

**COMMISSION FOR AGRICULTURAL COSTS AND PRICES
REPORT ON PRICE POLICY FOR RAW JUTE
FOR THE 2009 - 10 SEASON**

In this report, the Commission for Agricultural Costs and Prices presents its views on price policy for raw jute for the 2009-10 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 2009-10 season be fixed at Rs. 1375 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 43)

(ii) the production of grades TD3 & TD4 needs to be stepped up from the existing 35 percent to at least 50 percent through concerted efforts of research and extension, use of high-yielding seeds, improved methods of cultivation and retting, and by appropriate calibration of the price differentials arrived at for the higher and lower grades as part of the price support operations. (Para 9)

(iii) more concerted efforts and a definite programme to ensure adequate production as well as timely availability of certified jute seeds, are the need of the hour. (Para 10)

(iv) the Government should initiate measures on priority for operationalising low-cost, environment and farmer-friendly retting process and its popularisation among the farmers through demonstration programmes. To facilitate this, a review and enhancement of the provisions and targets under Mini Mission II & III of

the Jute Technology Mission would be appropriate. (Para 13)

(v) the Ministry of Textiles should in consultation with the concerned State Governments work out alternative arrangement involving co-operative and other village level service societies as well as appropriate self help groups operating in the villages to procure jute on behalf of JCI on a commission basis, which will make JCI's operation cost effective as well as ensure MSP to the farmers. (Para 18)

(vi) the Government should play a lead role by encouraging and propagating eco-friendly use of jute goods and promoting diversified jute products (DJP) after ensuring the requisite upgradation of quality in jute production. (Para 24)

(vii) the industry must focus more on new avenues as well as creation of high value jute products for export in which the country enjoys comparative advantages. (Para 30)

(viii) a Committee be constituted in the Ministry of Textiles (i) to formulate appropriate calibration of price differentials on rational criteria, for graduating MSP fixations according to different grades, (ii) look into the trade driven price differential of raw jute of TD-5 grade grown in both North and South Bengal in terms of fibre quality, spinnability, etc and evolve a mechanism by which the issue of price differential could be sorted out and (iii) look into the issue of recommending MSP for raw jute of TD-5 grade without reference to ex-Assam. (Para 42)

2. The Commission submitted its report on price policy of raw jute for the year 2008-09 on October 11, 2007, and recommended Minimum Support

Price (MSP) of Rs. 1250/- per quintal for TD-5 grade of raw jute ex-Assam, besides suggesting various non-price measures. The Government announced the price policy for raw jute on January 30, 2008 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 12th June, 2008. The Commission appreciates the announcement of MSP by the Government prior to the commencement of sowing season for jute. However, it should be ensured that this timely declaration of MSP by the Government is kept up in future also, so that the MSP could play its role as a price signal to the farmers in taking timely decisions regarding the allocation of land and other resources towards jute vis-à-vis alternative crops.

3. The jute sector occupies a place of prominence in the economy of the country in general and eastern India in particular. It provides sustenance to more than 40 lakh people as farmers, workers, and self-employed artisans and weavers. The fibre mainly forms raw material for textiles, non-textiles, packaging and construction. Globally, around 85 per cent of jute cultivation is concentrated in the Ganges delta, mainly spread over Bangladesh and India. A few other countries, viz., People's Republic of China, Thailand, Myanmar, Pakistan, Nepal, and Bhutan, also contribute to jute production. As regards India, this water-intensive crop is mainly grown in those regions characterized by good rainfall and water retaining topography. It is sown from March to May and harvested from June to September.

4. Production of jute and allied fibres in the country over the decade since 1998-99, has been featured by fluctuations. During this period, the level of production reached the peak during the year 2001-02 of 116.78 lakh bales. Subsequent to this, there were declines until it hit the level of 102.72 lakh bales in 2004-05. Thereafter, the production levels looked up, and was 112.73 lakh bales in 2006-07, but again took a dip to 111.76 lakh bales in 2007-08. During the year 2008-09, the production of jute/mesta is anticipated to take a further dip, albeit marginal, to 111.32 lakh bales, mainly due to the shift of area under jute cultivation to competing crops and adverse weather conditions

in the jute growing states. Several jute growing areas have been affected by floods. (source: First Advance Estimates for the year 2008-09 dated 25th September, 2008 released by the Directorate of Economics & Statistics (DES), Ministry of Agriculture, Government of India). While the production of jute followed this trend, that of mesta also followed suit, barring a few years.

