

COMMISSION FOR AGRICULTURAL COSTS AND PRICES

REPORT ON PRICE POLICY FOR RAW JUTE

FOR THE 2004-05 SEASON

In this report, the Commission for Agricultural Costs and Prices presents its views on price policy for raw jute for the 2004-05 season. The Commission recommends that :

- (a) the minimum support price of TD-5 grade of jute ex-Assam for the 2004-2005 season be fixed at Rs. 890 per quintal; (Para 25)
- (b) the corresponding minimum support prices for other varieties and grades of raw jute across locations be fixed keeping in view, apart from normal market price differentials, the aggregate scores assigned to different grades; (Para 25)
- (c) in order to meet its objective, price policy for raw jute be announced well before the commencement of the sowing season and should not be delayed beyond February at the latest; (Para 2)
- (d) sample grades should be prominently displayed at all the purchase centers; (Para 4)
- (e) the Jute Commissioner, while fixing prices of different grades should fix the price of TD-6 and TD-7 in such a way that there is motivation and incentive on the part of the farmers for production of TD-5; (Para 4)
- (f) the Government may set up an Expert Group immediately to explore the need of reducing the existing number of grades from 8 preferably to 4 with adequate price differential to encourage shifting of cultivation from lower grade to higher grade by the farmers; (Para 4)
- (g) NIRJAFT should tie up with Industry for commercial production of machines for ribbon processing so that the cost of production becomes less and is affordable by the farmers for wider use; (Para 5)
- (h) research efforts in developing new and improved varieties should be redoubled and there should be very close tie up between research and extension exercise to take the research results to the fields of the farmers; (Para 8)
- (i) the Government should immediately build a buffer stock of 5 lakh bales from the 2004-05 season. The Government should work out the modalities of financing the buffer stock keeping in view the interest of the growers as well as the health of jute industry; (Para 11)
- (j) JCI should expand its own purchase network and in consultation with growers and State Governments should work out advance arrangements to involve a much large number of service cooperatives so that all the jute producing areas are fully covered; (Para 12)

- (k) the whole issue of fixation of prices of different grades by the Jute Commissioner and disparity arising out of transportation costs should be looked into depth by the Textiles Ministry so that the grievances of the farmers of remote areas are properly addressed and there are no disparities in the prices received by the farmers in different areas/states; (Para 13)
- (l) the Ministry of Textile should take up the matter with the State Governments and the Food Corporation of India urging them not to divert their indent for jute goods to alternative competing products and prepare an advance action plan for procurement of jute goods every year well before the jute marketing season; (Para 14)
- (m) concessional duty free import of Bangladesh jute goods may be discouraged forthwith to protect the jute farmers of the country; (Para 15)
- (n) the Govt. should resolve the policy conflict regarding packaging norms for use of jute bags immediately and prevent further damage to the jute economy. Further, it recommends that from the 2004-05 season, the Govt. should enlarge the scope of the order under this Act to include major edible items like groundnuts, oilseeds and spices, etc. which will facilitate in revival of the jute economy; (Para 16)
- (o) the Govt. in collaboration with the Jute industry and the research institutes should formulate long term policy in the framework of public-private partnership (PPP) to promote jute products to capture sizable domestic as well as international market; (Para 17)
- (p) the Ministry of Textiles should immediately take up with the Ministry of Rural Development the question of a wider use of the geo-textile in road construction in rural areas under PMGSY. This will open up vast opportunities for jute products; and (Para 18)
- (q) the Govt. should immediately initiate steps to set up Jute Development Fund to be operational from 2004-05 season. (Para 19)

2. The Commission submitted its Report on Price Policy for Raw Jute for the 2003-04 Season on December 30, 2002 recommending minimum support price (MSP) at Rs.860 per quintal for TD-5 grade of raw jute ex-Assam. The Government announced the price policy for raw jute on June 22, 2003 fixing the MSP at the recommended level, which was Rs.10/- per quintal more than that fixed for the previous season. In this connection, the Commission is constrained to reiterate that the price policy for raw jute should invariably be announced well before the sowing season which normally begins between February to April, so that MSP as an instrument of price signal achieves its objectives in influencing farmers' decision to go for jute production. The late announcement of MSP, after the sowing is over, does not serve its purpose. The Commission recommends that in order to meet its objective, price policy for raw jute be announced well before the commencement of the sowing season and should not be delayed beyond February at the latest. (Table 1)

