. Rahimtoola.—Regarding Form III I want to get at the extraction figure in order to compare it with the figure of 1930.

Mr. Millar.—It is about 90.

Mr. Rahimtoola.—The extraction last time was 91.

Mr. Millar.—That is the weight of mixed juice. The extraction figure is the extraction of sugar from the sugar in cane.

Mr. Rahimtoola.—Is it shown in item No. 5?

Mr. Millar.—It is not here. In our case it is about 90.

Mr. Rahimtoola.—In 1930 when you gave evidence it was 91 as compared with 94 or 95 in Java. I want to know whether there is any improvement on that.

Mr. Millar.—There is no improvement yet.

Mr. Rahimtoola.—Is there any improvement with regard to the boiling house efficiency?

Mr. Millar.—There has been some improvement.

Mr. Rahimtoola.—What is the figure now? In Java it was 89.

Mr. Millar.—Last year it was 89.75.

President.—Is there any reason why the Indian mills should not be as efficient as Java?

Mr. Millar.—No. I say without fear of contradiction that there are many mills in India as efficient as any in Java.

Dr. Jain.—How many would you say?

President.—Without mentioning names.

Dr. Jain.—You may even say one-third or one-fifth.

Mr. Millar.—One-third or one-fifth? I have a particular group in mind and may I say at least 10 and probably more.

President.—That comes to one-tenth.

Mr. Millar.—Yes.

Mr. Rahimtoola.—Can you give me the polarisation figure for last year?

Mr. Millar.—14.20.

Mr. Rahimtoola.—Yours was about 13 last time.

Mr. Millar.—Yes.

Mr. Rahimtoola.—What system you are adopting for cooling. Is it still the natural system.

Mr. Millar.—Spray cooling plant. Water is sprayed through nozzles.

President.—Would it be correct to say from what you have already said it is only in the cost of raw material that Java has an advantage? I am only talking of manufacture.

Mr. Millar.—No. In Java they have a very efficient system of mutual control and very efficient experimental station on which they have spent a great deal of money.

Dr. Jain.—Experimental station on the manufacturing side.

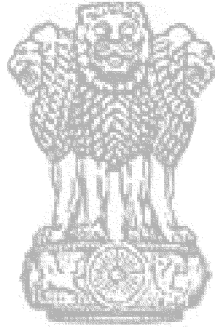
Mr. Millar.—On all sides.

Dr. Jain.—We know of agriculture.

Mr. Millar.—Also manufacturing.

President.—They have an advantage over Indian factories in that respect.

Mr. Millar.—They have had in the past. We now have our own Technological Institute which has recently been established as you are aware, so that we are also travelling along the same road.



सत्यमेव जयते

KALAMB SUGAR WORKS AND THE RAVALGAON SUGAR FARM, LTD., BOMBAY.

Evidence of Mr. LALCHAND HIRACHAND, representing Marsland Price & Co. and Ravalgaon Sugar Farm, Limited, recorded at Bombay on Thursday, the 5th August, 1937.

Mr. Lalchand.—There is one point which I would like to correct in the details of the cost of cultivation. There we have said that the cost of seed and planting is Rs. 83. It is a mistake. The cost comes to only between Rs. 35 and Rs. 40 and not Rs. 83. The reason was that in the first year the seed was very costly. So, we put it at Rs. 60 in that year. But in the following year the cultivation cost came down and therefore the cost of seed also went down.

President.—I suppose you grow your own seed.

Mr. Lalchand.—Yes.

President.—It is only an estimate in any case.

Mr. Lalchand.—Yes.

Dr. Jain.—The total also will have to be altered.

Mr. Lalchand.—Yes. It will come down by Rs. 40 or Rs. 45.

President.—Which factory shall we take first?

Mr. Lalchand.—Ravalgaon.

President.—I suppose you understand that this oral examination is only to supplement your written evidence and there is no need to repeat what has been submitted in the written statement. It will therefore be confined to any further points that we want to have elucidated.

Mr. Lalchand.—Yes.

President.—I think I shall first deal with the cost of cultivation given in Appendix as you have already touched on it. What is this third item 'Tag'p

Mr. Lalchand.—Green manure—Sunhemp.

President.—When you say watering, what exactly do you mean?

Mr. Lalchand.—I mean labour employed for watering.

President.—For seed you have put down Rs. 30.

Mr. Lalchand.—Yes.

President.—How many setts do you require per acre?

Mr. Lalchand.—More than 10,000 setts—between 10,000 and 12,000 setts.

President.—At what rate have you taken?

Mr. Lalchand.—We generally take the cost of acre and so many acres have been planted out of that acre. That is how we work out.

President.—You reserve an area for seed and calculate the cost of cultivation. If so many acres are planted with that seed, you divide the total cost by the number of acres.

Mr. Lalchand.—Yes. Last year the cost of seed went up by Rs. 5 to Rs. 6 because there was plenty of borers and so gap filling had to be done.

President.—Irrigation charges you have put down as Rs. 75.

Mr. Lalchand.—Yes for Adsali and for plant cane Rs. 62.

President.—The standard rate is I think Rs. 45, and Rs. 15 for local drainage.

Mr. Lalchand.—1 anna 3 pies per every rupee represents the cess.

President.—Rs. 2 represents cess.

Mr. Lalchand.—1 anna 3 pies on every rupee.

President.—What does this Rs. 62 represent?

Mr. Lalchand.—I worked it out like this. On an average the crop stands there for 15 months. It works out to Rs. 4 a month or Rs. 4½. So, it comes to Rs. 62.

President.—Including the drainage?

Mr. Lalchand.—This is without drainage. The irrigation charge is Rs. 45 for 12 months and there are penalties to be paid to the extent of Rs. 2 or Rs. 3. Then there are local fund cesses. For all that, it will come to Rs. 48 for 12 months. On an average it comes to Rs. 4 a month and if the crop stands for 14 or 15 months, it comes to Rs. 62.

President.—For Adsali it is Rs. 75.

Mr. Lalchand.—Yes, as it is an eighteen month crop.

President.—What about the drainage charge of Rs. 15?

Mr. Lalchand.—That will be over and above this. They have not collected so far. The agreement is like this: if and when it will be found necessary the company will be bound to pay 1/6th of the total cost of drainage, or Rs. 15 per acre whichever is higher.

President.—What is the average rent you pay? Is your land leased from private persons?

Mr. Lalchand.—Yes, a large portion.

President.—Have you leased any from Government?

Mr. Lalchand.—I purchased about 12 years ago some forest land. A large portion of that does not come under sugarcane because that land does not have command of water. A very large portion I have also taken on leases from cultivators or from owners of land and I pay on an average Rs. 7 to Rs. 7-8-0 per acre including the assessment.

President.—That is net profit to them.

Mr. Lalchand.—Yes.

President.—When you put down a figure of Rs. 19, that is for two seasons.

Mr. Lalchand.—That is for one crop. I can take only two crops of sugarcane in 5 years, under the Irrigation Rules. Therefore the whole of that rent goes on the crop. Because Adsali crop stands for 18 months, we have charged Rs. 19 for the Adsali and as the plant crop stands for 14 or 15 months, we have charged Rs. 14.

President.—Even now I do not see how you arrived at Rs. 14.

Mr. Lalchand.—For 5 years at Rs. 7-8-0 it would come to Rs. 40. That has to be divided on two crops only. Thus it works out to ($\frac{40}{2}$) Rs. 20.

President.—A little less than that.

Mr. Lalchand.—Yes.

President.—Don't you grow any other crop?

Mr. Lalchand.—Nothing except fodder.

President.—You don't get any return for three years.

Mr. Lalchand.—What we have found is that sugarcane is a very expensive crop. We must concentrate on sugarcane. What happens is if we grow any ordinary crop our attention is diverted to that small crop and the major crop suffers. So from that point of view we rather prefer not to grow any ordinary crop. Moreover, by not growing any minor crop, the land gets rest and improves in productivity.

President.—It has been suggested to us that the growing of cotton crop after sugarcane is in some ways advantageous. The yield of cotton crop, if grown immediately after sugarcane, is almost double without any extra expense and therefore some saving in expense of cultivation is made in that way.

Mr. Lalchand.—This is our difficulty in Ravalgaon. Cotton is a kharif crop. We start our factories in October. The work of picking up cotton also comes in October and November when there is always shortage of labour. We cannot take any kharif crop particularly which requires plenty of labour. Therefore we cannot have cotton. Moreover to get that double crop we would require water from the canals. There is already shortage of water even for sugarcane.

President.—What canal is that?

Mr. Lalchand.—Girni Left Bank Canal.

President.—Is there any difficulty about water?

Mr. Lalchand.—Yes.

President.—Is it a minor canal?

Mr. Lalchand.—Yes.

President.—The water rate is Rs. 45.

Mr. Lalchand.—Rs. 43 (Rs. 28 plus Rs. 15). But up till now we have paid Rs. 43 including the drainage tax because I was treated as a private cultivator and not a factory owner. Therefore the charge was Rs. 43.

President.—I was under a misapprehension that you would be paying the major canal rate. You are paying the minor canal rate.

Mr. Lalchand.—Yes.

President.—What does this item 'miscellaneous charge' represent?

Mr. Lalchand.—Road making, sundry repairs, etc.

President.—Do you spend money on feeder roads?

Mr. Lalchand.—I have to. There is no road at all in that part of the country. In the monsoon it becomes almost an island. I don't like to call it St. Helena. We cannot go out of the village during the monsoon.

President.—Have you tramways?

Mr. Lalchand.—Yes.

President.—You have to supplement your tramways by feeder roads.

Mr. Lalchand.—Yes.

President.—To the factory?

Mr. Lalchand.—Yes. There is one section in which I have not laid the tram line. So, from that section the cane has to be carried on bullock carts.

President.—General charges, what does that represent?

Mr. Lalchand.—Office charges and what we call Shothi, items which cannot be debited to any of these other items. These do not go directly to agricultural operations.

President.—As regards livestock maintenance, does that mean depreciation or actual maintenance?

Mr. Lalchand.—Actual maintenance.

President.—Revenue expenses item No. 18, what does that represent?

Mr. Lalchand.—These three items I shall explain jointly. These three items together come to about Rs. 35 which includes office charges, road construction, etc., pay which the workmen get for their holidays and the officers' pay.

President.—There is already an item called supervision.

Mr. Lalchand.—Supervision is only Mukadem, sectional clerk, etc. But in these general charges and revenue expenses are included sectional heads, officers' pay, etc.

Dr. Jain.—Why do you call them revenue expenses?

Mr. Lalchand.—All office charges for example which do not actually go to the cultivation operations we set aside and call them revenue expenses and general charges.

President.—How many ratoon crops do you take?

Mr. Lalchand.—One.

President.—In calculating the cost of cultivation would it be reasonable to take the plant crop and the ratoon together, add the cost of cultivation of both, add the outturn of both and divide each by two?

Mr. Lalchand.—No. The cost of plant cultivation and ratoon is different. Here I have given the cost of cultivation per ton of ratoon as well as plant. If you take the two together and if the proportion varies, the cost per ton will vary.

President.—The two go together.

Mr. Lalchand.—Not necessarily. Sometimes you may have a plant and you may not take a ratoon because there are certain varieties which do not give a good ratoon. EK. 28 is a bad ratooner.

President.—On the other hand your cost of cultivation will be less in one year and more in another.

Mr. Lalchand.—Yes.

President.—So, if you take a ratoon crop, it might be reasonable to split the two.

Mr. Lalchand.—Yes.

President.—What I was rather getting at is this. If a ratoon follows the plant crop, you take the two together.

Mr. Lalchand.—Yes, I am in favour of taking a ratoon.

President.—For one year at least.

Mr. Lalchand.—Yes.

President.—Have you found that it led to any increase of diseases?

Mr. Lalchand.—No, on the contrary, there is a decrease.

President.—Taking the two together, it pays you.

Mr. Lalchand.—Yes.

President.—Although the yield is somewhat less?

Mr. Lalchand.—Yes.

President.—Is the yield of ratoon crop always less?

Mr. Lalchand.—No.

President.—Sometimes it is more.

Mr. Lalchand.—Yes. I have shown four crops—Adsali, ratoon, plant and ratoon. My present policy is to keep the ratoon of adsali crop and not of the plant crop because the adsali crop is cut in October, November and December. That gives a better ratoon than the plant crop because the plant crop is cut in January, February and onwards. Therefore I find that the average yield of ratoon obtained from the adsali crop is as much as the plant crop itself.

President.—With regard to the varieties of cane grown, what do you find most satisfactory at present?

Mr. Lalchand.—From the point of view of tonnage?

President.—From the general factory point of view? What are the respective advantages and disadvantages?

Mr. Lalchand.—POJ 2878 grows well in rich soils and requires more water. Given more manure it responds very well. EK 28 is very susceptible to the borer. It is a very dangerous crop. If you get it, the yield is as good as POJ 2878, but many times it fails. Co. 290 is very good from the point of view of tonnage. It beats POJ 2878. It grows equally well even in shallow soil but it is not so rich in sugar content. Therefore we prefer POJ 2878. But the one drawback of POJ 2878 is bad clarification qualities. If you mix it with other varieties, we can do the clarification all right.

President.—Have you got Co. 419?

Mr. Lalchand.—Yes.

President.—You are just experimenting with that?

Mr. Lalchand.—Yes.

President.—You have not got any results yet?

Mr. Lalchand.—Not yet.

President.—While we were in Coimbatore the other day, Rao Bahadur Venkataraman made a very confident pronouncement that the new varieties of cane introduced in the tropical areas would eventually bring down the cost of cultivation approximately to the level in sub-tropical areas.

Mr. Lalchand.—That is from the agricultural point of view. But from the factory point of view, I have my own doubts. It will give you a higher tonnage, but it is doubtful if it will contain more sugar than POJ 2878. It is considered to be a late maturing variety, but we have yet to make further observations; it is uniform in its growth.

President.—You are not yet satisfied about its factory performance?

Mr. Lalchand.—No.

President.—There is another point about the varieties of cane which are common to the tropical region. In all the tropical region the fibre content of the cane grown is less than in the sub-tropical. In the sub-tropical many of the factories have enough bagasse to run the factory and some even an excess, but in the tropical region there is no factory which has enough bagasse. Mr. Venkataraman suggested that by a judicious admixture of varieties—some with high fibre content—it might be possible even in the tropical region to have enough bagasse.

Mr. Lalchand.—Did he mean to say that varieties of cane with more fibre content will give more sugar also?

President.—His view was that if factories grew some cane with high fibre content and some with high sucrose content, taking it all round that might be an economical arrangement although the actual sucrose content in the cane with high fibre content might be less.

Mr. Lalchand.—We would rather prefer to have one ton of sugar more than two tons of fibre. Even if one had to spend on fuel, one would prefer to have more sugar from the cane than more fibre from the cane.

President.—That is to say, the saving in fuel will not be equal to the loss in sugar: is that your opinion?

Mr. Lalchand.—Yes. Then, more fibre very often leads to higher consumption of steam because crushing becomes less and for crushing hard cane more steam is consumed and there is also damage to the rollers. There is one very interesting fact that we observed in this connection. The Director, Sugar Technological Institute, Cawnpore issues monthly data and from his figures we calculated that those factories which had cane with about 15 per cent. fibre content showed less amount of auxiliary fuel consumed while those with less than 15 per cent. required more auxiliary fuel. It was a general observation: it was not the rule, but that is what we observed from his figures.

President.—To what extent do you think that within the next seven years it will be possible to reduce the cost of production of cane?

Mr. Lalchand.—There are two things, one is the price of oil cake which we cannot control. As a matter of fact my cost of cultivation would have gone down by about 8 annas or more than what it is at present if the price of cake had remained the same as it was two years ago. That is one factor which is not under our control. The question of irrigation is also a very important factor in the Deccan. It depends on the policy of the Irrigation Department; if they restrict the use of water and put restrictions with regard to the use of water it will be difficult to bring down the cost of production. But if they become liberal we do not say that they should give any amount of water for wastage—but the crop requires water at a particular period and if they allow the use of water according to the necessity of the crop, I think the cost of cultivation will be reduced to some extent.

President.—I suppose improved variety of cane also would reduce the cost?

Mr. Lalchand.—Yes. Even in preparatory tillage I have been able to effect a reduction of Rs. 6 to 7. In other items also, e.g., watering, the efficiency of labour is increasing though now we are paying higher wages to them, and in various other items such as weeding and interculturing we are making efforts to reduce the cost.

President.—Could you give us any idea of the reduction in the figures you have given in your statement?

Mr. Lalchand.—Other items remaining equal I think it would be possible to reduce the cost by 12 annas a ton and it would be possible * bring it down to Rs. 9-8-0 on an average per ton of cane. Of course I can't say definitely that it would be so but that is the estimate.

President.—We have touched on the question of irrigation and I think we might as well deal with that point now. We have heard a good deal about the irrigation canals already and we would like to have your views on the subject.

Mr. Lalchand.—Probably you have heard of the story of the irrigation agreement for the sugar factories. For the last four years we have been struggling to get reasonable terms and though we have agreed to sign and have signed the agreement, there are so many points which need reconsideration, particularly the drainage problem. They have asked us to pay the full cost of drainage, while we think it is but proper that Government should construct the drainage and only charge for the water, but they want us to pay the full cost of drainage, not only the actual cost but they want to add another 30 per cent. for overhead charges which is too high. Moreover they have got such an elaborate scheme for the preparation of the drainage that the estimates have come to 3 to 4 lakhs of rupees for Marsland Price. Ravalgaon in that respect is fortunately situated: they would not require any drainage at all for at least ten years. For Marsland Price it comes to about 4 lakhs of rupees which would probably be the whole cost of the land itself. This is an enormous burden on the factory and we have been asking Government not to insist on such an elaborate scheme but to allow drainage to be carried out when and where necessary and it should be carried out by the factory itself because they can do it more economically and that it should be done without much elaborateness. They have got in their scheme pipes for underground system and a road about 12 feet in width running parallel to the whole drainage. We have written to Government about these things but do not know whether they will consider it. I hope the popular Government will. Then there is the question about the rate also. After all we have to compete with other people and Rs. 45 for 12 months comes to Rs. 75 for Adsali or Rs. 62 in the case of plant crop. Even if we get a crop of 40 tons on an average it comes to Rs. 1-8-0 which is a very big item. Then there are the various rules which are very difficult to observe. A small wastage of water leads to penalties. You have to irrigate the crop whether it is day or night and whether the temperature is 32 or below. Even when it is frozen the man has to irrigate the crop.

President.—As you are aware, we can only make a note of what you say; it is really for you to approach Government as it is not in our power to make any recommendations. But we are interested to hear what you have to say on the subject.

Mr. Lalchand.—Yes.

President.—How often does a frost occur?

Mr. Lalchand.—A very severe attack does not come frequently; it was only in 1929 that it came. After that there were two mild attack when 10 to 15 per cent. of cane were damaged each time.

President.—But the greater damage comes from insects?

Mr. Lalchand.—Yes, from borers. We have been able to get over that trouble to some extent at Ravalgaon. But in Kalamb as the land contains salt the canes are more liable to attack by borers.

President.—Do you buy any cane from private people?

Mr. Lalchand.—Only a very small quantity.

President.—It is all cart cane, is it?

Mr. Lalchand.—Yes, it is all gate cane.

President.—What is the price you paid?

Mr. Lalchand.—Rs. 10-8-0 for Co. 290. Other varieties did not come at all. It is usually one rupee higher for the other varieties.

President.—You do make a difference in price according to the varieties?

Mr. Lalchand.—Yes.

President.—You find no difficulty in paying different prices for different varieties?

Mr. Lalchand.—No.

President.—In future will your own cultivation be sufficient to meet your requirements or would you buy?

Mr. Lalchand.—I can't increase my plantation because the canal is small, nor can other people give me much because their area is also restricted to the canal.

President.—So you will remain constant?

Mr. Lalchand.—We are asking Government to increase the capacity of the canal and the reservoir too. I don't know whether Government will consider it.

President.—That limits the capacity of your factory also?

Mr. Lalchand.—Yes, unless the outturn per acre goes up.

President.—There are a good many questions, but perhaps they would be answered by the Mills Association.

Mr. Lalchand.—I do not know whether you would want me to refer to the question of railway freights.

President.—We heard a good deal about that in Madras.

Mr. Lalchand.—Some people say there is an element of provincialism in it, but there is none at all. When we say the railway rates should be raised it is purely from a different point of view. The railway freights were originally reduced in order to enable Indian sugar to compete with Java at the ports. Now Java sugar is not coming in at all and this reduction in freight is affecting us. It does not help United Provinces or Bihar sugar manufacturers because even if they send their sugar at a reduced price they can't sell in our territory. We have to sell our sugar and when they reduce their price we reduce ours and therefore that sugar does not come to our territory. As long as, therefore we go on producing sugar and do not stop our factories they cannot take advantage of the reduced freights. There is no question of provincialism as such; it is just an economic question.

President.—I see that you are now burning your molasses and that the results are very satisfactory. That is very interesting. You allow 4 annas a maund as the value of molasses?

Mr. Lalchand.—Yes. But I have not included that value in the cost of manufacture statement.

President.—We were told elsewhere that there is a certain amount of disadvantage in burning molasses, that corrosion results?

Mr. Lalchand.—Nothing whatsoever. The boilers are as good as the other boilers. There is only one boiler which is used for molasses burning and it is as good as the other boilers. The Kalamb factory tried burning molasses in their boilers but it was not possible to do so. Our boilers are smoke tube boilers: it is difficult to burn molasses in water tube boilers. Probably it is easier in Lancashire boilers and the burning of molasses gives you molasses ash which contains 10 per cent. potash which we use for manure.

President.—In regard to the utilisation of molasses one point on which everyone is agreed is the manufacture of power alcohol so I need not ask you anything about that.

Mr. Lalchand.—That is so.

President.—I see that you hope ultimately to be able to raise your recovery rate by about one per cent?

Mr. Lalchand.—Yes.

President.—In regard to the question of cane, I think there is possibly a slight misapprehension. Actually the factories in United Provinces and Bihar pay above the minimum price. The average paid in the season is above the minimum price.

Mr. Lalchand.—When they pay higher we do not feel any difficulty in competing at that time. It is only when they get cane at too low a price that this question arises. You know of the exceptionally low prices paid in April and May.

President.—That is under special circumstances.

Mr. Lalchand.—At the Nainital Conference I was told that they have fixed the minimum price at 0-3-6 for the whole of the season and if this is going to be the rate for the whole of the next season then I say that the minimum price has been fixed at a very low figure.

President.—Supposing the Bombay Government decided to fix the minimum price in Bombay—that doesn't affect you, because you buy very little—on what basis do you think it should be done? Would you base it on the cost of cultivation?

Mr. Lalchand.—Yes, on the cost of cultivation.

President.—One suggestion has been made that the minimum price might be based on the cost of cultivation at the time of planting.

Mr. Lalchand.—Yes.

President.—And that a bonus over and above the minimum price calculated on the selling price of sugar at the time of delivery should be given. Do you think that that is workable?

Mr. Lalchand.—Yes.