5. During the aforesaid period, the area under jute and allied fibres fluctuated in the range of 10.47 to 8.98 lakh hectares. The peak of area under jute/mesta cultivation was attained in the year 2001-02, of 10.47 lakh hectares. This was after ups and downs during the previous years. After 2001-02, there was steady decline, till the area under cultivation hit the rock bottom of 8.98 lakh hectares during the year 2005-06. Thereafter, there have been improvements, and became 9.35 lakh hectares in 2006-07. The area coverage is mainly governed by the prevalent weather conditions while initiating the cultivation, the price levels, price and availability of seeds, etc. As regards jute, during this period, the area under cultivation recorded declines, except for the year 2001-02. The area coverage of 8.73 lakh hectares in the year 2001-02 remains as the peak. The area decline reached the trough of 7.60 lakh hectares in 2005-06. Subsequent to this, it turned out to be a phase of recovery when the area coverage became 7.93 lakh hectares in 2006-07. In respect of mesta, the trends were broadly same, except for the initial years of the period. It was steady increase from the year 1998-99 till it reached the peak of 1.90 lakh hectares in 2000-01. Thereafter, there was continuous decline and reached the lowest level of 1.38 lakh hectares in 2005-06. As in the case of jute, subsequently, there was upturn and became 1.42 lakh hectares in the year 2006-07.

6. Regarding yield also, for jute and allied fibres, fluctuations have characterized the decade since 1998-99. The first half of the decade was not that favourable and, in fact, the lowest level of yield of 1722 kgs/hectare was registered in the initial year 1998-99. Thereafter, moving through improvements and decline, the productivity level reached the peak of 2173 kgs/hectare in 2005-06. This again yielded to decline during the year 2006-07 with the productivity level of 2170 kgs/hectare. The trends were similar in

respect of jute as well as mesta, even though there was some deviation in the case of mesta. By and large, the production levels have been swayed by the variations in area under cultivation rather than yield, except for the year 2005-06, when, despite the decline in area, production was able to register heights enabled by the considerable enhancement in yield.

7. A striking feature of India's jute cultivation has been the significant inter-state variations in respect of all the three dimensions, viz., production, area coverage and yield. During the year 2006-07, the year for which confirmed state-wise data are available, West Bengal retained its status as the leading jute producing state in the country. This was followed by the states of Bihar, Assam and Andhra Pradesh. The states of Orissa and Tripura remained as insignificant. The factors endowing advantage to the state of West Bengal for jute production include the large number of water bodies available for retting, the concentration of jute mills, and the dynamic cropping pattern adopted in the state. It shared about 75.46 percent of total jute production in the country in the year 2006-07 followed by Bihar 12.33, Assam 5.18 and Andhra Pradesh 4.83 percent. The yield of jute in West Bengal has been 25.31 quintals per hectare during 2006-07, which is substantially higher than the yield levels recorded in other states. Even the all-India yield level of 21.70 quintals per hectare has been kept up, to a considerable extent, by the higher yield of West Bengal. However, according to the 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. Keeping in view the potential vis-à-vis the low yield levels that are currently being realised, the Commission is of the view that every effort should be made to raise the yield level for jute cultivation in the country as well as to reduce the inter-state variations in this regard. (Tables 6, 7 & 8)

8. A substantial portion of the present grade composition of raw jute in the country is constituted by medium to inferior grades of jute fibre. The grades TD5 and below form 65 percent of the total availability (source: IJMA). Improving the fibre quality as well as elevating the cost efficiency of jute production in the country are the essentials for any strategy to impart vibrancy

to the jute sector. This necessitation is also prompted by the emerging pattern of production of jute goods alongwith the increasing prioritization for development of diversified jute products. Positioning the country in the global market as a sustainable exporter of jute goods also warrants this. Further, devoid of this, denting the country's dependence on import of superior fibre grades from Bangladesh may prove difficult. In this context, the Jute Corporation of India (JCI) has reported that during MSP operations, jute growers prefer to sell greater quantum of lower grade jute to the Corporation under MSP, whereas higher varieties are diverted to the traders. In the process, they are confronting difficulties in selling the lower grade jute to the jute mills. The Corporation has proposed to the Commission to recommend a premium for jute of higher grade composition, say, TD5 and above grade and discount for lower grade compositions below that.

9. Keeping in view the prevailing growth profile of raw jute production in the country, it is felt that **the production of grades TD3 & TD4 needs to be stepped up from the existing 35 percent to at least 50 percent through concerted efforts of research and extension, use of high-yielding seeds, improved methods of cultivation and retting, and by appropriate calibration of the price differentials arrived at for the higher and lower grades as part of the price support operations.** Simultaneously, initiatives are required to encourage jute production in those areas that produce high quality fibre like North Bengal, Assam, etc.

10. The lack of certified seed production appears to be a perennial problem for the jute cultivators. Interestingly, the major jute growing states are in eastern and south eastern India, devoid of any significant jute seed production facilities. The bulk of jute seeds is contributed by the distant states of Maharashtra and Andhra Pradesh. This geographic separation quite often denies the farmers adequate and timely availability of jute seeds. The Commission reiterates that **more concerted efforts and a definite programme to ensure adequate production as well as timely availability of certified jute seeds, are the need of the hour.** The emphasis should be towards development of new varieties of jute seeds/strains with high cellulose

content and lower level of lignin that would improve fibre content in the product. It should be endeavoured to increase the percentage of certified seeds to at least 50 percent from the existing level of 35 percent. There should also be promotion of mechanization in agricultural operations and post harvest technology to reduce cost of cultivation and to improve the quality, productivity and thereby increased net returns. Latest and advanced machinery should be used in jute industry to improve the quality of fibre. Alongwith, there should also be development of location-specific integrated diseases and pest management system to control the fibre defects arising out of diseases and pest attack.

