

**COMMISSION FOR AGRICULTURAL COSTS AND PRICES**  
**REPORT ON PRICE POLICY FOR RAW JUTE**  
**FOR THE 2007- 08 SEASON**

In this report, the Commission for Agricultural Costs and Prices presents its views on price policy for raw jute for 2007-08 season. Considering all the relevant factors, including the overall demand-supply situation, market prices, both domestic and international, the status of the jute economy, cost of production of jute and after consultation with various stakeholders, the Commission recommends that

- (i) ***the minimum support price of TD-5 grade of jute ex-Assam for the 2007-08 season be fixed at Rs. 1055 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 26)
- (ii) ***Government should put in place, a well coordinated strategy for multiplication of quality jute seeds and their timely availability to jute growers at reasonable prices;*** (Para 6)
- (iii) ***the policy focus for development of jute economy should be to improve the fiber quality and enhance cost efficiency in jute production. This should be achieved through concerted efforts of research institutions, extension programmes and reasonable price incentive for quality jute produced in different regions;*** (Para 7)
- (iv) ***community ponds should be popularized in major jute growing areas with participation of farmers on co-operative basis and direct supervision of state agricultural departments besides resorting to long term investments under Eleventh Five Year Plan for***

**construction of retting tanks through various rural development and employment generation programmes;** (Para 8)

(v) **Government should examine the relative merits of various retting technologies developed by research institutions regarding their efficacy, farmer friendliness and cost effectiveness;** (Para 9)

(vi) **Government of India should ensure optimum utilization of the funds allotted in different programmes including SJDP for augmenting the production, productivity and quality of jute crops in respective states;** (Para 10)

(vii) **Government should contemplate a long-term policy of continuing jute as packaging material, which in turn would induce investment for modernization of jute industries which is required to enhance product quality, cost efficiency and global competitiveness; and**  
(Para 15)

(viii) **Government should rationalise its duty structure on imports of raw jute and jute products from Bangladesh on priority basis.**  
(Para 18)

2. The Commission submitted its report on price policy of raw jute for the year 2006-07 on October 17, 2005, recommending Minimum Support Price (MSP) at Rs. 1000 per quintal for TD-5 grade of raw jute ex-Assam, besides suggesting various non-price measures. The Government declared the price policy of jute on June 16, 2006 fixing the price as per recommendation made by the Commission. Based on the declaration of MSP of Jute by the Government, the Jute Commissioner of India notified MSP for all grades of jute/mesta for up-country market for various jute/mesta growing states on June 16, 2006.

3. Jute is a water intensive crop and normally requires irrigation thrice during the period besides sufficient water for retting purpose. However, in India, the jute cultivation is rain dependant and is concentrated in the regions having enough rainfall and water retaining topography. The seasonal monsoon report (June to September, 2006) of India Meteorological Department (IMD) states that for the

country as a whole, the monsoon rainfall from 1<sup>st</sup> June to 31<sup>st</sup> September 2006 was 99 percent of its long period average (LPA). Seasonal rainfall over Central India was excess by 16% and it was 94% and 95% of LPA respectively over Northwest (NW) India and South Peninsula. It was, however, deficient over Northeast (NE) India by 17%. During 2006, monsoon rainfall was not well distributed in space and time. There was a favourable rain in Assam during sowing session of jute, which turned deficient afterwards during growth period. Assam experienced moderate drought conditions at the end of the season. Bihar had a good rainfall at initial stage and the excess rain subsequently deteriorated the jute crop in the region. North Bengal, where quality jute is grown, experienced normal rainfall initially, which turned deficient at the later stage and the vice-versa was the situation in South Bengal. Rainfall in Orissa and Andhra Pradesh was normal during initial stage of sowing the crop and subsequent heavy rain and stagnation of water damaged the crop.

4. Production of jute and allied fibers in the country has shown a declining trend in the last five years. Total production of jute and mesta, according to the estimates of Directorate of Economic and Statistics(DES), Ministry of Agriculture, Government of India, declined from 116.78 lakh bales in 2001-02 to 102.72 lakh bales in 2004-05. According to the 4<sup>th</sup> Advance Estimates of Crop production (DES), the jute and mesta production in 2005-06 improved to 107.47 lakh bales and during 2006-07 (1<sup>st</sup> Advance Estimate-DES – 15.9.2006), the production is likely to be 109.27 lakh bales. Thus the jute and mesta production during the current season is expected to be better than past two years, but is likely to fall short of the target of 112.80 lakh tonnes set for 2006-07. The production of jute alone declined from 105.84 lakh bales in 2001-02 to 93.99 lakh bales in 2004-05. The tentative estimate for the year 2005-06 shows an increase in production of jute at 100.46 lakh bales. It is observed that farmers prefer to diversify from White Jute to Tossa because of its higher yield potential coupled with superior quality and higher price realisation. During the period from 2001-02 to 2005-06, the ratio of area coverage of Tossa and White Jute remained almost same at 92:8. Area under jute in the country remained more or less stable between 8.5 and 8.7 lakh hectares up to 2003-04 and afterwards it declined to 7.73 lakh

