

CHAPTER-V

MARKETING NETWORK FOR JUTE

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5.1 Introduction

Jute is a natural fiber popularly known as the golden fiber. It is one of the cheapest and the strongest of all natural fibers and considered as fiber of the future. Jute is second only to cotton in world's production of textile fibers. The cultivation of Jute in India is mainly confined to the eastern states of India viz., West Bengal, Bihar, Assam, Tripura, Meghalaya, Orissa and Uttar Pradesh. The scope of marketing of jute is considered to be one of the important ingredients of its production process. A developed market is an incentive to the producer to produce more without having any inkling of fear of exploitation of market margins. The market for raw jute is highly fragmented and the number of channels involved in the market is quite large. The interest of the channel member is conflicting with each other especially with the producer. The difference between the consumer's rupee and price paid by the grower widens. Farmers have no bargaining power over price. They are deprived of remunerative price. This imperfection of raw jute market leads to various marketing inefficiencies. There is a need for thorough examination of the market structure, marketing difficulties and other market related issues. The following sections contain a brief analysis of all of the aspects.

5.2 Functionaries of jute marketing

The principal functionaries involved in the marketing of raw jute from producer to consumer are identified to be farias, paikars, baperies, dalals (brokers), aratdars, balers, cooperative societies and Jute Corporation of India (JCI). These marketing functionaries or marketing intermediaries perform various functions at different stages of jute marketing. A brief description about these functionaries is given below.

Farias and Paikars – Farias and paikars are the itinerant traders who create the first link between producer farmer and the buyer of raw jute in the marketing channel. The maximum portion of raw jute sold by the farmer producers are passed to higher intermediaries through farias. Among all channel members farias are found to be the preponderant category of peripatetic traders who create the first and direct link with farmer producer of jute. These members generally have a wide area network at the grower's level.

Baperi – Baperies are also itinerant traders like farias functioned normally in the primary and secondary markets. This class of intermediary has no godown of its own. They run their business at place of mahajan or aratdar.

Aratdar – Aratdar is functioning between farmer- sellers and balers. The importance of this class of channel member lies in financing the business of farias. Generally aratdars have big storage facility and store fiber brought by farias and disposing the produce to the balers on the basis of agreed commission from the suppliers i.e. growers, farias etc. Apart from earning commission aratdars are also engaged in buying and selling of raw jute and earn profit. Aratdars' activity is largely confined to secondary market.

Dalal (Broker) – Dalal is the agent employed to effect bargains or contract between buyer and seller for which he gets from the latter a commission called brokerage. This type of intermediary normally functioned in the secondary market. He never enters into the interior village rural market. This class of intermediaries' activity is more or less confined in jute baling centre level.

Kutch Baler – Kutch bale is a loosely pressed bale intended for dispatch to pucca baling centre. In primary and secondary market jute is handled by growers, farias, paikars, baperies, dalals in loose form made up to bundle of varying size and weights. The kutch baler is located at a convenient central location and prepares (sorting in to commercial grade) the unassorted jute for sale in the terminal markets and to the jute mills. Such sorting in commercial grade is called kutch baling which is half pressed raw jute.

Pucca Baler – A pucca baler assort the raw jute into standard qualities. This kind of baler grades the fibre for export, cuts off the hard root end and presses the jute into pucca bales. It is pressed hydraulically and processed the bale usually bound with jute ropes. Its standard size is (120 X 45 X 50) cm having net weight of 180 kg. Pucca baling centres are located in upcountry markets. The mills in India however, buy a very small proportion of their raw jute requirement in the form of pucca bales.

Cooperative Society – Cooperative marketing societies are another kind of marketing intermediaries engaged in the raw jute marketing. They are largely considered to be the

agent of Jute Corporation of India (JCI). Jute procured by the cooperative societies is sold to JCI. The contribution of this agency in the trading of raw jute is not yet perceptible.

