

REPORT
OF THE
COMMISSION
FOR
AGRICULTURAL COSTS AND PRICES

ON

PRICE POLICY FOR RAW JUTE

FOR

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DEPARTMENT OF AGRICULTURE AND COOPERATION
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COMMISSION FOR AGRICULTURAL COSTS AND PRICES

REPORT ON PRICE POLICY FOR RAW JUTE FOR THE 2006-07 SEASON

In this report, the Commission for Agricultural Costs and Prices presents its views on price policy for raw jute for 2006-07 season. The Commission recommends that:

- (i) ***the minimum support price of TD-5 grade of jute ex-Assam for the 2006-07 season be fixed at Rs. 1000 per quintal.*** The Commission further recommends that ***the corresponding minimum support price 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 29)
- (ii) ***the Government should notify the reclassification of jute grades based on the recommendation of the Expert Group, set up by Jute Commissioner immediately to be operational from 2006-07 season;*** (Para 3)
- (iii) ***the Government may set up a Committee under the Chairmanship of Jute Commissioner with representatives from State Governments, trade, farmers, CRIJAF and other related agencies to prepare an action plan for ensuring adequate availability of quality jute seeds of high yielding varieties during the sowing season;*** (Para 6)
- (iv) ***the Technology Mission on Jute should aim at proper synergy between research institutions, jute development programmes and extension for meeting the requirement of appropriate quality of jute fibres and for bridging the demand-supply gap;*** (Para 7)

- (v) ***the Ministry of Textile, as the nodal Government agency for jute development may examine the issue of large scale adoption of technologies like ribbon processing, ribbon retting, dry retting and chemical retting developed by NIRJAFT;*** (Para 9)
- (vi) ***a special scheme for community pond development in the selected districts where maximum jute crop is harvested may be introduced, so that basic retting infrastructure is available to the farmers for producing quality jute. The Ministry of Rural Development should ensure that Community Pond Development in jute growing areas is undertaken under various rural employment programmes;*** (Para 9)
- (vii) ***the Government may set up a Committee under the Chairmanship of Jute Commissioner with the representation from industry, JCI, trade and farmers to appropriately sort out the ambiguity on premium for North Bengal jute, based on various quality parameters;*** (Para 13)
- (viii) ***the Government should finalise a concrete plan of action to formulate and implement the National Jute Policy for overall modernisation of jute sector and strengthen the backward and forward linkages in a time bound manner so as to provide the much needed impetus to the process of revitalization of the jute economy;***
(Para 15)
- (ix) ***the Government should, give a clear indication to the jute industry that the present order on packaging norm would continue for the next five years only, after which the relaxation will be phased out, enabling the industry to compete with the rest of the world on its own strength;*** (Para 17)

(x) ***the Ministry of Textiles in co-ordination with the Ministry of Rural Development should ensure wider use of geo-textiles in road construction in rural areas. Such an effort will ensure improvement in the longevity of rural roads in the country;*** and (Para 19)

(xi) ***the Government should rationalise its duty structure on imports of raw jute and jute products from Bangladesh, on priority basis.***

(Para 22)

2. The Commission submitted its Report on Price Policy for Raw Jute for the 2005-06 Season on October 29, 2004 and recommended minimum support price (MSP) at Rs.910 per quintal for TD-5 grade of raw jute ex-Assam giving an increase of Rs. 20 per quintal on the MSP fixed for previous year. The Government announced its price policy for raw jute on March 16, 2005, fixing the MSP at the level recommended by the Commission. The Commission appreciates the timely announcement of MSP by the Government and urges that similar step be taken in future in this regard. (Table 1)

3. The Jute Commissioner of India notified on April 26, 2005 the MSP for all grades of jute and mesta for up-country markets in various jute/mesta growing states based on the MSP fixed by the Central Government. The Commission in its report 2003-04 had recommended that the Government may set up an Expert Group to explore the need for reducing the existing number of grades from eight preferably to four with adequate price differential to encourage cultivation of higher grade Jute by the farmers. The Commission is happy to note that the Expert Group set up by Jute Commissioner has recommended the number of grades of jute to be reduced from eight to six. The Commission urges that ***the Government should notify the reclassification of jute grades based on the recommendation of the Expert Group, set up by Jute Commissioner immediately to be operational from 2006-07 season.*** (Tables 2,3 & 4)