hectares in 2004-05 and 7.71 lakh hectares in 2005-06, mainly due to weather aberrations in the initial period coupled with low level of price. Despite the shrinkage in area, the level of productivity of jute remained high at 2346 kg / hectare during 2005-06 compared to 2186 kg / hectare in the previous year. Area under mesta had also shown a declining trend from 1.74 lakh hectares in 2001-02 to 1.42 lakh hectares in 2004-05, which later increased to 1.60 lakh hectares in 2005-06. Increase in production of mesta during 2005-06 is attributed to the increase in coverage of area as well as productivity. While aggregate production of raw jute showed a marginal increase in 2005-06 over the previous year, inter state variation 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 substantial jute cultivation in the past, had gradually lost its jute coverage and production till 2003-04. With the concerted efforts made by the government through interventions like Farmers Field Schools and provision of subsidy on sale of seeds, the area, production and yield rate in Orissa subsequently improved by 10.9%, 73.5% and 56.4% respectively in 2005-06 compared with the position in 2003-04. Endowed with large number of water bodies suitable for retting and owing to the concentration of jute mills, West Bengal enjoys comparative advantage over all other jute producing states. These factors have favoured West Bengal to sustain growth in jute production with the effective support from adoption of dynamic cropping pattern. It shared 73.16 percent of total jute production in the country in 2005-06 followed by Bihar 11.64%, Assam 6.92% and Andhra Pradesh 5.22%. Yield of jute in West Bengal attained 25.7 quintal per hectare during 2005-06, which is far ahead of the productivity realized in other states. It is largely due to the use of high yielding variety seeds and adoption of improved technology. However, according to Indian Council for Agricultural Research (ICAR), the yield is much lower than the potential yield of 38 quintals per hectare realizable in the field demonstrations. (Tables 6, 7 & 8)

5. Certified jute seed production in the country is only 35 percent of the total demand. The prime jute cultivation area in eastern and south-eastern India being multi-crop with jute paddy rotation, becomes unavailable for releasing the land for seed multiplication. Moreover, the jute seed production requires ideally a

single crop period of 180 days in arid zone. Bulk of jute seed is, therefore, produced in Maharashtra and Andhra Pradesh, thousands of kilometers away from the major jute growing regions and the locations of jute research institutions. This has certainly weakened the linkages between research and seed multiplication. In view of the non-availability of quality jute seeds in time on adequate scale, Government should initiate measures for development of foundation seeds and their multiplication under diverse production systems. Even though some states such as West Bengal, Orissa etc. have initiated production programmes of seed multiplication, there should be a focused programme to ensure increased availability of certified seeds. Besides, new varieties of jute seed should be developed with high cellulose content and lower level of lignin to ensure improved fiber content in the product.

6. Availability of seed in domestic market was not sufficient during 2006 jute year. The inter state disparity of open market price fluctuated from Rs. 250/- per kilogram to Rs.750/- per kilogram as against Rs. 60/- to Rs. 90/- per kilogram in the past. Some of the states have resorted to extending subsidy on the seeds for compensating cost escalation to the farmers. Certified seed is mainly grown in southern and western parts of the country and is normally routed to farmers through private market channels though seeds are also distributed to the farmers by the State Governments. Due to short supply, farmers are often unable to obtain the seeds distributed through Government channel. Jute Corporation of India (JCI) during 2006 season initiated distribution of certified seed to farmers through its procurement centres, obtaining seed from various agencies. As JCI was not eligible for subsidy on the seeds, its price was higher than the price offered by State Government but was far less than the prevailing market price. Since JCI has number of procurement centres covering jute-growing regions and maintains direct contact with the growers through procurement, training and extension programmes, the agency may be considered for distribution of certified seeds at subsidized rate. Besides, crop diversification in Andhra Pradesh and Maharashtra from jute seed multiplication to cotton cultivation, particularly for BT cotton, has dislocated the demand supply position of jute seed. Streamlining the seed supply chain, therefore, needs urgent attention and intervention by suitable Jute Development Programmes. The high yielding

varieties of seed developed by research institutions, very often, are not adequately available to the farmers in time. The Commission, therefore, recommends that ***Government should put in place, a well coordinated strategy for multiplication of quality jute seeds and their timely availability to jute growers at reasonable price.***