Jute Corporate of India (JCI) – The Jute Corporation of India (JCI) was set up in 1971 as an official agency by the Government of India with the aim to provide Minimum Support Price (MSP) to the jute cultivators and also work as a helping hand in the raw jute sector. JCI was established by the Indian Government for the welfare of the jute growers, for example, granting them a certain amount of funds with the help of which they can have their own farming sector of jute. The JCI was first started as a small official agency at the beginning but then slowly it expanded its networking and now has almost spread in seven states successfully for jute growing.

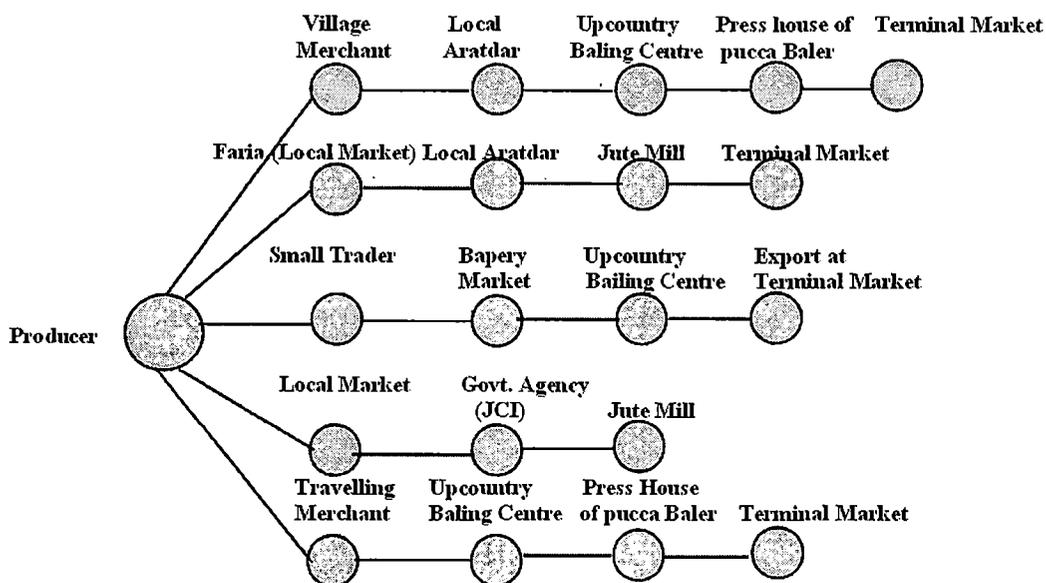
5.3 Marketing channels of jute

It has been observed that most of the jute producer belongs to small and marginal farmer categories. These farmers have inadequate holding capacity and sell maximum portion of their produce in peak season i.e. from September to December. More than 75 percent of the total fibre production arrives in the market during the four months period from September to December in each jute season (Roul, 2009). Generally, village traders collect the raw jute from the village market or from cultivator's house. Then they sell it to aratdars or to local agents of baler or jute mills. These agents also buy from aratdars. Ultimately jute is sent to miller at terminal market. It is evident that most of the raw jute passes through multiple channel before it is consumed by jute mills. The member of channel varies from three to five.

The common marketing channels of jute have been identified as follows:

Channel I	Producer - Village Merchant - Local Aratder - Upcountry Baling Centre - Press house of pucca Baler - Terminal Market
Channel II	Producer - Faria (Local market) - Local Aratdar - Jute Mills - Terminal Market
Channel III	Producer - Small Trader - Bapery - Upcountry Baling Centres - Export at Terminal Market
Channel IV	Producer- Local Market - Govt. Agency (JCI) – Jute Mill
Channel V	Producer- Travelling Merchant- Upcountry Baling Centre- Press house of pucca Balers- Terminal Market