4. The production of jute and allied fibres in the country has shown a declining trend in recent years. According to the estimate by the Directorate of

Economics and Statistics, Ministry of Agriculture, Government of India, the total production of jute and mesta declined gradually from 116.78 lakh bales in 2001-02 season to 105.97 lakh bales in 2004-05. The first official advance estimate for 2005-06 places the total production of jute and mesta at 100.85 lakh bales. The jute area in the country was reportedly the highest at 9.06 lakh hectares in 1997-98 that gradually moved down to 8.28 lakh hectare in 2000-01. Though it moved upward to 8.73 lakh hectares in 2001-02 but subsequently it continued to decline to reach a level of 7.69 lakh hectares in 2004-05. However, during 2004-05, despite a shrinkage in area, the average level of productivity remained high at 2282 kg per hectare as compared to 2186 per kg in previous year. The production of mesta also showed a declining trend. The total production of mesta, after reaching a historical peak level of 123.9 lakh bales in 2000-01 declined sharply to 101.7 lakh bales, 92.8 lakh bales and 84.1 lakh bales in 2002-03, 2003-04 and 2004-05 respectively. The falling production is attributed to declining trend of mesta acreage as well as its productivity over time. While aggregate production of jute showed a declining trend, inter-state variations in production and area coverage have become more prominent, with West Bengal consolidating its position as the major jute producing state, followed by Bihar. The state of Orissa, which had a vibrant jute cultivation in the past, is gradually loosing its jute acreage and jute is almost on the verge of becoming extinct in its cropping pattern. West Bengal, endowed with large number of water bodies suitable for jute retting and also with the concentration of jute mills enjoys comparative advantages over all other jute producing states. These factors have favoured West Bengal to sustain an appreciable growth in jute production in the state with the effective support from adoption of a dynamic cropping pattern. Its share in the total jute production in the country has increased from 74.6 percent in 1995-96 to 82 percent in 2003-04 (TE). Jute productivity in West Bengal has also reached the level of 24 quintals per hectare that is far ahead of the productivity realised in other states. According to Indian Council for Agricultural Research (ICAR), the realizable potential of jute yield in the field demonstration is about 38 quintals per hectare. The average jute yield in West Bengal realised so far is thus about two-third of the potential. This is largely due to the in roads

made by high yielding varieties such as JRO-524 and JRO-632. It is reported that newly released varieties such as JRO-8432, JRO-66 and JRO-128 promising high yield and better quality fibre are also becoming popular among jute growers. (Tables 6,7 & 8)

5. The coverage of jute area under certified seeds is only about 34 per cent. There are peculiar logistic factors associated with seed multiplication. It is interesting to note that majority of jute seeds are produced in Maharashtra and Andhra Pradesh which are located nearly thousand kilometres away from the main jute cultivation area. Production of jute seed requires ideally a crop period of 180 days for a single crop in arid zone. The prime jute cultivation area in eastern India being multi-crop with jute-paddy rotation becomes unviable to release the area for seed multiplication. It is for this reason, even Bangladesh, the leading world producer of jute and jute goods is also reported to be sourcing its entire seed supply from India. Such logistics undoubtedly weakens the linkages between research and seed multiplication. This has also implication on resultant fibre qualities of jute produced in West Bengal. There is therefore a need for proper coordination and integration in these diverse production systems of developing foundation seeds, seed-multiplication and jute cultivation, spread over different States. The systemic weakness is apparent in the sense that only 50 per cent of notified varieties (6 tossa jute and 4 white jute) are in the seed chain. Necessary action therefore, is required to saturate jute area with certified seeds of improved varieties by intensifying seed production and their timely distribution. A focused programme should ensure coverage of jute growing areas with certified seeds to the extent of at least 50 per cent in a span of 3 years as against 35 per cent at present.

