

CHAPTER-VII

INTERVENTION OF INSTITUTIONS IN JUTE MARKETING

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7.1 Introduction

The role of jute marketing in economic development is appreciated from long back. Since millions of people are directly and indirectly dependent on jute cultivation and its marketing, government has taken firm initiatives to strengthen this sector. Moreover, increasing use of cheap but hazardous plastic has also drawn attention of the environment friendly organizations. Jute price becomes highly volatile and fluctuate time to time. This situation necessitated government intervention as a stabilizing agency to protect the growers' interest. A remunerative support price and good procurement mechanism may act as a powerful instrument in imparting a certain amount of stability in jute production.

7.2 Role of Jute Corporation of India

Jute Corporation of India (JCI) was set up in 1971 with the main aim of providing Minimum Support Price (MSP) to the jute farmers and to serve as a stabilising agency in the raw jute sector. JCI functions through its head office located in Kolkata and sixteen Regional Offices (RO) and 171 Departmental Purchase Centres (DPCs) and Sub-Centres (SCs) located in six major jute growing states (Roul, 2009). JCI was established for the welfare of the jute growers. It was first started as a small official agency at the beginning but then slowly it expanded its networking. One of the major objectives of Jute Corporation is to conduct purchase operations to ensure the maintenance of support price. The Government of India fixes the Minimum Support Price (MSP) for JCI from time to time and JCI makes the arrangement to procure raw jute from the farmers which is based on the MSP fixed by the Government. However, if the price support programme for raw jute has to benefit the jute growers, it is imperative that the jute growers are brought into direct contact with the public sector agency. The full impact of the price support operations would not be felt unless the growers are brought into direct contact with the institutional apparatus designed to provide such support. Otherwise, there is a danger of the benefit of the support programme not reaching the growers but being appropriated by the middlemen who figure between the cultivators and the public sector agency. To ensure the benefit of price support for genuine jute farmers, it is imperative that the jute farmers are correctly identified. It is observed that the JCI does not have a system of identifying such farmers properly.

The JCI is expected to assume a commanding position in the jute market and act as the most powerful stabilizing factor to ensure remunerative prices to the jute farmers. JCI, however, procured only 0.98 percent to 10.04 percent of the available jute during the last seven years. Year wise total production of jute and its procurement by the JCI during the year 2003-04 to year 2009-10 has been shown in the table-7.1. It is clear from the table that despite substantial expenditure JCI could not play any significant role in procurement of jute from farmers. There are 500 centres where jute purchases are transacted. The JCI through its DPCs and SCs, operates in 171 centres and has appointed co-operative societies in further 40 centres for carrying out MSP operation on its behalf. Thus, total coverage by the JCI is only 43 per cent of the jute centres resulting in some DPCs and SCs catering to more than 10 administrative blocks (Ministry of Textiles, Govt. of India, 2010-11). During 2000-01 to 2008-09, the procurement operation was less than 16 percent of the market arrivals. The inadequacies were more expressed in far-flung and remote areas (CACP, 2009). From table-7.1 it is observed that the existing centres could procure only 0.98 percent to 10.04 percent of total production of jute between 2003-04 and 2008-09. As a result, the benefit of price support was not made available to most of the farmers. The farmers had to sell their produce at prices lower than MSP. This was due to poor planning and inadequate infrastructure of the corporation. It is also important that the geographical locations of some DPCs and SCs are not farmer convenient since they are located at places far from the jute growing areas. There is no system of penetration by the JCI into remote villages and primary markets where distress sales take place to enforce minimum support prices. Another serious handicap of JCI is the lack of storage and rural communication facilities which impeded the proliferation of its buying network at the rural primary-market. This resulted in both long distance travel and extra cost to the farmers and even distress sale in the local markets. The miseries of JCI were compounded by the lack of adequate support from co-operative societies. The share of co-operative societies in jute procurement was unsatisfactory. There was no successful record of procurement scheme by the cooperative marketing societies. The government cooperative marketing societies have all the lethargy of a public sector official and lack of serious eagerness to develop his expertise (Bhuimali, 2003). Jute Cooperatives should play a more active role as agents of the Jute Corporation of India so that the farmers can derive the full benefit from the support prices fixed by the government

Table-7.1: Year wise total production of jute and its procurement by the JCI

Year of Operation	Production of Jute and Mesta (Lakh bales)	JCI's Procurement of Raw Jute (Lakh bales)			Percentage of JCI's Procurement to total Production	Procurement Expenses (Rs in Crore)	Fixed Overhead Expenses (Rs in Crore)
		Under MSP	Under Commercial price	Total			
2003-04	111.73	11.22	0	11.22	10.04	187.36	36.59
2004-05	102.72	3.56	0	3.56	3.47	75.20	41.11
2005-06	108.40	0.002	1.41	1.41	1.30	33.63	34.29
2006-07	114.21	0.023	4.82	4.84	4.24	123.45	38.72
2007-08	113.4	7.66	0	7.66	6.75	158.00	40.68
2008-09	103.66	1.02	0	1.02	0.98	33.66	70.81
2009-10	111.04	--	--	1.23	1.10	--	--

Source: National Jute Board (2010), Ministry of Textiles- Govt. of India.

