THE MARKETING OF COAL IN INDIA.

By C. A. Innes.*

Before coal can be put on the market, it has to be prepared for it, as different sizes are required for different purposes, whereas the coal as it comes up from the pit is usually a mixture of lumps and smalls, and also sometimes contains stone from the roof or from bands within the coal. Well-equipped collieries therefore have mechanical screening and picking plants, on to which the coal is dumped from the tubs as they come up from underground, is sized by being passed through perforated screens, and is cleaned by the picking out of impurities by hand as it passes along the picking belt. It is then usually loaded into railway wagons direct from the plant.

The sizes recognised in India have been defined by the Indian Mining Association, in 1932, as follows:—

	Class.	*Coal.*
1.	Steam Coal ..	Coal of a size larger than will pass through a 1″ diameter round hole.
2.	Export Steam Coal ..	Coal of a size larger than will pass through a 2″ diameter round hole.
3.	Slack	The undersized product separated from steam coal.
4.	Rubble	$2''-\frac{3}{4}''$
5.	Small Rubble or Nut Coal	$1\frac{1}{2}''-\frac{1}{2}''$
6.	Smithy Coal or Beans	$\frac{3}{4}''-\frac{3}{8}''$
7.	Small Smithy or Peas	$\frac{1}{2}''-\frac{1}{4}''$
8.	Dust	$\frac{3}{8}''-0''$. Coal passed through a $\frac{3}{8}''$ screen.
9.	Run of Mine or Sapta	The coal mixtures as mined.

In actual practice, however, few collieries can handle large orders for classes 5, 6 and 7, and contracts for rubble coal usually call for coal of size $\frac{3}{4}''$ to $1\frac{1}{2}''$.

These different sizes serve different purposes in combustion, and though no hard-and-fast rule regarding suitability can be laid down, a very wide classification might be:

Steam Coal	Loco, Bunkers, Domestic and some types of stationary boilers.
Slack Coal	Boilers with chain grate stokers, coke making cement kilns and brick burning.
Rubble Coal	Certain types of mechanical stokers, gas producers and forges.
Dust Coal	Brick burning.
Run of Mine	Stationary hand-fired boilers generally.

* Messrs. Andrew Yule & Co., Ltd.

So far as cleaning coal is concerned, picking is about all that is done in that direction in India, though in other countries washing is commonly practised in order to remove dross. Coal companies in India have hitherto had little encouragement from consumers to instal expensive plants to improve the quality of their coal, as price is generally held to be of paramount importance in purchasing and the resultant very low average pitsmouth price of the past fifteen years or so in India—probably the lowest in the world—has not permitted the introduction of novel refinements. This is a pity, as the long haulages and consequent heavy freight charges prevalent in India should encourage coal cleaning in order to minimise the amount of freight paid on dross; but the fact is that any industry, such as the coal industry in India, whose normal state is one of chronic depression, is disinclined to launch out into heavy expenditure which must increase costs when there is no certainty that buyers will be prompt to recognise and pay for the benefit they derive from it.

The principal consumers in India are, according to 'Indian Coal Statistics, 1937':

The Railways with 32·9% of the total consumption.
The Iron, Steel and Engineering Industries with 24·8%.
Cotton Mills with 7·1%.
No other industry exceeds 4% of the total.

The biggest consumers, the Railways, are also the biggest producers of coal in the country, having large and well-developed collieries of their own. This dual rôle is largely responsible, in the opinion of the coal industry, for the poor price realised by coal in India, since the Railways as consumers naturally prefer prices to be low, and as producers can influence this to some extent by altering their ratio of coal purchased to coal produced, thus disturbing any equilibrium which there may be between demand and supply. The Iron and Steel Companies also have their own collieries but both their coal purchases and their coal production are on a lesser scale than those of the Railways and cannot therefore exercise quite the same effect on the market.

The system of distribution in India as between producer, middleman and consumer conforms to no rules. Collieries which are grouped together under the aegis of a firm of Managing Agents have the advantage of a selling organisation which covers a wide field, both inland and abroad. Such groups quote direct against most of the important tenders and to many of the big consumers, operate through agents and middlemen who may or may not be monopoly holders in certain areas, and also do business through brokers.

The function of the agent who, working on a commission basis, exploits a territory and often holds stocks on consignment for his principals is an essential one; but there is less to be said for the employment of middlemen who buy and re-sell. Their chief value is that they take the financial risk of giving credit to small consumers, their disadvantage is that they create extra competition at the expense of the producer. Further, many of these middlemen actually own collieries themselves, thus creating a situation which seems somewhat anomalous, in view of the virtual impossibility of avoiding a divergence of interests on occasions.

The small individual collieries which cannot afford an adequate selling organisation are dependent partly on brokers and partly on what share they get of the Railways' contracts, the coal industry's annual Lucky Dip. Tenders for the requirements of the Railways from the market, usually about 3½ million tons, are called for in a lump in November or December. A Railway order may mean to a small colliery the difference between working or closing for the coming year, and as there is no second chance once tenders are decided, competition is naturally keen; and this system of purchase is well adapted to take the maximum advantage of any weakness which there may be in the market.

The policy of the Railway Board appears to have been for some years past to buy cheap inferior quality coal for the requirements of the State Railways; this policy is helpful to the small colliery inasmuch as most of the good quality coal is mined by the big colliery groups under Managing Agents and the poorer quality coal by the smaller independent collieries, and it has been followed so consistently that there is now an unusually marked cleavage in price between the two types of coals, since there no longer seems to be any point in cutting the price of good quality coals in the Railways' tender to try for business which almost certainly will not be forthcoming. It is too early to say yet whether this means that producers of good quality coal are on the verge of freeing themselves from the bugbear of the Railways' tender, but the outlook appears hopeful; and this would certainly be conducive to the stabilisation of prices in the coal industry. It is time that the policy of forcing raisings to lessen costs in order to keep pace with falling selling prices gave way to a policy of maintaining selling prices by a controlled production, and that producers of good quality coal learn to put price first and volume of business second.