6. The domestic availability of seeds at the time of sowing in March 2005 was quite inadequate that pushed the price in the range of Rs.100 to Rs.300 per kg as against Rs.40-45 kg in normal year. It was pointed out during the discussion with the State Governments that Govt. of India, allowed export of jute seeds to Bangladesh even when the prices were soaring and the export price of

jute seed was reported to be less than half of that paid by Indian farmers for their requirement. Bangladesh traditionally depends on India for its seed requirements. About 35,000 tonnes of jute seed is required by Bangladesh whereas India needs about 50,000 tonnes. Some of the traditional areas meant for jute seed production in Andhra Pradesh and Maharashtra have recently been shifted to cotton area, particularly for BT cotton, that promises higher productivity and income to the farmers. This has resulted into overall shortage of seeds in the current year. Unless this problem is tackled on a long term basis, it is possible that shortage of jute seed would continue to pose serious problem in future. More important is the fact that high yielding varieties of jute have been released by Central Research Institute for Jute and Allied Fibres (CRIJAF), but its seeds are not available. The Commission therefore recommends that ***the Government may set up a Committee under the Chairmanship of Jute Commissioner with representatives from State Governments, trade, farmers, CRIJAF and other related agencies to prepare an action plan for ensuring adequate availability of quality jute seeds of high yielding varieties during the sowing season.***

7. As stated earlier, on supply side, there has been a systematic realignment of jute cultivation in the country with the production converging more favourable, congenial high productivity districts. In India, though overall supply does not lag behind the demand, yet there are serious demand supply issues in the jute economy persisting over the years. Indian raw jute supply is dominated by medium to inferior grades of jute fibre, whereas several high value end-products require jute with better fibre quality. To meet its demand for the superior fibre grades, India is chronically dependent on the supply from neighbouring Bangladesh, through formal and informal trade channels. In spite of comprehensive research/extension efforts put by the agricultural development agencies backed by Centrally Sponsored Jute Development Programme, this dimension of jute economy remains largely unaddressed. This has obvious fallout on the prices received by the farmers, which is discounted for the low grade of jute being produced by them. In other words, the gains of production

and productivity, earned by the farmers from whatever limited access on the research and technology development are eventually not reflected on the ultimate realization of farm income. Hence, the prime concern for the policy makers is as to how to improve the fibre quality and improve upon the cost efficiency of production. This needs to be addressed through the concerted efforts of research institutions and extension machinery and should be of main focus in Jute Technology Mission that the Government is proposing to launch. The Commission recommends that ***the Technology Mission on Jute should aim at proper synergy between research institutions, jute development programmes and extension for meeting the requirement of appropriate quality of jute fibres and for bridging the demand-supply gap.***

8. Jute cultivation is labour intensive and nearly two-third of the total cost of cultivation is accounted for weeding and post-harvest operations such as carrying, bundling, steeping and retting. The improved method of production and crop-care has the potential to reduce the expenditure. CRIJAF has paid attention towards improved weed management practices and improved retting methods with minimal use of water and labour for improving the quality of the fibre. However, the lab to land gap persists in raw jute sector. During the current production season, the delayed on-set of monsoon is reported to have caused moisture stress to the jute crop at its early growth period, impacting the production adversely. This phenomenon adds another dimension of lab to land gap. Though research efforts have taken note of biotic stress management by developing stress resistant varieties and remedies for management of moisture stressed crops, due to the weak linkages of research, seed multiplication and extension, the farming community is not able to derive the fruits of such development, particularly when the advance warning system for weather aberration is not on sound footings.

9. Retting is one of the most important factors influencing the fibre quality. Retting and fibre extraction account for nearly 30 per cent of the total cost of cultivation. There are multiple problems associated with retting at farmers,