President.—Could you suggest any other way of fixing minimum prices?

Mr. Lalchand.—Personally I think that one minimum price is necessary and that should be on the cost of cultivation.

President.—You have already said that it would be quite feasible to give bonus for certain varieties of cane over and above the minimum.

Mr. Lalchand.—Yes.

President.—That is another alternative.

Mr. Lalchand.—Yes if those varieties of cane give more sugar, it would be worth while doing it as we do at our factories.

President.—Supposing the Government fix the minimum price as 5 annas and say for POJ 2878 5 annas 6 pies or something of that sort, do you think that that would be feasible?

Mr. Lalchand.—Yes.

Mr. Rahimtoola.—I would just like to refer to the cost of cultivation. You generally grow your cane?

Mr. Lalchand.—Yes.

Mr. Rahimtoola.—This is the cost of your own cane?

Mr. Lalchand.—Yes.

Mr. Rahimtoola.—Are these actuals?

Mr. Lalchand.—It is very difficult as a matter of fact to get the exact cost of the private cultivators. In many cases they don't take into consideration the various items, for example, labour.

Mr. Rahimtoola.—I don't think you have understood my point. When you have given us these costs, have you taken into consideration the costs prevailing round about your area?

Mr. Lalchand.—You mean other people's costs?

Mr. Rahimtoola.—Yes, other people's costs, either factories' costs or other cultivators' costs?

Mr. Lalchand.—These are my actual costs.

Mr. Rahimtoola.—If these are the actual costs, I want to know how they have been allocated. It is very difficult to follow when there are four kinds of statements given by you.

Mr. Lalchand.—We maintain all those accounts.

Mr. Rahimtoola.—What varieties of cane have you taken?

Mr. Lalchand.—This is not variety by variety. It is for that particular crop.

Mr. Rahimtoola.—When you take the yield, you have got to take the variety of cane into consideration.

Mr. Lalchand.—This is the average yield for different varieties.

Mr. Rahimtoola.—That means all these are averages of all the three qualities that you are using.

Mr. Lalchand.—Yes.

Mr. Rahimtoola.—Does it not make a difference between Adsali cane, the plant cane, the adsali ratoon cane, and the ordinary ratoon cane in various costs?

Mr. Lalchand.—It does.

Mr. Rahimtoola.—The last three items given in the statement showing average cost of one acre are an arbitrary allocation.

Mr. Lalchand.—Miscellaneous is not arbitrary, but the general charges, live stock maintenance and revenue expenses are a bit arbitrary. What we have to consider is supervision. For example the officer goes to the Adsali crop and the plant crop as much as to the other crop and therefore with regard to supervision or the office charges, we have taken as the same.

Mr. Rahimtoola.—Take for instance items 3, 4 and 5. How much oil cake is used?

Mr. Lalchand.—Last year we used about 2 tons of groundnut cake to an acre.

Mr. Rahimtoola.—What was the price?

Mr. Lalchand.—Rs. 64 or thereabouts. I couldn't tell you exactly now.

Mr. Rahimtoola.—Are these prices for 1936?

Mr. Lalchand.—Yes.

Mr. Rahimtoola.—What is the price of sulphate of ammonia?

Mr. Lalchand.—Rs. 11.

Mr. Rahimtoola.—How many bags do you use?

Mr. Lalchand.—2 bags of ammonia sulphate.

Mr. Rahimtoola.—What is the quantity used?

Mr. Lalchand.—It varied. There were some plots which consumed 3 bags; some plots less. According to the soil and according to the crop, we vary the dose of manure.

Mr. Rahimtoola.—What about other manures? Is that farm yard manure?

Mr. Lalchand.—Yes.

Mr. Rahimtoola.—How many cart loads do you use?

Mr. Lalchand.—Farmyard manure is not sufficient for all the areas. Some areas got 10 faras—25 c.lt. a fara. On that basis some got 10, some got 15 and some didn't get at all.

Mr. Rahimtoola.—It is very difficult to allocate these charges. That was my point.

Mr. Lalchand.—Allocation is not difficult. Allocation we have done as it actually happened. We have got 4 canes.

Mr. Rahimtoola.—Can you give me the percentages of these four crops?

Mr. Lalchand.—Yes. Out of 1,100 acres, 450 acres is Adsali. 25 acres is Adsali Ratoon; plant crop is 350 acres and about 300 or 325 is ratoon. There may be a slight variation.

Mr. Rahimtoola.—There are three other items which I find are not included. One is cutting charges. Is it included in the item cutting, stripping and bundling?

Mr. Lalchand.—That is harvesting.

Mr. Rahimtoola.—What about transport?

Mr. Lalchand.—That I have included in the manufacturing expense.

Mr. Rahimtoola.—You mean general charges?

Mr. Lalchand.—Yes the statement given for manufacturing expenses.

President.—I think you said the cost of transport by tramways is $\frac{1}{4}$ th of a pie per maund per mile. Is that correct?

Mr. Lalchand.—Yes.

Mr. Rahimtoola.—How much does that work out?

Mr. Lalchand.—12 to 14 annas per ton.

Mr. Rahimtoola.—How much should I add per acre?

Mr. Lalchand.—Rs. 40 for Adsali; for Adsali Ratoon Rs. 31.

President.—Is that based on the outturn?

Mr. Lalchand.—12 to 14 annas per ton.

Mr. Rahimtoola.—It will depend upon the distance of the farm to the factory.

Mr. Lalchand.—Yes.

Mr. Rahimtoola.—What is the distance to the factory?

Mr. Lalchand.—Radius of 7 miles. In some cases I have to pay Rs. 1-2-0 per ton. In other cases I pay 4 annas. On an average it works out to 12 annas to 14 annas per ton for transport charges.

Mr. Rahimtoola.—I suppose the question of interest doesn't arise.

Mr. Lalchand.—No, we have not calculated.

Mr. Rahimtoola.—Do you generally calculate?

Mr. Lalchand.—Some interest we have to pay.

Mr. Rahimtoola.—How much would that amount to?

Mr. Lalchand.—I couldn't tell you off-hand.

Mr. Rahimtoola.—You can let us know that later. We have some previous figures and we want to compare them with your figures.

Mr. Lalchand.—Yes.

Mr. Rahimtoola.—Can you tell me whether there is any reduction in the cost of cultivation?

Mr. Lalchand.—In preparatory tillage there is a reduction. In weeding, interculturing and watering there has been some reduction.

Mr. Rahimtoola.—Can you send a statement showing where you have been able to reduce your costs in 1937?

Mr. Lalchand.—Yes.

Mr. Rahimtoola.—You say your factory is not advantageously situated. What considerations you had when you started the factory?

Mr. Lalchand.—We started the farm first 13 years ago before anybody ever thought of the Sugar industry. The idea was that the mercantile people should go in for agriculture and make agriculture a more prosperous thing. So we went there and with that idea we started the farm. For 8 or 10 years we lost and lost. When protection was granted to the Sugar industry, we thought that was one way to stop the losses. So we started the factory.

Mr. Rahimtoola.—Is it not favourably situated with regard to your markets?

Mr. Lalchand.—Not particularly.

Mr. Rahimtoola.—Which are your principal markets?

Mr. Lalchand.—Dhulia, Jalgaon; part of the Nizam's territory; east and west Khandesh.

Mr. Rahimtoola.—It does not go to Bombay city.

Mr. Lalchand.—No.

Mr. Rahimtoola.—What is the reason?

Mr. Lalchand.—Bringing sugar to Bombay will not be profitable to us. We want to go away from the ports, because the United Provinces and Bihar sugar goes to Bombay at a favourable freight.

Mr. Rahimtoola.—Is it only the advantage of freight or is it the low cost of manufacture?

Mr. Lalchand.—Only freight.

Mr. Rahimtoola.—From your factory to Bombay the freight is higher than from Cawnpore to Bombay.

Mr. Lalchand.—If I go away from Bombay, I get the advantage of freight. That is, the United Provinces factory sells at factory price *plus* from factory to Bombay freight. In my market I get that advantage *plus* the freight from Bombay to my market.

Mr. Rahimtoola.—Bombay market is not favourable on account of freight, is that correct?

Mr. Lalchand.—Yes.

Mr. Rahimtoola.—Why have you started your factory with single sulphitation?

Mr. Lalchand.—At that time we thought that single sulphitation would be quite enough and we are doing single sulphitation so far.

Mr. Rahimtoola.—You don't find sulphur remaining in sugar in single sulphitation.

Mr. Lalchand.—We have never heard that complaint so far.

Mr. Rahimtoola.—You say in the Deccan the size of the factory is mainly determined by the supply of water.

Mr. Lalchand.—Yes.

Mr. Rahimtoola.—But I was told that you could get any amount of water and that the rate is fixed for the year. I am therefore unable to follow the point.

Mr. Lalchand.—On the Girna canal as I explained the capacity of the canal is small and I cannot hope to exceed the area I am growing at present because there will not be more water available. As regards the other canals, I hear there too the other factories find it difficult to extend. I am told that the Belapur Company wanted to extend the area by 1,000 acres. Their representatives would give you a better idea. They can't get water and consequently they have to abandon it.

Mr. Rahimtoola.—There is enough water for existing factories with their present capacity.

Mr. Lalchand.—Yes.

Mr. Rahimtoola.—Water-rate is fixed for the year.

Mr. Lalchand.—Yes.

Mr. Rahimtoola.—You can draw any amount of water during the year?

Mr. Lalchand.—Yes.

Mr. Rahimtoola.—How many times do you draw water?

Mr. Lalchand.—Once in ten days normally.

Mr. Rahimtoola.—Is that sufficient?

Mr. Lalchand.—No. Sometimes the crop requires more frequent irrigation. If the land is a bit shallow, it requires water twice in 10 days.

Mr. Rahimtoola.—My point is whether you find any difficulty with regard to the supply of water.

Mr. Lalchand.—Yes.

Mr. Rahimtoola.—Have you brought it to the notice of the Irrigation Authorities?

Mr. Lalchand.—Yes.

Mr. Rahimtoola.—Do they say they can't give you more water.

Mr. Lalchand.—They refuse to. They have their own system which they follow.

Mr. Rahimtoola.—In answer to question 9 you say that the Deccan sugar factories have not been able to get any assistance from the Imperial Institute of Sugar Technology.

Mr. Lalchand.—Yes.

Mr. Rahimtoola.—Did you apply to them for any assistance?

Mr. Lalchand.—Yes.

Mr. Rahimtoola.—What was their reply?

Mr. Lalchand.—The Director has been willing to help the factories, but as I have said we are very far away and they have not been able to solve the problem of clarification of POJ 2878.

Mr. Rahimtoola.—It means that he doesn't find time.

Mr. Lalchand.—I may give you an instance. We wrote to him about the best method of clarification of POJ 2878 and the only thing we got from him was absolutely word for word copy of a summary of a paper published in the International Sugar Journal. Beyond that we didn't get anything.

Mr. Rahimtoola.—Probably he approves of the method.

Mr. Lalchand.—That too is very inadequate.

Mr. Rahimtoola.—Does that mean that they are concentrating more on Northern India Factories?

Mr. Lalchand.—I couldn't tell you.

Mr. Rahimtoola.—Are you inclined to think that way? It is an All-India organisation and it is necessary to know how far it has been useful to Southern and Western India.

Mr. Lalchand.—From the South India point of view it is not so useful. If we invite the Director, he comes, sees our difficulty with regard to extensions and gives us his advice.

Mr. Rahimtoola.—Does he come of his own accord once a year?

Mr. Lalchand.—No.

Mr. Rahimtoola.—When was he last on this side?

Mr. Lalchand.—In April of this year.

Mr. Rahimtoola.—Did you represent your grievances?

Mr. Lalchand.—Whenever we call him, he comes and about P.O.J. we find him helpless. Unless he has got P.O.J. to deal with, he can't give us his advice.

Mr. Rahimtoola.—When we visited Padegaon Research Farm we found them doing experiments with manures and they were of opinion that the heavy manuring didn't give any additional benefit. Whereas your experience is that heavy manuring has been able to give you a crop of 105 tons.

Mr. Lalchand.—It is a fact that we got a crop of 105 tons.

Mr. Rahimtoola.—That was purely an experiment?

Mr. Lalchand.—Yes.

Mr. Rahimtoola.—Are you continuing your efforts in that direction?

Mr. Lalchand.—Yes.

Mr. Rahimtoola.—Have you made any headway?

Mr. Lalchand.—Yes. As a matter of fact, last year on a plot of 25 acres, I got an average of 64 tons (Adsali crop) by using an additional ton of oil cake.

Mr. Rahimtoola.—Whereas you are getting only 52 tons.

Mr. Lalchand.—Yes, 53 tons for Adsali and 42 tons for Adsali ratoon.

President.—Did the additional yield fully compensate the additional expenditure?

Mr. Lalchand.—More than that. Even if you calculate at the rate of Rs. 10 a ton, it comes to Rs. 110 while the cost of the additional ton of oil cake will not exceed Rs. 64.

Mr. Rahimtoola.—Did you draw the attention of Government of Bombay?

Mr. Lalchand.—The Deputy Director of Agriculture was a member of the Committee of Judges. The Government of Bombay was against that experiment. We got over 100 tons not only on one acre but there were more plots which gave more than 100 tons. In Belvandi we got 104 tons. In another plot on the Kalamb factory area there was an yield of 101 tons. At Ravalgaon we got nearly 99 tons. So, it was not a fluke yield on a particular plot.

Mr. Rahimtoola.—That was the point I wanted to find out.

Mr. Lalchand.—The advantage of that high tonnage crop is found in another way too. For example, in the case of a factory like mine where I cannot extend the area, if I can get on an average about 10 tons more to an acre, I can increase the capacity of the factory and also extend the working season.

Mr. Rahimtoola.—With regard to molasses I would like to have the details of 10 annas 6 pies referred to in your reply to question 60. You say that though you were offered a price of 11 annas per maund, you were not able to give delivery. What is the freight?

Mr. Lalchand.—Three annas per maund is transport charge from my factory to the station. We calculated 1 anna 6 pies for putting the

molasses from the barrels into the wagon. The empty barrels have to be brought from the station to the factory which would come to about half an anna or so per maund. The rest is freight from Manmad to the distillery.

Mr. Rahimtoola.—What is the railway freight from your place to Nasik? I find that other factories who are getting less are able to give delivery.

Mr. Lalchand.—Their cost is 5 annas.

Mr. Rahimtoola.—Their price is 9 annas as against 11 annas which has been offered to you. Still you are not able to supply.

Mr. Lalchand.—They have an advantage over us in that they have a railway siding just by the side of their factory. Consequently the handling charges are eliminated; also the transport from the factory to the station is eliminated. I gave all these details to the Distillery when I asked for a higher price. I have not brought those figures here. I can send them to you, if you want. The cost of barrels was also taken into consideration in the figures I gave to the Distillery.

Mr. Rahimtoola.—In your reply to question 92, you say "It has been our policy to hold the stock so as to supply the local market for 12 months" Do you hold large stocks?

Mr. Lalchand.—Yes.

Mr. Rahimtoola.—How exactly do you work?

Mr. Lalchand.—Ready sales we make; no forward sales.

Mr. Rahimtoola.—You have not got any agency system.

Mr. Lalchand.—Now we have started the agency system. We asked one person to make the sales and whenever we got the indent we sent the sugar.

Mr. Rahimtoola.—Is it not stocked at the other end?

Mr. Lalchand.—No.

Mr. Rahimtoola.—Do you sell by small lots?

Mr. Lalchand.—Yes.

Mr. Rahimtoola.—Have you got proper arrangements in your own factory for storing?

Mr. Lalchand.—Yes, godowns, etc.

President.—Do you find that your sugar deteriorates?

Mr. Lalchand.—No. The climate there is very dry—not so humid as in Bombay.

Mr. Rahimtoola.—With regard to your costings, you have only given us in percentages. I want the actual figures.

Mr. Lalchand.—I shall send them later on.

Dr. Jain.—On the first page of your memorandum, you seem to suggest that the economic unit of a factory in the conditions prevailing here would be 250 tons crushing capacity.

Mr. Lalchand.—Yes.

Dr. Jain.—You say that it is possible to reduce the cost of production by a few rupees if you go to higher capacity but that it is offset by an increase in marketing charges.

Mr. Lalchand.—By transport charges.

Dr. Jain.—You seem to suggest that a higher unit (say 400 to 500 tons) is uneconomical in the Deccan.

Mr. Lalchand.—Not only in the Deccan but anywhere. So long as you have to distribute your sugar over a larger area, your cost of distribution or your cost of transport also increases and I have qualified my statement by saying "provided you can take advantage of your natural market".

Dr. Jain.—That is a very small qualification.

Mr. Lalchand.—If the neighbouring factories are going to dump their sugar, there will be no advantage in increasing the capacity of the factory.

Dr. Jain.—Do you agree with the view that while in certain circumstances a unit of 250 tons may be economic, on the whole a higher unit may be more advantageous?

Mr. Lalchand.—Yes, in certain circumstances.

Dr. Jain.—250 tons would be an economic unit in certain circumstances.

Mr. Lalchand.—Provided the unit is able to reap the natural advantage of its position.

Dr. Jain.—Otherwise a bigger unit would be more economical.

Mr. Lalchand.—Yes. If a factory has in any case to sell in another factory's territory, then there is no advantage because the factory which is small has a higher cost and no advantage in respect of its natural market.

Dr. Jain.—Turning to molasses, as the President has said, manufacture of power alcohol is usually the suggestion made but I find in your evidence mention made of molasses being used as fuel. That is rather interesting. You have estimated the value as high as 4 annas per maund.

Mr. Lalchand.—Yes.

Dr. Jain.—That is much higher than the price obtained by other manufacturers?

Mr. Lalchand.—Yes.

Dr. Jain.—Are you able to fill up the gap in bagasse by the use of molasses?

Mr. Lalchand.—We have always been short of bagasse. We fill the gap by molasses and other fuel. When we have not got sufficient molasses, we burn coal and wood.

Dr. Jain.—Do you still have to use them?

Mr. Lalchand.—Yes. Rs. 18,000 is the total cost for coal and wood alone.

Dr. Jain.—There is one small point about forms. At present factories are required to fill in some forms by the Sugar Technologist. Have you any objections to that?

Mr. Lalchand.—The Director of the Imperial Institute of Sugar Technology, I think, wants us to send too much information about various things.

Dr. Jain.—Would you like the forms to be simplified?

Mr. Lalchand.—Yes. I do not know how anybody is going to be benefited by getting all the information he wants.

Dr. Jain.—Would you like to oppose it?

Mr. Lalchand.—I do not oppose it in the full sense of the word because I am prepared to give all the information required provided others also give full information and we are in a position to exchange.

Dr. Jain.—Are you in favour of pooling information by factories?

Mr. Lalchand.—Yes.

Dr. Jain.—If that were done by everybody, you don't have any objection.

Mr. Lalchand.—I have no objection to that; otherwise if the information is going to be kept in a particular file, it is only a waste of time and energy.

Dr. Jain.—It is only from that point of view that you say that the forms need not be so complex: otherwise you have no objection, have you?

Mr. Lalchand.—No.

Dr. Jain.—There is nothing which you would not like to give in these forms?

Mr. Lalchand.—I would not like to give my figures of cost of manufacture or cost of cultivation to anybody if I am not going to get in exchange costs of other people. I am looking at the question from the point of view of the sugar industry as a whole.

Dr. Jain.—If everybody gave it, you would have no objection.

Mr. Lalchand.—No.

Dr. Jain.—You would rather that everybody gave it.

Mr. Lalchand.—Quite. The names of factories should also be published.

Dr. Jain.—That may not be quite necessary.

Mr. Lalchand.—It is no use giving A1, E1, F1, etc.

Dr. Jain.—You would go further than others in that respect.

Mr. Lalchand.—Yes.

President.—Are your forms complete for 1936-37?

Mr. Lalchand.—Yes.

President.—As regards the other factory, the answers you have given apply generally to that also except in regard to the cost of cultivation.

Mr. Lalchand.—Yes.

President.—There the irrigation charges are a good deal higher.

Mr. Lalchand.—Yes.

President.—Which canal is that under?

Mr. Lalchand.—Nira left bank.

President.—You pay full Rs. 45 which is the minimum basic rate.

Mr. Lalchand.—Yes.

President.—Is there any other difference in the cost of cultivation?

Mr. Lalchand.—Slight difference in preparatory cultivation, because that soil is heavy and needs more power. Therefore the cost in labour efficiency is higher.

President.—Do they require as much manure, these heavy soils?

Mr. Lalchand.—Yes.

President.—Same quantity?

Mr. Lalchand.—Yes. The soil is not good in this sense that large areas are salt affected. Nobody knows when he will come across a salt affected plot. It is a new factory. Once they do the planting, they have to stick to it. In a salt affected area the borer comes. So, owing to this trouble, their cost is rather on the high side.

President.—That may be reduced.

Mr. Lalchand.—Yes.

President.—As the area is new, there is probably more scope for the reduction of cost.

Mr. Lalchand.—Yes.

President.—With regard to molasses, you do not burn them so much as in the other factory?

Mr. Lalchand.—Not at all. Just for the sake of experiment we tried. It was observed that molasses ash usually collected in the crevices of the boilers and so we had to stop the burning of molasses.

President.—Is it a different type of boiler?

Mr. Lalchand.—Water tube boiler. Molasses are going to be used as manure in the sugarcane area, particularly on the salt affected plots.

Mr. Rahimtoola.—What is "weeding and interculturing"?

Mr. Lalchand.—Weeding is removing weeds.

Mr. Rahimtoola.—The charge is somewhat on the high side.

Mr. Lalchand.—It is a bit heavy soil where we get more weeds. In light soils there are less weeds. More interculturing has to be done owing to salt trouble in heavy soils and therefore the cost is more.

Mr. Rahimtoola.—With regard to the question of actual number of working days, I find there is a difference between the two factories. Is that due to the availability of the cane?

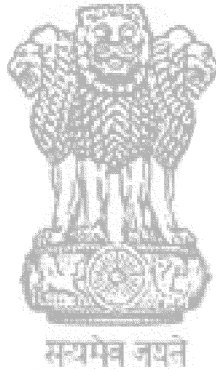
Mr. Lalchand.—There were two reasons for that. Last season it was due to the availability of cane. The year before last, it was the question of supply of machinery for the extension which delayed the starting of the factory. Moreover there were inside troubles. For example, there were breakages. So the crushing went on for a long time and in spite of that there was a carry-over of the crop.

Mr. Rahimtoola.—What is the average number of actual working days?

Mr. Lalchand.—The season is from 15th October to 15th May.

Mr. Rahimtoola.—I want to know the actual days in a week.

Mr. Lalchand.—Six days a week.



THE MAHARASHTRA SUGAR COMPANY, LIMITED AND THE BELVANDI SUGAR FARM, LIMITED, BOMBAY.

**Evidence of Mr. M. L. DAHANUKAR recorded at Bombay on Friday,
6th August, 1937.**

President.—Mr. Dahanukar, you are representing both the Maharashtra Mills and the Belvandi Farm?

Mr. Dahanukar.—Yes.