3. The Jute Commissioner of India notified on June 22nd 2003 the MSP for all grades of jute and mesta for up-country markets in various jute/mesta growing states based upon the MSP fixed by the Central Government. While fixing the MSP for different grades of raw jute for the year 2003-04 season, the Jute Commissioner took into account the scoring pattern for 8 different grades of raw jute, apart from the price differentials in the market between the grades, varieties and across locations. Presently, there are 8 different grades starting from 1 to 8 both for Tosa and white jute. In the case of Tosa (TD-1 to TD-8), the scoring varies from 0 to 100 depending upon the strength, defects, root contents, colour, fineness and body density. While TD-1 category carries 100 scoring, TD-2, TD-3, TD-4, TD-5, TD-6, TD-7 and TD-8 categories carry 85, 75, 50, 35, 20, 8, 0 scoring respectively. In the same way, white jute is graded in 8 categories such as W-1, W-2, W-3, W-4, W-5, W-6, W-7 and W-8 carrying scoring of 100, 85, 70, 55, 40, 25, 8 and 0 respectively. The Commission during its interaction with the farmers noted the difficulties that the farmers are facing while selling their products of different grades linked to different price. Generally, the jute is produced and sold in bundles which consist of different grades of jute. The categorisation of 8 different grades of jute linked to different price of each grade puts farmer in a weak bargaining position due to his inability to differentiate grade and separate it to fetch better price. In the process, the buyer gets the advantage of purchasing better grades of jute with lower grade price.

4. The Commission, during its field visits to Assam, Bihar and Orissa noted that JCI is reluctant and at times refuses to purchase TD-6 and other lower grade on the plea that the mills do not purchase the lower grades. With a view to obviating the scope of controversy regarding grade and making the whole transaction transparent, the Commission recommends that sample grades should be prominently displayed at all the purchase centers. The Commission further recommends that the Jute Commissioner, while fixing prices of different grades should fix the price of TD-6 and TD-7 in such a way that there is motivation and incentive on the part of the farmers for production of TD-5. The Commission, therefore feels that existence of multiplicity of grades weakens the bargaining power of the farmers and if the grades are reduced to 3 to 4 with adequate price differentials, the farmer's bargaining power can be protected. Such a view also emerged during the discussions that the Commission held with various stake holders. The Commission, therefore, recommends that the Government may set up an Expert Group immediately to explore the need of reducing the existing number of grades from 8 preferably to 4 with adequate price differential to encourage shifting of cultivation from lower grade to higher grade by the farmers. (Tables 2,3,4, & 5)

5. While reduction of grade and building adequate price differentials between the grades will certainly improve the quality of jute production, some additional measures need to be initiated for changing and improving the grading profile of raw jute, such as:

- a) encouraging and concentrating on the production of jute in the areas which are agro-climatically most suitable for high quality fiber;
- b) developing new varieties of jute seeds/strains with high cellulose contents and lower level of lignin;
- c) developing location specific integrated disease and pest management system to control fiber defects arising out of diseases and pest attack;
- d) encouraging availability of water sources to facilitate the retting process and educating farmers on the scientific way of retting even with stagnant water to increase the quality of fiber;
- e) developing mechanical extraction of fiber.

The Commission was informed that National Institute of Research on Jute and Allied Fibre Technology (NIRJAFT) is currently engaged in developing alternative retting processes such as ribbon retting, dry retting and chemical retting. It has introduced a machine for ribbon processing by which jute sticks are separated from jute ribbon which requires less water for retting. However, commercial production of this machine has not begun. Water is a scarce commodity and its availability for retting will be a critical element in future. Under this scenario, ribbon retting seems to provide a solution to the problem of water scarcity subject to its financial viability. Unless this bottleneck is cleared through affordable technology, the jute growing will be difficult. The Commission recommends that NIRJAFT should tie up with Industry for commercial production of machines for ribbon processing so that the cost of production becomes less and is affordable by the farmers for wider use.

