

COMMISSION FOR AGRICULTURAL COSTS AND PRICES
REPORT ON PRICE POLICY FOR RAW JUTE
FOR THE 2008- 09 SEASON

In this report, the Commission for Agricultural Costs and Prices presents its views on price policy for raw jute for 2008-09 season. Considering all the relevant factors, including the overall demand-supply situation, market prices, both domestic and international, 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 2008-09 season be fixed at Rs. 1250 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 37)
- (ii) ***the existing yield gap in jute may be bridged by reinforcing the agricultural extension system. Besides, research and extension supports should be strengthened to improve the productivity of jute in the country and make the sector more cost-effective, so that India's jute goods turn out to be more competitive in the international markets;*** (Para 7)
- (iii) ***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;*** (Para 8)
- (iv) ***a well coordinated strategy should be evolved by the Government for promoting the production of higher grade jute in the country;*** (Para 9)

- (v) ***community ponds should be popularized in the major jute growing areas with participation of farmers on co-operative basis besides resorting to long term investment for construction of retting tanks through various rural development and employment generation programmes;*** (Para 10)
- (vi) ***Government should examine the relative merits of various alternative retting technologies developed by research institutions regarding their efficacy, farmer friendliness and cost effectiveness;*** (Para 11)
- (vii) ***the Ministry of Textiles should in consultation with the concerned State Governments work out an arrangement involving panchayats as well as co-operative and other marketing agencies to procure jute on behalf of JCI on a commission basis, which will make JCI's operation cost effective and will ensure MSP to the farmers in the rural areas;*** (Para 16)
- (viii) ***Government should play a lead role by encouraging and propagating eco-friendly use of jute goods and promoting diversified jute products involving fashion designers, if necessary;*** (Para 19)
- (ix) ***Government should take appropriate strategic initiatives in association with R&D institutions and other concerned organizations and stakeholders in the sector for expanding the proportion of diversified jute products;*** (Para 23)
- (x) ***the Ministry of Textiles and promotional agencies should make concerted and coordinated efforts to promote the export of special products that are endowed with greater market potential internationally; and*** (Para 27)
- (xi) ***Government should rationalize its duty structure on imports of raw jute and jute products from Bangladesh on priority basis.*** (Para 28)

2. The Commission submitted its report on price policy of raw jute for the year 2007-08 on October 31, 2006, and recommended Minimum Support Price (MSP) of Rs. 1055/- per quintal for TD-5 grade of raw jute ex-Assam. The Government announced the price policy for raw jute on April 12, 2007 fixing the MSP as recommended 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 6th June, 2007. The declaration of MSP in the month of April was an improvement over the announcement of the same in the month of May for the previous season (2006-07). However, since sowing of jute generally commences in the month of March, the Commission would appreciate if the Government announces the Price Policy for raw jute latest by February, so that the farmers are enabled to receive the timely price signal for deciding the allocation of land and other resources towards jute vis-à-vis alternative crops.

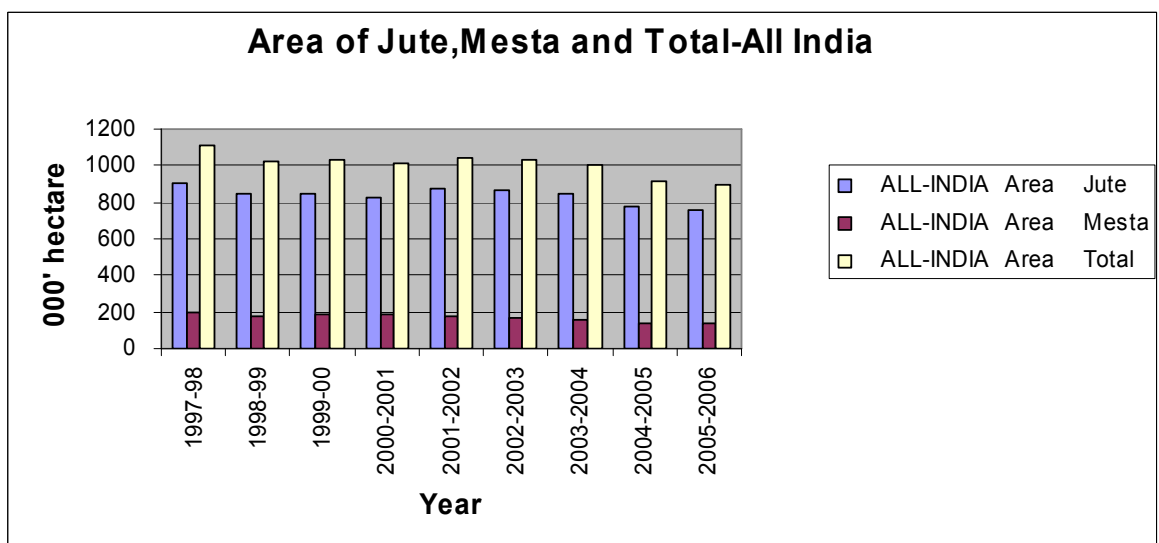
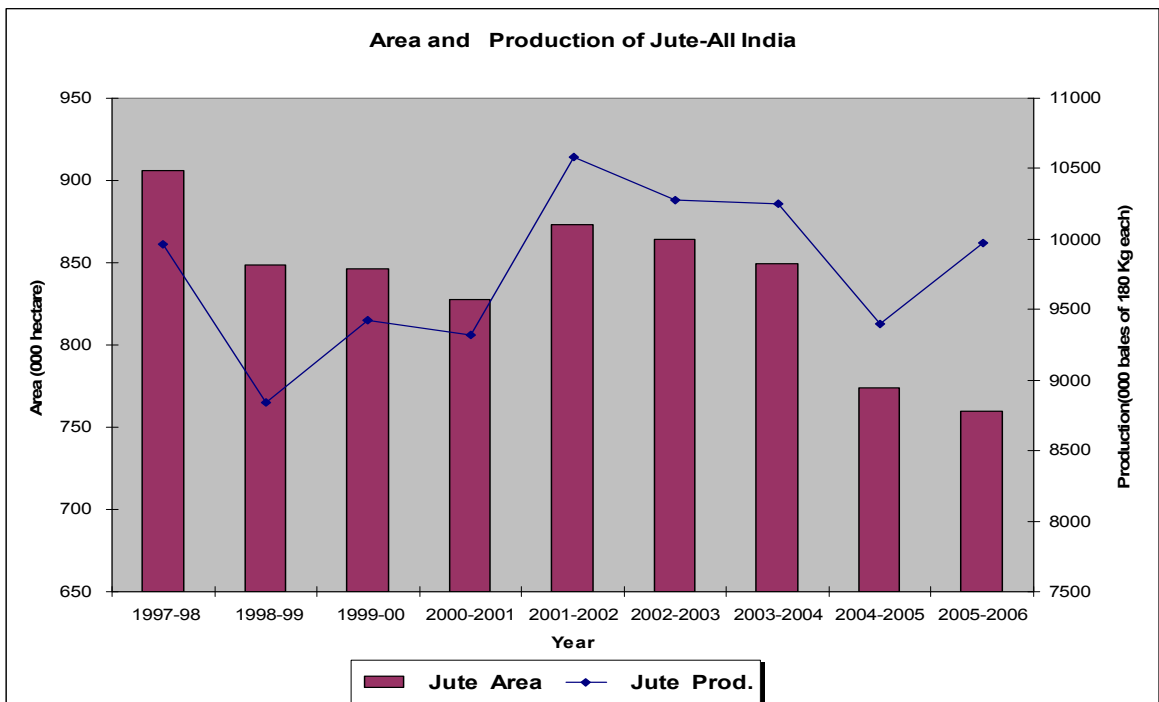
3. Jute is a natural fibre popularly known as the fibre of the future. As a natural fibre, it is bio-degradable and hence environment-friendly and occupies a place next to cotton in terms of the extent of cultivation and usage. The fibre is distinguished for substantial value addition at each stage of processing. It mainly forms raw material for textiles, non-textiles, packaging, agricultural sector and construction. Around 85 per cent of jute cultivation in the world is concentrated in the Ganges delta, covering regions of Bangladesh and India. Countries like People's Republic of China, Thailand, Myanmar, Pakistan, Nepal, and Bhutan also cultivate jute, to some extent.