community and institutions level that need to be addressed sincerely with all coordinated efforts. Scarcity of free flowing water is the major impediment for retting. Competing demands for pisciculture in the available water bodies and the public and private tanks used for this purpose discourage the use of the same for retting purpose. It is learnt that mechanical process developed by National Institute for Research in Jute and Allied Fibre Technology (NIRJAFT) facilitates easy extraction of jute ribbon, which could thereafter be retted either in conventional way in water or in chemical through dry retting process. Ribbon processing claims to be a solution to the problem of scarcity of water bodies, conventionally used for retting. Similarly technologies like chemical retting and dry retting, that have been successful in laboratory condition, need to be popularized after examining its impact on environment, cost of production and quality of fibre. However, there is a gray area of sustainability of water bodies by the use of such chemicals. The scope of developing community retting facilities out of local area development funds needs also to be explored. The research work done by institutions like CRIJAF in the field of microbial technology for retting, that claims to improve fineness of the fibre and tenacity of bundles, reduction of the conventional retting time from 14 - 17 days to 9 - 12 days, and reduction of root ends by about 12 per cent, requires wide propagation after field trials. The Commission has been, time and again, highlighting the need to demonstrate and commercialise the technologies keeping its cost considerations in view, so that technology becomes affordable to the farmers. However, no perceptible progress has been observed in this regard. The Commission reiterates that ***the Ministry of Textile, as the nodal Government agency for jute development may examine the issue of large scale adoption of technologies like ribbon processing, ribbon retting, dry retting and chemical retting developed by NIRJAFT.*** The Commission would also reiterate its earlier recommendation that ***a special scheme for community pond development in the selected districts where maximum jute crop is harvested may be introduced, so that basic retting infrastructure is available to the farmers for producing quality jute. The Ministry of Rural***

Development should ensure that Community Pond Development in jute growing areas is undertaken under various rural employment programmes.

10. The current jute year 2005-06 that began in July started with an opening stock of 14 lakh bales, the lowest compared to past three years. Adding to it the estimated jute production (according to trade) of 85-90 lakh bales and estimated import of 5-7 lakh bales, the total availability of raw jute in the country is likely to be of the order of 104-111 lakh bales. As against this, the total consumption of jute is estimated at 98-103 lakh bales, leaving a closing stock of raw jute at the end of the current year at 6-8 lakh bales that could suffice only for a month or so of the forthcoming year 2006-07. It seems that in the current year 2005-06, the demand and supply of raw jute would more or less match, while the opening stock for the year 2006-07 will be the lowest in the preceding five years.

(Table 10)

11. The jute prices are prone to high inter and intra seasonal fluctuations. The annual wholesale price index (WPI 1993-94 base : 100) of jute fell sharply from its peak at 220.0 in 1995-96 (July-June) to 98.3 in 1997-98 and recovered partially to 177.3 in 2001-02. The prices subsequently moved in a depressive phase again with WPI slipping to 143.1 and 139.0 in 2002-03 and 2003-04. The squeezed supply in the year 2004-05 resulted into a buoyancy in jute market enabling WPI to bounce back to the level of 2001-02 at 177.3. Under the shadows of dipping production owing to dislocated monsoon rains the year 2005-06 witnessed buoyant WPI at 189.4 and 186.0 during the months of July and August, 2005, respectively. The WPI for the month of August 2005 is the highest in the past one decade for the corresponding month. The month-end wholesale price of TD-5 jute ex-Kolkata remained in the range of Rs.855 – Rs.1255 per quintal during 2001-02 that declined to Rs770 – Rs.885 per quintal during 2002-03. The prices remained depressed in the range of Rs.750 – Rs.935 per quintal during 2003-04. However during 2004-05, it improved to the range of Rs.900-Rs.1500 per quintal. The buoyancy in prices in Kolkata market during 2004-05 was the consequence of depletion in production in conjunction

with JCI's intervention in the market that procured 6.34 lakh bales of jute during the season. (Table 12)

12. Emergence of futures market is expected to reduce the price volatility. Forward Markets Commission permitted two multi commodity exchanges – National Multi Commodity Exchange, Ahmedabad and National Commodity & Derivatives Exchange, Mumbai to conduct futures trading in raw jute from July 2004. The NCDEX futures price of raw jute on 30th September and 8th October, 2005 closed at Rs.1443 and Rs.1456 per quintal of grade TD-4 at Kolkata as compared to MSP of Rs. 1030 to Rs. 1048 per quintal. Nevertheless, inter and intra seasonal fluctuations in Jute prices highlight the high market sensitivity to supply given a stable consumption demand of about 100 lakh bales per annum with arrivals from August to December witnessing about 70 percent of the total jute production in the market. It is during this period, the prices tend to fall below MSP. The year 2005-06 is an exception as jute prices are ruling much above MSP in the peak arrival period. The procurement agencies however should remain vigilant throughout the season, ready to intervene in the market if jute prices depress, as often happen due to seasonal behaviour of the market.