President.—How much of the cane crushed is grown by you and how much is bought?

Mr. Dahanukar.—We have this year crushed more than 75,000 tons; that means 2,060,000 maunds and we have bought about 14,000 tons. This year of course it was rather abnormal that we could get so much cane because the price of jaggery was low, otherwise there is no possibility of getting so much cane.

President.—In an ordinary year you cannot get so much?

Mr. Dahanukar.—No. And this year all this cane area from which cane was bought by us will be out of cultivation; the cultivators won't plant them because they must have lost heavily.

President.—What is the price of cane you paid this year?

Mr. Dahanukar.—We are paying 7 annas per maund on an average.

President.—All your land is leased or have you brought some land?

Mr. Dahanukar.—We bought 50 acres of land for the factory and some staff quarters. Cultivation is all leased only by voluntary negotiation. Although we approached Government for quick leasing, they never helped us. They had an idea to help us but they did not do anything and the result was that we had to pay Rs. 15 per acre for cane land for rentals, and which works out to Rs. 50 per acre of cane.

President.—Is that the average?

Mr. Dahanukar.—Yes, on cane land. We lease all sorts of land, waste land, non-cane land, shallow land, waterlogged land and so on out of which we select the area which is suitable for cane. Out of 5,000 acres we have leased, about 3,000 and odd are suitable for cane and the rest of the land is unsuitable but even for that we have to pay rent and we base our comparative rentals on the figures of the Belapur Company. On our side more or less all our calculations are based on the Belapur company's figures because they are an old and developed company and whatever we have to achieve we aim at that company's result. In the case of that company the land about 8,000 acres comprising several villages, is purchased by Government and is leased to them at a comparatively small rental because Government wanted to have on sugar factory at least successfully established in the Deccan so that following their example the industry in the Deccan could be expanded on the canals and the Government will thus derive a permanent revenue from the canals assured to Government and also employment to people. So the Belapur company being a pioneer company Government readily gave them these facilities and it is due to the success of the Belapur company that other factories are established and are striving to make progress.

President.—It has been represented to us that the lease amounts paid by the factories are inadequate and secondly that the terms of the lease are very one sided and in favour of the factory. In fact we were shown one lease and we were told that it was one sided in that you could give up the land on three months' notice while they had no similar right to cancel the lease.

Mr. Dahanukar.—As you know, a factory is an industrial concern which has invested several lakhs of rupees in a particular area on buildings, machineries and such other things and if it gave such right to the cultivator he might create trouble, so it is only natural that the factory cannot give the cultivators such option. The factory, on the other hand, has to keep the option because in case of internal competition or any other troubles owing to which a factory is not able to plant in a particular year or has to close down in that year or for some years the factory should have, in that case, the option to reduce or do away with all such charges otherwise it will go into liquidation. That is why this has been provided for but has not been acted upon at all.

President.—And you do not propose to act on it except on abnormal circumstances?

Mr. Dahanukar.—That is so. Although we have leased one piece of land which is called Survey No. which comprises certain acreage of all qualities, suitable and unsuitable, and we can act on our option and reduce 2 acres of such land from that Survey Number we are not doing that because we feel that the cultivator should not suffer, so long as the factory can afford to continue to pay. We have never had any intention of paying them less rental. On the contrary there are other lease holders—in our factory area they do not cultivate the land and generally lease the land to others for sugarcane cultivation and there is the class called malis; they are the lease holders but owing to the depression in the gur industry these people have to give up their cane cultivation and in fact we are paying better rental to the cultivators and our terms are better in many respects than what they enjoyed when there was a boom some ten years back both in the rates of sugar as well as gur. On temporary lease these were taken up on high rentals by those cultivators but that does not form a criterion for permanent lease, because we have taken the lease for thirty years and not for five years as the ordinary leaseholder does.

President.—Have you any difficulty in getting land on lease?

Mr. Dahanukar.—Yes. Suppose there are 8,000 acres of land in a factory area, in the beginning we had to lease some inferior land though subsequently we have been getting good lands there are still certain patches which are hard nuts. Although these people do not cultivate sugarcane or anything, still they think the factory will not be able to do away with them and that therefore they can dictate terms and are holding on. When we want land we have to approach them and offer higher rentals. We have suggested to Government that they should in this matter investigate and should see that by paying fair rentals we can get these lands. If a factory area is reserved for the factory then all the suitable land should come to the factory and they can develop their cane acreage, otherwise if we are restricted in this respect and compelled to go out of the factory area for leasing land elsewhere for cane cultivation, plantation would be very uneconomical.

President.—What is the total factory area allotted to Maharashtra?

Mr. Dahanukar.—Formerly they had allotted one factory area comprising about 6,000 acres of suitable land and now we have tried and have been successful in securing an extension of our factory area and in this area we have got 4,000 acres of suitable land.

President.—What is the total area?

Mr. Dahanukar.—About 10,000 acres of suitable land. The gross area is about 13,000 acres.

President.—In the factory area the cultivator is not allowed to grow cane?

Mr. Dahanukar.—That we have been asking Government to do but they have not taken steps so far. They are now intending under certain reservations to take that step. But this is telling upon the development

of our cane estate. We approached Government for giving all these facilities to be given to us because if the area had been compact we would have been able to plan the estate better and have the plantation on most economical lines and the operation of tillage, etc., can be carried on without much expense and uniformly. Another difficulty is that we have the land leased in patches. When there are intervening patches we cannot take our tram line straight through the estate and we have to take a round about which means that we have to lay more tram lines. We have to pay $2\frac{1}{2}$ times more for transportation than Belapur company because of these difficulties. In short we suggested to Government that in the case of the new Deccan factories whatever concession Government can afford to give should be given so that factories may develop and bring down the cost of cultivation.

President.—You are against compulsory leasing?

Mr. Dahanukar.—We do not advocate compulsory leasing but we have suggested a method by which Government can intervene and bring about proper settlement between the owner of land and the factory owner. We have suggested that the Collector should be the authority who should call the factory owner and the land owner and see where the difference lies. If the land owner is cultivating sugarcane for himself then the question will not arise but there are cases where the land owner is not doing anything but is at the same time unwilling to lease out his land below a particular figure. In such cases the Collector should enquire and fix a reasonable rental and we would accept his decision. I would like this method to be tried and I personally feel that it will be successful and therefore there will be no necessity for compulsion. After trying this method if it is found that some compulsion is necessary for leasing land Government must resort to it for the safety of the industry.

President.—In answer to question 10 you say "Irrigation, local fund cess and drainage.....Rs. 75". Have you been charged Rs. 15 for drainage actually?

Mr. Dahanukar.—It is proposed to charge this rate from this year.

President.—You have not paid it so far?

Mr. Dahanukar.—On the area which is grown by us outside our guaranteed limits we are paying Rs. 15 more probably for drainage. We are paying water rate Rs. 45, plus Rs. 15 and the total charge is between Rs. 75 and Rs. 80 including local fund cess.

President.—That is for 14 months or 18 months?

Mr. Dahanukar.—For cane which we call adsali it comes to about 18 months to reach maturity and what we call plant takes 14 to 15 months.

President.—Land rent you have put down as Rs. 40.

Mr. Dahanukar.—Yes. We require land about four times our actual plantation and therefore we have worked out a rental of Rs. 10 on the average for all classes of land, unsuitable, bad or waste land, i.e., for suitable land it works out at Rs. 15. That is the rent actually paid.

President.—That is taking everything into consideration?

Mr. Dahanukar.—Yes.

President.—What is this wadi staff supervision?

Mr. Dahanukar.—Our estate is divided into sections and each section we call wadi and each wadi is under the supervision of two graduates generally one called the senior overseer and the other a junior one and thus we have got educated and the best equipped staff on each wadi with educated clerks under them, mucadams and so on, so that we may be able to achieve the desired result.

President.—Your average yield is given as 36 tons. We have been told that in the Deccan area the average yield of the cultivator is about 45 tons.

Mr. Dahanukar.—We got cultivator's cane last year from about 500 acres and we found that the average yield was not more than 35 tons. We know it definitely.

President.—Your figure is much below that of Belapur.

Mr. Dahanukar.—We have taken the average. Sometimes we get 40 tons, sometimes we get less because there is famine, sometimes there is disease in the cane. Of course what figures we have given you are not based on one year's results but on the result of some years since we started and we have given you an idea of the average yield. Last year we got about 40 tons.

President.—What do you expect in the future?

Mr. Dahanukar.—We expect to get not less than 40 tons.

President.—So that 40 tons may be considered as the average for the future?

Mr. Dahanukar.—Yes.

President.—And you would be able to improve that in the next seven years?

Mr. Dahanukar.—We do not think we shall be able to improve very much. Although we are carrying on experiments for better yield and so on, the whole factor on our side is that we can control all the circumstances that lie within our power, but there is the question of the price of oil cake and other manures to be taken into consideration. Those are factors which are not possible for us to control. Besides all this there is nowadays the question of the cost of agricultural implements to be considered. We require many tractors. At present we have power tractors costing about Rs. 80,000 to Rs. 1,00,000 and there are other kinds of implements too like special kinds of ploughs, etc. The price of machinery has gone up and if the price of machinery has gone up, the depreciation charges are also more. These factors add to the cost of cultivation. Barring these circumstances we are doing what we can and I believe we will be able to reduce the cost to a great extent in the next 5 to 6 years.

President.—Yes, with the improved varieties of cane. In the tropical region as you know the improved varieties have only been released very recently.

Mr. Dahanukar.—Yes.

President.—If Co. 419 is as promising as it appears, the yield will be more.

Mr. Dahanukar.—We have 30 acres under this cane this year. We hope to have 200 acres soon.

President.—What is your opinion of that cane?

Mr. Dahanukar.—It is a good cane.

President.—Do you know what the sucrose content is?

Mr. Dahanukar.—We haven't got good matured cane of normal quality. But from what I have seen at Padagaon farm and elsewhere, we feel it will fill up the gap of the weakest type of cane which we are growing at present, Co. 290. We have to grow it on account of soil conditions. Co. 290 is a good cane. We cannot grow other varieties in shallow soils or salt affected soils. Therefore we have necessarily to grow it, but we can certainly replace it at least by about 75 per cent. by Co. 419. 25 per cent. we shall have to carry on with Co. 290. If 75 per cent. of our cane is replaced by Co. 419, our recovery and other things will improve.

President.—For convenience I think we might go into the question of the cost of cultivation of Belvandi Farm which is very much less.

Mr. Dahanukar.—Yes. As regards the Belvandi farm I wish to make two preliminary remarks. The Belvandi farm is situated in a scarcity area,

scarcity in the sense that the water in that tank is subject to rainfalls. There is no perennial replenishments from the hills. The catchment of this tank is not a hill catchment, but it is a land catchment. It means the tank gets water only when there is good rain, otherwise it does not get sufficient water.

President.—There is no canal supply to it.

Mr. Dahanukar.—There is a canal which is subject to the storage in the tank. The storage in its turn is dependent on the amount of rainfall. It means that there is no assured supply.

President.—What I mean is that the tank itself does not receive any canal supply.

Mr. Dahanukar.—No, it only receives water during the monsoon. I came to establish this factory in peculiar circumstances. I was searching out for a factory site and I had some friends in the Government. Some Government officials had prepared a scheme for establishing a sugar factory in this canal area, and they wanted to have a small plant and to provide a sort of famine relief work in that particular area. That area is highly famine stricken. The whole scheme was ready, but the Government could not put it through owing probably to financial circumstances. When I saw the officials concerned they suggested to me that this was a site which could be considered by me and which also would give some relief if established to the famine stricken population. The Government on their part were prepared to grant special concessions. Government had at one time a large area of land which they were using as military pasture ground. As the military was removed from there before some years the site was given up. That land could be either leased or sold to us at a reasonable price. After inspection of the site, I said I shall go in for this project and as it is a very small one. The Government sold me their land as they had promised and gave certain other concessions. But unfortunately the rain conditions changed and the tank overflowed only in 1933-34. Since then it has not received sufficient replenishment and did not fill in. Therefore our cane area has to be reduced from year to year. We are anyhow maintaining a cane area under canal irrigation and using percolation water from our fields by boring some wells. We are having some sort of lift irrigation. We are anyhow maintaining it. As regards the cost of cultivation there we have a special advantage of the water rate which is applicable to minor canals.

President.—The basic rate of that is Rs. 28.

Mr. Dahanukar.—Yes. Therefore our water rate is less. The soil is good in that part of the country. Our other costs of plantation are comparatively less.

President.—Is the soil good?

Mr. Dahanukar.—Very good.

President.—The only trouble is water.

Mr. Dahanukar.—There we don't get enough yield, as we do in other canals, we would have grown cane even to-day at 4 or 5 annas per maund, but on account of scarcity of water, we are handicapped.

President.—The cost per maund is less than 7 annas. Surely that must be a mistake.

Mr. Dahanukar.—There we don't get enough yield, as we do in other canal areas due to shortage in supply of water. Here we are restricted to a rotation of water supply of 10 days instead of 15 days. That is a handicap.

President.—You have given the yield as the same. Then your figure of 7 annas is wrong.

Mr. Dahanukar.—It is about 6 annas.

President.—The main saving is in irrigation charges.

Mr. Dahanukar.—Yes.

President.—The cost of cultivation is less owing to the superiority of the soil.

Mr. Dahanukar.—Yes. The advantage we derive from the low cost of cultivation is offset by the lower crushing and higher overhead charges in the factory itself.

President.—Is the tank full up this year owing to the good monsoon?

Mr. Dahanukar.—We hope it will overflow this year.

President.—I don't think it is necessary to go into other questions with you, because we have already discussed these matters with you.

Mr. Dahanukar.—General questions we had already discussed. But we have a certain particular grievance regarding irrigation.

Mr. Rahimtoola.—Is it over and above what you said as the representative of the Deccan factories?

Mr. Dahanukar.—Yes.

President.—Are these figures of cost of cultivation the average?

Mr. Dahanukar.—Yes.

President.—They are not for any particular year.

Mr. Dahanukar.—No

President.—We would like you to give us figures for 1936-37.

Mr. Dahanukar.—Yes.

President.—From the point of view of the industry as a whole it is very important for the Board to know what the results are for 1936-37. What was the special point you wanted to raise.

Mr. Dahanukar.—When you are examining the Government representatives, you might make a mention of the difficulties which we are experiencing and regarding which we have submitted representations to Government several times.

President.—We have already discussed that matter with the Government representatives in Poona.

Mr. Dahanukar.—At present, as you will see for yourself, the cost of water is very high. We have to pay as much as Rs. 80.

President.—That is common to all.

Mr. Dahanukar.—Yes.

President.—You need not go into the points which are common to all.

Mr. Dahanukar.—On the question of drainage in certain factory areas, my submission is this. On account of the land being of a particular nature, no drainage is required in the case of Belvandi factory. So is the case with the factory at Ravalgaon in Nasik district.

President.—Do you say that in Belvandi drainage is not necessary?

Mr. Dahanukar.—No.

Mr. Rahimtoola.—Do the Government provide the drainage?

Mr. Dahanukar.—Formerly the intention of Government was to provide the drainage on sugarcane lands in canal areas by themselves. Subsequently they changed their mind when the sugar factories came into existence. They thought that the sugar factories could be taxed with this drainage cost. Mr. Ingles was the Irrigation Research Officer then. On his recommendation the Government insisted on this impost upon factories, though we protested. We said you have already made some schemes. Some have already been constructed at the cost of Government. They are available to the ordinary cultivators. Why then in the case of sugar factories alone should this particular tax be levied? At that time the arguments which were advanced by Government were that the sugar factories were making huge profits and that therefore they could afford to pay it. To that we said that the prosperous period which the sugar factories

were having was all temporary whereas this drainage cost charged by Government would be permanent. Supposing the sugar factories after a period of time on account of any unforeseen circumstances had to close, Government would have the question of drainage works to face. Government would not compensate the sugar factories for any loss. Government would have to construct these drainage works and therefore it would not be fair to put the burden on the sugar factories. In our area—Maharashtra Sugar Mills—we have started our own drainage. The cost of the scheme is going to be something like Rs. 4 to 5 lakhs which is a very big sum indeed. Although only 60 per cent. of the sugarcane area is irrigated by factories, they are asked to pay for the drainage cost of the whole area, neither Government nor the other cultivators sharing the cost. Such an arrangement is most unfair to factories.

President.—The arrangement is that the ordinary cultivator is to pay nothing and only the factory has to pay it.

Mr. Dahanukar.—That is what the Government have proposed.

Mr. Rahimtoola.—Government have asked the factory owners to pay for the drainage including the cultivators' lands as well.

Mr. Dahanukar.—That is the present position. We have protested against that. Besides Government are asking us to pay not only the actual cost of drainage, but also want to recover 30 per cent. more as supervision charges for merely preparing plans and estimates which we have said is most unfair. If they give the basic plans to us, we can develop our own detailed drawings and carry out the work as per the requirements of the situation. To that also they are not agreeable. If we have to spend something like Rs. 4 to 5 lakhs for drainage works, the factories are not in their present financial circumstances able to undertake this work, because this was not contemplated at the time of starting these factories. Then the Government agreed to finance it and to recover it in instalments by charging Rs. 15 per acre per year for 20 years and also to charge interest at the rate of 7 per cent. on the cost incurred by Government. To these and other proposals of Government we have been objecting. We have said that it is not possible for the factories under the present circumstances to bear those charges. If Government would insist on these it would be a great handicap and probably some of the factories would have to close down, as such a heavy charge is absolutely unbearable.

Mr. Rahimtoola.—What all items have been included in these charges?

Mr. Dahanukar.—The actual cost of the works and 30 per cent. more for supervision.

Mr. Rahimtoola.—Has interest been included?

Mr. Dahanukar.—No, it would be in addition at 7.1 per year. That is the proposal of the Government. They were investigating the question of the kind of drainage they should construct and so on and so forth. It took them 2 to 4 years. We could not wait all this time. As we had to progress with our cane cultivation, we had to find out for ourselves with the help and advice of our expert staff, agricultural as well as otherwise what immediate drainage works would be necessary and accordingly from the very beginning we have been carrying out certain drainage works suitable to our requirements.

Mr. Rahimtoola.—They were experiments.

Mr. Dahanukar.—Yes, for one year or so. Now we have standardised them. We found that they are working very well and they are most suitable for our purposes.

President.—Is waterlogging bad in your area?

Mr. Dahanukar.—Not very bad. They say it will get damaged later on. What we have done is with the help of the expert staff in our employ who know about these things we have already started doing this kind of work. We have been spending a lot of money on it. Still it is much

cheaper than what the Government can do. We have represented to Government that we should be allowed for a period of some 5 years to carry on with our work. We should see whether it is enough and whether it meets our conditions. If it does not, we shall approach Government and ask for their expert advice, wherever necessary. They should not in the meanwhile enforce on us this drainage expenditure.

President.—We need not really go into that in so much detail. You have explained the position in some detail. That is sufficient for our purpose.

Mr. Dahanukar.—My object in explaining our difficulties in so much detail is this. We have been trying to persuade the Government of Bombay that they should not have more taxation on us so that we might be able to bring down our cost of cultivation. We can reduce our cost of cultivation if we have not to pay such heavy overhead charges. That is the sum and substance of my say.

Mr. Rahimtoola.—Within the factory area, are the cultivators compelled to sell their cane to the factories?

Mr. Dahanukar.—No, the cultivators are not compelled.

Mr. Rahimtoola.—Can ordinary cultivators grow their cane in the factory area?

Mr. Dahanukar.—They can.

Mr. Rahimtoola.—Has the factory area been curtailed by Government since it was originally planned?

Mr. Dahanukar.—In the beginning they supplied us with drawings in which they showed certain areas comprising so many acres. Subsequently for reasons which we do not know, the area has been curtailed by about 15 to 20 per cent.

Mr. Rahimtoola.—Did they give any reason?

Mr. Dahanukar.—No.

President.—Are the growers obliged to supply cane to the factory? I did not catch your answer.

Mr. Dahanukar.—There is no compulsion on growers to supply cane to the factories.

President.—Anywhere in the Deccan canal area?

Mr. Dahanukar.—Everywhere only voluntary.

Mr. Rahimtoola.—Do you sell molasses to the Nasik Distillery?

Mr. Dahanukar.—Yes.

Mr. Rahimtoola.—What is the rate at which you sell?

Mr. Dahanukar.—In 1931, the rate was Rs. 2-2-0 per maund delivered at the Distillery. Now it has been reduced to only 9 annas delivered at the Distillery. Out of that we have to pay railway freight, siding charges and other transport. It comes to 7 annas and odd. The margin left to us is about 1½ annas.

Mr. Rahimtoola.—Is the cost of cultivation supplied by you an average?

Mr. Dahanukar.—It is the average.

Mr. Rahimtoola.—You say that the average yield in normal years is about 40 tons per acre whereas here you have worked on the basis of 36 tons yield.

Mr. Dahanukar.—It is worked out on the average of three or four crops which we have taken.

Mr. Rahimtoola.—Is it the average of a particular year or a period of years?

Mr. Dahanukar.—Two or three years. As regards improvement in cane growing in the last four years, in the first year we had about 33 or 34 tons. Subsequently the yield improved. The cost in the beginning was 10 annas

per maund and to-day it is about 7 annas per maund. Our cost would have been less than even 7 annas but for the rise in the prices of manures.

Dr. Jain.—You say in regard to molasses out of 60,000 tons you sold 50,000 tons in 1936-37.

Mr. Dahanukar.—Yes.

Dr. Jain.—You say that you utilised 10,000 tons in other ways.

Mr. Dahanukar.—Yes.

Dr. Jain.—In what other ways?

Mr. Dahanukar.—We were to have supplied the Nasik Distillery more quantity but they did not require beyond 50,000.

Dr. Jain.—My question is quite simple.

Mr. Dahanukar.—Some of the molasses were used in the fields in connection with our experiments on manure.

Dr. Jain.—You need not give us the reasons. Please just state in what other ways you utilised the molasses.

Mr. Dahanukar.—Some are wasted. Due to rainfall they began to ferment.

Dr. Jain.—You utilised some in the fields and some quantity was wasted.

Mr. Dahanukar.—Yes.

Dr. Jain.—You have not answered the question of production of bye-products (Question 58).

Mr. Dahanukar.—I think we have left the question to be answered by the Indian Sugar Mills Association, being a common question.

Dr. Jain.—You have, I take it, given them your figures of production of bye-products.

Mr. Dahanukar.—We have given all the information in our possession.

Dr. Jain.—You have not answered the question of imported labour. Do you import any labour from abroad?

Mr. Dahanukar.—No, not from foreign countries.

Dr. Jain.—Have you any criticisms to offer regarding contract form?

Mr. Dahanukar.—No. The contract form does not affect us at all because we have selling agents.

Mr. Rahimtoola.—You have not shown any figure for repairs and renewals. Packing is also not shown.

Mr. Dahanukar.—Due to oversight it is not given.

Mr. Rahimtoola.—The miscellaneous figure is also missing. Is it also due to oversight?

Mr. Dahanukar.—Yes.

Mr. Rahimtoola.—I think it will be helpful if you will kindly fill in these figures and send us a complete form for 1936-37.