11. It is well known that retting to a great extent governs the fibre quality as well as the cost of jute cultivation. Out of the various retting processes that are in vogue, water or microbial retting still remains as the most popular process for extracting fibre. However, in the Indian context, the scarcity of free flowing water which is crucial for the process, is resulting in improper retting and poor quality/yield of fibre. It is in this regard that Bangladesh endowed with flowing river water for facilitating retting, scores over India in producing jute of better quality. The majority of jute growers in India are having only small land holdings and meagre resources that constrain them from investing in the creation of retting tanks. Even the existing retting tanks in different states have remained as un-attended and un-serviced due to lack of funds.

12. Over the years, a number of retting techniques have been developed by 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 process that transforms the concept of conventional retting, assures fibre quality and ensures reduction of time required, and is environment-friendly. To implement appropriate technologies for jute ribbons and whole plants, they have also proposed the concept of centralised retteries equipped with all sorts of retting technologies and facilities. The institute has taken up research projects on recycling of retting water for manure preparation, with encouraging results. It is

unfortunate that these lab. successes are yet to be translated into popular implementation, by the farmers, in the absence of proper scheme by the Government to push the technology for wider commercial use.

13. Under the Mini Mission II & III of the Jute Technology Mission, provisions have been made for construction of mini retting tanks to improve the quality of raw jute with proper new modern retting techniques developed by various research institutions. (Previously, this area used to be covered under the Special Jute Development Programme). However, the allocation and targets set do not seem to be adequate vis-à-vis the requirements. The outlay as well as the physical targets need to be enhanced, and the public-private-partnership mode may be explored for implementation. There is also provision under the Mini Mission for demonstration of new retting technology for benefit of growers. This needs to be actively pursued. Accordingly, the Commission recommends that **the Government should initiate measures on priority for operationalising low-cost, environment and farmer-friendly retting process and its popularisation among the farmers through demonstration programmes. To facilitate this, a review and enhancement of the provisions and targets under Mini Mission II & III of the Jute Technology Mission would be appropriate.**

14. The year 2007-08 began with an opening stock of 23 lakh bales of jute and allied fibre. As assessed by the Jute Advisory Board, the production of jute and mesta for the year is 97 lakh bales. With an estimated import of 8 lakh bales for the year, the total availability of raw jute in the country is likely to be of the order of 128 lakh bales. Against this, the total consumption of jute is estimated at 102 lakh bales, leaving a closing stock of raw jute at the end of the year of the order of 26 lakh bales. (source: Jute Commissioner of India). Thus, the opening stock position should suffice the requirements for 2-3 months of the year 2008-09. During 2008-09 season, with the low estimated production because of reduced area under cultivation alongwith an estimated steady demand, it is anticipated that the market will rule above MSP. However, as in earlier years, when arrivals pick up, then the market may

come down to MSP level.

(Table 10)

15. The market for raw jute has remained as volatile. It generally takes a beating during the months of September - October when market arrivals peak and the small and marginal farmers sell at throw away prices. The private mills do not generally procure at a time quantity in excess of their requirement for a month or two. JCI's procurement being limited, the price of jute invariably enters into a depressed state when the market experiences heavy arrivals.

16. The annual wholesale price index (WPI 1993-94 base = 100) of raw jute was at its trough during the commencement of the decade beginning with 1998-99. Thereafter, the Index began to look up and reached 177.3 in 2001-02, and after taking dips, registered the 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 again declined to 189.0 in 2006-07, but improved to 196.9 in 2007-08. During the months of June-July, 2008, the Index scaled heights and became 206.6. (Source: Office of the Economic Advisor, Ministry of Commerce & Industry).

17. The month-end wholesale price of TD-5 jute ex-Kolkata was in the range of Rs. 750-935 and Rs.900-1500 during the years 2003-04 and 2004-05. In the subsequent years of 2005-06 and 2006-07, it remained in the range of Rs. 1130-1480 and Rs.1150-1435, respectively. During the year 2007-08, the price range remained as Rs.1077-1412. (Source: DES & Jute Commissioner of India). Since the consumption level during these years was around 100 lakh bales except for the year 2006-07, it emerges that the stock position is more influential in moving the price level. Hence, it is imperative that the procurement agencies should operate in the market effectively, especially during the peak arrival period, so that the benefit of MSP operations is delivered to the farmers.