Period: July-June

Jute produced in North Bengal is superior in quality compared to South Bengal. Farmers obtain a premium of Rs. 300 - 400 per quintal (ruling price) in the market over the jute produced in South Bengal (table-7.2) However, its better quality has not been considered while fixing the MSP for North Bengal's jute. The MSP of TD-5¹ (North Bengal) along with other location is derived after deducting freight charges, other charges and market levy from TD-5 Kolkata price of that particular location. The freight charges are higher for North Bengal so MSP's are reduced from the Kolkata price for the districts of North Bengal.

Thus, the MSP for North Bengal is lower than that of South Bengal despite better quality. MSP for the North Bengal's TD-5 jute was Rs. 1275 per quintal and the MSP for the south Bengal TD-5 jute was Rs.1313 per quintal in the year 2008-09. Dr. R. C. Tiwari, Chairman-cum-Managing Director, Jute Corporation of India (2007-08) has also mentioned in chairman's speech that the ruling price of North Bengal jute always ruled high due to its better fiber characteristic but the MSP was lower than that of South Bengal. Same thing happened in the year 2010-11 (table-7.2). It appears that the jute mills are benefiting by getting premium quality jute of North Bengal at lower price at the cost of the farmers.

Table-7.2: MSP and Ruling Market Rate as on: 30th Jun- 2011 (2010-2011 Crop Year)

Area / State	Region	No. of		Jute Variety	Minimum Support Price(Rs/Quinta) *	Up Country Ruling Market Rate Ex-Mokam (Rs/Quintal) *
		JCI	Co-op			
South Bengal	Barasat	16	15	Tossa	1638	2400 - 2800
	Krishnagar	15	14	Tossa	1638	2326
	Berhampore	13	21	Tossa	1625	2326
	Betuadahar	11	5	Tossa	1625 - 1638	2326
	Sheoraphully	11	19	Tossa	1625 - 1638	--
Semi Northern	Siliguri	2	2	Tossa	1613	2600 - 2800
	Malda	12	21	Tossa	1613	--
				Mesta	1583	--
Northern	Siliguri	9	6	Tossa	1600	2800 - 3100
				White	1550	
	Coochbehar	13	6	Tossa	1600	2800 - 3100
				White	1550	--
Assam	Guwahati	7	6	Tossa	1575	--
				White	1525	--
	Dhubri	6	6	Tossa	1575	--
				White	1525	--
				Mesta	1545	--
	Nagaon	12	4	Tossa	1575	--
Meghalaya	Guwahati	1	3	Tossa	1575	--
Bihar	Purnia	11	15	Tossa	1606	2800 - 3100
	Saharsa	9	5	Tossa	1590	2800 - 3100
				Mesta	1560	
Orissa	Cuttack	6	17	Tossa	1612	
				White	1562	2700 - 2900

Source: JCI, 2011 / Kolkata Remarks: * for TD-5 / W-5

As report stated, The Commission for Agriculture Costs and Prices (CACP)² that they declared MSP between October to December every year. There after JCI circulated and notified MSP through its regional offices, departmental purchase centres and sub centres. It is observed that the CACP declares MSP well before the commencement of the sowing season (March-April) but the MSP is generally announced in the month of May or June. Delayed announcement of MSP adversely affects the decision of farmers to allocate land and other resources to jute farming. JCI should ensure that MSP for all grades and locations is announced well before the commencement of the sowing season each year

7.3 Government intervention in jute marketing

The jute growers in North Bengal are facing severe crisis as prices of their produces have sharply declined, causing distress sale. They are not even getting the declared minimum support price as there is little or no effort from the government machinery for procuring

the crops. The highest price per quintal of jute, which was around Rs. 4000 per quintal during the year 2010-11 has come down this year (2011-12) to around Rs. 2000 per quintal. In some of the major jute-growing districts in North Bengal namely Coochbehar, Jalpaiguri, Uttar and Dakshin Dinajpur the prices remain even lower. Repeated appeals by the peasants to the State Government and Jute Corporation of India for procurement of jute have yielded no results. The middlemen are taking every opportunity available and forcibly lowering the prices. There is perceptible anger among the peasants who have come out in protest.