Common marketing channels of jute are presented in tree diagram 5.1

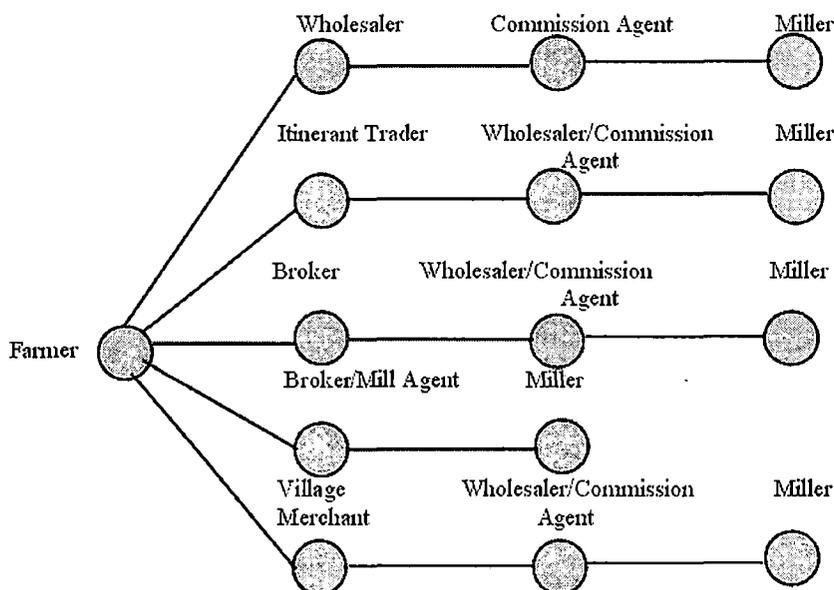


Tree Diagram 5.1

In a study Prasad (2005) has identified the following important marketing channels of raw jute:

- Channel I Farmer - Wholesaler - Commission Agent - Miller
- Channel II Farmer - Itinerant Trader - Wholesaler/Commission Agent - Miller
- Channel III Farmer - Broker - Wholesaler/Commission Agent - Miller
- Channel IV Farmer - Broker/Mill Agent - Miller
- Channel V Farmer - Village Merchant - Wholesaler/Commission Agent - Miller

Jute marketing channels (Prasad, 2005) are presented in tree diagram 5.2



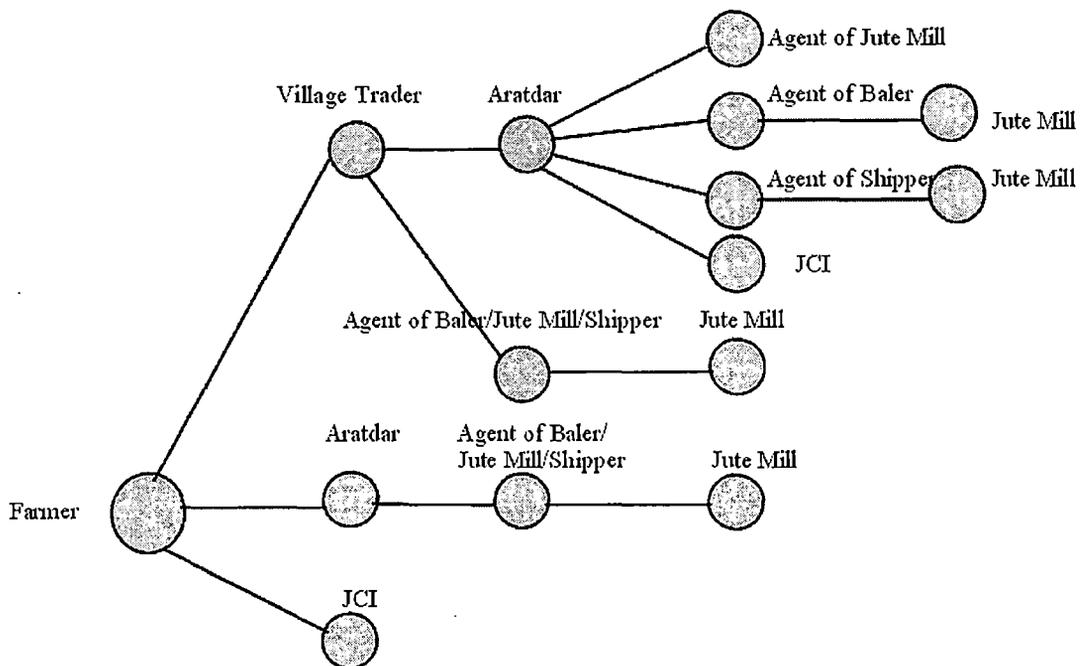
Tree Diagram 5.2

From the study it is revealed that 81.7 percent of total farmers followed marketing channel I. This means that marketing channel I is the commonest channel followed by farmers. Next to it is the marketing channel III (i.e. sale through broker, from broker to wholesaler/commission agent and from wholesaler/commission agent to the miller) which is followed by 13.0 percent of the farmers. The marketing channel II is followed by 5.3 percent of the farmers.