Mr. Dahanukar.—Yes.

Mr. Rahimtoola.—As regards your reply to the very first question, you say that originally it was only 150 tons plant. The capacity has now been increased to 750 tons.

Mr. Dahanukar.—Yes.

Mr. Rahimtoola.—Please tell me what additions have been made. There is a complaint that generally when mills are first installed they are well-balanced but afterwards the addition is made in their crushing capacity only without making corresponding additions to boilers, etc.

Mr. Dahanukar.—The original order was for a small plant because we had no cane available and the sugar prices were also such that we thought that we should be able to pull on for some years even with that crushing capacity of our plant. Subsequently however sugar prices went down and the excise duty came in. Then the operation of our original mill became

uneconomical and so we removed entirely some of the items of the plant and installed new ones altogether.

Mr. Rahimtoola.—That means you ordered quite a new plant.

Mr. Dahanukar.—We ordered a new milling plant and we also replaced some other items by entirely new machinery.

Mr. Rahimtoola.—With regard to the Belvandi farm, was it put up at the instance of the Government?

Mr. Dahanukar.—Not at the instance of the Government.

Mr. Rahimtoola.—You mentioned some time back that it was in a famine area, that you had corresponded with Government officers on this subject. I was wondering whether Government indicated in any way that they would like to see a factory being erected in that area.

Mr. Dahanukar.—They said that if we put up a factory in that area, it would be possible for them to help us.

Mr. Rahimtoola.—In what way?

Mr. Dahanukar.—Not in any substantial way. They did not reduce the current water rate. They had some land which they sold us at some concessional rate.

President.—They sold the grass farm to you outright.

Mr. Dahanukar.—Yes.

President.—What is the extent of the farm?

Mr. Dahanukar.—1,200 acres.

Mr. Rahimtoola.—What is this double curing system for manufacturing one grade of sugar? Is that a special system?

Mr. Pradhan.—It means that we are trying to make one grade of sugar ordinarily.

Mr. Rahimtoola.—Was any special plant necessary?

Mr. Pradhan.—An addition to the plant was necessary. More centrifugals are required for that.

Mr. Rahimtoola.—What has been the additional cost to the mill?

Mr. Dahanukar.—Rs. 1,50,000 for this double curing.

Mr. Rahimtoola.—Over and above the cost of putting up the mill?

Mr. Dahanukar.—Yes.

Mr. Rahimtoola.—Has this plant given you satisfactory result?

Mr. Dahanukar.—We will operate it for the first time in the coming season.

Mr. Rahimtoola.—It has not been tried yet.

Mr. Dahanukar.—No.

Mr. Pradhan.—That is the usual practice with the Northern India factories which are more up to date.

Mr. Rahimtoola.—When an area is declared a factory area, the factories are allotted a certain amount of land which may not be sufficient for all their cane requirements. Do they encourage ordinary cultivators to grow cane?

Mr. Dahanukar.—There is no particular encouragement by the Government because the ordinary cultivator cannot grow cane for the requirements of the factory at economical prices. Ordinary cultivators were growing cane in that year and now they have discontinued.

President.—At Belvandi do you buy cane?

Mr. Dahanukar.—No cane is available there because there is no perennial irrigation.

President.—In the Deccan area there are three factories which are practically speaking self supporting in the matter of cane—Belapur, Belvandi and Kalamb.

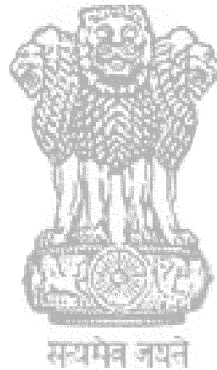
Mr. Dahanukar.—Yes.

President.—All the others buy cane to some extent.*

Mr. Dahanukar.—Kalamb of course buys some cane if it is available in that area. Other people grow cane in the neighbouring area. They generally do not buy because of the high price of cultivators cane. The Belapur Company also buys to some extent but very little. We also bought some last year. The year before last we did not buy a single ton of cane. Ordinarily we also do not buy cane from outside.

President.—In 1936-37 there had been some purchases by most of the factories.

Mr. Dahanukar.—Cane was available at cheaper prices due to the depression in the gul market—I mean cane was available near about the prices at which we can grow.



MESSRS. NARANG BROTHERS & COMPANY, LTD., LAHORE.

Evidence of Sir GOKUL CHAND NARANG, representing 7 mills owned and managed by Messrs. NARANG BROTHERS & Co., Ltd., recorded at Simla on Saturday the 21st August, 1937.

President.—Am I right in considering that you represent Narang Brothers who are the Managing Agents of seven mills?

Sir Gokul.—We are the Managing Agents of seven mills. I am a Member of that Company. My son is the Managing Director of Messrs. Narang Brothers and Co., Ltd.

Mr. Rahimtoola.—You are probably a Director of these Companies?

Sir Gokul.—I am the Chairman of Nawabganj Sugar Mills Company, Limited. I used to be the Chairman of Punjab Sugar Mills and Chairman of Basti Sugar Mills, but then when I was working as Minister, I could not retain these Directorships and I had to make some other arrangements. I had taken the precaution of starting a Company in the name of Narang Brothers and Company, Limited and the Management was taken over by them.

President.—Do I understand you represent them to-day?

Sir Gokul.—Yes.

President.—I think you have two mills in the Punjab and five in the United Provinces.

Sir Gokul.—We have one in the British Punjab; one in the Kapurthala State and we have four under our direct management in the United Provinces. There is another the Popular Sugar Company, Barhni. That is being managed by one of my sons and one of my cousins. They started a company of their own called Narang and Company and they have taken over the management.

President.—Do you represent them to-day?

Sir Gokul.—Yes, I represent everybody. I have had discussions with them and I know their views. In fact they were both in Mussoorie and I had plenty of opportunities to discuss all the questions which occurred to me or occurred to them.

President.—I would propose that first of all we take the Punjab and Kapurthala mills which are more or less in the same area and then pass on to the United Provinces group. First of all I would like to have your general opinion about the sugar industry in the Punjab as compared with the United Provinces.

Sir Gokul.—There is practically no sugar industry in the Punjab. It is in its very infancy yet. The Punjab in many respects is not a fit place for the manufacture of sugar. The irrigation except in places which are commanded by the canals is not adequate, because as you know cane requires a great number of waterings. Then, the sucrose content in the Punjab cane is not the same as in the United Provinces; otherwise the Punjab is a big consuming centre. I think the punjabi eats per head more sugar than people of any other province. I don't mean any disrespect to them. I think it is a fact.

President.—16 lbs. in the Punjab.

Sir Gokul.—As compared with 6 or 7 lbs. for the whole of India. The Punjab Jat is very fond of gur and they eat a lot of gur. I would therefore say that so far as the production of sugar is concerned, Punjab is not a very suitable place. There is another reason besides this. I just pointed out that the cane is liable to frost in the Punjab. The higher up you go, the more exposed it is to frost.

Mr. Rahimtoola.—You mean the north of Punjab?

Sir Gokul.—Yes. Even Phagwara which is more or less central—more in fact to the south than in the centre—is liable to frost. Even Sonapat which is in the extreme south-east Punjab has been suffering from frost. That is one great drawback in the Punjab; otherwise people in the Punjab are prepared to finance the industry. In fact the Punjabis own quite a number of sugar factories in the United Provinces and the market is there, but the climate is not as suitable as the climate of United Provinces.

Mr. Rahimtoola.—Why is it then that there is such a large acreage under sugarcane in the Punjab?

Sir Gokul.—The acreage, I believe, is more than five lakhs.

President.—The second in India in fact.

Sir Gokul.—If I am not mistaken, it is more than 13 per cent. of the total cane cultivation in India. A great deal of cane is actually chewed in the Punjab. It is not probably done in other provinces. Punjabis are very fond of chewing sugarcane.

Dr. Jain.—What percentage of cane is chewed?

Sir Gokul.—I couldn't tell you, but I must say that it would not be a negligible percentage. They eat a lot of gur. That is why there is such a lot of sugarcane in the province. The Punjab Jat prospers in health when the cane season is on, he begins his day with chewing cane and ends his day with chewing cane. He chews cane when he is sitting on the Persian wheel, when he is not smoking.

Mr. Rahimtoola.—Don't you think that the Coimbatore cane is hard to chew?

Sir Gokul.—That is not fit for chewing. That is quite correct. It is hard, but the Punjab jat has got a strong set of teeth. All Punjabis, even non-jats are fond of chewing. We use to consume half a dozen canes normally after dinner at night. That is unusually the last meal in the villages of the Punjab, if I may so call it.

President.—We have also been told that quite an appreciable percentage of cane is used for feeding the cattle. Is that true?

Sir Gokul.—Quite true. When other forms of fodder are short, the cultivator has to rely upon his cane for fodder.

President.—I am not speaking of the trash or leaves, but of the cane itself.

Sir Gokul.—Yes, they chop the cane and give it to their cattle. It is cut very fine, into small pieces of half an inch or so and the cattle can certainly chew it.

President.—Speaking generally, do you think there is much future for the sugar industry in the Punjab?

Sir Gokul.—I doubt because many of the factories which had been set up have gone out of action.

President.—Exactly.

Sir Gokul.—You must have already received information about that. Gujranwala was the only factory working in the Punjab besides Abdullapur and Sonapat. We have one factory at Phagwara, Kapurthala State working.

Mr. Rahimtoola.—This year only 3 factories were working.

Sir Gokul.—Yes.

President.—Two of them worked for a few days.

Sir Gokul.—Probably you are referring to Pattoki, Phulerwan is closed. Butari also is closed and that is the one nearest to us. They came to us to take it over. The refineries didn't work and they can't work under present conditions.

Mr. Rahimtoola.—What about the Amritsar Factory?

Sir Gokul.—It is a refinery.

Mr. Rahimtoola.—It is a sugar and oil mill.

Sir Gokul.—They don't work with cane in Amritsar, unless they have now recently set up.

Dr. Jain.—It is only a refinery.

Sir Gokul.—That is my information.

President.—So much for the general question. As I said let us begin with Punjab and go to the United Provinces afterwards. Let us take Phagwara factory. First of all I would like to ask you whether any assistance has been received from the State. Has the State invested any money in the Company?

Sir Gokul.—No, the State has not invested any money in the Company, but it gave us just a few concessions. The first concession we had was land free, as long as we carried on the business of sugar manufacture there. That is the condition. They gave us about 30 acres of land. Then the other concession they gave us was to exempt us from the payment of income-tax for 5 years altogether and then to charge us at a reduced rate after 5 years at only 5 per cent., although the rate even then with super-tax and surcharge comes very nearly to 25 per cent. They also exempted us from payment of local Municipal duties like terminal tax and octroi on articles imported by us for purposes of the mill. In the order that His Highness issued on the subject they also promised not to levy any duty on us, but when the excise duty was imposed, we were made to pay, although we contended that under the agreement we ought to be exempted from the payment of excise duty. We also contended that at least no duty should be charged from us on the quantity of sugar which may be estimated to be consumed in the State itself. We could not escape paying duty on the sugar which was exported outside the State.

Mr. Rahimtoola.—To British India.

Sir Gokul.—Yes, but they could not see their way to accede to our request in this matter and we have had to pay full excise duty.

President.—On the same rate as in British India.

Sir Gokul.—Yes.

Dr. Jain.—Did they compensate you in any other way?

Sir Gokul.—The only thing the Chief Minister Col. Fisher did was that a part of the excise duty realised from us was invested in the construction of a road about 8 or 10 miles long which facilitated the transport of cane to the factory by bullock carts. Nothing else has been done.

Mr. Rahimtoola.—Is there any import duty on sugar coming into Kapurthala State?

Sir Gokul.—I don't think so.

President.—There is no export duty.

Sir Gokul.—No. I think the Kashmir State is the only State which has such a system in Upper India. So far as other States in the Punjab are concerned, there is no system of customs.

President.—Is all your sugarcane drawn from the local area or do you import anything?

Sir Gokul.—In Gujranwala 45 per cent. was received at the gate and 55 per cent. had to be imported by rail.

President.—From the Punjab?

Sir Gokul.—Yes.

President.—Not from outside?

Sir Gokul.—No, but from fairly considerable distances and so far as Phagwara is concerned, most of it was received at the gate. The quantity has increased and is increasing every year in fact.

Mr. Rahimtoola.—Do you get all your cane within the State?

Sir Gokul.—We import from British India. The quantity of cane grown in the State is not sufficient. We crushed this season as much as 21 lakhs

of maunds and the State could not supply all. There may be more cane in the State, but all is not available as there are not sufficient number of feeder roads.

Mr. Rahimtoola.—Shall we say 75 per cent. of the cane crushed this year was from the State itself?

Sir Gokul.—I cannot give you any percentage. I don't think it was even half. We encourage the growth of cane in the State but it is a small one as you know.

President.—You have given us costs of cultivation. Are they higher in the Punjab than in the United Provinces?

Sir Gokul.—I don't think so. I should think they would be about the same. In fact, this question is not a very easy one to answer because from what I know about the Punjab—I am a villager myself—I can say that they neither spend any money on the seed as a rule nor anything on manure nor anything on labour. No cash investment is made in the cultivation of cane. What they do is this. They start with the cultivation of cane in their own field. They have a cane crop at the end of the season. They cut 50 or 60 maunds or so. There are not very large farms in the Punjab for obvious reasons. When they harvest their crop, they bury a part of it underground, covering it with mud plaster. It remains there till the first week of March. Then they take it out. At that time it is in good condition. They take it to the village either on their own heads or in bullock carts. The quantity is not very much being only about 50 to 60 maunds. Then the villagers peel it and clean it. They cut the leaves and remove the covering. Then they cut it into setts, i.e., into small pieces with two knots. There must be two knots in every sett. The portion between one end and the other they keep for themselves and their children for chewing. The peasant does not spend any money either on peeling or on cutting the cane into setts. He takes the setts to his field and sows them. He does not employ any paid ploughman. He does not employ any paid men for weeding purposes. For no purpose is paid labour employed ordinarily in the Punjab villages. There are village Kamins who depend for their very existence on the favours of zamindars and they are employed. They are fed—sometimes not even fed—and they do the work because they are given sites for houses to live in the village and they are ordinarily under the thumb of the zamindars. As regards manure, no chemical manure is imported as a rule into the Punjab villages. Every pattidar collects his own manure from various houses. It is kept in heaps and when it is time to use it, it is carted or carried on the backs of donkeys to the farm. There it is allowed to remain for some time in small heaps and then spread when the land is ploughed. If a zamindar runs short of seed, then he may either be obliged to his cousin or a friend who may give him 40 or 50 maunds of cane for nothing or he may buy. That is the only occasion on which he has to spend money. Such occasions are very very rare.

President.—What about the cane supplied to factories? Do your remarks apply to that also?

Sir Gokul.—Yes.

President.—But they have to pay the cartage.

Sir Gokul.—Yes, where the cane has to be taken to the factory. There too, if the cultivator has his own cart, it costs him nothing to transport the cane from his field to the factory because the cart and bullocks belong to him. If he has no cart of his own, he will have to pay. It roughly comes to about one anna a maund. In Gujranwalla they are employing donkeys and camels to carry cane to the factory. Mr. Labh Singh who is the managing agent there has secured two or three lorries also. That is the only mill which has used lorries so far as my information goes.

President.—In the north anyway.

Sir Gokul.—Yes. He also imported a number of carts from Rawalpindi Cantonment for the season.

President.—As you say there is really no cash outlay in growing the crop; so, the question of interest on working capital does not arise in the Punjab.

Sir Gokul.—No, it does not. Very few people have got farms which may at all be considered big. Otherwise the whole quantity of cane comes from peasant proprietors who have half an acre, one acre and two acres or so.

President.—I see in regard to Phagwara you have not yet introduced the purcha system to deal with the gate cane?

Sir Gokul.—No.

President.—Do you propose to introduce it?

Sir Gokul.—That is to prevent congestion. But they can manage to reduce congestion. They try to expedite the weighment as much as possible. They have some sort of parking system, so that no one is really dealt with unjustly. First come—first served is the rule which they try to observe.

President.—What is the average period of detention of carts?

Sir Gokul.—The normal period of detention of a cart is about 6 hours. The reply given in answer to question 31 is as follows:—

“We are introducing the Parchi system for the requisite number of carts, hence there will be very little detention”.

But I must say Phagwara is extraordinary in this respect because in the United Provinces the period of detention is much longer.

President.—I take it that in the Punjab generally and in Phagwara particularly the question of zoning does not really arise?

Sir Gokul.—No. From Phagwara to Gujranwalla the distance is about 138 miles. There is one at Butari which is about 30 miles or so. I believe that it will go out of existence unless it is taken over by some other financier.

President.—In any case Butari does not interfere with your gate cane.

Sir Gokul.—To a certain extent it did. They competed with us but luckily for us they did not have money to make payment in cash and people were not very pleased with them. So they hesitated to sell their cane to them. There has been no real competition. But if some better financier were in control of that factory then there might be competition. But that is only in one direction round about Bias.

President.—I am not taking you through every question as your answers to many of them are very clear.

Sir Gokul.—I am here to answer to the best of my information whatever questions you may ask.

President.—I should like to ask you one or two questions about the possibilities of export by land to Afghanistan. Do you think that there is any possibility in that direction?

Sir Gokul.—That is a very important question. I wish we could export to Afghanistan. What they probably do is this. You may be in a better position to know than I am. My information is that the sugar which they import comes in bond so that they have not got to pay any duty.

President.—That is correct.

Sir Gokul.—In the present circumstances when we have to pay Rs. 1-8-0 as excise duty, it is very difficult for us to compete with Java or any other foreign country that is supplying Afghanistan because they pay nothing.

President.—I understand that you can get a drawback of the excise duty for export purposes.

Sir Gokul.—In any case I don't think anybody has made any attempt yet unless those who deal in sugar export part of the sugar which they purchase from us to Afghanistan. The same applies to Kashmir but certainly we would like to export.

President.—Because you have a certain freight advantage over imported sugar.

Sir Gokul.—Yes.

President.—You are nearer to Afghanistan.

Sir Gokul.—Gujranwalla is in a better position—so is Phagwara—in that respect than any other mills down south.

President.—I was thinking of imported sugar which has to come all the way from either Karachi or Bombay. In comparison with that sugar, you do have certain freight advantage.

Sir Gokul.—Certainly. Here again the difficulty is, as will be seen from Mr. Noel Deer's evidence in your previous report, that Java could afford to dump sugar into India even at Rs. 2-8-0. As a matter of fact, since the passing of the Excise Duty Act, Java has been importing in Calcutta at as low as Rs. 2-9-3. Rs. 3-2-0 or Rs. 3-4-0 is very common. If without duty they can import at Rs. 2-9-3 they can beat us hollow.

President.—In the present conditions, the price of Java sugar has been raised and the price of Indian sugar has come down and the margin between the two is not so great as it was two or three years ago.

Sir Gokul.—Do you mean the difference between the prices of Indian sugar and Java sugar?

President.—Yes, the difference between the two prices is much less to-day than it was even three years ago.

Sir Gokul.—No.

President.—Owing to the reduction in the price of Indian sugar and a slight increase in the price of Java sugar.

Sir Gokul.—I do not know if you mean the same thing as I understand. The difference is more to-day. I shall explain myself. Indian sugar is now selling at Rs. 6-8-0 *ex-factory*. (It went down to Rs. 5-15-0 *ex-factory*). If the freight from the railway station to Bombay of one rupee is added, then it comes to Rs. 7-8-0 or Rs. 7-9-0. That is the price at which we can afford to sell sugar at present. We are forced to sell at Rs. 7-4-0 in Bombay but Java is selling in Bombay at as much as Rs. 10 if I am not mistaken.

President.—Round about that figure.

Dr. Jain.—Between Rs. 10 and 11.

Sir Gokul.—I gathered some figures from the "Statesman" three or four days ago. They were as follows:—

Calcutta	. . .	Rs. 10 to Rs. 10-8-0 per maund.
Bombay	. . .	Rs. 11-10-0 per maund.
Jamnagar	. . .	Rs. 12-0-0 „
Bhavnagar	. . .	Rs. 12-2-0 „

Mr. Rahimtoola.—But prices have gone up recently.

Sir Gokul.—I took these figures from the "Statesman" of 7th August.

President.—I don't think you quite followed my point. I was thinking merely at the moment of the possibility of export to Afghanistan. The price of Indian sugar is now lower.

Sir Gokul.—Yes.

President.—The price of Java sugar is higher.

Sir Gokul.—Do you mean that there is the export possibility?

President.—Yes.

Sir Gokul.—There I agree. But the question is whether India will be able to continue to sell at prices at which Indian sugar is selling at the present time. I have got figures. I can show you there is no prospect of selling sugar at a profit with the heavy excise duty of Rs. 1-8-0 per maund.

President.—We have your balance sheet made up to 30th April 1937.

Sir Gokul.—You mean for Phagwara.

President.—Yes. Is it for the last working season which is just finished?

Sir Gokul.—Yes, for the season which finished in March or April 1937.

President.—I see that you are able to earn a profit.

Sir Gokul.—I shall tell you why. In the first place you will notice from the expenditure that depreciation (page 14 of the balance sheet) taken into account is only Rs. 44,982. This is less than is usually shown. The Income-tax Department allow depreciation on machinery at 6½ per cent.

President.—I think you are correct.

Sir Gokul.—Depreciation on buildings is 2½ per cent. On the above basis at least Rs. 25,000 more should have been shown under the head depreciation. That is one thing. So far as the excise duty is concerned, if excise duty had been paid at Rs. 1-8-0, profits would have gone down. The duty that has been paid is Rs. 2,01,844. The quantity manufactured at Phagwara was nearly 175,000 maunds. If full excise duty had been paid on the total production, Rs. 20,000 or Rs. 25,000 would have gone. That accounts for Rs. 50,000 at least. Then there is no income-tax in the State. That is also treated as part of expenditure by other companies. We have to pay out of this year's profit the income-tax for the previous year. As we did not pay any income-tax that amount is saved, otherwise income-tax would have absorbed a certain amount of money. I may tell you the exact figure. Last year the profit was Rs. 1,60,000; if income-tax had been paid at the ordinary rates it would have carried away Rs. 40,000, so that from these Rs. 2 lakhs you may deduct Rs. 90,000.

Dr. Jain.—Why do you allow a lower figure for depreciation?

Sir Gokul.—Since the Phagwara factory was set up, in the first year no dividend was paid, in the second year there was a loss of a lakh of rupees and no dividend was paid. Dividend was paid only for two years. The company was set up in 1933 and if you calculate the total dividend that the shareholders have received it would be a return of 4 per cent. on their capital and we did not like that they should get less than 4 per cent. and so the only device was to reduce the amount of depreciation.

Mr. Rahimtoola.—When you have calculated the excise duty till the end of April, why was the additional duty not calculated?

Sir Gokul.—A good deal of sugar had left the godowns before the enhancement was announced.

Mr. Rahimtoola.—The duty came into force on 27th February 1937.