7. Though there is no serious mismatch between aggregate demand and supply of jute in the country, there are certain issues in jute economy persisting over the years. Indian raw jute supply is dominated by medium to inferior grades of jute fiber, whereas several high value end products require jute with better fiber quality. To meet the demand for the superior fiber grades, India is persistently reliant on the supply from neighbouring Bangladesh through formal and informal channels. This dimension of jute economy has remained unaddressed, in spite of comprehensive efforts put by research organizations under centrally sponsored Jute Development Programmes. Since the prices received by the farmers on the quality fiber is discounted for lower grade of jute produced by them, the realization of farm income is reduced. Such perpetual economic constraint de-motivates the farmers to take-up quality jute production. The Commission recommends that ***the policy focus for development of jute should be to improve the fiber quality and enhance cost efficiency in jute production. This should be achieved through concerted efforts of research institutions, extension programmes and reasonable price incentive for quality jute produced in different regions.***

8. As post harvest operations such as carrying, bundling, steeping and retting are mostly labour intensive, improved methods of crop care are essential for achieving quality improvement and cost effectiveness. Yield of jute is correlated to availability of sufficient water and the quality fiber requires adequate flowing water for retting at the time of harvesting. Existing water sources available to the farmers for retting are minor flowing tributaries of delta, water bodies, other static water bodies and roadside ditches. In view of small land holdings and meager resources of marginal farmers, investment towards creation of retting tanks by the farmers is not feasible. Available public and private tanks are preferred for pisciculture to their use for retting. A few retting tanks constructed in different

states over the time remained un-attended and un-serviced due to lack of funds. Under the Jute Technology Mission, Government of India proposes to construct fifty tanks in three years, which is very small in number, compared to requirement. The Commission in the past had recommended for development of community ponds as the basic retting infrastructure in selected districts, where jute crop is predominantly cultivated, through various rural employment programmes by Ministry of Rural Development. No significant step appears to have been taken by the Government in this direction. The Commission, therefore, recommends that ***community ponds should be popularized in the major jute growing areas with participation of farmers on co-operative basis under direct supervision of state agriculture departments besides resorting to long term investment under Eleventh Five Year Plan for construction of retting tanks through various rural development and employment generation programmes.***

9. Over the period of last decade, a number of retting techniques have been developed by the Jute Research Institutions. Ribbon processing technique developed by National Institute of Research in Jute and Allied Fiber Technology (NIRJAFT), claims to address the constraint of water scarcity for retting. However, the farmers had not accepted these methods because it needed large labour input and in case of power ribboner, jute sticks, which are a useful byproduct, get broken and become a waste. Similar technologies like chemical retting and dry retting that have been successful under laboratory conditions are yet to gain popularity among farmers. Of late, the University of Calcutta, with the help of Department of Science and Biotechnology, Government of India, has also developed Consortium of Micro-organism (Inoculom), which was found to be effective by improving the fibre quality with considerable reduction in retting time. This technology is reported to be economical as well as growers friendly. The Commission recommends that ***Government should examine the relative merits of various retting technologies developed by research institutions regarding their efficacy, farmer friendliness and cost effectiveness.***

10. Special Jute Development Programme (SJDP), aimed at improving the jute productivity and its fiber quality was in operation since 1987-88. This has

converged into Macro Management of agricultural development programmes since 2000. The programme comprises of seed distribution, distribution of fungal culture, excavation of retting tanks, organization of production and retting technology demonstration / training etc. It is claimed that with the implementation of the programme, productivity of jute has increased by about 50 percent and that of mesta has increased by 35 percent. But it has been observed that both outlay and achievement under SJDP declined over the years. Achievement during 1999-00 was about 72 percent of the outlay as against 65.2 percent in 2001-02, which further declined to 49.5 percent in 2005-06 (Table 9). It is recommended that **Government of India should ensure optimum utilization of the funds allotted in different programmes including SJDP for augmenting production, productivity and quality of jute crop in respective states.**