The following marketing channels of jute have been identified by Roul (2009):

- Channel I Farmer - Village Trader - Aratdar - Agent of Jute Mill
- Channel II Farmer - Village Trader - Aratdar - Agent of Baler - Jute Mill
- Channel III Farmer - Village Trader - Aratdar - Agent of Shipper - Jute Mill
- Channel IV Farmer - Aratdar - Agent of Baler/ Jute Mill/ Shipper - Jute Mill
- Channel V Farmer - Village Trader- Agent of Baler/ Jute Mill/ Shipper - Jute Mill
- Channel VI Farmer - JCI
- Channel VII Farmer - Village Trader - Aratdar- JCI

Jute marketing channels (Roul, 2009) are exhibited in tree diagram 5.3

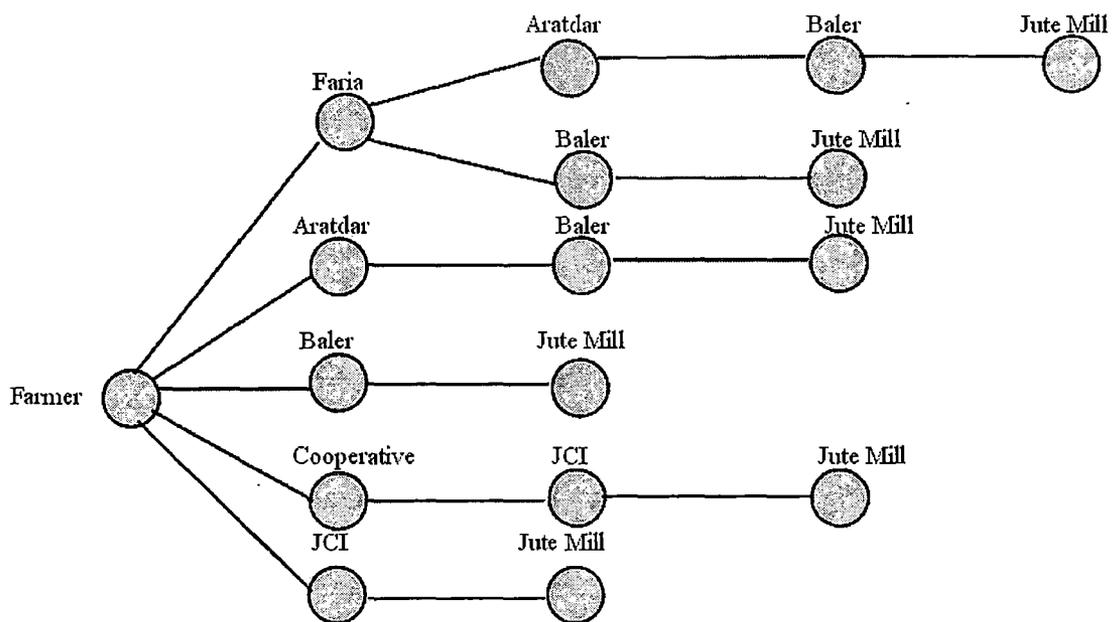


Tree Diagram 5.3

In another study six marketing channels of jute were identified in Nadia district of West Bengal (Barbhuiya, 1987).The channels are as follows.