6. According to Directorate of Economic and Statistics, the total production of jute and mesta declined from 116.4 lakh bales during 2001-02 to 114.48 lakh bales in 2002-03 season, which further came down to 105 lakh bales during 2003-04 season. It has been observed that the area under jute in the country remained more or less stable between 8.2 and 8.5 lakh hectares upto 2002-03 and declined to 7.97 lakh hectares during 2003-04 season mainly due to low level of price in the preceding year, coupled with somewhat weather aberration in the initial period. The higher level of production achieved during the year 1999-2000 to 2002-03 has been as a result of increase in productivity. During 2003-04, despite a shrinkage in area, the level of productivity of jute remained as high as 2127 kg per hectare mainly because of favourable weather conditions in subsequent stages of growth of the crop. Similarly, the productivity of mesta during 2003-04 is estimated at 1159 kg per hectare. State-wise data for 2002-03 and 2003-04 season also reveal that productivity has generally increased during 2003-04 season, barring a marginal decline in the state of Bihar and Meghalaya. It is encouraging to note that the farmers are now inclined to adopt the improved package of practices to the extent possible. Nevertheless, the weather condition and the Jute price in the preceding year play a major role in raising good crop. (Tables 6, 7 & 8)

7. Research and extension in raw jute sector are critical elements and are integral parts of the ongoing programmes. Normal production technology developed long back has now been popularized among the farmers through various development and extension programme. Subsequently, various technologies have been developed/updated. The multi-row seed drill for line sowing of jute is being popularized through the Special Jute Development Programme (SJDP) and already the same is being adopted by the farmers. Fungal Culture Technology developed earlier has also been popularized through the SJDP but due to certain constraints in the technology, there is still a problem in the adoption of this technology by the farmers. However, research works are going on for further improvement of this technology. The newly developed jute varieties like JRO-8432, JRO-66 and JRC-698, Bidhan Pat-3 are also being popularized through frontline demonstration and workshop/training. The Central Sector components of SJDP are still being implemented by the Directorate of Jute Development through various organizations for transferring the new varieties and technologies for improvement of productivity and quality of fibre. Further research work is going on for development of suitable varieties having higher productivity and better quality. The SJDP has been in operation since 1987-88 with the objective of improvement in productivity and improvement in quality of fibre. The components like distribution of seeds, implements like seed drill, wheel-hoc and sprayer, essential nutrient mini kits, foliar spray of urea, production technology and demonstration/training have been included in the programme. Besides, distribution of fungal culture, excavation of retting tank, organization of retting technology demonstration were included in the programme. From the last year of the Ninth Plan, the components like foliar spray of urea and essential nutrient mini-kits have been dropped from the programme. In October, 2000, the SJDP has been placed under Macro Management Mode of Agriculture and the State Governments are implementing the same programme. But state to state, there are variations in the components after it has been transferred to Macro Management Mode. It had been observed that after transfer of the scheme to Macro Management Mode, the total outlay as well as the total expenditure as compared to the previous years has been reduced. Besides, the States like Andhra Pradesh has not implemented the programme during 2001-02 and 2002-03. Similarly, the outlay in some of the states like Assam and Bihar has also been reduced by the State Government as against the earlier outlay under SJDP. After the implementation of SJDP since 1987-88, the productivity of jute has increased by about 50 per cent and that of mesta by about 35 per cent. There has also been an improvement in the quality of fibers. (Tables 9 & 10)

8. The Commission recognises the contribution of the research organizations in developing new varieties and technologies. There, however, have not reached the farmers in many places. The Commission recommends that research efforts in developing new and improved varieties should be redoubled and there should be a close tie up between research and extension exercise to take the research results to the fields of the farmers.