Sir Gokul.—Yes. Enhanced duty has been paid on some sales which were effected after the 27th of February otherwise the amount of excise duty shown in the balance sheet would have been Rs. 1,75,000 at the rate of Re. 1. On a small portion only Rs. 1-8-0 has been paid, that is why we have deducted Rs. 25,000; otherwise we should have deducted Rs. 35,000.

Dr. Jain.—In other words you think we would not be justified in drawing conclusions from these figures; we would have to take all these points into consideration.

Sir Gokul.—You should not run away with the idea that Phagwara has done splendidly as it has earned a profit of Rs. 2 lakhs. It has to be taken subject to my observations.

President.—In regard to the Gujranwala factory I notice that the company has not paid any dividend.

Sir Gokul.—No. Nor is it likely to pay for some time to come unless something happens. The profit that has been shown in the balance sheet was passed by the shareholders at a meeting held on 30th July. The profit they have shown for 1936-37 is Rs. 2,462. But even here the major portion of this little amount is brought forward from the last year's profit. Last year they made a profit of Rs. 26,240; out of this they have taken more than Rs. 24,000 to depreciation and the rest they have included in the present year's profit and in spite of that it comes to Rs. 2,642 and not a penny has been put in the depreciation fund, otherwise they would have shown a loss of Rs. 40,000. As under the law it is not necessary that any amount should be shown on account of depreciation, they have not shown that. Any person interested can see that in the balance sheet nothing has

been taken to depreciation account. If they had done so there would have been a loss of Rs. 40,000.

President.—Are there any points you would like to mention in connection with Gujranwala factory?

Sir Gokul.—Gujranwala is very unlucky and is badly situated. The cane round about it is not quite sufficient. The gentleman who was deputed to make a survey was rather optimistic in his estimates when the mill was put up there. Still if the excise duty had not been imposed it would have been able to keep its head above water. But in the very first year the excise duty came into force and it has not been able to stand on its own legs. One other result of the imposition of the excise duty was a sort of panic amongst the investing public with the result that Gujranwala has not been able to raise sufficient capital and a good deal of the working capital is borrowed and the balance sheet shows that they have paid as much as Rs. 25,000 as interest alone this year.

President.—Has the lack of capital prevented the factory being moved up to a better level of efficiency?

Sir Gokul.—Partly, but I think it is mainly due to inadequate supplies of cane. Unless the supply of cane is absolutely regular and crushing goes on to its full capacity, the efficiency of the mill is bound to suffer the extraction goes down, steam is lost and more coal is burnt.

Mr. Rahimtoola.—Is it not a fact that the period of working is uneconomical?

Sir Gokul.—That is quite true because Gujranwala is situated towards the north. It is probably in the centre of the Punjab but is the northernmost of the factories; it is liable to frost and the period is rather short. It begins to be quite hot in March and cane does not really last beyond the middle of March, unless there is a bumper crop, and Punjab has not yet seen a bumper crop.

President.—Are there any possibilities of increasing the cane supply for this factory?

Sir Gokul.—Yes there are. Some of them have been indicated in the replies sent by the factory and they have particularly emphasised the question of facilities for irrigation. There is a canal passing at a distance of about 2 miles from the factory towards the south and 3 or 4 miles towards the north but the water supply is very limited. If the Irrigation Department of the Punjab could afford facilities to canegrowers it would help them because the soil is quite good. Of course extraction will never reach anywhere near that in U. P., but it will certainly increase. In fact my home happens to be at a distance of 2 miles from this factory: I know the cane is very good to eat, it is very sweet and soft, and we used to produce quite good gur. For crushing we used to have belanas which yielded quite a good amount of juice.

President.—In that area does gur compete with cane for the factory?

Sir Gokul.—I don't think so because the price of gur during the last two or three years has been rather low and it pays the cane grower more to take it to the factory than to convert it into gur. Gur making has practically gone out of existence round about the mill area.

President.—Does that apply to Phagwara also?

Sir Gokul.—Yes. If one has to convert it into gur the process is most tedious and with the ordinary pair of bullocks you cannot produce much gur in 24 hours and one has to go on for two months to finish one's crushing; then one has to pay octroi, the middleman and so on and the grower thinks the most profitable way is to supply cane to the mills.

President.—Do you think there is a future for the open pan or khand-sari industry?

Sir Gokul.—With this excise duty and with so many central factories now working with vacuum pans I think there is no future for these open pan factories.

President.—Even if they were exempted from the excise duty?

Sir Gokul.—Then certainly they will be in a better position but even then it is doubtful if they will be able to compete except in areas which are far remote from the central mills and where cane can be had at 2 annas or $1\frac{1}{2}$ anna a maund. There they may be able to compete: their extraction is not more than 6 per cent. while the extraction in good mills has reached 10 per cent. and some mills have attained more than 10 per cent.

President.—We have been told that practically all open pan and khand-sars have closed down in the Punjab.

Sir Gokul.—Yes; I do not know of any working.

Mr. Rahimtoola.—In answer to question 81 you have given manufacturing expenses in Gujranwala. Does that include the price of cane?

Sir Gokul.—That is in addition to the cost of cane.

Mr. Rahimtoola.—And does it include overhead charges?

Sir Gokul.—It includes all the overhead charges.

Mr. Rahimtoola.—What is the price of cane in that area?

Sir Gokul.—0-5-2-87 pies per maund in 1936-37.

President.—That is the price paid at the gate?

Sir Gokul.—Price paid by the company on a maund of cane on the average, gate and rail included, delivered at the factory.

Mr. Rahimtoola.—In the case of the Phagwara factory there are three prices for 1936-37. Was it as low as 0-3-9?

Sir Gokul.—Yes, but 0-4-7 is the average. It is like this. They have given various prices. In some cases they might have paid 0-3-9 but that is not the average price.

Mr. Rahimtoola.—I want to know whether the reduction in the price of cane has anything to do with the excise duty.

Sir Gokul.—It may be due to local circumstances. Probably for cane purchased from a distance they paid 0-3-9 or it may be inferior cane. One is kana cane which looks like reed. Rather than refuse that cane they accept it at a lower rate because there is no rule fixing a minimum price at Phagwara. That is the lowest that has been reached in Phagwara.

Mr. Rahimtoola.—It has been stated elsewhere that the burden of the additional excise duty has been passed on to a greater extent to cultivators.

Sir Gokul.—I could not tell you the proportion of the burden which is passed on to the cultivator and to the manufacturer, but I am quite prepared to admit that the excise duty has hit both very badly. The cultivator has suffered because he used to get 6 or 7 annas for his cane before the excise duty was imposed and now the prices have come down to less than 4 annas in some places in the United Provinces. This is indicative of nothing, because you had asked them to give all rates at which they purchased. From my local knowledge of Phagwara I think it must be due to the inferior quality of cane purchased and not due to anything else, because I have seen the varieties of cane supplied at Phagwara.

Mr. Rahimtoola.—The average price given is 4 annas 7 pies for both local and the imported cane.

Sir Gokul.—Yes including the rail cane. I have got figures for all these years. In 1933-34 it was 5 annas 5-3 pies; in 1935 when the cane was absolutely spoiled and when the extraction fell to 5-12, the price was 5 annas 11 pies; in 1936 it was 5 annas 10-3 pies, because the price of sugar was higher and this year the average price of cane has been 4 annas 7 pies.

Mr. Rahimtoola.—Is the factory paying for cane according to the price of sugar?

Sir Gokul.—Not formally under any rules such as are in force in U. but the price of sugar must affect the rate of cane.

Mr. Rahimtoola.—There is no minimum price based on the cost of cultivation.

Sir Gokul.—No. Nobody knows what the cost of cultivation is in rupees, annas and pies. In the Punjab no peasant would be able to tell you how much he spends on an acre of cane. He can only tell you roughly what the value of his own personal labour should be, what the value of his children's labour should be, what the value of his bullocks' labour should be, but he would not be able to put it in rupees, annas and pies. It is all a question of supply and demand. When the mill people think that they cannot get good prices for their sugar, they naturally cannot pay much for cane.

Mr. Rahimtoola.—If the cultivator does not get sufficient price for cane, he may not deliver it to the factory, but turn it into gur.

Sir Gokul.—Gur doesn't fetch remunerative price.

Mr. Rahimtoola.—For the time being.

Sir Gokul.—Of course it is all for the time being. If gur begins to pay, he won't bring his cane to the mill, but if the price of gur rises, not exactly proportionately but to a certain extent proportionately, the price of sugar will rise. Again the cane grower will find it more paying to bring his cane to the factory than to convert it into gur.

Mr. Rahimtoola.—What is the price which the Board should take into consideration, in order to induce the cultivator to supply cane to the factory in preference to making gur.

Sir Gokul.—I know that two of our mills have supplied you with figures showing the cost of cane growing, but I do not know if Gujranwala has done. Has Phagwara not done?

Mr. Rahimtoola.—Yes, it works out to Rs. 80 per acre.

Sir Gokul.—I must say that it is more or less conjectural. Cartage is Rs. 25. The Association has said it is a bit excessive. Certainly round about Phagwara the cost of production is higher because there is no canal irrigation. They have to depend on Persian wheels or on rain and rain in the Punjab is not very heavy. If the cost is Rs. 80 and the yield 400 maunds, you can calculate.

Mr. Rahimtoola.—It works out to 3 annas 3 pies roughly.

Dr. Jain.—As regards your reply to question 82, the question is to what extent there is room for further reduction in costs. You say: "No further reduction in costs is possible for climatic reasons. We have reached the maximum point of recovery".

Sir Gokul.—Yes. I think this is a bit pessimistic. Don't you think so?

Dr. Jain.—That is what I felt.

Sir Gokul.—That is my idea, because the production has increased during the last few years. In 1933-34 the extraction was 6·4 in Kapurthala. In 1935 circumstances were extraordinary, because the cane was spoiled right from Jullunder almost up to Meerut by pyrilla and top-borer and extraction fell to 5·2. In 1936 the extraction was 7·88. In 1937, this current season, the extraction is 8·3 and we at least hope that it might increase.

Dr. Jain.—What would you put down for the next seven years?

Sir Gokul.—It is very difficult to say. It depends upon so many circumstances. We can only hope that it would increase. I cannot say with any certainty that it will.

Dr. Jain.—There is only one other question I want to ask you. In answer to question 98 in regard to terminal markets the answer is "No." I want to know the reasons.

Sir Gokul.—I do not know if they quite understood the terminal markets and futures. I have had nothing to do with the framing of this Memorandum.

Dr. Jain.—That is why I ask you. You know all about the terminal markets.

Sir Gokul.—This is a very important question and I am very glad that you have raised it. Just now sales are in an absolutely disorganised state. Last month or so a number of mills have combined and have got registered what is called a Syndicate. You might have heard about it. It has taken over the sales of a large number of factories. In fact the majority of factories have submitted themselves to its control and it is they who are announcing the rates at which sugar should be sold by the factories which have affiliated themselves to this Syndicate. They also fix the quota that each mill should sell during a particular fortnight. But this agreement with this organisation has been arrived at only for this year and it is not sure whether the mills would continue to repose their trust in this Syndicate in future also. Efforts are being made to make this Syndicate a permanent body and to make these arrangements permanent, but I would point out that unless some marketing facilities are afforded, there is no likelihood of prices coming to a reasonable standard. I do not know what you exactly mean by these terminal markets. Are you referring to speculation which these markets might encourage or to ready business at these markets?

Dr. Jain.—The future markets have a tendency of steadying prices.

Sir Gokul.—Yes. In view of their past experience very few people are now coming forward to make forward contracts. During the last three years merchants have suffered. No matter at what price they purchased their sugar, they have had to sell at lower prices. Only since this Syndicate came into existence, the prices have become a bit steady. In fact the price rose from 5 to 6 annas per maund.

Dr. Jain.—These have been unusual times. We will not be entitled to draw reasonable inferences from them.

Sir Gokul.—It is possible that merchants who have purchased sugar from mills are selling their own sugar; otherwise probably the Syndicate would have succeeded in raising prices still higher. During the last three or four years merchants have not made any profits from sugar and unless some stabilising factors come into play, I don't think that there is much hope for futures as you may call them. People want to have some amount of certainty. Millowners do not know what the price in the next fortnight would be for cane or for sugar. The cane grower does not know what he is going to get during the following fortnight. He is in a state of uncertainty. The manufacturers are in a state of uncertainty and the merchants are in a state of uncertainty. Now who is going to speculate? I quite agree with you that speculation has a tendency to stabilise prices, at least to encourage and strengthen the market, but the people are too afraid at present.

Dr. Jain.—In other words you would be in favour of a terminal market if conditions get stabilised.

Sir Gokul.—Yes.

President.—Has your group of mills come into the Syndicate?

Sir Gokul.—Yes. We have in fact persuaded others to come in.

Dr. Jain.—Your son has played a prominent part.

Sir Gokul.—Yes.

President.—Before I pass on to the United Provinces, I would just like to ask you with reference to your answer regarding sucrose content whether the sucrose content in the Punjab cane is inferior to the sucrose content in the United Provinces cane and what difference does that make between the Punjab and the United Provinces.

Sir Gokul.—Sucrose is less in Punjab cane.

President.—If the sucrose content is low, you want more maunds of cane to manufacture one maund of sugar. What would be the difference between the Punjab and the United Provinces?

Sir Gokul.—One thing that you should take into consideration is that Phagwara sugar has an advantage of freight. What it loses in extraction,

it partly gains on account of the freight. There is a difference of about 2 per cent. in the extraction and there is a difference of one rupee in freight. The cost per maund of sugar in Phagwara is more but on account of saving in freight for the Punjab market it fetches Rs. 1 more. The ultimate difference is therefore not very considerable if price of cane is low. The manufacturing cost per maund of cane is about four annas.

President.—In both cases.

Sir Gokul.—It is really 4 annas 3 pies in both cases. On 12 maunds it would be Rs. 3-3-0, so that if cane was converted into sugar without any extra expenditure, 12 maunds of cane would bring to Phagwara Rs. 4-2-10-5 or in other words 67 annas as profit *minus* cost of cane. I need hardly tell that to businessmen like you. We don't include in our costs the interest on the capital.

President.—Only interest on working capital?

Sir Gokul.—Yes, but not the interest on block capital. This 67 annas really includes the price of cane and the profit or the interest on block capital which you might put at 5 or 6 per cent. For rough purposes to arrive at a proportion you can say that on each maund of cane the profit including cost of cane in Phagwara would be 67/12 or 5-58 annas for United Provinces. I am taking 10 per cent. only, because Basti has done extraordinary well this year and other factories have not shown such results. 10 should be taken as the highest percentage of efficient factories leaving aside exceptionally good factories. The cost of 10 maunds would be Rs. 2-10-6. That means Rs. 3-9-6 or 57/10 or 5-7 annas, as profit including cost of cane on one maund of cane crushed. The productivity of a mill in United Provinces would thus be 570 as against 558 of Phagwara. The difference though not very considerable is quite substantial.

President.—That is one way of getting at it.

Sir Gokul.—Yes. In the Punjab at Phagwara it takes 12 maunds of cane to produce one maund of sugar while in United Provinces it takes only 10 maunds.

President.—Taking the total cost of manufacture, cane forms a very large proportion—nearly 60 per cent. If the sucrose content in the Punjab is lower than in the United Provinces, the cost of raw material, *viz.*, sugar-cane must be in a higher proportion.

Sir Gokul.—The cost will be higher and therefore the price to be fixed should be lower in the Punjab.

President.—The price of cane should be lower in the Punjab, but it is actually higher.

Mr. Rahimtoola.—You have given the average as 4 annas 7 pies per maund.

Sir Gokul.—Let me tell you what the figure for Basti is. The average cost in Basti is 4 annas 7 pies.

Mr. Rahimtoola.—Really speaking it ought to be lower than that of the United Provinces factory.

Sir Gokul.—Is it their own farm?

Mr. Rahimtoola.—It is the cost of cultivation per acre (unirrigated).

Sir Gokul.—They have suffered a loss of Rs. 17,000 on their farm. They have spent Rs. 47,000 as their balance sheet shows and they have got only Rs. 30,000.

Mr. Rahimtoola.—You have given the yield on a cultivator's farm and you have given the cost as Rs. 37-8-0 per acre.

Sir Gokul.—That is the ordinary peasant's cost.

Mr. Rahimtoola.—What is the peasant's yield?

Sir Gokul.—Between 300 and 400 maunds: 300 maunds—ordinary; 400 maunds—best.

President.—May I take it that the cost of raw material, *viz.*, sugarcane must be higher in the Punjab than the United Provinces?

Sir Gokul.—Yes.

President.—You cannot tell me what the difference is.

Sir Gokul.—It is a matter of a little arithmetical calculation and I do not want to keep you waiting.

Mr. Rahimtoola.—It is about two annas.

Sir Gokul.—That is about correct.

President.—You have given the average as 4 annas 7 pies.

Sir Gokul.—That is what we have paid. I do not know whether you have seen the article which appeared in the "Civil and Military Gazette" when the question of the excise duty was under consideration. According to that article, the cane grower makes cent. per cent. profit on his cane. The writer was justifying Government's action in raising the duty. The cost of cane should be reduced to 2 annas 6 pies and then the manufacturer can easily afford to pay Rs. 1-8-0 and even more. That was his argument. It was most extraordinary but that was what he pointed out. These figures show that so far as his estimate of the cost of production of cane is concerned he is correct.

Dr. Jain.—The cost of production figures may be entirely misleading if you don't provide for human labour.

Mr. Rahimtoola.—This is exclusive of labour.

Sir Gokul.—Any estimate of cost of production will be conjectural.

Dr. Jain.—That is the most important point.

Sir Gokul.—If you take the question of principle, I think you should look at it from this point of view. The object of protection was to develop the sugar industry in this country and to benefit the cultivator. Indian soil was considered to be very suitable for the production of cane. It was found when your previous Board sat that only about 100,000 tons were produced in India while the requirements of India were about ten times as much. If the soil was suitable and if capital was forthcoming, there was no reason why India should not become independent so far as sugar supply was concerned. It was under those circumstances that protection was granted. The result has been that cane cultivation has very considerably expanded and the production of sugar is now sufficient to meet the normal requirements of the country. But owing to circumstances, for which I do not know who is responsible, the price of sugar has fallen abnormally. In fact when the first duty was imposed, the price of sugar was Rs. 7-10-0. In the very following year, the price fell to Rs. 6-10-0 and this year it has been Rs. 5-15-0. With the excise duty the price should have risen because that should have been put on the consumer really ordinarily, but it was put on the manufacturer and on the cultivator. The result has been that the cultivator is now getting much less for his cane than he used to do before protection. The manufacturer is getting much less for his sugar than he used to do before protection. The result of protection has been an abnormal expansion of the sugar industry in this country and intensified internal competition. Every one is anxious to part with his stock, if I may use the expression "Every one for himself and Devil take the hindmost". They do not know what will happen. The successor of Sir James Grigg may raise the duty to Rs. 2. When his predecessor first put the excise duty on, they did not know that it was going to be enhanced and yet Sir James Grigg enhanced it. Therefore they are naturally anxious to part with their stock as early as possible although they ought to know that it takes 5 months to manufacture sugar and that it has to be consumed in twelve months. Still they have no patience. They cut down prices and undersell one another with the result that the prices have come down to Rs. 6 and even less than Rs. 6 before the syndicate came into existence. Naturally the cultivator has also suffered. What I therefore feel is that you should consider whether there are any means of

stabilising the prices of sugar and thereby also stabilising the price of cane with a view to giving an adequate return both to the sugar manufacturer and to the sugarcane grower. I do not know what you would think, but I have been revolving it in my mind that just as there is a provision for the fixation of a minimum price for cane there ought to be a provision for the fixation of a minimum price for sugar, below which no manufacturer should be allowed to sell. I know there are difficulties but there were difficulties even in the case of fixation of a minimum price for cane. When the question of fixation of a minimum price for cane was under consideration there were various factors to be taken into account, viz., cane growers in different localities, local circumstances with respect to soil, irrigation, labour conditions and so on and yet Government decided to fix the price for cane and it is after all working. Local Governments have issued rules and under these rules minimum price has been fixed. The rule has been working with some hardship here and there.

Mr. Ruhintoola.—Do you think that the rules are working satisfactorily?

Sir Gokul.—No human rules can work absolutely perfectly but they are working. Certainly some complaints are made here and there. In some places the cost of production is more while the minimum price is not commensurate with the cost of production. In other places, the cost of production of cane is practically nil. For instance, in some parts of the country (Eastern part of the United Provinces and Western part of Bihar) irrigation practically costs nothing. There are heavy rains. They have not got canals or pucca wells. As you know they have only *kucha* wells from which water is lifted quite easily and poured out. I have seen it working in the United Provinces. Nevertheless the rule was considered to be necessary and I must say that if other circumstances had not intervened it would have done a lot of good to the cultivators and I do not see any reason why efforts should not be made to surmount the difficulties which might arise in the way of fixation of a minimum price for sugar. One difficulty no doubt would be this. Indian sugar has not yet been fully standardised but the Technological Institute has done something in that direction. There are now about 16 standards. When it was first started there used to be as many as 26. Now we are in a better position. The mill efficiency has increased and most of the mills, particularly since the imposition of the excise duty are now producing almost entirely one kind of sugar. It will not be very difficult any more to conform to any standard which might be fixed. I think bottles are sold with samples of sugar in them. They charge Rs. 50 for these samples. Every mill can buy them. If there are more customers, the price can be lowered. Every mill will try to produce sugar according to one or more particular samples and prices can be fixed according to these standards—sample No. 1 so much per maund, sample No. 2 so much per maund and so on. I believe that every mill will be able to produce sugar according to these standards. Some are already producing fairly standardised sugar, and it is possible for others to produce sugar which will conform to those samples. After all they are using the same cane and the same chemical processes. There may be some little difference where the personal element comes in. Still on the whole they will be able to come up to the standard and then there will be stability in the market. There will also be stability in the price of cane and no one would suffer. Even the excise duty will not be so irksome as it is now if a fair and reasonable price is fixed for sugar taking into account the cost of cane, the cost of manufacture and the excise duty. In fact, you should start with what you consider a reasonable price per maund of cane because the cultivator should have the first place in your mind.

Dr. Jain.—Would you prefer the State doing it to the Industry doing it?

Sir Gokul.—Without State aid, it will be very difficult to do it. Government should pass some law recognising either the Sugar Merchants Association or the new Syndicate which has been put up. It can prescribe conditions. But the State should recognise it and give it power to fix prices.

President.—I don't think prices have been fixed for any other finished product.

Sir Gokul.—Prices of raw materials have not been fixed either.

President.—Price has been fixed in regard to sugarcane.

Sir Gokul.—Millions of maunds of cotton are exported to other countries. No one has fixed a minimum price for cotton or for any other raw material. If the price of raw material in one instance could be fixed, I don't see any reason why a minimum price for the finished product arising out of that raw material cannot be fixed. Otherwise, I submit that the cultivator is face to face with ruin and the sugar industry is face to face with ruin, if things are allowed to go on in this slipshod manner as they are now going on.

President.—That is a large question which will, I think, be raised by the Association.