4. In India, the cultivation of Jute is concentrated in those regions where there is good rainfall and water retaining topography. It is sown from March to May according to rainfall and type of soil, and harvested from June to September as per the timings of sowing. The jute sector continues to command a place of prominence in the economy of the country in general and eastern India in particular. More than 40 lakh people including jute farmers, workers, and self-employed artisans and weavers are drawing their sustenance from its cultivation and processing.

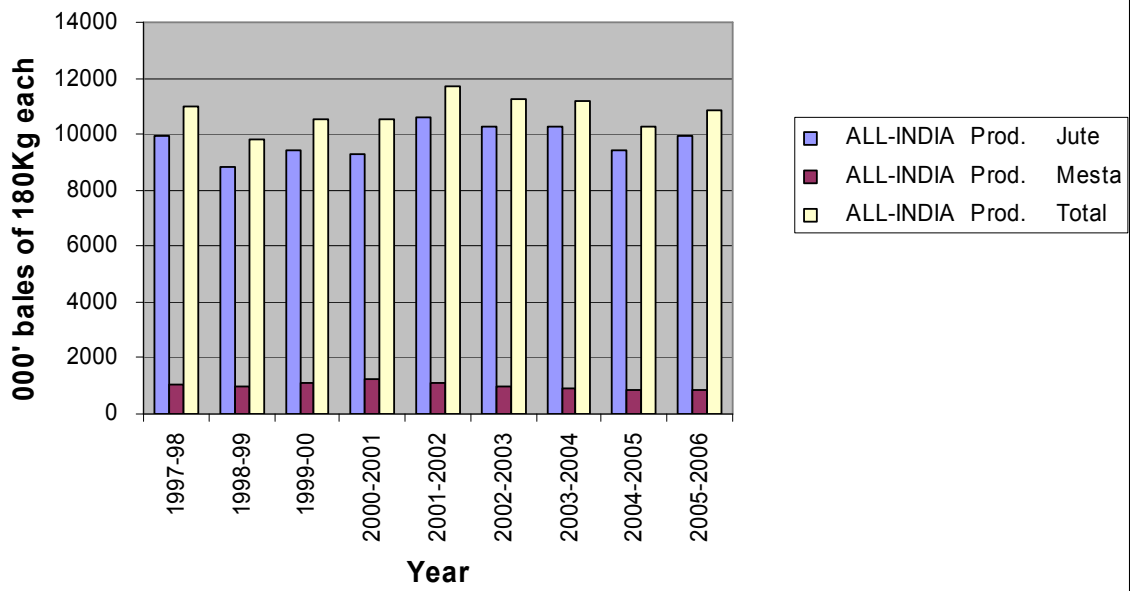
5. Production of jute and allied fibres in the country over the past ten years from 1997-98, has shown fluctuating trends. The year 2001-02 registered the peak production level of 116.78 lakh bales which has not been surpassed so far. Thereafter, the production level exhibited declines and reached the level of 102.72 lakh bales in 2004-05, the lowest level in the recent years. This has been followed by the phase of upturn in production in 2005-06. As per the Final Estimates for the year 2005-06 available from the Directorate of Economics & Statistics, Ministry of Agriculture, Government of India, the production was 108.40 lakh bales and as per the Fourth Advance Estimates released on 19th July, 2007 for the year 2006-07, production of jute and mesta is likely to be 112.57 lakh bales, making it very close to the target of 112.80 lakh bales set for the year. The production of Jute followed this broad trend, while there was some variation in the case of Mesta. As per the 4th Advance Estimates, the production of Jute is likely to be 102.80 lakh bales in 2006-07, which is more than the target of 101.20 lakh bales set for the year. But in the case of Mesta, the production declined from 12.4 lakh bales in 2000-01 to 8.70 lakh bales in 2005-06 and then marginally recovered to 9.77 lakh bales in 2006-07 (as per the Fourth Advance Estimates). The estimated production is much below the target of 11.60 lakh bales, set for the year. In fact, the production of jute and allied fibres during the year 2006-07 is expected to be better than during the past two years, the source of improvement being jute and not mesta.