9. The estimates of production and area of cultivation of raw jute are finally published by the Directorate of Economics & Statistics (DES), Ministry of Agriculture which do not match with the figures submitted by organizations like Indian Jute Mills Association, Jute Baler's Association and Office of Jute Commissioner, mainly on account of divergent methodologies adopted for estimates. DES relies upon the Directorate of Jute Development, Ministry of Agriculture for estimates of Jute production and area under cultivation . The two sets of estimates given by DES and Office of Jute Commissioner need to be reconciled. It is a matter of concern that the discrepancies in the production estimate have been continuing for the past many years despite the Commission's continued urging from time to time to reconcile them. Reliable data are essential elements for sound policy formulation. Since, the Commission has no independent source of information, it accepts the estimate given by Jute Advisory Board (JAB), under Office of Jute Commissioner, Govt. of India. Although the production estimate for 2003-04 season by JAB is much lower than the estimates given by Directorate of Jute Development, DES, the Commission's analysis in this report and its price perspectives for 2004-05 season is based upon JAB's estimate.

10. The current year 2003-04 began with opening stock of 34 lakh bales, with 9 lakh bales with the jute mills, 3.5 lakh bales with Jute Corporation of India and balance 21.5 lakh bales with others in the market. The latest estimate by the Jute Commissioner for the current year 2003-04 places jute production at 90 lakh bales. Adding to it the estimated import of 7 lakh bales for the current 2003-04 season, the total availability of raw jute in the country is likely to be of the order of 131 lakh bales. As against this, the total consumption of jute is estimated at 101 lakh bales, leaving a closing stock of raw jute in the current year of the order of 30 lakh bales, sufficient to take care of domestic demand for first 3-4 months of the year 2004-05. The surplus availability of raw jute for the current year 2003-04 is likely to have adverse impact on price level unless Jute Corporation of India strengthens carefully its price support mechanism. It is gratifying that as per Jute Commissioner, while the production of Tosa 1, 2 and 3 together has slightly increased from 11 percent in 2002-03 to 12 percent in 2003-04, the production of Tosa 4 and 5 together is likely to increase from 45 per cent to 51.6 percent. The production of quality jute particularly higher grade of jute is responding to its price policy over the period. (Table 11)

11. Jute, being a seasonal agricultural product is susceptible to fluctuations in price due to demand and supply imbalances. The trend of WPI over past many seasons indicates that the price of raw jute remains depressed generally during early part of the year (July – October) when market arrival remains at its peak and then picks up subsequently from November onwards. Since the growers are generally small and marginal farmers and their capacity to hold stocks is limited, there is always a pressure to sell their produce just after harvest, no matter whatever price they may get. There appears to be some reluctance

on the part of the mills not to purchase more than a months stock or so, may be, on the expectations that price will fall in subsequent months once JCI withdraws from procurement operation. JCI feels that it alone, through MSP operation, is unable to hold the price line during early part of the season. Mills should come forward to procure additional quantity to arrest downward movement of jute price. In the interest of the farmers as well as the mills, a buffer stock – say of the magnitude of 5 lakh bales should be maintained to prevent undue fluctuation of jute price. The Commission, accordingly, recommends that the Government should immediately build a buffer stock of 5 lakh bales from the 2004-05 season. The Government should work out the modalities of financing the buffer stock keeping in view the interest of the growers as well as the health of jute industry.

12. One of the ways to ascertain the demand supply imbalance of a product in the economy is through study of the movement of wholesale price index (WPI). The movement of wholesale price index (WPI) in case of raw jute indicates that prices have been significantly lower during 2000-01, 2001-02 and 2002-03 season as compared to that prevailing during 1995-96 season. The average index of wholesale prices was 161.7 during 2000-01 as compared to 220.0 during 1995-96 and improved to 177.3 during 2001-02. The average wholesale price index of jute significantly came down to 143.1 during 2002-03 indicating a depressed price situation through out this year. According to DES, the month-end wholesale price index of TD-5 jute ex-Kolkata remained at Rs.855 – Rs.1255 per quintal during 2001-02 as compared to a lower level of Rs.770 – Rs.885 per quintal during 2002-03 and first three months of 2003-04 season. The overall price situation for raw jute indicates that from 2000-2001 to 2002-03 and upto August 2003-04, prices of raw jute hovered around the support level and at times were lower than the support price, specially when JCI did not actively purchase. According to Jute Balers Association and A.M. Mair & Co. both ex-West Bengal and ex-other states raw jute prices at Kolkata were lower than the JCI Minimum derivative price between July to February (2000-01), August to December and April to June (2001-02) and July to October (2002-03). In this case market price of private raw jute sellers is reported to have been compared with JCI minimum derivative Kolkata landed price worked out on the basis of operational cost of JCI. During 2001-02, prices of raw jute ruled above support level except in pockets where prices of inferior and lower grades of jute touched support level. The procurement of 2.46 lakh bales by JCI and state co-operatives, resulted the prices to remain at steady level. During 2002-03, the prices of raw jute ruled Rs.10 to Rs.70 per quintal higher than support level at the beginning, but following the market arrivals and expected increased production, prices of all grades slumped particularly in West Bengal, Bihar and Orissa. During 2002-03 the JCI along with other state co-operatives procured 13.14 lakh bales to correct the situation. During 2003-04, the prices of raw jute again declined from the beginning mainly on account of huge carry forward stocks of 34 lakh bales and an estimated production of 90 lakh bales. In remote areas of Bihar, the prices of TD-5 grade is reported to have fallen to as low as Rs.600 per quintal in the beginning of December, 2003. The prices are likely to remain depressed during