13. The Commission recommends MSP only for TD-5 grade jute ex-Assam. The Jute Commissioner of India further determines the MSP for all other grades in different States and regions taking into account the grade differences and the distance to Kolkata. The Commission understands that the North Bengal jute conventionally carries a premium in the market over South Bengal jute of every grade because of its higher blendability and spinability. Often the premium goes upto Rs.150-200 per quintal in the market. The criteria adopted by the Jute Commissioner of India in determining the MSP for jute other than TD-5 ex-Assam do not seem to capture this quality aspect of North Bengal jute. As a result, the farmers from North Bengal are discouraged to sell jute to JCI at MSP. The Commission, having recognized this as a critical problem, recommends that ***the Government may set up a Committee under the Chairmanship of Jute Commissioner with the representation from industry, JCI, trade and***

farmers to appropriately sort out the ambiguity on premium for North Bengal jute, based on various quality parametres.

14. Jute has strong forward linkages with the value addition chain. Its prices are also linked to the price and demand of end products mainly that of Hessian and sacking. An analysis of month-end average prices of representative varieties of jute goods of ready delivery of Hessian (40"x10 oz) and sacking (B.Twill) reveal that the average price of Hessian has been in a higher range of Rs.909 to Rs.1100 per hundred metres during 2004-05 as compared to Rs. 830 to Rs.932 per hundred metre during 2003-04. In case of prices of sacking (50 Kg. B Twill) it ruled at a range of Rs.20854 to Rs.27019 per tonne during 2004-05 as compared to the price range of Rs.20442 to Rs.23964 during 2003-04. In the current year 2005-06, the average prices for jute goods in July in Kolkata market has further increased to the level of Rs.34588 per tonne of Hessian and Rs.25977 per tonne of sacking (B Twill). The buoyancy in prices of jute goods is the reflection of the increasing demand for jute goods in the current season 2005-06. (Table 14)

15. Recognising the position of jute and allied fibre vis-à-vis synthetic material as superior and environment friendly , the Government unveiled the National Jute Policy (NJP) 2005. The policy resolution aims at integrated development of Jute economy focusing on improvement in quality and productivity of Jute fibre in accordance with the demand for diversified value added Jute products, enhancing jute manufacturing capabilities, sustained strengthening of the traditional knowledge and skills in jute sector, expanding employment base in the economy and increasing the jute exports at CAGR of 15 per cent per annum. Redeeming feature of the policy is to encourage Foreign Direct Investment in jute industry sector so as to build world class state of the art manufacturing capabilities in conformity with environmental standards. The Commission welcomes this initiative of the Government and recommends that ***the Government should finalise a concrete plan of action to formulate and implement the National Jute Policy for overall modernisation of jute sector***

and strengthen the backward and forward linkages in a time bound manner so as to provide the much needed impetus to the process of revitalization of the jute economy.

16. During the past one and half decades, the demand for jute as a packaging material has been declining with fast increasing popularity of polypropylene. According to FAO, world jute consumption has decreased by 14.71 percent from 3.4 million tonnes of fibre equivalent in 1988-90 to 2.9 million tonnes in 1998-2000. In the developed countries, the decline in consumption of jute products amounted to 40 percent from 668 thousand tonnes in 1988-90 to 395 thousand tonnes in 1998-2000. Similarly, in developing countries, the jute market contracted by 10 percent from 2.8 million tonnes in 1988-90 to 2.5 million tonnes in 1998-2000. Prices of polypropylene have been decreasing at an average rate of 2 percent per annum because of its large scale operation. At the same time, its demand has been rising at a rate of 8 – 10 percent per annum. Apart from cost advantage, polypropylene enjoys many comparative advantages over jute like light weight, water resistant qualities, quality consistency and reliability in supply etc. At the same time Jute, however, enjoys an important relative advantage over polypropylene, in the sense that, it is, biodegradable and eco-friendly. World over, movements in favour of eco-friendly products are silently growing, promising optimistic future for jute products. The merits of eco-friendliness of jute products *vis a vis* synthetics have also been endorsed in the National Jute Policy 2005. The Commission, while acknowledging the scope of expanding the use of environment-friendly jute products, expresses hope that the Jute Development Board proposed under the National Jute Policy (NJP) will also endeavor to propagate and popularise jute products domestically as well as internationally.