6. During the aforesaid period, the area under jute and allied fibres, after reaching its peak in the year 1997-98 of 11.07 lakh hectares, declined and fluctuated during the subsequent years. It hit the lowest level of 8.98 lakh ha. in 2005-06, but considerably improved to 9.35 lakh ha. in 2006-07. During this period, the area under jute registered continuous declines, except for the year 2001-02 and reached the lowest level of 7.60 lakh ha. in 2005-06, even though improved to 7.91 lakh hectares in 2006-07. In the case of mesta, the situation is similar exhibiting declines except for the years 1999-00 and 2000-01. For mesta also, the area hit the lowest level of 1.38 lakh ha. in the year 2005-06 but increased to 1.44 lakh ha. in 2006-07. The area decline is attributed to weather aberrations alongwith low level of price. On the whole, the area response towards jute and allied fibre is governed by weather conditions, price of the commodity in the preceding years, price and availability of seeds, etc. As regards yield, for jute

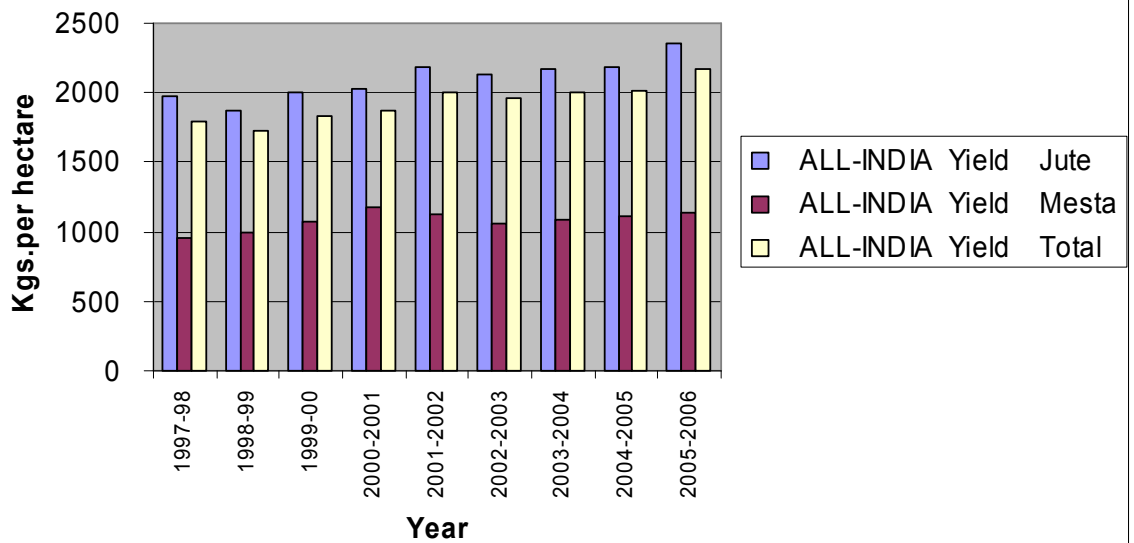
and allied fibres, except for the initial years, and barring the year 2002-03, there was steady improvement and reached the record level of 2173 kgs. per hectare in 2005-06. However, the year 2006-07 registered a marginal decline to 2167 kgs. per hectare. The yield of jute has more or less followed the same trend. The production responded largely to the variations in area rather than yield, except in the year 2005-06, when, despite a decline in area, production rose substantially due to significant increase in yield. The graphs given below show the position in this regard.



Production of Jute, Mesta and Total-All India



Yield of Jute, Mesta and Total-All India



7. It is instructive to have an appreciation of the inter-State variations in production, area and yield of jute and allied fibres. In terms of both production and area coverage, the leading states continued to be West Bengal, Bihar, Assam, Andhra Pradesh and Orissa. As per the available data, West Bengal shared 75.57 per cent of total jute production in the country in 2006-07, followed by Bihar 12.35 per cent, Assam 5.20 per cent and Andhra Pradesh 4.84 per cent. The yields of jute in West Bengal were 25.66 and 25.31 quintals per hectare during the years 2005-06 and 2006-07 respectively, which are far above the yield in any other state in the country. However, the potential yield arrived at by the Indian Council for Agricultural Research is 38 quintals per hectare and thus there is wide gap between actual and potential yield even in the better performing state of West Bengal. The Commission recommends that ***the existing yield gap in jute may be bridged by reinforcing the agricultural extension system. Besides, research and extension supports should be strengthened to improve the productivity of jute in the country and make the sector more cost-effective, so that India's jute goods turn out to be more competitive in the international markets.***

(Tables 6, 7 & 8)

8. Availability of quality jute seed still remains as a problem faced by farmers. So far, the quantum of certified jute seed production in the country has been only 35 per cent of the requirement. This is mainly contributed by the states of Maharashtra and Andhra Pradesh. In the circumstances, the farmers are confronting problems from both dimensions, inadequate availability as well as distribution. Yet another emerging dimension to the problem of farmers is the diversion of jute seed growing areas in Andhra Pradesh and Maharashtra towards more lucrative cotton, particularly BT cotton. Further, the grievance of farmers that the high-yielding varieties of seed developed by research institutions are not adequately available to them, still persists. There is an imperative need to enhance the availability of quality/high-yielding varieties of jute seeds alongwith appropriate arrangements for its timely and adequate distribution to the cultivators. Therefore, the Commission reiterates its earlier recommendation that the ***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.***