most of the months in 2003-04 season mainly due to absence of adequate buying support from the Mills and the traders in view of the depressed goods market. It is evident from the above that prices of raw jute need persistent support operations for maintaining these at MSP level. With 171 purchase centers being run by Jute Corporation of India in all Jute growing States it is too inadequate to undertake support operations at the desired level. The prices have crashed in many remote areas for want of purchase centers. In parts of Bihar and some other states the distance between the producing areas and the purchase centers is as high as 80 kms. For increasing its market coverage, JCI is utilizing services of Apex Cooperatives Societies as its agents. During 2003-04, 81 cooperative societies are operating under JCI in procurement of jute in various states. Apart from this, JCI has formulated a scheme for involvement of village level service societies which would procure raw jute directly from the jute growers and would deliver it to the nearest JCI/Cooperative Centres. However, these service societies' do not appear to be operating in the field during the current year, as against the fact that during 2002-03 more than 260 such village level service societies operated. To be an effective procurement agency for Jute, JCI should involve service cooperative at the village level in the remote areas immediately. The Commission recommends that JCI should expand its own purchase network and in consultation with growers and State Governments should work out advance arrangements to involve a much large number of service cooperatives so that all the jute producing areas are fully covered. (Tables 12, 13 & 14)

13. The disparity between the prices received by the farmers of Assam and West Bengal for the same grade of Jute was raised by Assam farmers during the field visit. The Commission has been informed by Jute Corporation of India that the derivative minimum price of raw jute of Assam landed at Kolkata is calculated after considering taxes and levies, insurance, interest, shortage, freight to Kolkata and other incidental expenses. Minimum support prices which are announced by the Jute Commissioner vary from place to place mainly on account of freight element to reach the goods to Kolkata where the Jute mills are located. While appreciating the logic of this price differential the Commission recommends that the whole issue of fixation of prices of different grades by the Jute Commissioner and disparity arising out of transportation costs are looked into depth by the Textiles Ministry so that the grievances of the farmers of remote areas are properly addressed and there are no disparities in the prices received by the farmers in different areas/states.

14. A study of month-end average prices of representative varieties of jute goods of ready delivery of Hessian (40"x10oz) and Sacking (B.Twill) had revealed that the average price of both the above varieties have been lower in 2002-03 as compared to 2001-02 season. The average price of Hessian ranged between Rs.910 to Rs.1043 per hundred meter during 2001-02 as compared to Rs.850 to Rs.965 per hundred metre during 2002-03 season. This again maintained the downtrend in July and August of 2003-04 season when the price for the above variety came down to around Rs.835 per hundred meter. A

similar downtrend was also observed in case of prices of sacking (50 g. B.Twill) which ruled at a lower range of Rs.19824 to Rs.24304 per tonne during 2002-03 and early part of 2003-04 season as compared to a higher range of Rs.23700 to Rs.26600 per tonne during 2001-02 season. As such prices of jute goods have been declining from July 2002 onward. The decline in prices of jute goods is mainly on account of insufficient demand. The Commission during its interaction with the stake holders noted that of late, there had been a slump in demand for jute goods particularly from the Government account, which forced the jute mills to cut back production and reduce the demand for raw jute in the peak marketing season. Besides, there was uncertainty in the minds of jute millers regarding the exact quantum of demand from Government agencies. At least, the demand was not placed before the peak marketing season. In the process the prices of raw jute dipped below the support level. The Commission feels that regular placement of indent for jute goods at least by the Government agencies is key to sustainability of the already declining jute economy in India. The demand for jute goods by the Government agencies should not be diverted to alternative competing products. The Commission therefore recommends that the Ministry of Textile should take up the matter with the State Governments and the Food Corporation of India urging them not to divert their indent for jute goods to alternative competing products and prepare an advance action plan for procurement of jute goods every year well before the jute marketing season. (Tables 15 & 16)