In the year 2011-12 MSP declared by JCI which started from Rs. 1646 per quintal in TD-5 category. These MSPs differ from state to state and district to district. In West Bengal farmers got Rs. 1,700 for a quintal of jute in Coochbehar and Jalpaiguri, Rs. 1,713 in Dakshin Dinajpur and Malda, Rs. 1,725 in Murshidabad and Rs. 1,738 in Nadia, Howrah, Hooghly, Burdwan, Purbo and Paschim Midnapur and Dakshin and Uttar 24-Parganas (table- 7.3). Farmers are dissatisfied with these minimum support prices because of the fact that cost of production of Jute is much higher. Again they blame the central government for fixing the MSP below the market price. On the other hand, the procurement by Jute Corporation of India is very low in spite of having 101 procurement centres in the state. As a result, farmers are forced to settle for a rate which is far less than the cost of production and the process end up by making huge debts from local money lenders and banks. West Bengal government had asked for the additional support as the production cost of raw jute is Rs. 1,900-1,950 per quintal, whereas the MSP is Rs. 1,700 per quintal. There are about 40 lakh jute growers in the country and the majority of them are in West Bengal. (The Economics Times, 4th November, 2011). Again West Bengal Government requested to the Central Government to increase support price by Rs. 400 per quintals but the Central Government did not respond to that request. Union Agriculture Minister informed the State Government that the JCI could not increase the Minimum Support Price of jute by Rs. 400 as requested. (The Telegraph, 19th October, 2011). Then State Government has taken the decision to give a per quintal subsidy of Rs. 100 of jute procured by the JCI, though this subsidy could not help the farmers due to improper procurement planning of Jute Corporation of India. This, in fact, has not helped the jute growers in any way. This only has benefited the traders and middlemen.

Table-7.3: Minimum Support Price for raw jute at up-country markets in different jute growing states for 2011-12 season

States	Districts	Variety	Minimum Support Price(Rs/Quinta) *
Assam & Meghalaya	All Districts	Tossa	1,675
		White	1,625
Tripura	All Districts	Tossa	1,646
		White	1,596
Bihar	Purnea, Kishanganj, Katihar and Araria Dists	Tossa	1,706
		White	1,656
	Saharsa, Champaran (E&W), Other Dists.	Tossa	1,690
		White	1,640
Uttar Pradesh	All Districts	Tossa	1,653
		White	1,603
Orissa	All Districts	Tossa	1,712
		White	1,662
West Bengal	Coochbehar, Jalpaiguri & Darjeeling Dista	Tossa	1,700
		White	1,650
	Uttar & Dakshin Dinajpur, Malda	Tossa	1,713
		White	1,663
	Murshidabad, Bankura, Birbhum	Tossa	1,725
		White	1,675
	Nadia, Howrah, Hooghly, Burdwan, Midnepur (E&W) & 24-Parganas (S&N)	Tossa	1,738
		White	1,688

Source: JCI, 2011 / Kolkata.

Remarks: * for TD-5 / W-5

It is also important to mention that the Commission for Agricultural Costs and Prices has declared its price policy (Govt. of India, 9th March, 2012) for raw jute for the 2012-13 season after considering all the relevant factors, including the overall demand-supply situation, market prices, status of the jute economy, cost of production of jute etc. The Commission has fixed the MSP of TD-5 grade of raw jute ex-Assam for the 2012-13 season at Rs.2200 per quintal. This price is not at all remunerative because labour cost, cost of loan (i.e. the rate of interest) and the cost of chemical fertilizer are very high. This needs careful calculation of costs and benefits by the appropriate authority before finally announcing the MSP for raw jute.

7.4 Conclusion

For any governmental intervention to succeed in the farm sector of jute the recipients growers at village levels are not organised and are unable to take a collective position. Organising the growers into groups and empowering them to address their issues will go a long way in reducing the volatility in raw jute prices and ensuring better returns to them. Government declares Support prices for the benefit of farmers but this is often announced much after sowing has commenced, sometimes even when harvesting is round the corner. A timely announcement of MSP and procurement can facilitate the marketing process and help the farmers. To give incentive to the farmers JCI should plan properly to reach the support to ultimate farmers. Establishment and development of cooperative marketing-cum-credit societies can help the farmers to secure higher returns. These societies can establish a link between the jute growers on the one hand and the Jute Corporation of India, on the other. The Government should provide necessary support to the sector in the form of compulsory use of jute packaging materials for certain commodities. This has helped the jute sector to stabilize and has also ensured a better return to the jute farmers.

Note

1. Raw jute is classified for trading and for manufacture into jute products in jute mills on the bases of length, strength, fineness, lusture and colour. White jute is available in the 8 grades. W-5 is one of the grades among the 8 grades. Tossa jute is also available in 8 grades. TD-5 is one of the grades among the 8 grades.
2. CACP is a central Government body to advise the Government on price policy of major agricultural commodities with a view to evolving a balance and integrated price structure in the perspective of the overall needs of the economy and with due regard to the interests of the producer and the consumer.