9. Jute of better fibre quality is important for making several high value end products. Unfortunately, the medium to inferior grades of jute fibre still predominates the Indian raw jute sector. Grades lower than TD 4 constitute the majority in the grade composition of raw jute. Improving the fibre quality and cost efficiency of production should be prioritized in jute cultivation. To move in tandem with the changes happening in the pattern of production of jute goods and the increasing emphasis being laid on promotion of diversified jute products, the production of grades TD 3 & TD 4 has to be stepped up from the existing 35 per cent to at least 50 per cent. In the process, our dependence on imports of superior raw jute from Bangladesh also could be curtailed. As a strategic initiative for achieving this, we should encourage concentration of jute production in those areas that produce high quality fibre like North Bengal, Assam, etc. As already mentioned, the availability of certified seeds should look up, supplemented by their timely and adequate distribution to the jute growers. The thrust should be towards development of new varieties of jute seeds strains with high cellulose content and lower level of ligin. Further, an appropriate diseases and pest management system should be put in place so that the incidence of fibre defects arising out of diseases and pest attack could be curbed. The instrument of MSP could be utilized for fostering the growth of high quality jute. The present grade difference between TD8 to TD2 in the range of Rs. 60/- to 110/- per quintal may be further increased to facilitate this. The Commission recommends that **a well coordinated strategy should be evolved by the Government for promoting the production of higher grade jute in the country.**

10. Retting plays a crucial role in determining the fibre quality as well as the total cost of jute cultivation. The available retting processes include mechanical retting (hammering), chemical retting (boiling & applying chemicals), steam/vapour/dew retting, and water or microbial retting. Among these, water or microbial retting remains as the oldest and most popular process of extracting fibre. In the water retting process, yield of jute as well as fibre quality are governed by the availability of adequate water, particularly flowing water. However, the scarcity of free flowing water continues to impede the process in the country. To a great extent, this explains the quality difference of jute between Bangladesh and India. While jute in Bangladesh is retted in flowing river water, in India the retting is done in stagnant water. The development of community ponds for facilitating the

retting process, is still awaited. In the circumstances, the Commission reiterates that ***community ponds should be popularized in the major jute growing areas with participation of farmers on co-operative basis besides resorting to long term investment for construction of retting tanks through various rural development and employment generation programmes.***

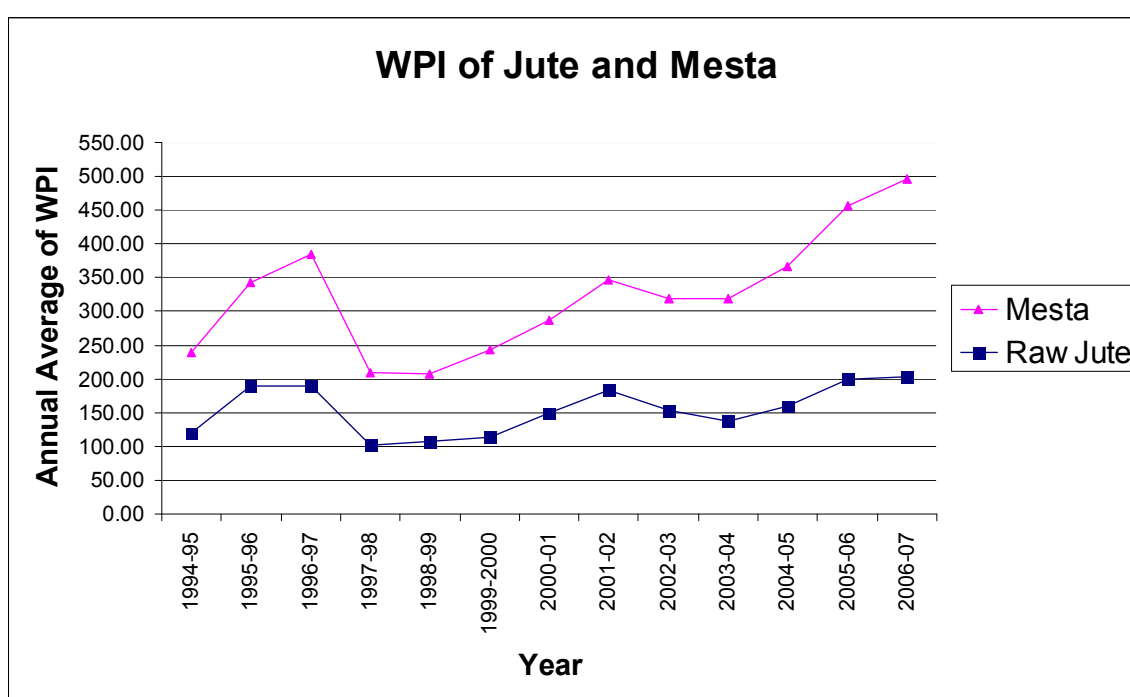
11. In the recent past, a number of retting techniques have been developed by the Jute Research Institutions. For instance, the National Institute of Research in Jute and Allied Fibre Technology (NIRJAFT) had developed an alternative process of retting, a chemi-microbial process, by which the requirement of water has been reduced from 1:20 to 1:2.5. This amounts to a transformation of the concept of conventional retting. The process assures the fibre quality and ensures reduction of time required. These kind of new and cost-effective technologies are to be popularized and operationalised, so that better and economical production processes come within the reach of farmers. Accordingly, the Commission reiterates that the ***Government should examine the relative merits of various alternative retting technologies developed by research institutions regarding their efficacy, farmer friendliness and cost effectiveness.***

12. The year 2007-08 had an opening stock of 23 lakh bales of jute and allied fibre. The estimate for the same year by the Jute Commissioner places production of jute and mesta at 95 lakh bales. For the year, the quantum of import is estimated to be 4 lakh bales. This makes the total available supply as 122.00 lakh bales. As against this, the total consumption of jute is estimated at 100 lakh bales, leaving a closing stock of 22 lakh bales of raw jute at the end of the year. Thus, the opening stock position should suffice to meet the requirements of 2-3 months of the year 2008-09. On balance, it has to be appreciated that the overall supply may continue to exceed demand in the next year too. In the absence of requisite intervention by the concerned procurement agencies, this may adversely tell upon the jute prices. (Table 10)