(Table 12)

18. The procurement operations of JCI which is the procurement agency for raw jute, have been falling short of the requirements. They are having only

171 purchase centres, and the procurement during the years 2000-01 to 2007-08 has been only in the range of 1.65 -15.4 percent of the market arrivals. This is too inadequate to defend the MSP in the face of heavy arrivals in the market. In order to increase its market coverage, JCI has been utilizing Apex Cooperative Societies of the jute growing states as its agent for procurement of raw jute. Apart from this, JCI has formulated a scheme for involvement of Village Level Service Societies who would procure raw jute directly from the growers and deliver it to the nearest JCI/Cooperative centres. JCI has also proposed that self-help groups working in villages may be associated with jute growers and activated to purchase raw jute under MSP on behalf of JCI like Cooperative Societies. Evidently, the organized marketing infrastructure is critically lacking in the rural areas for jute particularly in remote areas and consequentially farmers are deprived of the benefits of MSP. Therefore, the Commission again reiterates that **the Ministry of Textiles should in consultation with the concerned State Governments work out alternative arrangement involving co-operative and other village level service societies as well as appropriate self help groups operating in the villages to procure jute on behalf of JCI on a commission basis, which will make JCI's operation cost effective as well as ensure MSP to the farmers.** Adequate facilities for storage of raw jute is another problem facing JCI, especially during times of higher market arrivals. So, there is a need for strengthening and further enhancing the storage and infrastructure facilities available with JCI. (Table 13)

19. An analysis of month-end average prices of the representative varieties of jute goods, namely, Hessian and Sacking (B Twill), is revealing. The average price of Hessian has, by and large, improved over the years. As against Rs.830 -931 during the year 2003-04, the price range was Rs.1056 - 1187 in 2007-08. Of course, during January to April, 2007, the price range went up to Rs. 1211 -1307, but this was not sustained. For sacking, as against Rs. 20441 - 23964 during the year 2003-04, the price range got elevated to Rs.25930-30145 in 2007-08. Still, these price levels are generally considered as low. This is mainly because of insufficient demand for these products in the market for the past few years. It is well appreciated that jute

products are facing tough competition from the rapidly growing plastic goods. This is in spite of the Government interventions in favour of jute items as well as discouraging synthetic products. (Table 14)

20. As rightly brought out by the National Jute Policy, 2005, stability of raw jute prices is in the best interests of the jute sector as a whole. The Indian Jute Manufacturers Association (IJMA) has stated that stabilization of raw jute prices would help the mills sector keep its commitment pertaining to supply of B Twill bags against Government orders within stipulated time frames. A stable raw jute price would also facilitate the transformation of jute industry from being predominantly a manufacturer of packaging products to that of manufacturing diversified jute goods. It is also significant for export promotion of jute goods, since price of the final product, inter alia, influences the purchases of international buyers.

21. Futures trading provides useful price signals for growers through price discovery. The benefits of futures trading include (a) price stabilization, (b) nationally integrated price structure, (c) balance in supply and demand, and (d) encouraging competition in a well functioning futures market. It benefits even growers not directly involved in such trading, as prices reflected in the futures market act as the barometer of price trends in future. Guided by the futures market, the growers could decide between various alternative crops that can be grown, the one that is most remunerative to them.

22. Pursuant 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.

During 2006-07 the volume was 10.66 lakh MTs valued at Rs. 1426.49 crore and during 2007-08 the volume was 16.36 lakh MTs valued at Rs. 2164.38 crore, thus recording an increase of 5.7 lakh tonnes in physical terms and Rs.73.89 crore in value over the previous year. The NCDEX futures price of raw jute on October 10, 2008 for January 2009 closed at Rs.1610 per quintal at Kolkata. The MCX futures price of raw jute on October 10, 2008 for January, 2009 closed at Rs.1574 per quintal. All said and done, it would be appropriate that both MSP and futures trade co-exist. Both the entities together would greatly fulfil the market requirements expected out of pricing. MSP would provide the floor price, and futures trading would become effective to hedge the risk of price volatility above MSP.

23. Traditionally, the main outlet for jute goods has been packaging. Within packaging, the predominance pertains to Hessian and Sacking. These two items registered increases in production during 2006-07 vis-à-vis that of the previous year, but the overall production of jute goods looked down to 13.56 lakh tonnes as against 15.82 lakh tonnes in 2005-06. The lesser production of other goods has been responsible for this decline. Production during 2007-08 has recorded a remarkable recovery to 17.76 lakh tonnes, registering increases in the production of all the items. Excluding the unusual dip and drastic increase in production during the years 2006-07 and 2007-08, the average production of Indian jute industry has hovered around 16 lakh metric tonnes over the years.

24. The demand for jute as a packaging material has been taking dips. The packaging market is getting increasingly invaded by polypropylene, holding greater price advantages as compared to jute products. The jute sector still provides scope for uplift from this declining state if the relative advantages of jute as a biodegradable and eco-friendly product is impressed upon the market effectively. The Government should also initiate measures on priority to improve the quality of this natural fibre and also promote product diversification. 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 after ensuring the requisite upgradation of quality in jute production.