11. The opening stock of raw-jute for the current financial year 2006-07 commencing from July was 8 lakh bales, the lowest of last four years. The production of raw jute in the current year is estimated at 105 lakh bales and including estimated import of 5 lakh bales, total availability of raw jute in the country is likely to be 118 lakh bales. As against supply, consumption is estimated at 98 lakh bales leaving a margin of 20 lakh bales as closing balance, which may sustain up to two and half months of consumption during the forthcoming year 2007-08. (Table 10)

12. 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 price subsequently moved towards a depressive phase 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 buoyancy in jute market enabling WPI to bounce back to the level of 204.6 in 2005-06. The WPI at 220.0 in the month of July 2006 was 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 to Rs.1255 per quintal during 2001-02 but declined to Rs. 770 to Rs. 885 per quintal during 2002-03. The price remained

depressed in the range of Rs. 750 to Rs. 935 per quintal during 2003-04. However, during 2004-05 and 2005-06 it improved and ruled in the range of Rs.900 to Rs. 1500. (Tables 11 & 12)

13. Future commodity trading provides useful price signals for growers besides hedging their products from future price volatility as well. In pursuance to the notification issued by the government of India in April 2003, four associations have been recognized to regulate forward trading in raw Jute and jute goods viz. The East India Jute and Hessian Exchange Ltd., Kolkata (TDS and Hedge Contractors), The National Commodities & Derivatives Exchange Ltd., Mumbai (Hedge Contractor), Multi-Commodity Exchange Ltd., Mumbai (Hedge Contractor) and National Multi Commodities Exchange, Ahmedabad (Hedge Contractor). During the year 2005-06 total volume of futures trading in raw jute was 39.07 lakh tonnes amounting to Rs.5471.97 crore as against 28.71 lakh tonnes amounting to Rs. 3749.53 crore in 2004-05, registering an increase of 45.94 percent in terms of value. The NCDEX futures price of raw jute on October 20, 2006 for January 2007 closed at Rs.1515 per quintal for grade TD-4 at Kolkata as against MSP of Rs.1125 per quintal for the corresponding grade. Consequent upon total annual consumption requirement of about 100 lakh bales, market arrival from August to December witnesses around 70 percent of jute production and it is during this period, prices tend to fall below MSP. But jute year 2006 witnessed much higher price of jute over MSP during the peak arrival phase. The commercial purchases by Jute Corporation of India also helped the price to rule above MSP.

14. Jute has a linkage with the value addition chain. The price of raw jute influences the demand supply situation of the jute products namely Hessian and Sacking (B Twill). An analysis of month-end average prices of representative varieties of jute goods of ready delivery of Hessian and Sacking (BTwill) revealed that the average price of Hessian has been in a higher range of Rs. 1076 to Rs. 1190 per hundred meters during 2005-06 as compared to Rs.909 to Rs. 1100 per hundred meters during 2004-05. The price of sacking ruled in the range of Rs.25977 to Rs.32255 per tonne during 2005-06 compared to Rs.20854 to Rs. 27019 per tonne in 2004-05. In the current year, the average price of jute goods

at Kolkata at Rs.1080 per hundred meter of Hessian and Rs. 28850 per tonne of Sacking during August, 2006, are sustaining in the range of prices of last year.

(Table 14)

15. The major outlet for jute goods continues to rest on the packaging. The traditional products like Hessian and Sacking dominate share of total production. Though the production for Hessian and Sacking goods has increased during 2005-06 as compared to previous year, the over all production of jute goods diminished to 15.82 lakh tonnes as against 16.13 lakh tonnes in 2004-05, mainly due to lesser production of other goods. Production during 2006-07 (April-July) has recorded a marginal decrease to reach 4.45 lakh tonnes from 4.55 lakh tonnes during the same period of the previous year due to lesser production of Hessian and other goods. The average production of Indian jute industry has remained at the level of around 16 lakh metric tonnes over the years, of which 86 percent of production is consumed domestically, making provision of balance 14 percent for export basket. The traditional exportable items such as Hessian, Sacking and yarn in which India had an competitive edge over Bangladesh, is turning out to be a residual seller mainly due to price disadvantage. The Commission recommends that ***Government should contemplate a long-term policy of continuing jute as packaging material, which in turn would induce investment for modernization of jute industries which is required to enhance product quality, cost efficiency and global competitiveness.***