13. A close examination of the market trends reveal that jute prices fluctuate quite widely. The price of jute generally gets depressed during September - October when the market arrivals peak, unless effective procurement is effected by JCI or other private players. The annual wholesale price index (WPI 1993-94

base = 100) of jute registered the peak level of 220.0 in 1995-96 (July-June) but hit the trough of 98.3 in 1997-98. Thereafter, the price level recorded ups and downs, and reached a high level of 204.7 in 2005-06. This must have been prompted by the shortage of crop and depleted supply position in that year. However, the WPI in 2006-07 registered a decline to 193.0, and in the months of July and August, 2007 the Index remained around 178. The prolonged strike in the Jute Mills of West Bengal during January-March, 2007 would have contributed to depressing the price level. The graph below shows the recent trends in the WPI of jute and mesta.

(Table 11)



Source : Office of the Economic Advisor, Ministry of Commerce & Industry.

14. While the month-end wholesale price of TD-5 jute ex-Kolkata remained in the range of Rs. 770-885 and 750-935 during the years 2002-03 and 2003-04, the same ruled in the range of Rs. 900-1500, 1130-1480, and 1150-1435 during the years 2004-05, 2005-06, and 2006-07, respectively. Having considered the stock position as well as the procurement levels by JCI of the item during these years, it emerges that the stock position vis-à-vis demand was more influential in swaying the prices. This is particularly so, since during these years the consumption level more or less remained the same around 100 lakh bales per annum. This reinforces the requirement for timely and effective intervention in the market by the procurement agencies, especially during the main arrival period. The operations

of procurement agencies should ensure that the price levels do not dip below the MSP. Seasonal swings in the market correlated with jute arrivals, should not inflict undue economic loss and distress to the cultivators. (Table 12)

15. The field surveys conducted by the Commission and the feedback received from the stakeholders indicate that storage of raw jute is really posing a problem, leading to pile up of stock and its telling implications on the market situation. So, there is a pressing need for strengthening and further enhancing the storage and infrastructure facilities available with the Jute Corporation of India. This is imperative to eliminate the occasions for price declines coinciding with higher market arrivals. The Government may also consider setting up a price stabilization fund, so that the market movements get controlled and price fluctuations do not go beyond reasonable limits.

16. The procurement operations of JCI have not been upto the requirements, so far. Their intake has exhibited inadequacies vis-à-vis the supply or market arrivals. During the last 6 years from 2000-01 to 2005-06, the procurement by JCI have been only in the range of 1.9 -15.4 per cent of the market arrivals. This is mainly because the organization does not have adequate purchase centres in several places and the co-operative and other marketing institutions available there are not adequate as against the requirements. This is more pronounced in far-flung and remote areas. In such a situation, JCI may not be in a position to hold the price at the support level as part of a major price support operation. The Commission, therefore, had suggested in an earlier report that the JCI may tie up with the Panchayats at village level to purchase jute from the farmers on behalf of JCI at MSP and deliver it to the centre on commission basis. This would ensure the twin benefits: MSP to the farmers as well as cost-effective procurement operations. Since the suggestion does not seem to have been acted upon, the Commission again recommends that ***the Ministry of Textiles should in consultation with the concerned State Governments work out an arrangement involving panchayats as well as co-operative and other marketing agencies to procure jute on behalf of JCI on a commission basis, which will make JCI's operation cost effective and will ensure MSP to the farmers in the rural areas.*** (Table 13)

17. Raw jute being the basic raw material, its price influences the demand-supply situation of jute products, namely, Hessian and Sacking (B Twill), to a considerable extent. An analysis of month-end average prices of these representative varieties of jute goods, reveals that the average price of Hessian has improved over the years. Whereas in 2005-06, this remained in the range of Rs.1076.80 to 1190.30, during 2006-07, it was in the range of Rs.1080.23 to 1307.60. Similarly, for sacking, during 2005-06, the price range was Rs.25976.92 to 32265.22, but became Rs.26707.69 to 33833.33 in 2006-07. However, the rise is only marginal, mainly because of the prevalent insufficient demand for jute products. The plastic goods sector is posing tough competition to the jute products, despite the Government interventions in favour of jute items and discouraging synthetic products. (Table 14)

18. It is now widely appreciated that futures trading provides useful price signals for growers through price discovery besides hedging their products against future price volatility. The system enables an integrated price structure throughout the country, ensures balance in demand and supply, and encourages competition. In the wake of the Government notification that was issued 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 (TSD and Hedge contracts), the National Commodity & Derivatives Exchange Ltd., Mumbai (Hedge contracts), Multi-Commodity Exchange of India Ltd., Mumbai (Hedge contracts), and National Multi-Commodities Exchange of India Ltd., Ahmedabad (Hedge contracts). The total volume of futures trading in raw jute during the year 2005-06 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 -- an increase of 45.94 per cent in value terms. During the year 2006-07, the total volume of future trades in raw jute was 10.67 lakh tonnes, valued at Rs.1426.49 crore, thus recording a decline of 28.4 lakh tonnes in physical terms and Rs.4045.48 crore in value over the previous year. The MCX futures price of raw jute in 2007 closed at Rs.1383.50 for August contract, Rs.1415.50 for September contract and Rs.1437.00 for October contract.