15. The past five year import data indicates that the total annual import of raw jute varies between 4 to 9 lakh bales. The import is mostly from Bangladesh, for special quality of jute which are not generally produced in India. Raw jute was exempt from payment of import duty till 31.3.1999. However, a 5 per cent import duty (2.5 per cent for SAARC countries) and 4 per cent SAD was imposed with effect from 1.4.1999 onwards. The Indian Jute Mills Association (IJMA) during its interaction with the Commission mentioned that there was no import of jute goods from Bangladesh till April, 1998. However, the Govt. has now granted 60 per cent tariff concession to Bangladesh and a proposal is under active consideration of the Govt. to grant duty free import of jute goods from Bangladesh. The Commission feels that Bangladesh, due to its natural endowment of water resources and favourable agro-climatic conditions for higher grade jute production enjoys comparative advantage over India in jute production. Added with their cheap labour availability, Bangladesh is the dominant leader in the international market in exporting jute products. Further special concession granted to Bangladesh for import of jute goods will have adverse impact on the Indian jute industry, which will eventually result in closure of many jute mills. The ultimate victims in the process will be the millions of small and marginal farmers in the country. The Commission, therefore, recommends that concessional duty free import of Bangladesh jute goods may be discouraged forthwith to protect the jute farmers of the country.

16. The Union Government amended the Jute Packaging Materials (Compulsory Use in Packing Commodities) Act 1987 on 12th July, 2002 which diluted the packaging norm for use of jute bags for

packing foodgrains and sugar from 100 per cent to 80 per cent and from 90 per cent to 75 per cent, effective from 12.07.2002 and 30.6.2003 respectively and further to 60 per cent and 50 per cent effective from 1.7.2003 and 30.6.2004 respectively. The Jute Industry challenged the progressive dilution order before Kolkata High Court which revoked the Union Government's order, restoring the status-quo ante. The Commission is concerned at the ambivalent and conflicting policies of the Government. On the one hand, increase in MSP induces jute production and on the other, the progressive dilution of packaging Act reduces the demand for jute products. Such dualism in policy perspectives has adverse impact on the jute industry and jute growing farmers in particular. Unless the policy conflict is resolved urgently by the Govt. the jute economy involving about 4 million small and marginal farmers and around two lakh workers in the industry and about 1.5 lakh workers in jute related activities will be at stake. The Commission therefore recommends that the Govt. should resolve the policy conflict regarding packaging norms for use of jute bags immediately and prevent further damage to the jute economy. Further, it recommends that from the 2004-05 season, the Govt. should enlarge the scope of the order under this Act to include major edible items like groundnuts, oilseeds and spices, etc. which will facilitate in revival of the jute economy.

17. India's principal exportable items of traditional jute goods are : Yarn, Hessian and Jute diversified products. An estimate by FAO for 2005 indicates that Bangladesh is likely to remain the dominant exporter of jute products with 50 per cent of world total in 2005 followed by India with over 40 per cent of the total share. Although Bangladesh enjoys comparative cost advantage over India in production of jute goods, India enjoys some technical and quality advantages over Bangladesh in respect of a few special jute products like Jute geotextile and foodgrade jute products. The export performance for the past one and a half year indicates that despite Bangladesh's cost advantage, India's export of hessian, sacking and yarn have substantially increased in the year 2002-03 and current year 2003-04. This positive trend is suggestive of a bright future in the jute export even in face of steep competition from Bangladesh. This needs to be sustained by the industry through aggressive marketing strategy. Thrust on export of jute products, particularly on the jute life style products has never been focused in the past. Of late, there has been a special preference for use of eco-friendly bio-degradable packing and carrying material world over. This is a positive change in choice and preference of the people for the jute industry to popularize eco-friendly life style products. For example, there is a wide competitive advantage of jute over polypropylene and High Density Polypropylene (PP/HDPE) in terms of re-usability, bio-degradability, stackability, recovery after hooking, porosity for preserving food materials, etc. The Commission feels that the highlights of these elements of comparative advantages of use of jute products over PP/HDPE products, through aggressive marketing strategy could yield substantial demand for jute products both internally and externally. Jute is a potential eco-friendly fibre of the twenty first century, which could be promoted through appropriate policy support by the Govt. Thus, the Commission recommends that the