16. Jute has been diversified to bring out many new non-conventional products commonly known as jute diversified products (JDPs) to match with the modern life style of home textiles and furnishings, mats and mattings and novel products of handicrafts, wall decorations, wall hangings, giveaway promotional bags etc. These goods are produced by artisans, weavers and converters spread all over the country. India, because of its research and development edge over Bangladesh, is in an advantageous position to lead the production and export of diversified products. Besides, the use of jute geo-textile with wide ranging applications in road construction like slope protection, stability of embankment, drainage development, and checking subsidence of pavement etc has enormous potential in the country. The use of geo-textiles in road constructions is eco-friendly and cost effective. It also enhances the durability of

roads, particularly in rural areas, by checking the soil shift due to rainwater flow. The number of JDPs units increased from 420 in 1993-94 to 1320 units in 2004-05. Production of diversified jute products during 2005-06 increased to 12.56 percent of the total production of the jute goods from 4.5 per cent during 1995-96. The value of export of JDPs also increased to Rs. 147.64 crores in 2004-05 from Rs.41.53 crores during 1994-95. The overall growth in value of diversified jute products is attributed to impressive increase of Floor Coverings, Shopping / Hand bags and other categories of jute products. In order to rejuvenate jute economy in the country, the Government with the R&D support and with joint endeavour of organized jute industry and small and medium farm sectors may take steps to further develop and promote diversified jute products.

17. The world production of jute, kenaf and allied fibres during 2005-06 is estimated at 28.25 lakh tonnes compared to 24.07 lakh tonnes in 2004-05. The world consumption of kenaf and allied fibres is estimated at 27.77 lakh tonnes in 2004-05 i.e. marginally higher than the consumption of 27.46 lakh tonnes in 2003-04. The world export of jute, kenaf and allied fibres increased to 4.56 lakh tonnes in 2005-06 over the previous two years. During the year 2004, Bangladesh exported 59 percent of the total jute goods, while India shared 26 percent. Bangladesh is the largest jute exporter in the world because its domestic consumption is very low compared to the large domestic requirement of India. Besides Bangladesh government extends considerable subsidy to export of its traditional products in order to retain its status of predominant exporter in the world market. Bangladesh jute goods exporters also enjoy twin benefits from their internal system viz., subsidy against export and loss compensation arising due to difference between sale price and cost price. At the same time, jute goods of Bangladesh are given special treatment under the GSPs of several developed countries including USA. While India has an edge in technology and design over Bangladesh in Hessian, sacking and yarning, loses its ground on export price competitiveness. Only when Bangladesh fails to meet the demand, India gains the market as a residual seller. In view of these facts, the Government of India should provide necessary policy support to enhance price competitiveness of Indian jute products in the world market.

18. Following the EXIM policy 2006-07 of Government of India, the standard rates of custom duty on import of both raw jute and jute goods have been fixed at 5 per cent and 12.5 per cent respectively. Preferential rates of duty on import of raw jute and jute goods from SAARC countries (including Bangladesh) remain unchanged at 2.5 per cent and 5 per cent respectively with corresponding 50 per cent and 60 per cent tariff concession for imports from SAARC region. There was no import of jute goods from Bangladesh prior to 1998. In view of the lower rate of custom duty, there has been persistent increase in import of raw jute and jute goods into India from Bangladesh in recent years. The import of raw jute from Bangladesh has nearly doubled to 6.42 lakh bales in 2005-06 from 3.33 lakh bales in 2001-02. Similarly, import of jute goods increased from 27824 MT to 77019 MT during the same period. The Commission has time and again put forth the matter on which the Government has taken no corrective measures so far. The Commission once again reiterates its earlier recommendation that ***Government should rationalize its duty structure on imports of raw jute and jute products from Bangladesh on priority basis.***

19. The proposed Jute Technology Mission (JTM) has been approved by the cabinet on June 2006 and is likely to be in operation soon. The objectives of the Mission, under its four mini missions, comprised of strengthening agricultural research and technology achievement, development of raw jute and transfer of improved technology, development of efficient market linkages for raw jute and modernization, technologically up gradation, improvement in productivity and diversifying and developing human resource for jute industry. Once JTM is formally launched, it would subsume all the schemes currently implemented by National Center for Jute Diversification (NCJD) and Jute Manufacturers Development Council (JMDC). National Jute Policy, 2005 has envisaged to establish a National Jute Board (NJB), which would synchronize and synergize the integrated development of jute sector. This body would subsume some of the offices currently operating in jute development such as Office of Jute Commissioner and transform it from office of regulation to facilitator of development in jute sector. Certain functions implemented by JCI may be submerged in the Board. In order to avoid duplication, the Commission feels that

JCI may either be merged with the NJB or its functions earmarked distinctively out of the purview of the Board.