19. Jute products mainly find applications in the packaging sector. Hessian and Sacking still dominate the production of jute goods. The overall production of jute

goods diminished to 15.82 lakh tonnes in 2005-06 as against 16.13 lakh tonnes in 2004-05. Production during 2006-07 has registered a further decline to 13.56 lakh tonnes. The demand for jute as a packaging material has been taking a beating. This is because of the inroads made by polypropylene, whose declining prices and higher demand elasticity are depressing the position of jute products. The relative advantages of jute as a biodegradable and eco-friendly product has not been able to impact the market preferences and purchase pattern. Hence, alongwith impressing upon the relative merits of jute over its rival products, initiatives are essential to improve the quality of jute fibre to ensure its market appeal and acceptability, and promote product diversification. To be successful in these endeavours, government efforts on a larger scale are warranted. The Commission, therefore, reiterates that the ***Government should play a lead role by encouraging and propagating eco-friendly use of jute goods and promoting diversified jute products involving fashion designers, if necessary.***

20. The Central Government introduced the Jute Packaging Materials (Compulsory Use in Packing Commodities) Act 1987, as a temporary measure to help the jute industry against the synthetic sack industry. The Act made it mandatory to pack bulk commodities like foodgrain, sugar, cement and fertilizers in jute sacks. Fertilizers and cement were later taken out of its ambit, but the Union Cabinet has approved compulsory packing for all foodgrains and sugar in jute bags for 2007-08 (July-June). The Commission is of the opinion that such support or artificial creation of demand through statutory provisions may give only temporary relief, while the jute industry should be able to stand on its own strength and compete with its rival products in the long run. But this should be supported by measures of modernization and cost-effectiveness.

21. Several non-conventional products commonly known as diversified jute products (DJPs) have been brought out in the jute sector, to meet the emerging customer demands and requirements. The major thrust has been received by value-added DJPs such as jute handlooms and handicrafts, non-woven and industrial application, jute rigid packaging, and decorative products. In addition, jute geo-textiles is a jute product of great potential which can find wide-ranging applications in road construction like slope protection, stability of embankment,

drainage development, etc. Being eco-friendly and cost-effective, the use of geo-textiles in road construction warrants promotion. Its application would assure the durability of roads, especially in the Indian rural setting, since it can effectively check the soil shift caused by the flow of rainwater. However, in India, only some pilot project has been taken up under the Prime Minister's Gram Sadak Yojana (PMGSY). Hence, the item at present accounts for only an insignificant portion of the production of jute goods. In order to realize the potential of this item, the authorities concerned with road construction and irrigation development need to incorporate it with the required specifications into their construction manuals. Thereafter only the demand and consumption of jute geo-textiles would scale up heights in the country. Therefore, the Commission again recommends that the Ministry of Textiles in coordination with the Ministries of Rural Development and Water Resources and other concerned authorities/stakeholders should take urgent steps for promoting the use and applications of jute goods in road construction and irrigation.

22. The present trends indicate that jute processing and diversified products which could assure enhanced consumption of raw material, would play a significant role in giving rejuvenation to the jute sector and elevating the lot of jute farmers. Over the years, the demand for DJPs has registered increases. Correspondingly, the share of its production has also looked up, as compared to the earlier years. By 2006-07, the production of DJPs had increased to 11.72 per cent of the total production of jute goods as against 4.54 per cent during 1995-96. The share of export of DJPs in the total export of jute goods which has been in the range of 21-22 per cent during 2001-02 to 2004-05, increased to 26 per cent in 2005-06, and then substantially increased to 39.1 per cent in 2006-07.

23. India, because of its edge in technology and design skills over Bangladesh, is in a more advantageous position to lead in the export of DJPs. Despite the present predominance of packaging items among jute goods, it could be perceived that the future of jute production in the country would lie in the diversification of jute products. Keeping in perspective our edge in design and construction skills, this component calls for greater emphasis and expansion. The National Jute Policy, 2005 has also laid emphasis on the need for diversification of jute products. The National Centre for Jute Diversification (NCJD) is providing infrastructural

facilities by way of assisting entrepreneurs, artisans, designers, manufacturers, and NGOs. Besides, the UNDP through their jute programme has also facilitated diversification of jute sector by developing new technology, promotion of employment opportunities by encouraging new entrepreneurs to set up production units and development of indigenous machine manufacturing sector. Considering the evolving trends and consumer demand profile, the Commission recommends that the **Government should take appropriate strategic initiatives in association with R&D institutions and other concerned organizations and stakeholders in the sector for expanding the proportion of diversified jute products.** The present initiatives are to be given further thrust and emphasis. Jute-based products should be enabled to compete successfully with the textiles sector and synthetic substitutes.

24. The Special Jute Development Programme (SJDP) has been in operation since 1987-88 with the objective of improving the productivity and quality of fibre. In October, 2000, the SJDP has been subsumed under the Macro Management Mode of Agriculture and the State Governments are implementing the same programme, with greater flexibility for adjustments according to regional priorities and requirements. A perusal of the State-wise outlay and expenditure under SJDP for the last five years, brings out that after transfer of the scheme to the Macro Management Mode, the total outlay and expenditure as compared to the previous years has suffered erosion. Besides, some of the states are not implementing the programme, for instance, Andhra Pradesh during 2002-03, Arunachal Pradesh during the years 2004-05 and 2006-07, and Assam and Meghalaya during 2006-07. But certainly there has been improvement in the productivity as well as quality of fibres, under the Macro Management mode. It has to be ensured that the scheme is wholeheartedly implemented by all concerned State Governments in accordance with their regional priorities. (Table 9)

25. Of late, the Government has launched the Jute Technology Mission. The major objectives of the Mission include improvement in productivity and quality of jute, developing efficient market linkages for raw jute, ensuring product engineering involving machinery updating, better management and maintenance practices, encouraging R&D, and making jute products more competitive in the indigenous and international markets. The Mission has been divided into four Mini

Missions looking after R&D, production and quality improvement of jute, upgradation of market linkage of raw jute, and modernization and technological upgradation of jute industry and augmenting diversification of jute products. These Mini Missions are functioning under the aegis of different organizations of the Government, viz., ICAR, Directorate of Jute Development under the Department of Agriculture & Cooperation, and Jute Corporation of India and Jute Manufactures Development Council under the Ministry of Textiles. The structure of the Mission and its functional allocation through the Mini Missions under different formations in the Government, insist for a proper planning and coordinated approach among the stakeholders, to ensure success. The various activities being taken up are to be properly integrated. The planks relating to modernization, and improvement of productivity and quality, need greater thrust. Retting methods should improve with appropriate technological support.