25. 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 foodgrains, sugar, cement and fertilizers in jute sacks. Fertilizers and cement were later taken out of its ambit, but the Government has now approved compulsory packing for all foodgrains and sugar in jute bags for 2008-09 (July-June). It has been observed that the successive dilution of the Act may adversely affect the interest of jute growers. This is since the main product manufactured out of jute fibre is sacking constituting nearly 55-60 percent of the total jute goods. Therefore, dilution of the Act may decrease the consumption of sacking. Accordingly, the demand for raw jute will also decline, and the farmers may not get the remunerative prices because of low demand for raw materials.

26. However, as already brought out in the previous Report, the Commission is of the view 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 the jute industry also needs to be enabled and equipped for this by supportive measures for facilitating modernization and imparting cost-effectiveness alongwith propagating the positive dimensions of jute packaging.

27. Even though the main outlet for jute goods may remain in the field of packaging, the development and promotion of Diversified Jute Products (DJPs) will be the future direction of production in jute industry. Jute processing and diversified products play an important role in improving the income of farmers through assured and enhanced consumption of the raw material. Among the various DJPs, value-added categories such as jute handlooms and handicrafts, non-woven and industrial application, jute rigid packaging, and decorative products are increasingly hitting the market. Jute

geo-textiles is another category of eco-friendly and cost-effective jute product which can cater to umpteen requirements in road construction like slope protection, stability of embankment, drainage development, etc. whose potential is still awaiting to be adequately utilized. Over the years, the demand for DJPs has registered increases with resultant increases in its share of production. Export of DJPs has also been consistently increasing. Its export increased from Rs. 2565 million in 2006-07 to Rs. 4025 million in 2007-08, constituting 35 percent of India's total jute goods export. Floor coverings and shopping bags are the two major components, which together account for about 98 percent of all lifestyle DJP exports. USA is the single biggest market for Indian jute diversified product, followed by a few European countries, which include U.K., Germany, Italy, and Spain.

28. One of the thrust areas in the National Jute Policy, 2005 is the diversification of jute products. Keeping in view the emerging trends in the jute sector and for rejuvenating the jute economy, the Government should ensure a conducive atmosphere for the growth of DJPs. The requisite R&D support as well as association of concerned stakeholders including organized jute industry must form the essential components in this endeavour. Further momentum needs to be imparted to the current initiatives of the National Centre for Jute Diversification (NCJD) in providing infrastructural facilities by way of assisting entrepreneurs, artisans, designers, manufacturers, and NGOs. India's edge over Bangladesh in technology and design skills would certainly stand the country in good stead in this regard. It has been reported that VAT on main categories, namely, jute goods except sacks, bags, cloth and yarn, is 4 percent but that on jute carpet, mats and mattings, non-wovens, etc., is 12 percent, which needs to be reviewed and brought down. On top of all this, jute-based products should be enabled to compete successfully with the textiles sector and synthetic substitutes. The Government has launched the Jute Technology Mission with an outlay of Rs.35555.82 lakh during the Eleventh Plan period. The Mission comprises of four Mini Missions tasked to look 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 Ministry of Agriculture, Jute Corporation of India and Jute Manufactures Development Council under the Ministry of Textiles. Since the Mini Missions are structurally and operationally under different Ministries/formations of the Government, a coordinated and integrated approach for implementation acquires added importance. Any laxity or lack of thrust in this regard could elude the sector from realizing the potential to the intended extent.

29. The world production of jute, kenaf and allied fibres during 2006-07 is provisionally estimated at 30.37 lakh metric tonnes as against 27.62 lakh metric tonnes in 2005-06, an increase of 9.05 per cent. The global consumption of kenaf and allied fibres is estimated at 27.94 lakh metric tonnes in 2006 which amounts to a marginal increase over 27.37 lakh metric tonnes in 2005. The world export of jute, kenaf and allied fibres remained as 4.68 lakh metric tonnes in 2006-07 as well as 2005-06. However, internationally the export of products of jute and allied fibres was 7.37 lakh metric tonnes in 2006, a marginal decrease against 7.43 lakh metric tonnes in 2005. During the year 2005-06, the share of Bangladesh was 60 per cent of the world export of jute goods as against 59 per cent in 2004-05. In respect of India, this was 26 per cent in 2005-06 and 28 per cent in 2004-05. In global exports of jute, Bangladesh continues to retain dominance, mainly because its domestic consumption is very low compared to the large domestic requirement of India. In 2005-06, the export of jute goods from Bangladesh constituted 71 percent of their production. Moreover, the Government of Bangladesh extends support in the form of subsidies, both direct and indirect, to boost up exports. Also, jute goods of Bangladesh are given special treatment under the GSPs of several developed countries including USA. At the same time, Bangladesh being in SAARC region and under SAPTA enjoys special tariff concession/exemption. With all these enabling factors, Bangladesh caters to about 90 per cent of the world demand for raw jute and 60 per cent of jute products. Since India loses out on export price competitiveness, only when Bangladesh fails to meet the demand, India gains the market as a residual seller.