20. After the submission of the Commission's last Report on Price Policy for Raw Jute in 2005, 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 2004-05. The details of these estimates and those pertaining to the preceding year are presented in the table below.

### Cost Estimates of Raw Jute

								<i>(Rupees)</i>	
States	Years	A <sub>2</sub> +FL /hec	C <sub>2</sub> /hec	A <sub>2</sub> +FL/ctl.	C <sub>2</sub> /ctl	C <sub>3</sub> /ctl	Yield/hec (ctl)	Implicit Price	MSP (Rs./ctl.)
Assam	2004-05	12495	15286	797.20	974.93	1124.75	14.18	800.45	890
	2003-04	11270	14041	616.86	768.87	916.68	16.53	671.19	860
Orissa	2004-05	13165	17713	770.16	1043.01	1205.51	15.07	952.90	890
	2003-04	12522	15868	945.86	1209.22	1343.54	10.83	827.03	860
West Bengal	2004-05	19393	25622	371.11	954.40	1049.84	23.83	800.74	890
	2003-04	18165	23642	693.44	901.40	1011.92	23.07	749.87	860

21. During 2003-04 and 2004-05, the estimates of cost of cultivation of raw jute have increased in the states of Assam, Orissa and West Bengal. Also the unit cost of production has gone up in Assam and West Bengal during the same period.. In Orissa, the unit cost of production has declined over the previous year due to increase in yield over the previous year. Tables 17 & 18)

22. Jute is a labour intensive crop and human labour component constitutes nearly 75 percent of the total input cost. Since the submission of the last report in October 2005, as per information available from Labour Bureau, the actual wage rates for agricultural labour have increased by about 2.8 and 3.00 per cent in the states of Assam and West Bengal respectively. However, no increase was registered in Orissa during the same period. The prices of other farm inputs, as measured by WPI, have increased by about 7.0 per cent for petro-based products, 25.8 per cent for lubricants, 2.5 per cent for non-electrical machinery, 3.6 per cent for tractors and 5.2 per cent for electricity for irrigation between

October 2005 and August 2006. The prices of pesticides and tractors have, however, registered a decline of 12 and 1 per cent respectively during the same period. (Tables 19 & 20)

23. 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 2007-08 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 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 2004-05 and 2007-08 are estimated to be higher by 10, 12 and 14 per cent in Assam, Orissa and West Bengal respectively. On this basis, the C<sub>2</sub> cost of production of raw jute for 2007-08 is projected to an average of Rs. 1010, Rs.1185 and Rs.1053 per quintal respectively for the states of Assam, Orissa and West Bengal. The weighted average C<sub>2</sub> cost of production works out to Rs 1052 per quintal for the same year. (Tables 21 & 22)

24. The Commission has also received the cost estimates from the states of Orissa and Bihar. The projected C<sub>2</sub> cost of production provided by the state of Orissa for the year 2007-08 works to Rs.1059 per quintal which is lower than the Commission's projection at Rs.1185 per quintal. The state government of Bihar has projected the cost of production at Rs.1200 per quintal. The state government of West Bengal has given an estimate of Rs. 1040 per quintal for the year 2006-07. An estimate of cost of production of raw jute for the state of West Bengal at Rs.1271 per quintal has also been received from the Central Research Institute for Jute and Allied Fibers (CRIJAF). This estimate is based on a study conducted in the major jute growing districts of Southern part of West Bengal.

25. It may be interesting to note that based on these cost estimates the MSPs suggested by these states are much higher. The state governments of West Bengal and Orissa had suggested that the MSP of raw jute be fixed at Rs. 1456 and Rs. 1165 per quintal for the season 2007-08, whereas the Jute Commissioner was of the view that the MSP be raised by Rs. 100 per quintal

over the previous year i.e. at Rs 1100 per quintal. CRIJAF has suggested that the MSP of raw jute be fixed at Rs.1482.

26. Thus, considering all the relevant factors including overall demand-supply situation, market prices, futures prices, the status of the jute economy, cost of production of jute and after consultation with various stakeholders, the Commission is of the view that **there is a case for moderate increase in the MSP of raw jute for the season 2007-08** and recommends that *the minimum support price of TD-5 grade of jute ex-Assam for the 2007-08 season be fixed at Rs. 1055 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) (On leave)  
MEMBER

(RAJIV MEHTA)  
MEMBER SECRETARY

October 31<sup>st</sup>, 2006