17. The Central Government has notified an Order in the Gazette of India on 1st August, 2005 increasing the percentage of packaging norm for use of jute bags for food grains and sugar to 100 percent by exercising power under section 3 of the Jute Packaging Material (Compulsory Use in Packing Commodities) Act

1987 with immediate effect up to 30th June, 2006. The Order has a provision that in case of any shortage or disruption in supply of jute packaging material, Ministry of Textiles may, in consultation with the user Ministries concerned, relax these provision up to a maximum of 20 percent each for food grains and sugar. Small packs of 10 kg. and below and export packing in respect of food grains and sugar are exempt from the operation of the order. This policy intervention is poised to have a positive impact on the jute industry getting adequate demand for jute products. However, the Commission feels that adhoc changes of packaging norm does not provide a long term direction to the industry. Unless the jute industry is confident about market potential, they will not invest in modernisation. The Commission feels that private investment by owners of jute mills for modernisation will flow only with a reasonable long term expectation of returns. Keeping this in view, *the Commission recommends that **the Government should, give a clear indication to the jute industry that the present order on packaging norm would continue for the next five years only, after which the relaxation will be phased out, enabling the industry to compete with the rest of the world on its own strength.***

18. Diversified jute products such as geo-textiles for land erosion control, jute handicrafts, decorative fabrics, carpets and jute laminates, reinforced jute plastics bags and boxes are becoming popular both in national and international markets. The demand for diversified jute products has been increasing annually. India, because of its edge in technology and design skills over Bangladesh is placed in an advantageous position to be the leader in the world to export diversified products. According to FAO, from 1997-98 to 2001-02, the share of exports of diversified jute products from India has increased in terms of value from 10 percent to 24 percent of total export value. The National Jute Policy 2005 has also emphasised the need for a full fledged Design and Development Centre and a series of dedicated retail outlets in public-private initiative mode for diversified jute products in all towns and cities with a population of more than 5 lakh. In this respect, the Commission feels that Indian jute mills having an edge over its competitors in design skills, should be

able to produce diversified *albeit* high quality jute products that will catch the attention of the world consumers. An early step in this regard will provide the much needed impetus to the industry and in the process it will rejuvenate jute economy in the country.

19. India has a distinctive advantage in production of jute geo-textile, that has wide ranging applications in road construction like slope protection, stability of embankment, drainage development, checking subsidence of pavement etc. The use of geo-textiles in road construction is eco-friendly and cost effective and it enhances the durability of the road particularly in rural areas where soil gets migrated by rainwater causing immense damage to the rural roads. The Commission has been highlighting the use of geo-textiles in rural road construction. However, in the absence of adequate demand for geo-textiles, the industry is not in a position to go for production on commercial scale. The Commission feels that demand for geo-textile could be generated in rural road sector, if adequate policy support is given by the Government for construction of rural roads under Prime Ministers' Gram Sarak Yojana (PMGSY). The Commission recommends that ***the Ministry of Textiles in co-ordination with the Ministry of Rural Development should ensure wider use of geo-textiles in road construction in rural areas. Such an effort will ensure improvement in the longevity of rural roads in the country.***

20. As per estimates by FAO, the world production of jute, keraf and allied fibres during 2003-04 is estimated at 32.92 lakh tonnes, as compared to 31.86 lakh tonnes in 2002-03. World consumption of jute, keraf and allied fibres is estimated at 29.69 lakh tonnes in 2003-04, that is marginally higher than the consumption of 28.2 lakh tonnes in 2002-03. While the world export of raw jute, keraf and allied fibres showed a decline from 4.73 lakh tonnes in 2002-03 to 3.48 lakh tonnes in 2003-04, world export of jute products has increased from 6.76 lakh tonnes in 2002-03 to 7.16 lakh tonnes in 2003-04. Bangladesh produces annually about 5 lakh tonnes of jute goods, in the form of Hessian, sacking, CBC and yarn. Out of the total, more than 80 percent of their production is exported.