Sir Gokul.—I have just thrown out this suggestion for your consideration and for the consideration of the Association. I have consulted the managers of our mills and they are all keen on this point.

President.—Do you mean the fixation of a minimum price for sugar?

Sir Gokul.—Yes. They cannot think of any other way of stabilising the market.

President.—Everything else would follow from that.

Sir Gokul.—You fix permanently the price of cane first. You begin with the cultivator. You have already made a legal provision for fixing a minimum price for cane. Now it keeps on changing from fortnight to fortnight.

President.—The change is not very great.

Sir Gokul.—It has dropped from 5 annas to 3 annas 9 pies. It is a great drop for a poor cultivator.

President.—I was looking at the figures this morning. They do not change very much from fortnight to fortnight.

Sir Gokul.—For every fall of 8 annas in the price of sugar, they reduce the price of cane by one pice.

Mr. Rahimtoola.—The price fluctuates according to the demand and supply?

Sir Gokul.—You have made legal provision for the fixing of a minimum price for cane. Even that keeps fluctuating. Whether the fluctuation is big or small is not very material: there is this fluctuation, and even a 2 pies or 3 pies fluctuation is felt by the cultivator. I know they would go 5 miles more if they could get one pice more per maund. To them 3 pice is a considerable amount and they would be very much more satisfied if they know that for the season the price of cane has been fixed.

President.—Would you suggest that the price be fixed on the cost of production as far as can be ascertained?

Sir Gokul.—Yes.

President.—Would you fix the price at the time of planting of sugarcane?

Sir Gokul.—No. When it has ripened otherwise you may fix a low price, then suppose floods come and there is very little good cane left in the market, naturally you may have to fix a higher price.

President.—One suggestion made is that we should fix a minimum price at the time of planting and there should be a bonus paid at the time of delivery of cane based on the then price of sugar.

Sir Gokul.—That will be very complicated and that will leave room for all sorts of things.

President.—You know what the previous Tariff Board did about fixing the fair selling price of sugar?

Sir Gokul.—That is the proper basis but I wish they had also recommended that the minimum price of sugar should be fixed because they estimated that after 15 years the price of sugar would be Rs. 7-15-0 and I find

the price of sugar has come down to Rs. 6-4-0 after three years of protection including Rs. 1-8-0 as excise.

Mr. Rahimtoola.—We had calculated 8 annas per maund of cane and no factory has paid more than 6 annas?

Sir Gokul.—They have been paying off and on 8 annas when there has been a stress. You can fix 8 annas as the price of cane, I shall have no quarrel; I shall be very happy. But then that should be the basis for the price of sugar also. In other words what I want is this: that Government should not leave the poor manufacturers disorganised as they are at present and to their own fate and their own resources. Government must come to their rescue, otherwise the whole thing will go to wreck and ruin and the cultivator whose interest is in everybody's heart would also be ruined.

Mr. Rahimtoola.—How do you wish to protect the interest of the consumer?

Sir Gokul.—The consumer has never fared so well as he is faring now. Protection should not hit him, I quite agree, but he should not take undue advantage of the manufacturer simply because there is protection in the country. What do you think is the fair price for an ordinary consumer to pay for a maund of sugar?

Mr. Rahimtoola.—As low as possible.

Sir Gokul.—Low consistently with the cost of production. If the cost of production is Rs. 6-1-0 what is the fair price to be paid to the cultivator? You should not think of the consumer too much. Taking the reasonable price which the cultivator ought to get for a maund of cane, fix the price taking into account the manufacturing expenses. I am sure the consumer would not suffer if you fix the price of cane at 6 annas. It is a very good price for the cane grower, and you fix the price of sugar at Rs. 8 per maund which will not make it difficult for the manufacturer to pay the excise duty leaving a little margin of profit. There is one thing more that I should like to mention and that is that the consumer should not grumble if he can get his sugar at 5 seers a rupee which he never got during the last 20 years.

President.—By the way, may we take the Basti mill as typical of the United Provinces group?

Sir Gokul.—The Punjab Sugar Mills is the earliest: you can take Nawabganj because it is a younger company.

President.—In regard to the cost of cultivation to the ordinary cultivator. . . .

Sir Gokul.—Rs. 74 is their own with an yield of 400 maunds. For the ordinary cultivator it is Rs. 37-3 for an yield of 300 maunds.

President.—300 maunds at 4 annas comes to Rs. 75 and the cost of cultivation is put at Rs. 37-8-0 so he is getting cent. per cent.?

Sir Gokul.—Yes, but not taking his personal labour.

President.—Do you think that is a fair general average for your group of factories?

Sir Gokul.—I should think so. In fact the Punjab Sugar Mills, Gujranwala, put it at Rs. 20. A good deal of the cane area lies in low land and requires practically no irrigation.

President.—For your group of factories you should say it is a typical figure? The figures vary a little in the different answers.

Sir Gokul.—I think that should be taken as fairly correct.

President.—There is one point which was raised in connection with the railway freights. I think it was Basti that spoke about penalties for overloading. We discussed this with the Railway Board and they seemed to think that penalties were very rarely levied.

Sir Gokul.—If Basti has said so, it must be correct. But I have not heard of any complaint. I was Chairman of Basti factory for many years,

but I heard of the complaint that they had charged demurrage, but that is not their fault; that is a different question altogether.

President.—I take it you are in favour of the zoning system so far as United Provinces is concerned?

Sir Gokul.—I am not very much in favour, but I am not opposed to it. It has its good points and also its weak points. In fact at the Simla Sugar Conference we rejected the proposal of zoning. That was in 1933. It has to be done very carefully and it is not an easy job, particularly round about Gorakhpur where at every station you have a factory; in one place you have two: at Ramkola.

President.—All these answers given by Nawabganj are very clear and very much to the point and there does not seem to be a great deal to ask you about them as far as I can see.

Sir Gokul.—I had a talk with the Manager of Nawabganj; they are very anxious about the licensing of new factories and even the extensions of old factories.

Mr. Rahimtoola.—In answer to question 37 you have given figures about sucrose losses. Does it amount to as high as 25 per cent.?

Sir Gokul.—This reply must have been given by the Chemist who is a very capable man with great experience. It is the result of an analysis in the laboratory. Supposing you have fresh cane, it is analysed in the laboratory and you get the result X of sucrose. The cane to their knowledge is three days old; they analyse it in the laboratory and they find the sucrose content less by 25 per cent.

Mr. Rahimtoola.—Before they say less they must estimate the sucrose content of that particular type of cane?

Sir Gokul.—They have their records. The cane from a certain locality is analysed in the laboratory. They have a regular record: cane from such and such area, sucrose content so much, and if owing to some reason the cane does not reach the factory before three days they analyse it and compare the result.

Dr. Jain.—With their record of the same type of cane which was analysed when fresh. The difference can be easily ascertained.

Dr. Jain.—You have given a very useful note on the utilisation of molasses. Does that represent the view of your group of mills?

Sir Gokul.—Yes.

Dr. Jain.—Do you think power alcohol is the only solution?

Sir Gokul.—The last Tariff Board estimated the price of molasses for their calculation at Re. 1-8-0 and now the price has gone down to practically nothing. Sometimes we can't get even one pice per maund and it is a problem how to dispose it of. There seems to be no other way of utilising molasses unless some Chemist arises who by some chemical processes solidifies it and eliminates poisonous contents and prepares an edible gur or something of that kind from it.

President.—The Imperial Institute at Bangalore is doing very useful experiments with molasses for conversion into potsh and glucose.

Sir Gokul.—Yes. There are other things which can be produced from it. I have been discussing this question with Dr. Bhatnagar of Lahore and his pupils have been working on this problem. Manufacture of power alcohol seems to be the only large scale solution of the difficulty.

Mr. Rahimtoola.—What would be the price of molasses in case power alcohol was allowed to be manufactured in this country?

Sir Gokul.—Even if they get 6 to 8 annas per maund for molasses they could manufacture power alcohol.

President.—Do you think that that would be a fair price for molasses?

Sir Gokul.—Yes for want of any other outlet. We sent a representation to the Government of India on this question and the reply that we got

was that export of molasses was the best form of disposal, as the Indian Molasses Company will purchase it at about 4 annas per maund, but it has not been able to offer this price. Even 4 annas a maund would have saved these people. They can't even get that.

Mr. Rahimtoola.—There is a complaint, contained against zemindars, in item No. 9.

Sir Gokul.—That is quite correct. There has been a lot of trouble. We spent a lakh of rupees and took the whole mouza on mortgage where this mill is situated on the condition that we could extend our buildings on the mortgaged lands and on redemption would pay a certain amount of money on account of rent for the land occupied by our buildings. Our landlord litigated with us and there was some trouble over the land. The case went up to the High Court and we have won that case. The trouble has been very great and that is not only in Ghughli. I can tell you the trouble is in Gujranwala and in Basti. Nawabganj has not complained yet but may complain after two or three years. It is very difficult to get land to throw the effluence from the factory. That is one thing. Then if they want more godowns, they find it difficult to get more land. For parking of bullock carts there is great difficulty. Now in Basti what they are doing is that they are parking their bullock carts on the railway land. Railway people have been kind, I must say. In Ghughli they have to fight for parking bullock carts. In Gujranwala the factory people applied to Government to acquire land for them to enable them to dispose of their effluence, because it is now thrown next to the Grand Trunk Road and people complain of bad smell, and nothing has yet been done. People want fancy prices. It is quite true that the zemindars give a lot of trouble when the question of land acquisition arises. All the factories will appreciate it very much if Government assist them in the acquisition of land on reasonable terms.

Mr. Rahimtoola.—Even for small patches of land?

Sir Gokul.—Yes for these requirements and not for big farms. These are petty things and Government should not find any difficulty.

President.—Perhaps you would like to say something about the excise.

Sir Gokul.—So far as the excise duty is concerned, it has really broken the back of the Sugar industry in this country. You know the Protection Act was passed in 1932 and we placed orders in that year for three new mills, Nawabganj, Ramkola and Watterganj. In 1933 the mills began to work and the work that they did was mostly trial work, as Gujranwala has pointed out. They made nothing. They didn't crush much. In 1934 came the excise duty before the mills had really started. In the Simla Conference of 1933 I said that it would be sugar-infanticide. The result was that barring those mills which had been in existence for a number of years and which had built up their reserves, most mills were in a very precarious condition and they had hardly recovered from that previous shock when this new shock of the enhancement of 8 annas in the excise duty came. I am not speaking from the selfish point of view as one who is interested in the Sugar industry, but as one who is interested in the welfare of the country when I tell you that the Sugar industry is in a most precarious condition at the present moment and unless this excise duty is either removed or reduced or takes some other form, there is no hope for the Sugar industry in this country. Protection has done good, but you will be surprised to hear that before protection was granted, we were for years distributing 40 per cent. dividend from the Punjab Sugar Mills and 30 per cent. from Basti. Protection has done no good to well-established factories. It has done great harm as it has let loose 117 new factories upon them. There were only 29 at the time when you wrote the first report. All good, bad and indifferent have come into existence.

President.—Which of your factories were in existence?

Sir Gokul.—Ghughli and Basti. You wrote your report in 1931. As I have said we placed orders in 1932. "No sooner blown than blasted"

would apply to this case. We have been discussing this ourselves and our view is that this protection enabled old mills to make good profits before the excise duty came in but it is wrong on principle so far as the interests of any industry are concerned to tax production and not profits. Here is a great Economist sitting. I do not know how many instances he can quote where production has been taxed and taxed at such a heavy rate. We would not mind if something in the nature of an Excess Profit Taxation Act was brought into existence. You are probably aware that during the war a special Act was enacted which was known as the Excess Profits Duty Act.

President.—Do you mean in England or in India?

Sir Gokul.—In India. Excess Profits Duty Act was passed in India under which something like 25 per cent. to 50 per cent. of profits was taken away by Government.

Mr. Rahimtoola.—Is that Super-tax?

Sir Gokul.—It was not called Super-tax. Super-tax is only one anna in the rupee. That exists even to-day. The Excess Profits Duty Act has been repealed. I am sorry none of you knew it.

Dr. Jain.—In that sense of course we have heard, but not in the phraseology which you have used.

Sir Gokul.—I had conducted several cases. I appeared several times before the Financial Commissioner in appeals against the assessment under that Act even after the war.

Dr. Jain.—I think it is an old form of super-tax.

Sir Gokul.—It was a very heavy tax. It is not known exactly as the Excess Profits Tax. During the war time it was enforced. It lasted for a year or two after the war.

Dr. Jain.—People didn't know the Excess Profits Tax. They knew it as super-tax.

Sir Gokul.—The name of super-tax came in later. The object of that enactment was to tax enormous profits which people made during the war. I think you could get a copy of the Old Act. You can introduce a clause in the Income-tax Act, if you choose that way of realising this duty, to the effect that 50 per cent. of their net profits may be the rate of super-tax so far as sugar mills are concerned and we shall be quite satisfied, because that would mean we pay when we make some profit. When we don't make any profit, we don't pay. In Phagwara you will be surprised to learn that in 1934-35 we suffered a loss of one lakh of rupees and yet we paid duty on production. The extraction was 5.12 and duty had to be paid. No exemption was given. The Punjab Government made a representation to the Government of India

Dr. Jain.—We are aware of that.

Sir Gokul.—The Punjab Government made a representation to the Government of India bringing the case of the Punjab factories to the notice of the Central Government urging that they were in a state of infancy and might be exempted but the Central Government didn't listen to them. The only case in which they made an exception was when the Viceroy interfered of his own right in the case of a small sugar factory being run at Okara by the Military Department. You are aware of that.

Mr. Rahimtoola.—It was mentioned in the Director of Agriculture's memorandum.

Sir Gokul.—If you take 50 per cent. of profits from us as excise cum income-tax the sugar industry will not suffer, because only those will pay who make a profit, but an objection might be raised that the people might fudge their figures. My answer to that is that so far as Joint Stock Companies are concerned, there is no chance of fudging figures. In the case of private concerns I think Government can make a rule that their

accounts should be kept in prescribed form and should be audited by the Government Certificated Auditors.

Mr. Rahimtoola.—I believe it is correct to say that the majority of sugar concerns are not Joint Stock Companies.

Sir Gokul.—All our concerns are Joint Stock Companies. They are public Limited Companies. So far as they are concerned, there is no temptation to dishonesty. Even if there was any possibility of fudging figures in Joint Stock Concerns, there is no temptation. Why should a man do it?

Mr. Rahimtoola.—You mean an increase of 50 per cent. over the existing income-tax and super-tax.

Sir Gokul.—No. Take some figure up to 50. You can calculate. It may be 50 or even 55 inclusive of existing income-tax and super-tax.

Mr. Rahimtoola.—Your point is that it should be recovered in the form of tax on profits. The fixing of percentage might be left to Government.

Sir Gokul.—Yes whatever the Government may consider reasonable. Just now taking the price of cane even fairly low as it is and the cost of manufacture, practically nothing is left to the new mills. Take the case of Basti which is our best mill, the best Company having two mills. I have got the calculations here. The cost of production has been Rs. 5-12-0 and the average selling price of sugar has been Rs. 6-4-0, 8 annas per maund we have made. We have no doubt made a profit, but we manufactured 5 lakhs of maunds of sugar and our block on both these mills is nearly Rs. 30 lakhs which does not carry any interest. Even at 5 per cent. the interest would be Rs. 1,50,000. That is the point really to be considered. If Basti has not made more than 8 annas, what about the other mills? About Nawabganj you said there was nothing to ask. You could have easily asked whether Nawabganj was working at a profit. We have not made a profit there.

President.—There was no need to ask you, because we had facts and figures.

Sir Gokul.—Yes.

President.—We have asked the Association to give us balance sheets of all Companies for this year.

Sir Gokul.—Yes. For the balance sheet of Nawabganj the closing period is 31st October. It has got a double mill. Its capacity was more than doubled last year. We spent an extra Rs. 10 to Rs. 12 lakhs on it and yet, crushing 40 lakhs of maunds of cane, this season it will not show a profit. It will show a loss of Rs. 30,000 to Rs. 40,000. I must say that there is an extraordinary reason for this. Some sugar was left over from the last season. That has now been subject to the higher excise duty and also to unusual deterioration. That alone has caused us a loss of one lakh of rupees. One lakh of rupees is nothing for a sugar mill of that size. Before the imposition of the excise duty, profits have been very very decent.

President.—The argument is that the industry has been making very large profits.

Sir Gokul.—Yes, before the excise duty came on. But what is the ultimate object of protection? The object is to make the sugar industry self-supporting and to enable it to stand on its own legs and to withstand competition with outside manufacturers. Now you know that Indian conditions are not at all like those in Java. Our production is 1·3 tons per acre whereas their production is 6 tons per acre. They are now increasing it. They have discovered another process—I do not know if it has come to your notice. They go and analyse the cane in various fields of their farm and after analysing the cane in various fields they decide which cane should be crushed first and so on. That has added to their percentage of extraction which is already nearly 12, so that left to ourselves we could never compete with them. If ever we compete with them, it will be as

a result of a prolonged period of protection and other forms of assistance. The mills should have been allowed to build up some reserve. They cannot build up any reserve if after one year of protection a heavy excise duty is imposed upon them. The Java Companies have built up reserves for the last twenty years and they can afford to sell sugar even below their cost price. If we are to stand on our legs, we should be allowed to build up some reserve. The seemingly large profits which some companies made before the imposition of the excise duty should really not have been considered.

President.—The complaint is that the companies did not put by much as reserves but that they distributed most of the profits as dividends.

Sir Gokul.—Some have been building up reserves. For instance the Punjab Sugar Mills has a reserve fund of Rs. 22 lakhs including the depreciation fund.

President.—I am saying that a good many of the companies did not adopt such a conservative policy.

Sir Gokul.—You are right. The number of mills then was rather small and they never anticipated what was going to happen. In fact if protection had not been given those 29 companies would have been very happy. The country was paying about Rs. 18 crores for imported sugar every year. That has now been saved. The reason which is given is that the deficit in the budget has to be made up. With great respect to the Hon'ble the Finance Member of the Government of India and with all respect to you, that is really no reason for taxing the industry.

President.—That is really outside our province.

Sir Gokul.—That is a very material point. That is the only reason given. Where is the money to come from to make up the deficit they say. Is not the country a gainer to the extent of Rs. 17-12 lakhs as calculated by the Merchants Association every year? Are there not other ways of making up the deficit? These are the observations which I wanted to make so far as this duty is concerned and I think to further protect the sugar industry we must insist on licensing. No new factory should be allowed to be set up and we must have marketing arrangements. Either the Government should pass some law or Government should recognise some private Association like the Syndicate we have started. Otherwise I am afraid the sugar industry is doomed.

सत्यमेव जयते

**MESSRS. BEGG SUTHERLAND & COMPANY, LIMITED,
CAWNPORE.**

**Evidence of MR. B. L. GRAY, MR. H. CRIGHTON, DR. HALDANE
and MR. HERFORD representing Messrs. Begg Sutherland and
Company, recorded at Cawnpore on Monday, the 6th September,
1937.**

President.—I understand that the case of the Indian Sugar Mills Association will be presented at Calcutta. I do not know whether on general questions you would like to say anything now or you would rather leave it to the Indian Sugar Mills Association.

Mr. Gray.—As you wish. We are here representing Messrs. Begg Sutherland and Company.

President.—Possibly on general questions common to the industry as a whole it might be better to wait till we reach Calcutta. I am examining your Company more on some special points.

Mr. Gray.—Yes, on some points we may have a wider knowledge.

President.—You have been good enough to send us very full answers from each of your factories. But a great many of the answers are common, are they not?

Mr. Gray.—Yes.

President.—Possibly the most convenient arrangement would be to take one factory first and whenever there are any special points applicable to other factories to deal with them.

Mr. Gray.—There are two types of factories.

President.—I don't think that point is so very important.

Mr. Gray.—That will be with regard to costs.

President.—Possibly we might take the Gauri factory first for the reason that the Board has actually visited it.

Mr. Gray.—Yes.

President.—Of course we need not trouble you by going into all your answers which are sufficiently full. Where we want additional information or elucidation of particular points we would like to ask you questions. On the question of double sulphitation and carbonation, we have quite sufficient information. So we do not propose to trouble you about that. You have stated that the *minimum* capacity of your factory under original conditions was 400 tons.

Mr. Gray.—Yes.

President.—There had been varying estimates of capacity put before us. I think that most of them are somewhat higher than 400 tons.

Mr. Gray.—It must very largely be a matter of opinion.

President.—It has been suggested to us that locality makes rather a difference. For example in the area where no factory is at present existing, a small factory might possibly be able to work whereas in a congested area a small factory has very little chance.

Mr. Gray.—Yes, it depends to a great degree on its ability to get the full compliment of cane at a proper price.

President.—An isolated small factory might have a market in its immediate neighbourhood which enables it to survive.

Mr. Gray.—Do you mean the market for sugar?

President.—Yes.

Mr. Gray.—Yes, in an isolated district.

President.—I am looking at it as you have suggested from an all-India point of view. Do you think that even in the United Provinces and Bihar a 400 ton factory could survive under present conditions?

Mr. Gray.—I think we took that figure. Gauri was crushing only 400 tons until last year.

President.—You have given us on page 5 in regard to this question of loss by disease and so on some interesting figures which have been published by the Imperial Council of Agriculture. Of course, I have no doubt we shall make full use of them. Have you any objection to our using those figures?

Mr. Gray.—No. The more the publicity they receive the better.

President.—Quite. In that connection we have been enquiring from different provinces as to what research work is required on this matter. It has been suggested to us that the research work done in regard to insect pests is somewhat inadequate.

President.—What is your opinion about the adequacy of the all-India or provincial research work that is being done?

Mr. Gray.—I believe a man has been engaged.

President.—Unfortunately he cannot come.

Dr. Haldane.—I understand they have engaged Mr. S. Salt now?

Mr. Gray.—I had the news about a month ago. I have not heard any more since.

President.—Assuming that research work is somewhat unsatisfactory, would you say it is very backward with regard to diseases and insect pests?

Dr. Haldane.—It is very backward with regard to insect pests. Our chief trouble lies, specially in Bihar and Eastern United Provinces with borers. A tremendous amount of research work has been done on mosaic and in my opinion a lot of useless work is done which might have been better utilised for research on borer.

President.—What about pyrilla?

Dr. Haldane.—Not so severe in Bihar but I think in eastern and western United Provinces there is trouble with pyrilla. It does not affect Bihar so much as eastern and western United Provinces.

President.—Have you any suggestions as to the lines on which work should be done?

Dr. Haldane.—There are quite a few suggestions. For example prevention of ratooning, methods of agriculture and use of good seed.

President.—Do I understand that you are definitely against the practice of ratooning?

Dr. Haldane.—I would not say definitely opposed but second ratooning should be definitely stopped. I would advocate first ratoon if it was done from a healthy crop.

President.—Can you give us an idea of what the extent of ratooning is in the areas with which you are acquainted?

Dr. Haldane.—In Bihar and Eastern United Provinces about 60 to 70 per cent. It is exceptionally high.

President.—The reason is the drop in price?

Dr. Haldane.—Yes.