Govt. in collaboration with the Jute industry and the research institutes should formulate long term policy in the framework of public-private partnership (PPP) to promote jute products to capture sizable domestic as well as international market. (Table 17)

18. As already mentioned in the previous paragraphs, India enjoys a distinct comparative advantage in the production of jute geo-textile, which has wide ranging applications in the areas of construction of railway, road, embankment, slope protection, drainage development, etc. The application of jute geo-textile could check subsidence of pavement, arrest migration of soil particles, control reflective cracking of pavements and prolong their fatigue life, enhance strength and stability of road embankment and provide effective drainage system. It could be made on demand for specific purpose and use. It is cost effective, eco-friendly being bio-degradable compared to synthetic material and is easily transportable. It will be an excellent material for rural roads. The Commission feels that use of jute geo-textile in road construction particularly in rural roads under Prime Minister's Gram Sark Yojana (PMGSY) would boost the demand for geo-textile which ultimately would help the jute farmers. The Commission, therefore, recommends that the Ministry of Textiles should immediately take up with the Ministry of Rural Development the question of a wider use of the geo-textile in road construction in rural areas under PMGSY. This will open up vast opportunities for jute products.

19. The Jute industry, as a whole, has not kept pace with the rapid change in the modern technology. As a result, most of the jute mills are not modernized. The Govt. of India has recently introduced Jute Manufacturers Development Council Incentive Scheme for Modernisation of Jute Industry to facilitate modernization and up-gradation of technology in jute mills. The scheme provides for grant of subsidy to the eligible jute mills for modernization to the extent of 15 per cent of cost of machinery/equipments. The Commission, while appreciating the step taken in the direction, feels that a fund to be known as "Jute Development Fund", on the lines of 'Sugar Development Fund' could be created by imposition of cess on jute products and the proceeds could be utilised through long term loans at concessional rate of interest for modernization of jute mills. The Commission accordingly recommends that the Govt. should immediately initiate steps to set up Jute Development Fund to be operational from 2004-05 season.

20. After submission of the Commission's last Report on Price Policy for Raw Jute in December, 2002, estimates of cost of cultivation/production of the crop have become available from the Directorate of Economics and Statistics (DES) under its Comprehensive Scheme (CS) in respect of Assam, Orissa and West Bengal for the year 2001-2002. The details of these estimates and those pertaining to the preceding year are prescribed in the table below.

Cost Estimates of Raw Jute

States	Years	(Rupees)							
		A ₂ +FL	C ₂ /hec	A ₂ +FL	C ₂ /qtl	C ₃ /Qtl	Yield/ hect. (qtl)	Implicit/ qtl	MSP/qtl
Assam	2001-02	10985	14390	565.15	740.36	814.40	17.58	796.07	810
	2000-01	10412	13350	553.55	709.27	780.20	16.91	759.35	785
Orissa	2001-02	12784	16658	655.32	852.68	937.95	16.25	741.23	810
	2000-01	11691	15680	640.13	858.71	944.58	16.31	806.40	785
West Bengal	2001-02	14147	20968	598.67	886.49	975.14	21.27	824.12	810
	2000-01	13543	18338	604.73	818.63	986.68	19.82	759.09	785

It is observed that between 2000-01 and 2001-02, the estimates of cost of cultivation of raw jute have increased in all the three states. The unit cost of production has also gone up in all the states of Assam and West Bengal despite the increase in productivity because of increase in both variable and fixed costs. However, in Orissa, the estimated cost of production reportedly declined marginally due to the decrease in variable cost especially on account of human labour & seed and lower yield. For Bihar, no cost data has become available after 1998-99. (Tables 18 & 19)