30. As already mentioned, a predominant chunk of jute items, about 85 percent, are used indigenously and jute exports remain as only a residual segment. The traditional export items include Hessian, sacking and yarn. However, in these items India is losing grounds to Bangladesh mainly because of price disadvantage. During 2006-07, exports of total jute goods were 2.43 lakh M.T. valued at Rs.1055.16 crore as against 2.86 lakh M.T. valued at Rs.1186.25 crore in the year 2005-06. The estimated export during 2007-08 is 2.04 lakh M.T. valued at Rs.1143.57 crore. Thus, in the year 2006-07, export of jute fell by 15.03 per cent in terms of quantity and by 12.42 per cent in terms of value. Whereas, the estimated export during 2007-08 is higher by 8 percent in Rupee terms as compared to 2006-07. In terms of quantity, this is lower by 16 percent as compared to the period of 2006-07. An analysis of the composition of jute exports shows that the percentage of exports of DJPs, yarn and Hessian to total exports constituted 35 percent, 25 percent and 26 percent, respectively in 2006-07(estimated). The exports of sacking, hessian and CBC have suffered mostly because of goods from Bangladesh cutting into the European and the US markets at lower prices as the appreciating Rupee made Indian goods uncompetitive in the global markets. Of late, DJPs have eclipsed Hessian in the context of export prominence. Major DJP exports are floor coverings, shopping bags, wall hangings, gift items, blankets and decorative fabrics, etc. The major destinations for export of jute goods from India in 2007-08 were USA, Turkey, Belgium, UK, Germany, Middle East and Ghana. However, India's technical and quality advantages over Bangladesh is fetching the country better prospects in respect of certain special jute products like jute geo-textiles, jute floor coverings, and hand & shopping bags. So, **the industry must focus more on new avenues as well as creation of high value jute products for export in which the country enjoys comparative advantages.**

31. The basic custom duty on import of raw jute and jute goods remains 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) have been 2.5 per cent and 4 per cent respectively. However,

with effect from 01-01-2008, the import duty on raw jute and jute goods from Bangladesh, Bhutan, Maldives and Nepal has been totally withdrawn. With zero duty, imported materials are Rs 250-300 a tonne cheaper than the domestic products. As a consequence, further increase in the quantum of import from Bangladesh is anticipated. In the process, the cost advantages of Bangladesh may tell upon the interests of indigenous jute industry. Already, there has been considerable import of raw jute and jute goods from Bangladesh to India. As against the import of 13.62 lakh quintals of raw jute valued at Rs. 189.77 crore during 2005-06, the import during the year 2006-07 declined to Rs.150.31 crore. However, during the year 2007-08, the import of raw jute substantially looked up to 17.18 lakh quintals valued at Rs. 196.72 crore. (Source: JMDC). During the same period, the import of jute goods declined from a high of 77019 M.T. valued at Rs.172.56 crore in 2005-06 to 60932 MT., valued at Rs. 171.63 crore in 2006-07 and further down to 57688 M.T. valued at Rs.138.09 crore in 2007-08 (Source: IJMA). The Commission has been repeatedly recommending to the Government for rationalizing the duty structure on imports of raw jute and jute goods from Bangladesh. In the light of the latest decision to abolish import duty on raw jute and jute goods from Bangladesh, the Government may consider the rationalization of duty structure without delay, so that the Indian jute sector is not adversely affected.

32. Recognizing 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) in April, 2005. The NJP intends to rejuvenate the jute sector as a whole as well as infuse the requisite vibrancy into its various segments. 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. The new commodity development strategy under the Policy would have ample focus on

positioning jute as a superior and environment-friendly material, enhancing productivity of raw jute, increasing exports through innovative marketing and transformation of the jute industry from packaging to a diversified industry. The intent and aims brought out through the National Jute Policy follow the right perspective for the jute sector. It is expected that the Government would follow up the Policy through appropriate action plans so that the revitalization of the jute economy does not get delayed.