President.—We have received some interesting figures for Western United Provinces which is a tubewell area where it is 50 per cent. almost exactly.

Dr. Haldane.—It is higher in Bihar and Eastern United Provinces.

President.—Have you made any experiments as to the quantity and quality of ratoon crop as opposed to the plant crop?

Dr. Haldane.—Some years, ratoons are exceptionally good up to January but deterioration is very rapid after that period. The sugar content of a ratoon crop is chiefly dependent upon the period at which the crop was ratooned, e.g., if a crop is ratooned towards the end of May, it cannot be expected that the crop will contain as much sugar at a similar period as cane planted in January/February.

President.—Is ratoon crop fit for cutting earlier than plant crop?

Dr. Haldane.—Yes.

President.—From that point of view there ought to be some advantage from the point of view of the factory?

Mr. Haldane.—Yes, if it is done from a healthy crop.

President.—In the areas with which you are acquainted has there been a drop in the extent of cane cultivation this year?

Dr. Haldane.—Quite an extensive drop.

President.—In the United Provinces it has been suggested to us that the amount of decrease may not be as much as was expected. Can you put any figure on the decrease in the areas with which you are acquainted?

Dr. Haldane.—30 to 40 per cent.

President.—Is that likely to result in shortage of cane in some areas?

Dr. Haldane.—Yes.

President.—And the usual competition at the end of the season for cane?

Dr. Haldane.—Yes.

President.—We seem to be getting into a vicious circle in regard to cane. In some years, there is overproduction and the grower gets nothing for his cane and the next year the factories don't get sufficient cane at an economic price. From that point of view it is very desirable to stabilise the amount of cultivation. The system of zoning comes in from that point of view. I take it with zoning you can get a much better idea about the amount of cane and control cultivation?

Dr. Haldane.—Yes.

President.—I gather that you are in favour of a zoning system. I do not know whether you would like to give your views now or reserve that for the Indian Sugar Mills Association meeting.

Mr. Gray.—I think we are all agreed on that. We can say that we are definitely in favour of zoning. There is a point and that is whether it should be 100 per cent. zoning or 75 per cent. zoning. I know it is a controversial point. My personal view is that I should like to see 100 per cent. but I believe there are practical difficulties. This point was discussed in one of the meetings of the Imperial Council of Agricultural Research.

Dr. Haldane.—They decided on 75 per cent. zoning.

Mr. Gray.—In certain areas near Gorakhpur where there are two factories at one station it is a very difficult thing to introduce though the difficulties are not insuperable. In zoning one has to think of the circle round the factory.

President.—I think you said you have seen the Bihar Government draft Bill?

Mr. Gray.—I have not seen the bill; I have only seen a reference to it and I have already written to the Bihar Government for details.

President.—As I understand it, with a zoning system the fixing of cane prices is essential and I gather from what I have seen from newspaper reports that the view is held that the minimum price of cane should be fixed at the time of planting for the next season. Do you think that would be a reasonable line of approach?

Mr. Gray.—As to whether factories could be expected to make contracts a year ahead, would very largely depend on what the minimum price is.

President.—I am not quite sure exactly what they have in mind I think what possibly they had been thinking of was to fix an irreducible minimum with possibly some increase according to the price of sugar in the month of delivery. We will know more about that when we meet the representatives of Bihar Government.

Mr. Gray.—It depends to a great degree on what the minimum price is.

President.—There are factories in India which have that practice. They enter into contracts at a definite price at the time of planting and give a bonus according to the price they realise on their sugar on the amount of cane they purchase.

Mr. Crighton.—We enter into contracts in the same way and state the Government minimum price at the time of planting.

President.—From that point of view it might be advantageous to factories to know what the minimum price is going to be.

Mr. Gray.—It is most necessary.

President.—The alternative, I take it, would be to fix the minimum in September or October.

Mr. Gray.—It would be difficult then to enter into contracts and the grower would have to plant his cane before he knew whether it would be taken or not.

President.—Both from the point of view of the grower and the factory it might be better to fix the price in January/February?

Mr. Gray.—Yes.

President.—As we know from the experience of some factories we have seen, that is what they actually do, so I do not think you will consider the idea to be altogether impracticable.

Mr. Gray.—There would be less risk in it from the factory point of view, if there was more stability as regards sugar prices. We never know what price we are going to get for our sugar.

President.—One suggestion has been made to us that if a minimum price is fixed for cane it would be logical to fix a minimum price for sugar. What do you think of that suggestion? I understand the United Provinces and Bihar Governments are conferring on the subject and some announcement may be made in a month or so.

Mr. Gray.—Yes.

President.—If a definite zoning system is introduced I take it that provincial governments would expect factories to promote the cultivation of good cane in that area and possibly assist cane growers in that area and see that good cane is planted in that area. To what extent do you think that is a practical proposition?

Mr. Gray.—Begg Sutherland and Company, Limited will only be too pleased to do it as it will also be to the benefit of the factory. It is not proposed, I take it, to legislate that a certain amount of advance should be given?

President.—I should not imagine that is practical politics.

Mr. Gray.—I think it should be left to individual factories.

President.—That leads me to another question, and that is about communications. The Board have received plenty of representations describing the hopeless condition of communications in some areas and it has had some practical experience also! Supposing you have a zoning system, would factories possibly take some steps on a contributory basis to improve the condition of feeder roads within zones? Suppose for example local bodies gave

something, something was given from the excise duty and factories contributed something. That is more or less the suggestion. Of course the answer put forward by the Indian Sugar Mills Association is this: "This is the business of the local bodies", but most people realise that to wait for local bodies to put feeder roads in order will mean to wait for a pretty long time, so that although from a theoretical point of view it must be considered the duty of the local bodies to put the feeder roads in order, from the factory point of view, nothing is likely to be done. Do you think that anything is possible on some such contributory basis towards the improvement of roads within zones? I am limiting my remarks to zones.

Mr. Gray.—I see no objection to it, provided the factories do not have to bear the brunt of the whole burden. Moreover, having once contributed we should like to see that the work is properly carried out.

President.—You want value for money. You don't see any objection in principle.

Mr. Gray.—No, we have no objection to contribute something.

President.—In many areas the cost of transport is a very serious factor in the cost of production. In some areas the cost of transport of cane is equal to the cost of production. That is of course exceptional. The only way of reducing the cost of transport is to effect an improvement in the communications. We have been told that the cost of transport in metal roads against katcha roads is possibly one half or three quarters. I do not know whether you agree with that estimate.

Mr. Gray.—I do not think we have any figures.

Mr. Crighton.—If we use pneumatic carts, there will be a definite saving.

President.—We have seen your pneumatic carts in Gauri.

Mr. Gray.—Yes.

President.—If feeder roads are improved, of course they can be more substantially used. In the case of one factory we have seen in another part of India they have actually found it worth while to lay down a 20-mile feeder road in which they have been able to use lorries. Of course there is no question of competition from another factory in that area. I wonder whether it would pay factories to improve communications if they have zones.

On page 8 you speak about the acquisition of land for seed farms for factories. Now the question has been engaging our attention whether there should be more co-operation between Agricultural Departments of Provincial Governments and factories in trying new varieties of cane and in the production of seed so as to spread improved varieties. Could you give us your views on that subject.

Mr. Crighton.—We definitely co-operate with the Pusa Farm and we get periodical visits from the Deputy Director of Agriculture who discusses with us the various types. We always submit to them the results of the various trials we carry out and I find that the Government Department work very well in co-operation with us.

President.—They give you new varieties for testing as soon as they receive from Coimbatore.

Mr. Crighton.—They give us the seed. We put down the seed, carry out the trials and submit the results to them.

President.—They receive the seed that has to be tested from Coimbatore. Do they test it in their Farm before they pass it to you or do they send it to you simultaneously?

Mr. Crighton.—Yes simultaneously. When I talk of tests, I am talking of mill tests.

President.—One of the difficulties is that it takes a long time to get new variety tested. First of all it has to be evolved in Coimbatore and it has to be tested in the farm.

Mr. Crighton.—Only mill tests are made.

President.—They test it in their farms first and then they send it to the mills.

Mr. Crighton.—There is one difficulty which we have always found in the exchange of varieties between Provinces. We must get special permission to bring new types from United Provinces to Bihar. It is rather discouraging.

President.—It has been suggested that it might speed up a little if the types were sent direct from Coimbatore to **approved** factories.

Mr. Crighton.—We would like to do that.

President.—Of course on condition that you don't release it.

Mr. Crighton.—Yes, there must be a definite understanding.

President.—The Agricultural Department are perfectly justified in saying that there is no use releasing the cane to the ordinary **ryots** unless it is tested thoroughly; otherwise they get discouraged.

Mr. Crighton.—Quite.

President.—I take it the factories would be quite prepared to take that risk and try Coimbatore canes.

Mr. Crighton.—Yes.

President.—Would you be willing to do that straight from Coimbatore without going through the farm.

Mr. Crighton.—Yes.

Mr. Herford.—The Agricultural Department should decide whether the Estate was competent to test new varieties of cane.

President.—The great advantage in that case is that they can test cane under factory conditions at once. The difficulty of the Agricultural Department is to get the tests made by the mills on a common standard basis and regular intervals.

Mr. Herford.—Yes.

President.—On the question of tramways you have got short lengths of Tramways at Gauri if I remember rightly.

Mr. Gray.—Yes.

Mr. Crighton.—We have in Marhowrah three tramways stretching 10 miles, 8, 7 miles respectively.

Mr. Gray.—At Ryan there are two tramways one linking up with the railway and the other to the north of the factory.

President.—Have you experienced any difficulty in acquiring land for the tramways?

Mr. Gray.—Not in recent years.

President.—Have you bought the land by negotiations or acquired the land?

Mr. Gray.—Acquired the land.

President.—The acquisition could only be done by the local Government.

Mr. Gray.—Yes.

President.—I take it you are in favour of tramways.

Mr. Gray.—Yes.

President.—Have you any suggestions to make about this question of acquisition of land for tramways? Do you want that improved in any way?

Mr. Gray.—Dealing with individual people is a very slow business.

President.—It is not the fault of the acquiring Officer. He has to deal with hundreds of men at a time. Fragmentation of holdings is the difficulty in acquiring land.

Mr. Crighton.—Yes.

President.—On page 8 and 9 you have made various suggestions for helping the grower. There is one point which I would like to ask you about the issuing of passes. We have been told of the dangers of such passes. Whenever the supply of cane is greater than the demand, these passed are sold by underlings. Do you consider that a real danger?

Mr. Crighton.—It is a very difficult thing to check. It is a question of organisation. We don't find any difficulty.

Mr. Herford.—The Supervising Officer must be easily accessible to the raiyats at any time of the day. He must not be sitting in an office which would make it difficult for the grower to approach him. He must visit the weighbridges so that any one will come up and say this has happened and that has happened. With the chance of security deposit at stake, it is very unlikely that there will be any malpractices.

President.—I take it that under the zoning system it would be easier to regulate the issue of passes.

Mr. Crighton.—If there is no one else issuing these passes, it will be easier.

President.—Talking about zones, there is one point which I want to ask you about. Have you made any advances to raiyats and so on? If so, have you found after having received advances from you that they go and sell their cane to another factory?

Mr. Gray.—We have had experience of that.

President.—Is it common?

Mr. Crighton.—Not so much in recent years. We are directly in touch with the raiyats. We have our own Supervisors. It is a question of getting into touch with them.

President.—Do you find that the growers attempt to deliver bad cane and so on?

Mr. Crighton.—Yes.

Mr. Herford.—At the end of the season when the cattle fodder is short, they cut the tops.

Dr. Jain.—Is that common, or does that rarely happen?

Mr. Crighton.—It is rare.

President.—That brings me to another question which I have overlooked. To what extent is it possible to pay bonus for early and late varieties of cane or at any rate to different varieties of cane? It has been suggested to us that one of the weaknesses of the present minimum price is that the same price is paid to good, bad and indifferent canes and it may be to the interest of factories to pay a little more for some varieties, if it is practicable.

Mr. Gray.—We are already doing that. In certain instances we are paying a bonus. It would be very much easier to control if zoning is introduced.

President.—It has been suggested that one of the difficulties is that there is not sufficient difference between varieties of cane for the ordinary man in the weighbridge to distinguish them.

Mr. Gray.—That is one difficulty.

President.—Under the zoning system it would be possible to pay a higher price.

Mr. Gray.—Supplies would be controlled very much better. But we consider it should be left to individual factories to arrange. It should not

be brought under the Government minimum price scale. It should be divorced and left to private enterprise. Every far-seeing factory would naturally encourage improved types of cane.

President.—To what extent do you do at present?

Mr. Oughton.—There is a premium on early ripening variety, Co. 299.

President.—Is there any difficulty in distinguishing Co. 299 from other varieties?

Dr. Haldane.—Co. 299 is distinct from Co. 213. As regards the late ripening variety CO-331, there would be great difficulty. It would require a very skilled man to identify Co. 331 and Co. 213.

President.—Is there any other difficulty? The main difficulty about the bonus will be the difficulty of distinguishing.

Mr. Gray.—Yes.

President.—If you pay different rates, the raiyats will mix one variety with another which looks rather alike.

Mr. Oughton.—There is that difficulty.

President.—Under the zoning system where you know each field, that difficulty, I take it, would disappear to a large extent.

Mr. Gray.—I think so. One would get much closer to the grower.

President.—I see you are very strong on this question item No. 9. I gather from your reply that the great thing is to get the supply of cane carts so regulated that there is no delay. It is the delay that adds to the cost of transport.

Mr. Gray.—Yes.

Dr. Haldane.—In addition to that, there is the question of dryage or rapid deterioration.

President.—In your answers have you given us estimates of the percentage of dryage and deterioration owing to inversion, etc?

Dr. Haldane.—A reference to that has been made in a sugar journal giving full details of dryage.

President.—That contains full details.

Dr. Haldane.—Yes.

President.—Is that based on experiments?

Dr. Haldane.—On experiments we carried out.

President.—Have you found much difficulty in recovering loans you make to the raiyats?

Mr. Gray.—So far, we have been very fortunate, but there is far less incentive to repay if two or three factories compete in giving advances.

President.—I gather that you have rubber tyred carts and that you make special arrangements for the protection of cane by covering it with tarpaulin and so on.

Dr. Haldane.—Yes.

President.—That is not the usual practice. I have not heard of any other factory doing it.

Dr. Haldane.—We cover it with trash. In addition to trash, wet gunny palles are also used for carts.

President.—As regards the question of storage of sugar, are you actually doing any experiments?

Dr. Haldane.—We are carrying out experiments. We commenced work in December-January. We are doing experiments to find out which stacking medium should be employed. We are experimenting on different lines.

President.—Is it in an experimental stage?

Dr. Haldane.—The results will be available towards the end of October after the monsoon.

President.—Have you ever made any tests as to how long sugar will keep? Have any bags been actually kept for two or three years?

Mr. Gray.—No.

President.—We have been told by merchants that Java sugar will keep practically as good as ever for two or three years but no one seems to know about the Indian sugar. No Indian sugar has apparently been kept for such a long period?

Mr. Gray.—It is only very recently that it has been kept through the monsoon.

President.—What is your experience of this monsoon in particular?

Mr. Gray.—A certain amount of damage has taken place so far, but we have not arrived at any definite conclusions.

President.—I take it that you have in storage more than the usual amount.

Mr. Gray.—I should say it is about the same as last year. Last year it was rather heavy. There was a great deal of trouble about the taking up of contracts and delivery was actually stopped for two months.

President.—As regards the question of standardisation of sugar, you may have seen in the newspapers that we had an interview with the Indian Sugar Merchants Association on Saturday. As you are no doubt aware, they are very strong on the question of standardisation. The point made by them was that there might have been difficulties in the past but in the last season when there was a great improvement all round in the quality of Indian sugar than ever before, and the problem was now different. The merchants' estimate was that 60 per cent. of the factories' sugar made in India was now equal to Dutch Standard 25 or above. They are rather inclined to have all sugar sold on the old Java system, viz., 25 and above and below—just two standards. Do you think that this is a feasible proposition?

Mr. Gray.—I don't see any objection to that, once we are quite sure that Indian sugar has become standardised.

President.—Of course, last season, as I have said, there has been a very great improvement and I think the Technologist estimates that the amount of Indian sugar production more or less equal to Java sugar has gone up to 48 per cent. as against 15 per cent. in previous years. From that point of view the merchants have said possibly the time has come or is fast approaching when you can get down to certain definite standards which will make the business easier all round.

Mr. Gray.—It is obviously to the advantage of the factory to aim at turning out one quality of sugar, but there must be variation.

Dr. Haldane.—One quality cannot be produced from the beginning to the end of the season. There are variations because of the quality of the raw material we have to handle. The juice from some varieties of cane clarify very much easier than others. If the cane is stale, juice from that cane does not clarify or clarify badly with the result the quality of the final product is inferior. It is a very difficult matter. It is not possible to say with the quality of cane that is available in the north of India that one factory will maintain one standard of sugar throughout the season.

President.—The point made by the Merchants' Association was that the quality of Java sugar also varied but that a good deal of the sugar sold was well above 25. But even with fluctuations factories could keep 25 and above without much difficulty.

Dr. Haldane.—We can guarantee from the point of view of grain. There are so many factors to be taken into consideration. Small grains always appear whiter than large grains.

President.—They did not mind a certain amount of variation as long as sugar never fell below 25. It would enable them to transact business much easier.

Mr. Gray.—Yes.

President.—They would even be prepared to pay a higher price for sugar if they could be assured that it would never go below 25 standard. That is a matter which we might go into with the Indian Sugar Mills Association later as that is a larger question.

Mr. Gray.—Yes.

President.—I take it that the ideal to be aimed at is to have all gate cane. Is that correct?

Mr. Crichton.—Undoubtedly.

Mr. Gray.—But there are several factories which are so close together that it is impossible for them all to get gate cane entirely.

President.—As regards the imports of sugar into India, the merchants have told us that there is no reason why Indian factories should not capture the small remainder of imported sugar of about 20,000 tons. We gather that the imported sugar consists of (1) high grade soft sugar—assorted sugar—which is used to some extent in the manufacture of a particular kind of sweets and (2) cube or loaf sugar, (3) treacle and (4) brown sugar. I know from my own personal knowledge brown sugar is used to a very considerable extent in England. My personal opinion is that it is rather a nice stuff. Do you think that there are any possibilities of capturing the remainder of the trade by factories?

Mr. Gray.—I do not quite know what those sugars are used for. There may be a certain amount of prejudice against a particular type of sugar.

President.—It is not a question of prejudice in that case. For a particular class of sweet—they mentioned almonds—they wanted particularly white sugar.

Mr. Gray.—Do you mean that the factory should make that and cater for those markets? Dr. Haldane points out that we are already making very white sugar at Marhowrah.

President.—Does it correspond to what they describe as soft sugar?

Dr. Haldane.—Messrs. E. Morton & Co. actually take our crystal sugar from which they make high class confectioneries, including almonds.

President.—Do you actually produce it?

Dr. Haldane.—Yes, in crystal form.

President.—What about the question of cube and loaf sugar?

Mr. Gray.—We went into that some years ago. We came to the conclusion that the market was very difficult to cater for. The demand was so scattered and so small that it was not worth taking it up.

President.—We have been told that in Afghanistan, Persia and other places a very large proportion of sugar sold is cube sugar and it has been suggested to us that possibly a market could be created in India for that sort of thing. Cube or loaf sugar is imported mainly from Hongkong. You don't think that there is sufficient market for that kind of sugar.

Mr. Gray.—Frankly I have not seen any recent figures.

President.—The other thing I have mentioned is brown sugar. There is very little of that, I believe, made in India at present?

Mr. Gray.—That particular type I do not know really; it would probably be equivalent to *gur* sugar.

President.—Do you think there is any possibility in that direction?

Mr. Gray.—It is a question of what the market requires at the present moment. The market requires a certain type of sugar and we supply it as far as we can. The difficulty I should imagine about that sugar is storage as it would deteriorate very quickly.

President.—Climatic conditions might be against it?

Mr. Gray.—Yes.

President.—Then there is the question of treacle. Have you made any experiments in your factories?

Mr. Gray.—I have no knowledge of it at all.

President.—There is a suggestion that possibly there might be some outlet for molasses in that direction.

Dr. Haldane.—We have got three grades of molasses, carbonatation, sulphitation and refinery molasses. The latter has a lower salt content than the former as in carbonatation and sulphitation processes, sulphur is used.

President.—There is considerable technical difficulty about it?

Mr. Gray.—Yes.

President.—I would like to ask you one or two questions about sugar refineries. I gather your refinery in Cawnpore is not working this season?

Mr. Gray.—It is at the moment. We are manufacturing sugar from gur.

President.—Though the price for gur has dropped very much refineries are finding greater and greater difficulty in carrying on making sugar. That is the evidence put before us. Could you give any explanation for that? I suppose at the present moment price of gur has been lower than it had ever been before.

Mr. Gray.—I should say it is. With the large amount of surplus cane I was expecting surplus gur, but it has not materialised.

President.—On the other hand the price of gur has dropped so much that one might suggest that there was a surplus of gur. We have had definite evidence in other parts of India that there has been overproduction of gur this season.

Mr. Gray.—I was really thinking of the areas where we buy and we have not found that there was overproduction. We did not endeavour to purchase any this year during the normal buying period.

President.—There is one other general question I would like to put to you. We have received statistics from the Sugar Technologist about the sucrose content and on comparing western United Provinces, Central United Provinces Eastern United Provinces and Bihar, we find differences, which I think is rather borne out by the results of your group. I see that Bihar rather falls behind United Provinces in that respect.

Mr. Gray.—It is true that the sucrose content is generally slightly lower in Bihar than in United Provinces.

Dr. Haldane.—Sugarcane there is liable to disease and in several areas in Bihar it is only in very recent years that Coimbatore varieties have been cultivated.

President.—Conditions in North Bihar are not quite different?

Dr. Haldane.—There are a number of differences.

President.—Would you put it down mainly to the quality of the cane?

Dr. Haldane.—Quality of cane, methods of cultivation, and soil condition.

President.—Another suggestion has been made that the system of land tenure has something to do with it in Bihar. It is all permanent zemindari and the raiyat is less interested in type of cultivation because he gets less profits.

Mr. Herford.—I think cultivation is worse where lands are cheapest.

President.—It is rather dependent on the method of cultivation and the right mixture of manure that is given?

Mr. Herford.—Yes.

Mr. Rahimtoola.—Mr. Gray, Messrs. Begg Sutherland and Company, Limited are the managing agents of about 10 mills?

Mr. Gray.—Yes, of which one is a refinery.

Mr. Rahimtoola.—Out of 9 four are carbonatation and 5 are sulphitation factories.

Mr. Gray.—Yes.

Mr. Rahimtoola.—And out of 9 five are situated in United Provinces and four in Bihar?

Mr. Gray.—Yes.

Mr. Rahimtoola.—You put up three new factories since 1932, one is Champatia, then Tulsipur and the other at Balrampur. Of these Tulsipur is the latest which started in 1936 and its crushing capacity is 800 tons and works with sulphitation process. Balrampur works also with sulphitation process with a capacity of 750 and Champatia 800 tons with the same process.