21. Raw jute is predominantly a labour intensive crop. As per information available from Labour Bureau, between July-June, 2002 and July-June, 2003, the actual wage rates for agricultural labour have increased by about 11 per cent and 3 per cent respectively in the States of Orissa and West Bengal. However, wage rates in Assam for the same period have declined marginally. The prices of other farm inputs, as measured by WPI, have increased moderately between November 2002 and October 2003 by 2.14 per cent for electricity (irrigation), 6.48 per cent for diesel (HSDO), 9.74 per cent for lubricants, 3.37 per cent for non-electrical machinery, 6.49 per cent for cattle feed and 2.53 per cent for the fodder. A marginal increase has also been noticed in the prices of fertilizer. The prices of fodder have, however, declined by 1.45 per cent. (Tables 20 & 21)

22. As per the projection methodology used in the Commission, each of the latest three years estimates of cost of production of raw jute for the three states have been projected for the ensuing crop

season of 2004-05 and then their averages have been considered. On the basis of the actual price movements observed so far and assuming an annual inflation rate of 4 per cent, the variable input price index has been constructed for each of these states. According to this index, the variable input costs between 2001-02 and 2004-05 are estimated to be higher by 8.3, 17.2 and 10.4 per cent in Assam, Orissa and West Bengal respectively. On this basis, the C_2 cost of production of raw jute for 2004-05 is projected to an average of Rs.820, Rs.982 and Rs.889 per quintal respectively for the states of Assam, Orissa and West Bengal. The weighted average C_2 cost of production works out to Rs.884 per quintal for the same year. The C_3 cost of production for these states is projected at Rs.902, Rs.1081 and Rs.978 per quintal respectively with weighted average C_3 cost working out to Rs.972 per quintal. (Tables 22 & 23)

23. Along side these projections of costs, the Commission has also considered the cost of production estimates received from the state governments of West Bengal and Assam. It is observed that the estimate of C_2 cost from West Bengal for 2001-2002 at Rs.897 per quintal is higher by about one per cent than the corresponding cost estimate mainly because of much higher expenses considered for human labour. The state of Assam has given the projected cost (C_2) for the year 2004-05 at Rs.844 per quintal which is lower than the Commission's projection at Rs.884 per quintal. The Commission has also received an estimate of cost of production of raw jute from the Central Research Institute for Jute and Allied Fibers (CRIJAF), who had conducted a survey in the districts of Hooghly and North 24-Parganas of West Bengal. According to CRIJAF, cost of production of raw jute in these districts works out to Rs.902 per quintal approximately for 2004-2005. This is very close to the Commission's projection for West Bengal based on CS data.

24. As against the weighted average C_2 cost of production at Rs.884 per quintal projected by the Commission for the ensuing season, the Government of West Bengal has suggested MSP at Rs.1200, Govt. of Tripura at Rs.1110, Orissa at Rs.1165, Assam at Rs.1060 for TD-5 grade of jute fibre for 2004-05. Directorate of Jute Development has suggested a MSP of Rs.950 per quintal. Although no figure has been indicated, both JCI and Jute Commissioner have suggested an increase in MSP over the current year's level. The Commission's own view is that MSP of raw jute should at least cover the C_2 Cost of Production although C_3 cost would be more equitable in keeping with the recommendations of Hanumantha Rao Committee as approved by the Government on inclusion of the management cost.

25. Keeping in view the emerging supply and demand situation, anticipated market prices, cost of production, parity with other crops/jute products, demands of State Governments, Jute Commissioner and Jute Corporation of India, the Commission recommends that the minimum support price of TD-5 grade of jute ex-Assam for the 2004-2005 season be fixed at Rs. 890 per quintal. The Commission further recommends that the corresponding minimum support prices for other varieties and grades of raw jute

across locations be fixed keeping in view, apart from normal market price differentials, the aggregate scores assigned to different grades.

Sd/-
(T. HAQUE)

Sd/-
(RAMADHAR)
December 4, 2003

Sd/-
(M. RAGHUPATHY)