33. After the submission of the last report on price policy of raw jute by the Commission, the estimates of cost of cultivation/cost of production have become available from the Directorate of Economics and Statistics under the Comprehensive Scheme (CS) in respect of Assam, Bihar, Orissa and West Bengal for the year 2006-07. The details of these estimates for the year 2006-07 and those pertaining to the preceding year have been presented in the table below:-

Cost Estimates of Raw Jute

States	Years	(In Rupees)							
		A ₂ +FL /ha	C ₂ /ha	A ₂ +FL /qtl	C ₂ /qtl	C ₃ /qtl	Yield /ha (qtl)	Implicit Price (qtl)	MSP (qtl)
Assam	2005-06	15402	19090	788.48	980.82	1078.90	18.15	1123.62	910
	2006-07	16778	20813	795.22	987.57	1136.36	19.86	1130.25	1000
Bihar	2005-06	5350	11323	594.84	1259.00	1404.02	8.92	1924.43	910
	2006-07	7096	10127	833.31	1188.72	1318.46	8.34	1000.48	1000
Orissa	2005-06	17262	25012	739.40	1071.54	1195.03	21.81	1210.89	910
	2006-07	15807	22021	898.39	1251.71	1376.88	15.94	1281.43	1000
West Bengal	2005-06	18815	26808	710.68	1014.28	1168.38	24.41	1122.35	910
	2006-07	20519	30299	778.85	1152.29	1282.85	24.48	1376.70	1000

34. During the years 2005-06 to 2006-07, the estimates of cost of cultivation of raw jute have recorded an increase in the states of Assam and West Bengal for which data are made available. The per hectare cost of cultivation increased by about 9.0 percent for Assam and 13.0 percent for West Bengal. On the other hand, the cost of cultivation per hectare has

registered decline for Bihar by about (-)10.5 percent and by about 12 percent for Orissa. The yield level is recorded to have improved in the year 2006-07 compared to the previous year in the states of Assam and West Bengal. The yield level has gone up by 9.42 percent from 18.15 quintals per hectare in 2005-06 to 19.86 quintals per hectare in 2006-07 for Assam. Similarly, there has been a marginal increase in yield in West Bengal by 0.29 percent from 24.41 quintals per hectare in 2005-06 to 24.48 quintals per hectare in 2006-07. (Tables 17 & 18)

35. Jute is a highly labour intensive crop and human labour component constitutes nearly 75 percent of the total input cost. The actual wage rates for agricultural labour according to information available from Labour Bureau, Shimla have registered increase by about 6 percent in West Bengal, 6.3 percent in Orissa, and 7.8 percent in Bihar, with Assam showing a decline by about (-) 2 percent. As far as prices of farm inputs are concerned, the prices of fertilizers measured in terms of Wholesale Price Index (WPI) with base year 1993-94 have increased by 10.5 percent during July, 2007 to August, 2008. The prices of other farm inputs have also increased by 1.40 percent for electricity (irrigation purposes), 3.71 percent for pesticides, 5.63 percent for non-electrical machinery, 2.17 percent for tractors, 20.00 percent for lubricants, 13.79 percent for diesel oil (HSDO), 77.66 percent for light diesel oil (LDO), 4.02 percent for fodder and 15.78 percent for cattle feed. It is noteworthy to mention here that the prices of light diesel oil (as measured by WPI) has recorded steepest increase by 77.66 percent, followed by lubricants (20.00 percent), diesel oil (HSDO) (13.79 percent). (Tables 19 & 20)

36. The Commission projected the cost of production of raw jute for four states, viz., Assam, Bihar, Orissa and West Bengal for the ensuing crop season 2009-10, according to the usual projection methodology. On the basis of actual price movements and the likely trends in variable inputs that go into cultivation, the variable input price indices have been constructed for each of the aforesaid states. It is observed that the composite variable input price as measured by variable input index has increased by 9.28 percent for Assam,

16.07 percent for Bihar, 8.46 percent for Orissa, 7.71 percent for West Bengal between 2006-07 and 2009-10, for which year individual indices on account of various input costs have been projected for different states. Accordingly, the per unit C_2 cost of production of raw jute for 2009-10 is projected at Rs.1126.54 per quintal for Assam, Rs.1454.71 per quintal for Bihar, Rs.1223.55 per quintal for Orissa and Rs.1156.48 per quintal for West Bengal. The per unit all-India weighted average paid out cost including family labour (A2+FL) and the overall C_2 cost of production have been projected at Rs.874.58 per quintal and Rs.1192.80 per quintal respectively for 2009-10.

(Tables 21 & 22)

37. The Commission has also received the cost estimates for the year 2009-10 from Andhra Pradesh, Assam, Orissa and West Bengal. The cost of production estimates furnished by Orissa stand at Rs.1544 per quintal, with West Bengal estimating its cost of production at Rs.1240 per quintal. Assam has furnished the cost estimates of cultivation of raw jute, that work out to Rs.774.77 per quintal as cost of production with its reported yield rate of Rs.19.78 quintals per hectare. These cost estimates are as varied as there are states reporting their respective cost estimates. Since these cost estimates furnished by the above states are not actual but have been projected by the respective states, without any uniform methodology, they are not comparable to those projected for the states by the Commission. The Central Research Institute for Jute and Allied Fibres (CRIJAF) has proposed MSP for raw jute at Rs.1492 per quintal for 2009-10. The state of Orissa proposed MSP for Jute at Rs.1550 per quintal, with West Bengal at Rs.1484 per quintal.