Mr. Gray.—That is correct.

Mr. Rahimtoola.—I want to know why you recommend to the Board an economic unit of 400 tons under present conditions.

Mr. Gray.—That is the minimum we suggest.

Mr. Rahimtoola.—We asked what should be the economic output of a factory under present day conditions.

Mr. Gray.—I think there is some misunderstanding.

Mr. Rahimtoola.—In the last Tariff Board we adopted a economic unit for purposes of calculating the fair selling price of 400 tons the crushing capacity, I thought that with the progress made by the industry since protection was granted it would be possible to raise this to somewhere near 500 tons as the average under cane has increased. Would you accept the suggestion which is made by the Millowners' Association that 500 tons is a suitable economic unit for northern India?

Mr. Gray.—I would like to have time to consider that. I think perhaps we might leave it to the Association to discuss.

Mr. Rahimtoola.—What is the average period of duration you would take for United Provinces and Bihar?

Mr. Gray.—Between 140 and 160 days.

Mr. Rahimtoola.—I would like to know the actual number of working days?

Mr. Gray.—Those are actual working days; it would average about 150 during the past four years.

Mr. Rahimtoola.—What would you take as the average sugar recovery for an economic output. At present the all-India figure is 9.41. Would that be a fair figure to adopt?

Mr. Gray.—I am of opinion that on the average, it should be taken at a slightly lower figure than 9.41.

Mr. Rahimtoola.—At present it is 9.4.

Mr. Gray.—The average is about 9.2.

Mr. Rahimtoola.—I think the average for the whole of India is 9.41. If you take 9.5 as recovery, that means 10½ maunds of cane to a maund of sugar.

Dr. Haldane.—Approximately.

Mr. Rahimtoola.—On the last occasion, your Company were good enough to supply to the Board the figures of the block capital required for a factory

of 400 tons crushing capacity. Supposing we agree to your suggestion to take 400 tons as the minimum capacity, what is the amount required at to-day's prices. If you find it difficult to give a figure now I would like you to send me the full details worked out.

Mr. Gray.—We will do our best to get you the figures.

Mr. Rahimtoola.—The Tariff Board always allow a certain amount for depreciation when they are calculating the fair selling price. On the last occasion the figures which were adopted by the Board were 5 per cent. for machinery, and 2½ per cent. for buildings and it was stated there that the representatives of the mills had accepted them though the figure for machinery allowed by the Income tax authorities was 6½. May we take the same figures?

Mr. Gray.—You mean the lower figure?

Mr. Rahimtoola.—Yes 5 per cent. for machinery.

Mr. Gray.—I suggest it would be fair to take the Income-tax rates.

Mr. Rahimtoola.—The point we discussed at that time was that as the mills did not work throughout the year they had ample time for repairs and renewals which added to the life of the machinery.

Mr. Gray.—It works 24 hours a day.

Mr. Rahimtoola.—Generally speaking 5 months is the working season. [We should like to suggest the Income tax rates.

Mr. Gray.—I think it would be fairer to take the Income tax rates.

Mr. Rahimtoola.—Do you consider that 6½ per cent. reasonable.

Mr. Gray.—I think the Income tax rate should be adopted.

Mr. Rahimtoola.—With regard to the interest on working capital, your company has paid from 9 per cent. to 3 per cent. according to the time of the year when the money is borrowed. Last time the Tariff Board adopted a figure of 7 per cent. but I think to-day 5 per cent. would be a reasonable figure?

Mr. Gray.—It would not be unfair at the present time.

Mr. Rahimtoola.—You have got experience of the working of both the processes and I would like to ask some questions to get some idea about the difference. Why is it that all your recent factories have adopted sulphitation process?

Dr. Haldane.—The prime cost of the carbonation plant is very much in excess of the sulphitation plant.

Mr. Rahimtoola.—You mean initial expenditure?

Dr. Haldane.—Yes.

Mr. Rahimtoola.—What would be the difference supposing we took the same capacity for both the factories?

Dr. Haldane.—About Rs. 50,000.

Mr. Rahimtoola.—You have stated here that the carbonation process has got higher operative cost. Does that mean manufacturing cost?

Dr. Haldane.—Yes, interest charges, labour charges and cost of material.

Mr. Rahimtoola.—I think you have divided the cost in three parts, cost of raw material, manufacturing expenses and overhead. Higher operative cost is confined to Group II.

Mr. Crighton.—Yes.

Mr. Rahimtoola.—Let us take by way of an illustration Marhowrah and Gauri factories.

Mr. Crighton.—Yes.

Mr. Rahimtoola.—The first one is 950 tons capacity.

Mr. Gray.—Yes.

Mr. Rahimtoola.—And the second is 750 tons capacity.

Mr. Gray.—Yes.

Mr. Rahimtoola.—I find the manufacturing expense to be nearly the same.

Mr. Crighton.—The explanation of that is that was the first season in which Gauri operated after the extension.

Mr. Rahimtoola.—What about others? Take Balrampur. That is practically the same. What would be the increase in the manufacturing cost with the same crushing capacity between carbonatation and sulphitation.

Dr. Haldane.—Limestone is a very heavy item in carbonatation.

Mr. Rahimtoola.—It doesn't appear in both the processes. Probably it comes under stores.

Mr. Crighton.—If you compare Barah and Chanpatia, it brings out the point. Two factories have practically the same capacity.

Mr. Rahimtoola.—Chanpatia is 15 annas.

Mr. Crighton.—Whereas Barah is Rs. 1-4-0.

Mr. Rahimtoola.—Shall we say roughly 4 as. difference?

Mr. Crighton.—Yes.

Dr. Haldane.—There is the quality of the material which affects these figures.

Mr. Rahimtoola.—You mean principal raw material.

Dr. Haldane.—It is one of the main factors in the manufacturing charges.

Mr. Rahimtoola.—Do you mean cane?

Dr. Haldane.—Yes. This is based on the maunds of sugar produced. For example at Gauri bazar the extraction is 10·55 whereas in Marhowrah the extraction is 9·5.

Mr. Rahimtoola.—But generally speaking you use Coimbatore canes.

Dr. Haldane.—Yes.

Mr. Rahimtoola.—What varieties are you using.

Dr. Haldane.—In the Eastern United Provinces cane is not so severely affected by the top borer as in the Saran district in North Bihar. In Eastern United Provinces cane is only affected to the extent of 17 per cent.

Mr. Rahimtoola.—So the difference doesn't arise with regard to raw material. The difference in cost between two processes is 5 annas.

Dr. Haldane.—4 to 5 annas.

Mr. Rahimtoola.—It is stated that sulphitation process leads to lower yield varying from 2 per cent. with high purity juice to 4 per cent. with low purity juice. I suppose that is compensated in the price that you get for the sugar. The sugar has better keeping quality and fetches better price.

Dr. Haldane.—Yes.

Mr. Rahimtoola.—How much more you get for the carbonatation sugar?

Dr. Haldane.—The market is so upset just now that even if we manufacture a high quality of sugar, we get the same price for the superior and inferior quality of sugar.

Mr. Rahimtoola.—I agree this is an abnormal year. Take 1936. Were you able to get more for this class of sugar?

Mr. Gray.—Yes 4 to 6 annas more.

Mr. Rahimtoola.—That means that the consumer is appreciating the difference in quality.

Mr. Gray.—Yes.

Mr. Rahimtoola.—You think $7\frac{1}{2}$ per cent., allowance for the Managing Agency Commission to be reasonable before deducting the depreciation. When you say $7\frac{1}{2}$ per cent. for Managing Agency commission, does it include Head office expense or is the Head office expense included in the manufacturing expense?

Mr. Crighton.—7½ per cent. is exclusive of Head office charges which have been debited to manufacturing expenses.

Mr. Rahimtoola.—When you say 7½ per cent., is it inclusive of both the Head Office charges and Managing Agency charges?

Mr. Crighton.—No.

Mr. Rahimtoola.—At what price you have been able to purchase your cane. The object of my asking this question is to ascertain at what price the factories will be able to get their cane in order to ensure a continuous supply. The average cost 1936-37 is to 4-29 annas. I suppose that is due to the fact that Government lowered the minimum price of cane.

Dr. Haldane.—Yes.

Mr. Rahimtoola.—Do you think that 5 annas would be a reasonable figure to adopt?

Dr. Haldane.—We are really going back to the question what price would it pay the grower to cultivate sugarcane?

Mr. Rahimtoola.—What is the reasonable price at which the manufacturer will be able to buy cane?

Mr. Gray.—There is no doubt that with present prices for sugar, these rates are impossible.

Mr. Rahimtoola.—You mean 5 annas?

Mr. Gray.—Yes.

Mr. Rahimtoola.—It is in the neighbourhood of 6 annas.

Mr. Gray.—6 annas.

Mr. Rahimtoola.—Supposing the price is fixed at 5 annas, would you be able to get a continuous supply of cane?

Mr. Gray.—There should be more than ample cane.

Mr. Rahimtoola.—Supposing you put down at 4 annas?

Mr. Gray.—This rate would suit most localities with which we are familiar. I don't say it would be so everywhere.

Mr. Rahimtoola.—At 5 annas you can get it everywhere.

Mr. Gray.—There would be too much cane put down, and we would be risking a repetition of the oversupply position experienced last year.

Mr. Rahimtoola.—Supposing we say 4 annas, in the field?

Mr. Gray.—Whether the factories can afford to pay that price is another point.

President.—Is there any appreciable difference in the cost of cultivation as between Bihar and the United Provinces judging by your experience of both provinces.

Mr. Gray.—We do not grow cane at Balrampur.

President.—I am thinking of the ordinary cultivator and not you.

Mr. Gray.—Do you mean, taking into consideration the yield?

President.—We must take the cost and the yield together.

Mr. Crighton.—It will be about the same.

Mr. Rahimtoola.—Rs. 44 against Rs. 40-9-0—do you think that that estimates the difference?

Mr. Crighton.—Yes.

Mr. Rahimtoola.—I find that you have invariably paid more for the cane than the rate fixed by Government (question 47).

Mr. Gray.—We pay more for early ripening varieties. That is represented almost entirely by the premium paid for early ripening varieties.

Dr. Jain.—In your reply to question 17, you say "we have paid higher rates in order to compete with other factories".

Mr. Gray.—In Gauri, we have been forced to pay higher rates because of the competition from neighbouring factories.

Mr. Rahimtoola.—Generally do you pay higher rates than those fixed by Government?

Mr. Crighton.—In certain cases, we are under agreement with guarantors which covers a period of five years.

Mr. Rahimtoola.—The guarantors are middlemen who guarantee to supply you with cane continuously and in required quantities.

Mr. Gray.—Yes.

Mr. Rahimtoola.—And you pay a certain amount of commission for that.

Mr. Crighton.—We are under an agreement with them.

Mr. Gray.—The cultivators usually are their tenants.

Mr. Rahimtoola.—The guarantor is interested in sugarcane cultivation.

Mr. Gray.—Partly, that is true. He grows his own cane and is also interested in the cane grown by his tenants.

Mr. Rahimtoola.—Is the price fixed according to the agreement?

Mr. Gray.—Yes.

Mr. Rahimtoola.—It may be lower than that fixed by Government.

Mr. Gray.—It cannot be.

Mr. Rahimtoola.—On page 19 in reply to question 48 you say "We may have further suggestions to make at an early date".

Mr. Gray.—Why we put that it was we had been examining other suggestions and schemes. So far we have no definite proposal to make.

Mr. Rahimtoola.—With regard to your suggestion for the production of various acids and power alcohol, have you given any considerable thought to this matter, can you say whether it is a feasible proposition, and what it will cost.

Dr. Haldane.—We have not given any considerable thought to this.

Mr. Rahimtoola.—These are only suggestions.

Dr. Haldane.—Yes.

Mr. Rahimtoola.—Have you seen the research done in this direction?

Dr. Haldane.—I understand that the Institute is carrying on research.

Mr. Gray.—The local Institute is doing research as regards power alcohol.

Mr. Rahimtoola.—What about acetic acid?

Dr. Haldane.—They are doing it.

Mr. Rahimtoola.—With regard to bagasse, I suppose you still require a certain amount of fuel to be used.

Dr. Haldane.—It depends upon the quality of cane used.

Mr. Rahimtoola.—Is there any factory which is self-supporting?

Dr. Haldane.—There are three or four.

Mr. Rahimtoola.—What should be the percentage of sucrose and fibre content which will make the factory self-supporting in the matter of fuel?

Dr. Haldane.—It all depends upon the fibre content of the cane.

Mr. Rahimtoola.—What should be the fibre content?

Dr. Haldane.—With 17½ per cent. a factory should not require any additional fuel.

Mr. Rahimtoola.—If it is less than that then wood is used.

Dr. Haldane.—Sometimes coal is used. In recent installations we use wood and in older established factories we use coal.

Mr. Rahimtoola.—Is the price of coal much cheaper than wood?

Dr. Haldane.—Yes.

Mr. Rahimtoola.—Then it is a paying proposition.

Dr. Haldane.—Yes. ...

President.—Arising out of that question, it has been put to us that in Northern India there is no reason why by using certain types of furnace a factory should not be able to run on their own bagasse? Do you agree to that proposition?

Dr. Haldane.—I disagree with that entirely.

President.—That is very interesting. Could you enlarge on that?

Dr. Haldane.—We carried out many investigations on steam generation at all units in the Troop. Unless a factory is well balanced and unless that factory obtains cane with a fibre content of 17 or 17½ per cent., coal must be used.

Mr. Rahimtoola.—In reply to question 101, you say that there is no immediate prospect of the establishment of fruit canning in India. Have you investigated this problem?

Mr. Gray.—It is merely an expression of our view.

Mr. Rahimtoola.—You have not gone into the matter at all.

Mr. Gray.—No.

Mr. Rahimtoola.—With reference to your reply to question 104 regarding exports to the United Kingdom and frontier countries, can you supply me with the detail charges that might be incurred by a factory? Suppose you want to ship a maund of sugar from your factory to London or Liverpool, I want to know the charges that would be incurred.

Mr. Gray.—I understand that the Association has already given you the information.

Mr. Rahimtoola.—Not yet. Another point is that the sugar used in the United Kingdom is generally of 96° polarisation.

Mr. Gray.—For refining purposes.

Mr. Rahimtoola.—Is there any difficulty in manufacturing that class of sugar?

Mr. Gray.—We may have difficulty not as regards manufacture but as regards storage.

Mr. Rahimtoola.—You may not be able to store that type of sugar for a longer period.

Mr. Gray.—It is quite a special kind.

Mr. Rahimtoola.—Is Mauritius sugar not being imported into the United Kingdom?

Mr. Gray.—Yes.

Mr. Rahimtoola.—Mauritius sugar is just about equal to Indian sugar. Indian sugar exceeds 99° polarisation. At present Mauritius sugar that is being exported to the United Kingdom with 99° polarisation so that it is not essential to manufacture sugar of 96° polarisation, for export purposes.

Dr. Haldane.—There will be deterioration in transit.

Mr. Rahimtoola.—Can it be manufactured cheaper than 99° polarisation?

Dr. Haldane.—Very much cheaper.

Mr. Rahimtoola.—How much?

Dr. Haldane.—It is very difficult to say.

Mr. Rahimtoola.—Can you give us the figures later?

Dr. Haldane.—Yes.

Mr. Rahimtoola.—Another point which I would like to ask is the present day manufacturing cost of a 400 ton factory.

Mr. Gray.—We have not got that information with us.

Mr. Rahimtoola.—You can send that information later.

Mr. Gray.—Yes.

President.—The Gauri Bazar factory was somewhere about that.

Mr. Crighton.—Till last year.

Mr. Rahimtoola.—I find all the factories have since extended their capacities. You might try to give us as much information as you can.

Mr. Crighton.—The Gauri Bazar factory figures will be of use

Mr. Rahimtoola.—Give us under the three heads mentioned in Form II.

Mr. Gray.—Yes.

President.—That will meet our requirements.

Mr. Rahimtoola.—As regards the excise duty you say "We have never understood why the cane growing section of the industry has not been called on to bear some share of the excise". What exactly do you mean by that?

Mr. Gray.—It is a direct levy on the manufacturer. We have had to bear it. We could not pass it on to the consumer on account of competition which is severe.

Mr. Rahimtoola.—It has been pointed out that the manufacturer has passed most of it on to the grower.

Mr. Gray.—I don't think so.

President.—By the reduction in the price of cane made by the local Government.

Mr. Rahimtoola.—The price was lowered because the manufacturers threatened to close down their factories. That is the point that has been put forward before us. You have made a suggestion that the excise duty should be on production whereas some have suggested that a tax on profits.

Mr. Crighton.—The excise duty was increased in February and the cane price was reduced on 16th April. There was no connection between the two.

Mr. Rahimtoola.—The factories worked till the beginning of June. The rate was reduced from 1st of April, so that the factories worked at the lower rate fixed by Government for a period of more than a month.

Mr. Crighton.—I would not connect the excise duty with that at all.

Mr. Rahimtoola.—I am telling you that the excise duty has been connected that way. I want to know your opinion whether it is so or not.

Mr. Crighton.—I don't think so.

Mr. Rahimtoola.—Merchants went to the extent of saying that because of the reduction in the price of cane the manufacturers made more profits than they did in previous years. I find however from your balance sheets that you have made losses.

Mr. Crighton.—The reduction in the price of cane was made to cover the stale cane in May which was coming.

Dr. Jain.—Even in Government notifications it was said that in view of the excise duty the price of cane was reduced.

Mr. Gray.—I think that the Bihar Government very definitely stated that owing to the surplus cane that was available they were reducing the price of cane to help the raiyat.

Mr. Rahimtoola.—What was the reason which induced the Government to reduce the price of cane? Was it not at the request of the manufacturers that they could not afford to purchase cane at the minimum price fixed by Government?

Mr. Crighton.—We could not afford to make sugar with the material such as it was in May—all dried up.

Dr. Jain.—According to the statement you have made you are opposed to the excise duty on principle, namely that the excise duty should not be put on production but should be put on profits. It was suggested to us

that one way of doing it was to put an additional increase on the income tax on sugar factories.

Mr. Gray.—It would certainly be a fairer method.

Dr. Jain.—When the first excise duty was levied the industry was not so much worried about it.

Mr. Gray.—No; profits being made at the time were fairly considerable.

Dr. Jain.—But with the additional excise duty the industry finds it difficult to carry on?

Mr. Gray.—Yes.

President.—I should like to clear up just one or two points on the question of the excise duty. Take Form II—Cost per maund. I notice that the amount of excise duty varies in different factories.

Mr. Gray.—It is not chargeable until the sugar leaves the factory.

Dr. Jain.—Are you suggesting that the cane growers should have borne a part of the duty? Do you think it would have been fair to ask them to bear it?

Mr. Gray.—I do not quite see why the grower should not bear a proportion of it.

Dr. Jain.—It depends on the price you pay for his cane and the cost of cultivation. In the then circumstances do you think they could have borne it?

Mr. Gray.—If you take the price he received last year I do not think he lost much money.

Dr. Jain.—Is it your view that the grower being a part of the industry should bear a part of the duty? You are for excise duty on profits?

Mr. Gray.—I consider that the grower should bear part of the duty. I am not in favour of an excise duty on profits, but consider it would be less inequitable than the existing duty.

Mr. Rahimtoola.—Is it not a fact that the United Provinces Government reduced cane prices by 3 pies in view of the excise duty?

Mr. Gray.—Yes, that was the case.

Mr. Rahimtoola.—I would like to ask you a question or two about your answers on page 33. You state that the present level of protection should be maintained. The present protection to the industry is Rs. 7-4-0 per cwt. and Rs. 2 as a countervailing duty because of the excise duty on Indian sugar.

Mr. Gray.—Yes.

Mr. Rahimtoola.—Your proposal is that Rs. 7-4-0 per cwt. should be maintained?

Mr. Gray.—Yes.

Mr. Rahimtoola.—Irrespective of what the excise duty is?

Mr. Gray.—Exactly.

Mr. Rahimtoola.—What other proposal would you like to make?

Mr. Gray.—I should rather put it in a different way. I should suggest this, that the protective duty is kept at such a level as will exclude Java sugar unless we need it. It is impossible to fix one rate of duty for six or seven years.

President.—What should be the margin between Java sugar and Indian sugar to keep it out?

Mr. Gray.—Generally speaking I should say not more than 8 annas per maund: provided Indian sugar is landed at the ports at 8 annas under Java import price I think it could compete.

Mr. Rahimtoola.—Java sugar has varied considerably for the last two years. It went down for a month to Rs. 1-15-6 and then again went up and

it is now somewhere near Rs. 4. The average of last two years was somewhere between Rs. 2-8-0 and Rs. 3.

Mr. Gray.—That is so.

Mr. Rahimtoola.—What exactly do you wish to suggest? The method of protection which the Board adopts is to take the import price at which Java can send sugar irrespective of the price ruling at the market at the time and the cost of manufacture of Indian Sugar and adjust the difference which is termed the protective duty. Your idea is that an additional margin of 8 annas should be calculated after this adjustment.

Mr. Gray.—I would rather leave that for the moment.

President.—The last Tariff Board took Rs. 4 a maund and thought that it might fall to Rs. 3-8-0 c.i.f. port.

Mr. Gray.—What we want the Tariff Board to do is to protect the country against the possibility of dumping.

President.—That is rather an intricate question and it might be as well to discuss it at greater length with the Association at the end of this month.

Mr. Rahimtoola.—What kind of assistance do you receive from Government?

Mr. Gray.—We employ our own technical group of men so that we do not call upon Government to any great extent.

Mr. Rahimtoola.—You have got any farms?

Mr. Gray.—Yes.

Mr. Rahimtoola.—Do you get any assistance from Coimbatore?

Mr. Gray.—Not from Coimbatore but from Pusa.

Mr. Rahimtoola.—What about the United Provinces factories?

Mr. Gray.—We refer to Shahajahanpur.

Mr. Rahimtoola.—Is there anything particular to which you would like to draw the attention of the Board?

Mr. Gray.—We would like the sugar statistics to be prepared regularly and quickly and it would be necessary to give power to the Director of the Technological Institute to extract information from everyone.

Dr. Jain.—You are in favour of pooling of information?

Mr. Gray.—In so far as that is concerned.

Dr. Jain.—Are there any items in the returns to which you would object from your long experience?

Mr. Gray.—I took exception to one form but can't quite remember now which it was.

Mr. Rahimtoola.—The factories are supposed to send returns to the Technological Institute but there is no penalty at present for those who do not supply them; you would recommend a penalty being imposed?

Mr. Gray.—We have agreed to that.

Mr. Rahimtoola.—Have you any information with regard to the present costs in Java?

Mr. Gray.—No. Java stopped all publications two years ago.

Mr. Rahimtoola.—Have you any comments to make with regard to the irrigation charges levied by Government?

Mr. Gray.—We are not affected. We have our own tubewells. We do not buy any water from Government.

President.—All your factories are in the unirrigated area I think?

Mr. Gray.—Yes they are. We have put down tubewells.