26. The world production of jute, kenaf and allied fibres during 2005-06 is estimated at 27.71 lakh tonnes as against 24.05 lakh tonnes in 2004-05, an increase of 15 per cent. The global consumption of kenaf and allied fibres is estimated at 27.97 lakh tonnes in 2005 which amounts to a marginal increase over 27.76 lakh tonnes in 2004. The world export of jute, kenaf and allied fibres has been 4.81 lakh tonnes in 2005-06 as compared to 3.43 lakh tonnes in 2004-05, an impressive increase of 40 per cent. However, the world export of products of jute and allied fibres was 7.58 lakh tonnes in 2005, an increase of 3 per cent over 7.39 lakh tonnes in 2004. During the year 2005 the share of Bangladesh was 58.05 per cent of the world export of jute goods as against 59.45 per cent in 2004. In respect of India, this was 27.45 per cent in 2005 and 26.11 per cent in 2004. In global exports of jute, Bangladesh continues to retain dominance. It is the largest exporter in the world because its domestic consumption is very low compared to the large domestic requirement of India. Moreover, the Government of Bangladesh extends support in the form of subsidies, both direct and indirect, to boost up exports and retain its status as predominant exporter in the world market. Another factor in favour of Bangladesh is that their jute goods are being given special treatment under the GSPs of several developed countries including USA. All these enable that country to meet about 90 per cent of the world demand for raw jute and 60 per cent of jute products.

27. India is not so advantageously placed with regard to export of jute. A predominant chunk of jute items are used and consumed indigenously and the residual portion alone finds way for export. Currently, out of the total production, 86 per cent is consumed domestically and only 14 per cent goes for export. The traditional export items include Hessian, sacking and yarn. During 2005-06, exports of total jute goods were 2.86 lakh M.T. valued at Rs.1186.25 crore as against 3.22 lakh M.T. valued at Rs.1146.9 crore in the year 2004-05. In the year 2005-06, export of jute fell by 11.18 per cent in terms of quantity and rose by 3.43 per cent in terms of value. During the year 2006-07, export of total jute goods was 1.65 lakh M.T. valued at Rs. 902.8 crore. An analysis of the composition of jute exports shows that the percentage of exports of DJPs, yarn and Hessian to total exports constituted 39 per cent, 28 per cent and 20 per cent, respectively in 2006-07. The prominence of Hessian in the export of jute goods over the years, has now been yielded to DJPs. Major DJP exports are floor coverings, shopping bags, wall hangings, gift items, blankets and decorative fabrics, etc. The major destinations of exports of jute goods from India are USA, Turkey, Belgium, UK, Germany, Middle East and Japan. India enjoys some technical and quality advantages over Bangladesh in respect of a few special jute products like jute geo-textiles, jute floor coverings, hand & shopping bags for specialized end uses. These specialties and life style jute products have an increased demand with appreciation in the market place. Keeping in view the national strength and advantages, the Commission recommends that **the Ministry of Textiles and promotional agencies should make concerted and coordinated efforts to promote the export of special products that are endowed with greater market potential internationally.** In the emerging times, the industry must look forward to new avenues and creation of high value products in which it enjoys comparative advantages.

28. The basic custom duty on import of raw jute and jute goods have been fixed at 5 per cent and 10 per cent, respectively. The preferential rates of basic duty on import of raw jute and jute goods from SAARC countries (including Bangladesh) now stand at 2.5 per cent and 4 per cent respectively. This concessional rate of custom duty makes import of jute items from Bangladesh which is already having cost advantages over India, a more attractive proposition, to the detriment of the interests of indigenous jute industry. There has been considerable import of raw jute and jute goods from Bangladesh to India. The import was 1.41 lakh MT in

2002-03 valued at Rs.146.21 crore. This remained as 1.55 lakh MT valued at Rs. 321.94 crore in 2006-07. Even though the import in 2006-07 declined by 27 per cent in quantity terms and 11 per cent in value terms over that of the year 2005-06, still the imports remain substantial. Therefore, the Commission reiterates that the **Government should rationalize its duty structure on imports of raw jute and jute products from Bangladesh on priority basis.** Besides, the VAT of 12% presently imposed on jute goods except sacks, bags and yarn calls for review and possible reduction. This could ensure a conducive atmosphere for the growth of diversified jute products.

29. Recognising the position of jute and allied fibre vis-à-vis synthetic material as superior and environment-friendly, and intending at the overall development of jute sector, the Government unveiled the National Jute Policy (NJP) 2005. The Policy is aimed at development of a strong and vibrant jute sector. An appreciation of the Policy reveals the following broad vision: (a) ensure remunerative price to the jute farmers in the country; (b) produce good quality fibre and products to meet the growing needs of the country and international buyers; (c) contribute increasingly towards providing sustainable employment and economic growth of the nation; and (d) compete with confidence for an increasing share of the global market. Thrust areas and various activities to be pursued in this regard have been highlighted in the Policy.

30. The National Jute Policy intends to rejuvenate the jute sector as a whole as well as infuse the requisite vibrancy into its various segments and functions. While recognizing the role and intent of the Government in ushering in this comprehensive perspective on jute development, the Commission would urge the Government to follow it up with the required action plan in concrete terms so as to translate the aims and intent into definite operations that would bring in early revitalization of the jute economy. It has been envisaged to establish a National Jute Board (NJB) so that the journey towards integrated development of the jute sector is better synchronized and synergized. This proposed Board would subsume some of the Offices currently operating for jute development, with a change of thrust from that of regulator to facilitator, for developing jute sector. It is understood that actions are in progress to establish the new entity. However,

every care should be taken to avoid duplication of offices/establishments catering to the requirements of the sector.

31. After the submission of the Commission's last Report on Price Policy for Raw Jute in 2006, 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 2005-06. The details of these estimates and those pertaining to the preceding year are presented in the table below.