- Channel I Farmer - Faria - Aratdar - Baler- Jute Mill
- Channel II Farmer - Aratdar - Baler - Jute Mill
- Channel III Farmer - Baler - Jute Mill
- Channel IV Farmer - Faria - Baler - Jute Mill
- Channel V Farmer - Cooperative – JCI - Jute Mill
- Channel VI Farmer - JCI - Jute Mill

Jute marketing channels (Barbhuiya, 1987) are exhibited in tree diagram 5.4



Tree Diagram 5.4

According to the study farias, aratdars and balers are noted to be dominant functionaries in the marketing of raw jute. The role of JCI and cooperative societies in jute marketing are considered to be negligible. Channel I is the most important channel through which major part of the produce moves from farmers to jute mills. According to a rough estimate by Indian Jute Manufacturer Association (IJMA) nearly 70 percent of the market arrivals pass to Jute mills and JCI through the Farmer- Faria - Aratdar - JCI/Mill channels (Roul, 2009)

5.4 Marketing system

The movement of raw jute from the cultivator to the consumer involves three distinct stages. In the first stage, the raw jute moves from the villages to primary assembling markets or haats. These primary markets or haats constitute the first important link in the long channel of marketing of raw jute. A small percent of the marketable surplus is disposed of by growers at their very doors and the major proportion is taken by them to the primary markets for sale. In the second stage raw jute moves from the villages or haats to the secondary markets which are also usually the baling centres. Only a small percent of jute arriving in these secondary markets is brought directly by growers. The movement from the up-country baling centres to the jute mills in Calcutta and other places and to the loose jute markets and the pucca baling centres in Calcutta constitutes the third stage. Thus, the primary assembling markets or haats and the secondary markets have a very vital role to play in the marketing of raw jute. In all the stages of movement, a large number of marketing intermediaries are involved. Various functions like assembling, grading, financing, storage, transportation etc are performed by these intermediaries. Jute is generally sold in the primary village market in unassorted form. The kutcha baler sorting the unassorted jute into commercial grade for sale in the terminal markets and jute mills. In primary village market Jute is packed into lightly twisted bundle. These bundles are called "morah". The aratdar is a middleman who generally operates in the secondary markets between the sellers (grower, peripatetic dealers, farias, baperies) and the buyers (balers, mills). Aratdar may purchase on his own account (merchant aratdar) or act as a commission agent for buyer and seller. He also finances the baperies and farias. The aratdarts sometimes work as rural money lenders also. Jute growers take loan from them on the basis of dadan (advance) under which growers bound to sell their produce to the money lender. Aratdar performs various functions of marketing like storage assembling, transportation etc. Balers purchase the jute from aratdars at secondary market. In the baling centre jute is handled by the kutcha balers, who assort the raw jute into commercial grade with the help of 'Jachandar' (grader). 'Jachandar' works under the baler and grade the fibre according to strength, colour, fineness, density, root content etc. Some baling centres having head quarter at kolkata, had maintained baling establishment at secondary markets. Most of the jute mills buy raw jute in the form of kutcha bales.

In the next stage jute is sent to terminal markets. The terminal market is the place where most of the produce from different areas is assembled prior to the final distribution either to local manufacturer or for exports purpose. Kolkata is the terminal market for raw jute produced in West Bengal. Most of the jute mills consuming a substantial portion of India's raw jute are located at kolkata. A portion of the kutchha bales passes to the pucca balers, who assort the raw jute into standard qualities of the baler and then packed into pucca bales. A pucca bale is 180 kg (400lbs) of fibre packed by means of hydraulic presses into bales of high density. Most of the pucca baling takes place in and around Kolkata. Pucca bales are mostly exported. Mills in India buy only a small portion as pucca bale.

Unlike other agricultural commodities where the movement of produces from the farm to the consuming centres is multidirectional, in the case of jute almost the entire production moves into single direction only, i e, towards kolkata where most of the jute mills are located. Further, the movement takes place within a relatively short period after the harvest. The mills generally start procurement from the secondary markets and dispatch commences from the month of September.