38. The estimated C_2 cost of production for the year 2008-09 was around Rs.1091 a quintal, against which the estimated C_2 cost works out to about Rs.1193 a quintal for the ensuing year of 2009-10. Compared to the projected C_2 cost of raw jute for the year 2008-09, it is estimated to increase by 9.35 percent for the ensuing jute season 2009-10. Given this estimated increase in overall C_2 cost of production, there is justification for appropriate increase in minimum support price for raw jute of TD-5 grade.

39. In order to have an assessment of the views of the different stakeholders including farmers, mill-owners and other agencies involved in the promotion and overall development of the jute sector, the Commission visited Kolkata during 29th and 30th September, 2008 and held wide-ranging discussions with them. The State Government officials, farmer's representatives, Indian Jute Mills Association (IJMA), Jute Corporation of India (JCI), etc., participated actively in the discussion. Majority of the farmers engaged in jute cultivation expressed the concern that there is acute shortage of certified jute seeds, and that the requirement of seeds is mostly met by supplies from the states Maharashtra and Andhra Pradesh. It was intimated that the quantum of certified jute seed production in the country has been only 40 percent of the total demand, and that farmers are faced with the problems of availability of certified jute seeds and their distribution across jute growing regions. Since there has been no major technological breakthrough in the cultivation of raw jute in the areas of productivity, post-harvest management, etc., jute cultivation has been continuing in the traditional way, with yield levels hovering between 8 quintals per hectare and 25 quintals per hectare in the jute growing states of Assam, Bihar, West Bengal and Orissa.

40. The major focus of concern was the price differentials in raw jute of TD-5 grade grown in both North Bengal and South Bengal. This price differential appears to be the result of higher market appreciation of North Bengal raw jute, relative to South Bengal raw jute, despite the fact that both these regions of West Bengal, grow TD-5 grade raw jute. Most of the stakeholders pointed that the BIS gradation of raw jute does not have criteria for fibre quality discrimination in the same grade of jute, and that there is significant difference in tenacity and colour of jute grown in these regions. In fact, this has resulted in TD-5 grade jute of North Bengal having price of Rs.300-400 a quintal higher than that of the same grade jute in South Bengal. According to fibre quality, the price arising mainly due to the market appreciation of North Bengal jute does not benefit the growers in this region as the landing MSP fixed by the Ministry of Textiles at Kolkata is lower than

that of the South Bengal jute due to higher cost of freight for North Bengal jute.

41. The Commission has been recommending the minimum support price for raw jute of TD-5 grade (ex-Assam) for quite sometime now, perhaps for the historical association of this grade of raw jute with Assam and adjoining regions. Now, over the years the cultivation of raw jute of this grade which is of medium quality has expanded to other regions. Therefore, time-honoured association of raw jute of TD-5 grade with ex-Assam does not seem to hold valid today. And particularly from cost of production point of view, no such methodological distinction in estimates of cost of production exists between Assam/North Bengal and South Bengal. On the contrary, there is higher trade appreciation of North Bengal Jute for its higher fibre quality and spinnability. This was unanimously held by all the stakeholders of the jute sector. But this higher market appreciation of North Bengal jute does not benefit the growers there for the simple reason that the basic MSP of raw jute fixed by the Government functions structurally to their disadvantage due to their distance from Kolkata, which remains the hub of procurement, and the attendant freight charges. Presently, West Bengal accounts for about 75 percent of jute production, Assam accounting only for 5 percent, Bihar 12 percent, Andhra Pradesh 5 percent. In addition to this, the average cost of production of jute does not distinguish between the jute of TD-5 grade in Assam, North Bengal and South Bengal. On a closer analysis, the Commission considers it relevant that this aspect needs a fresh approach from the angle of MSP recommendation.

42. In view of different grades of raw jute cultivated in the eastern region of the country, and given the trade driven price differentials in the raw jute of TD-5 grade grown in both North Bengal and South Bengal, and considering the fact that TD-5 grade raw jute is grown in Assam, North Bengal and South Bengal, the Commission recommends that **a Committee be constituted in the Ministry of Textiles (i) to formulate appropriate calibration of price differentials on rational criteria, for graduating MSP fixations according to different grades, (ii) look into the trade driven price**

differential of raw jute of TD-5 grade grown in both North and South Bengal in terms of fibre quality, spinnability, etc. and evolve a mechanism by which the issue of price differential could be sorted out and (iii) look into the issue of recommending MSP for raw jute of TD-5 grade without reference to ex-Assam.

43. 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 **the minimum support price of TD-5 grade of jute ex-Assam for the 2009-10 season be fixed at Rs. 1375 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.**

-Sd-

(S. MAHENDRA DEV)

CHAIRMAN

-Sd-

(R. VISWANATHAN)

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(K. G. RADHAKRISHNAN)

MEMBER SECRETARY

October 15, 2008