Cost Estimates of Raw Jute

(Rupees)

States	Years	A ₂ +FL /hec	C ₂ /hec	A ₂ +FL/ qtl	C ₂ /qtl	C ₃ /qtl	Yield/hect (qtl)	Implicit Price (qtl)	MSP (qtl)
Assam	2005-06	15402	19090	788.48	980.82	1078.90	18.15	1123.62	910
	2004-05	12495	15286	797.20	974.93	1124.75	14.18	800.45	890
Orissa	2005-06	17262	25012	739.40	1071.54	1195.03	21.81	1210.89	910
	2004-05	13165	17713	770.16	1043.01	1205.51	15.07	952.90	890
West Bengal	2005-06	18815	26808	710.68	1014.28	1168.38	24.41	1122.35	910
	2004-05	19393	25622	733.02	954.40	1049.84	23.83	800.74	890

Source : Directorate of Economics and Statistics, Ministry of Agriculture

32. During 2004-05 and 2005-06, the estimates of cost of cultivation of raw jute have recorded an increase in all the states for which data are made available. The per hectare cost of cultivation increased by about 25 per cent in Assam, 41 per cent in Orissa, while it has marginally increased in West Bengal. Also the unit cost of production has gone up between 1 to 6 per cent in these states during the

same period. The productivity level is also reported to have improved over the previous year. It has marginally increased in West Bengal, whereas the same is estimated to have increased from 14.18 quintal per hectare to 18.15 quintal per hectare in Assam and 15.07 quintal per hectare to 21.81 quintal per hectare in Orissa. (Tables 17 & 18)

33. Jute is a labour intensive crop and human labour component constitutes nearly 74 per cent of the total input cost. After the submission of the last report in October, 2006 and as per information available from Labour Bureau, the actual wage rates for agricultural labour have increased by about 19 per cent and 9 per cent in the states of Assam and West Bengal respectively. However, it has almost remained same in Orissa during the same period. The prices of other farm inputs, as measured by WPI, have increased between 6 to 7 per cent for diesel products, 13.9 per cent for lubricants, whereas the prices of fertilizers, pesticides, tractors and non-electrical machinery have increased by about one per cent between October, 2006 and August, 2007. The prices for electricity used for irrigation and cattle feed have increased between 2 to 3 per cent, whereas the prices of fodder declined by about 9 per cent during the same period (Tables 19 & 20)

34. As per the projection methodology followed by the Commission, the cost of production of raw jute for the three states, viz., Assam, Orissa and West Bengal has been projected for the ensuing crop season of 2008-09. On the basis of the actual price movements and likely trends in variable inputs that constitute cost of cultivation, the variable input price indices for each of these states have been constructed. Accordingly, the variable input costs between 2005-06 and 2008-09 are estimated to have increased by 14 per cent, 12 per cent and 13 per cent in Assam, Orissa and West Bengal respectively. On this basis, the per unit C₂ cost of production of raw jute for 2008-09 is projected at Rs. 1062 per quintal for Assam, Rs.1195 per quintal for Orissa and Rs.1089 per quintal for West Bengal. The per unit weighted average A₂ + FL and C₂ cost of production has been projected at Rs.850 per quintal and Rs.1091 per quintal respectively for the same season. (Tables 21 & 22)

35. The Commission has also received the cost estimates for the year 2008-09 from Orissa, which has projected the same at Rs.1135 per quintal. The State Government of West Bengal has projected C₂ cost of production for raw jute at Rs. 1200 per quintal for the year 2008-09. However, this projected cost is based on the cost projection made in the preceding year (2007-08). Since latest actual cost survey of farms was conducted by the State Government of West Bengal during 2005-06, the consecutive projections for the year 2006-07, 2007-08 and 2008-09 are tentative. An estimate of cost of production of raw jute for the state of West Bengal at Rs.1367 per quintal has also been received from the Central Research Institute for Jute and Allied Fibres (CRIJAF). This estimate is based on a study conducted in the major jute growing districts of Southern part of West Bengal. Thus, there is a substantive difference in the cost estimates provided by State Governments, research institutes and those generated under the Comprehensive Scheme of Cost of Cultivation of Directorate of Economics and Statistics, Government of India. For the purpose of determining MSP, it would be appropriate that costs of production of raw jute as indicated by various state governments are considered. Particularly the cost data, as collected by Government of West Bengal through a proper sampling design can not be overlooked. Also West Bengal is one of the major jute growing states in the country. It may be interesting to note that based on these cost estimates, the MSPs suggested by states are much higher. The state governments of West Bengal and Orissa have suggested that the MSP of raw jute be fixed at Rs. 1480 and Rs. 1250 per quintal for the season 2008-09, whereas CRIJAF has suggested that the MSP of raw jute be fixed at Rs.1442. The Jute Corporation of India indicated that a hike of Rs.150 to Rs.200 per quintal in the MSP of raw jute will be in order. The Jute Mills Association was also in favour of an increase of Rs.50 to Rs.100 in MSP.

36. Considering the cost of production as well as the views of various stakeholders, there is a strong case for increasing the MSP of raw jute for the season 2008-09. In view of the growing demand for diversified jute products and prospective use of geo-textiles within and outside the country as well as eco-friendly nature of jute products, some increase in the minimum support price of raw jute would be desirable, so that farmers are encouraged to grow more jute. It should also be remembered that jute is the main cash crop of farmers in Eastern

India and it provides sustenance to millions of small and marginal farmers in the region. Moreover, there are indications that a reasonable hike in the MSP of raw jute can be sustained in the market, provided JCI effectively defends MSP and also undertakes commercial operations, when needed. The MCX futures price of raw jute for October, 2007 was as high as Rs.1437 per quintal as against the current MSP of Rs.1055 per quintal.

37. 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 recommends that ***the minimum support price of TD-5 grade of jute ex-Assam for the 2008-09 season be fixed at Rs 1250 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.***

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October 11th, 2007