Although in recent years, Bangladesh's share of export of jute goods in value has marginally fallen, the fact remains that in volume terms, it has maintained the export at about 4 lakh tonnes, out of the total world export of 7 lakh tonnes. The dominance of Bangladesh in export is also due to the status of most preferred nation that it enjoys from the developed countries. India's situation, however, is quite different. The average production of India's jute and allied fibres has been remaining at around 16 lakh tonnes over the years. Out of which 85 percent is consumed domestically and 15 percent goes for export. While India has an edge in technology and design over Bangladesh in Hessian, sacking and yarn, it loses its ground on export price competitiveness. Only when, Bangladesh fails to meet the demand, India gains the market as a residual seller. The Commission feels that protection of jute industry by the Government providing assured demand for the product through packaging order was a historical necessity in the past, but for future, the industry must look forward to new avenues and creation of high value products in which it enjoys comparative advantages. It is the time that the jute industry looks beyond the country's boundaries and competes with the rivals. Targeting export of high value product of 4-5 lakh tonnes in the medium term should not be difficult for the industry. An early action in this regard by the Government will be a welcome step.

21. The National Jute Policy 2005 by the Government has envisioned to push jute exports to Rs.5000 crore by 2010 from the present level of Rs.1000 crore. In that direction, the Government proposes to have a Jute Board with an Export Promotion Council that will play the role of facilitator to promote export of jute and jute diversified products. According to Jute Manufacturers Development Council, with the R & D support and joint venture of organised jute industry and small and medium industries, a varieties of diversified jute products like good grade clothes, bags, jute geo-textiles, floor coverings, shopping bags matching the modern life style have emerged, having a wide potential for export and domestic use. The total export of jute goods that include Hessian, sacking, CBC, yarn diversified jute products etc. at Rs.932 crores in 2000-2001 declined to Rs.613 crores in 2001-02. It improved to Rs.913 crores and further Rs.1052 crores in 2002-03

and 2003-04 respectively. However, the export in 2004-05 is estimated only at Rs.753 crores. An analysis of composition of jute exports shows that the percentage of exports of Hessian, yarn and diversified jute products to total exports constitute about 39 percent, 23 percent and 21 percent respectively in 2003-04. The major destinations of exports of jute goods are USA, Turkey, Belgium UK, Germany, Middle East and Japan. The major diversified jute products that are exported from India are floor coverings, shopping bags, wall hangings, gift items, blankets and decorative fabrics etc. As against the exports, the imports in terms of total value of raw jute and products remain, on average at Rs.60-70 crores per annum.

22. As per Exim policy of Govt. of India 2005-06, the standard rate of custom duty on imports of raw jute and jute goods has been fixed at 5 percent and 15 percent respectively. Preferential rate of duty on imports of raw jute and jute goods from SAARC countries, including Bangladesh, remain unchanged at 2.5 percent and 6 percent respectively with corresponding 50 percent and 60 percent tariff concession for imports from SAARC regions. This concessional rate of custom duty has resulted in increase of imports of raw jute and jute goods from Bangladesh to India. The Commission has, time and again highlighted this aspect in its report. However, no corrective measure have been taken by the Government so far. While showing deep concern, the Commission reiterates its earlier recommendation that ***the Government should rationalise its duty structure on imports of raw jute and jute products from Bangladesh, on priority basis.***

23. After the submission of the Commission's last Report on Price Policy for Raw Jute in 2004, estimates of cost of cultivation/production of the crop have become available from the Directorate of Economics and Statistics (DES) under the Comprehensive Scheme (CS) in respect of Assam, Orissa and West Bengal for the year 2003-04. The details of these estimates and those pertaining to the preceding year are presented in the table below.

Cost Estimates of Raw Jute

(Rupees)

State	Years	A ₂ +FL/hec	C ₂ /hec	A ₂ +FL/qtl.	C ₂ /qtl	C ₃ /qtl	Yield/hec (qtl)	Implicit Price	MSP (Rs./qtl.)
Assam	2003-04	11270	14041	616.86	768.87	916.68	16.53	671.19	860
	2002-03	10988	13862	762.08	961.41	1151.14	13.17	791.45	850
Orissa	2003-04	12522	15868	945.86	1209.22	1343.54	10.83	827.03	860
	2002-03	12538	16247	769.34	1002.96	1003.26	14.18	797.05	850
West Bengal	2003-04	18165.	23642	693.44	901.40	1011.92	23.07	749.87	860
	2002-03	17546	23741	637.55	862.37	981.75	23.78	804.99	850