5.5 Problems of jute marketing

In the process of agriculture marketing, the movement of produce from the place of production to the house of consumer in adequate quantities at a minimum cost and at a reasonable margin of profit to the trader encompasses all the chief characteristics of an efficient marketing system. In raw jute marketing the market is highly fragmented and the number of channels involved in the market is quite large. The fragmented nature of market or absence of market leads to a number of market inefficiencies. The incentive effect of marketing is vitiated by the allocative inefficiency and inequitable features of the traditional jute marketing system with powerful monopsonistic functionaries at the upper echelons of marketing, particularly the commission agents of mills, that appropriate a disproportionately large margin compared to the services they provide even in terms of the value judgment of conservative official reports (Report of the Task Force on Jute Textiles - Government of India, 1981). The difference between consumer price (price of jute mill) and the price received by the farmer is an indicator of such market

inefficiency. The difference varies between 40-50 percent depending on the location of the grower's field and the nature of communication/transportation infrastructure in and around the growing area (Roul, 2009). Typically jute trading involves multiple intermediary levels. It is already mentioned that farias, aratders (stokists), dalals (brokers), balers, cooperative agencies and Jute Corporation of India are the dominant intermediaries. Jute is collected by a faria who sells it to the local trader/purchase centre and then sends to baler in the secondary market and ultimately to the jute mills or raw jute exporter at terminal market. So the existence of long chain of marketing intermediaries is the fundamental weakness in the marketing system of raw jute. These intermediaries are claiming higher margin at every stage of marketing. Again grower marketing is not more than 10 percent of the produce directly and not more than 10 percent of the jute production in the country is purchased by the Jute Corporation of India. So the situation depicts that various marketing intermediaries directly control the jute markets. On the other side, limited number of cooperatives which functioning limited or not functioning and weak institutional credit system aggravated the situation further. Majority of farmers are forced to sell their jute at village market or their door step. They do not receive what consumer's pay. Intermediaries and middlemen wipe out the market margin. MSP announced by the government becomes redundant, particularly to small and marginal farmers. To many, MSP does not reach. Further JCI purchases raw jute at the support price but farmers complain of low prices being paid by them. It is reported that Jute Corporation of India purchases raw jute at the time when the market prices are higher than the support price. It closes down its purchase when market price is lower than the support price (Prasad, 2005). Again JCI centre is too far from the village and involves high transportation cost. More over, if one goes to JCI he will have to forgo one day's wage. Again JCI issues bank cheque for payment; it is another problem to encash the cheque by the farmer. So opportunity cost for selling at JCI centre is higher and marginal farmers cannot access it.

Most of the farmers are in serious liquidity crisis during jute harvesting season so they are not in a position to hold the stock, they are bound to sell their jute as quickly as possible at whatever price is offered. Growers have no say over fixation of grades and what-ever the traders say about quality is final. On the other side due to festive season

(Durga Puja, Dewali, Id-Uz-Zuha etc.) they need money to fulfill the requirements of family and to repay the loan. Moreover, most of jute growers are marginal farmers, they produce in very small quantity. Cash crisis and small quantity produces leave them with almost no bargaining power over price. Growers could gain bargaining power if they were organized in associations. But no such organization of growers exists.

It is well known that most of the raw jute is marketed through unorganised marketing system. The unorganised marketing system prevents the producers from the benefit of favourable price fluctuation in the primary market of jute. The jute growers have got little effective control over the marketing of jute. Jute is accumulated and stored by the traders which ultimately lead to price instability. Under this situation, even there is of increased demand for jute in the jute mills, the price benefits go mainly to the traders.

5.6 Conclusion

The participation of jute growers in the marketing of the crop is very poor. A variety of reasons contribute to this situation. Most of them are small and marginal farmers. The quantity produced by them is also small which is available for sale. They are not organised and are unable to take a collective position. They are suffering due to insufficient credit system. Another reason is that the location of marketing centre is away from the producing area. As a result, the intermediaries between the jute grower and the consumer continue to take advantage of large percentage of profit from the consumers' price for the services they perform. Cost reduction is possible only when there is direct participation by the growers. Although co-operative marketing of jute has not made much development, that seems to be a solution in the existing conditions. This has assumed greater importance with the establishment of a public sector agency in the form of the Jute Corporation to undertake purchases from the jute growers. Integrated development of marketing, processing and credit functions by jute growers' co-operatives can also solve the problem.