24. It is observed that between 2002-03 and 2003-04, the estimates of cost of cultivation of raw jute have declined marginally in the states of Orissa and West Bengal. However, the unit cost of production has gone up in both the states because of decline in yield. In Assam, the unit cost of production has declined over the previous year due to a substantial increase in yield. For Bihar, no cost data has become available after 1998-99. (Tables 17 & 18)

25. As per information available from Labour Bureau, between March-October, 2004 and March-October, 2005, the actual wage rates for agricultural labour have increased by approximately by 2 per cent in the state of Assam and 3 per cent each in the states of Orissa and West Bengal. The prices of other farm inputs, as measured by WPI, have increased by 8.3 per cent for diesel (HSDO), 4.3 per cent for lubricants, 5.5 per cent for non-electrical machinery, 3.6 per cent for tractors and 3.5 per cent for pesticides between November 2004 and August 2005. The prices of cattle feed and fodder have, however, registered a decline of 0.9 and 2.6 per cent respectively during the same period.

(Tables 19 & 20)

26. 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 2006-07 and then their

weighted average has been considered. On the basis of the actual price movements observed so far and assuming an annual inflation rate between 5 and 5.5 per cent, the variable input price index has been constructed for each of these states. According to this index, the variable input costs between 2003-04 and 2006-07 are estimated to be higher by 18, 17 and 11 per cent in Assam, Orissa and West Bengal respectively. On this basis, the C_2 cost of production of raw jute for 2006-07 is projected to an average of Rs. 962, Rs.1194 and Rs.985 per quintal respectively for the states of Assam, Orissa and West Bengal. The weighted average C_2 cost of production works out to Rs 987 per quintal for the same year. Using the same methodology, the weighted average $A_2 + FL$ cost for 2006-07 is projected at Rs.766 per quintal. (Tables 21 & 22)

27. The Commission has also received the cost estimates from the state governments of Assam and Bihar. The projected C_2 cost of production for the state of Assam for the year 2006-07 using state average yield at 15 quintal per hectare has been worked out to Rs.1070 per quintal which is higher than the Commission's projection at Rs.962 per quintal. This is mainly due to a higher cost on account of human labour and a lower yield considered by the state government. Bihar has projected the C_2 cost of production at Rs.1150 per quintal for the year 2006-07. The state government of West Bengal has projected the C_2 cost of production and yield at Rs 1010 per quintal and 24.16 quintal per hectare respectively. This is very close to the Commission's projection at Rs. 985 per quintal. An estimate of cost of production of raw jute at Rs.1271 per quintal for the state of West Bengal has been received from the Central Research Institute for Jute and Allied Fibers (CRIJAF). This estimate is based on a survey conducted in the districts of Murshidabad , Hooghly, Nadia and North 24-Parganas of West Bengal during June 2005. In fact, representatives of farmers in West Bengal also mentioned that the actual cost of production of jute is comparatively higher than what is reported by the Government agencies. It was pointed out by them that the seed cost ranged between Rs. 100 and Rs. 300 per kg in most places this year as against the normal cost of Rs. 40 per kg.

28. The state government of West Bengal has suggested that the MSP of raw jute be fixed at Rs 1430 per quintal for the season 2006-07. During discussions, the Jute Commissioner was of the view that the MSP be raised by Rs. 100 per quintal. CRIJAF has suggested that the MSP of raw jute be fixed at Rs.1415.

29. Keeping in view all the relevant factors, including the emerging supply-demand situation, anticipated market prices, cost of production as well as parity with other crops/jute products and after consulting various stake holders, the Commission recommends that ***the minimum support price of TD-5 grade of jute ex-Assam for the 2006-07 season be fixed at Rs. 1000 per quintal.*** The Commission further recommends that ***the corresponding minimum support price 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.***

(T. HAQUE)
CHAIRMAN

(K. PONNUKANNU)
MEMBER

(M.S. GREWAL)
MEMBER

(V.M. JADHAV)
MEMBER

(RAJIV MEHTA)
MEMBER SECRETARY

October 17, 2005