

## Chapter X

### PRICE-COST PROSPECT AND EX POST LEVEL OF ADMINISTERED PRICE OF JUTE IN COOCH BEHAR DISTRICT

#### 10.1 Introduction

The incentive of the farmers to produce any commodity, specially cash crop, hinges upon the extent of material gain in the form of profit, not per unit of land but per unit of output. The extent of material gain vis-a-vis profit per unit of output depends predominantly on the efficacy of the price to cover the per unit cost of production of the commodity concerned. That is, the incentive to produce any commodity depends mainly upon the remunerativeness of price. But there prevails a common allegation over years, except the peak price years, among the jute growers that jute price is highly unremunerative. This price is unable to cover the existing level of per unit cost of production which is also evinced from the opinion survey on the sample jute growers in the district of Cooch Behar.

In the year 1971 the Government of India set up an institution called the Jute Corporation of India. Through this the Government announces from time to time the different levels of minimum support and procurement price i.e., administered price for different jute growing zones and for different categories of jute with a view to removing the

inefficacy of the prices paid by other jute market institutions besides the Jute Corporation of India to cover cost of production of jute per unit of output and making jute production remunerative and gainful in terms of its profitability per unit of output. It is reported by the office of the Jute Corporation of India, Cooch Behar district, that from the marketing point of view the dominant variety of jute cultivated in this district is TD-5. The price fixed by the Jute Corporation of India for this variety in the year 1992-93 was of the order of Rs. 413.00 per quintal.

#### 10.2. Position of Jute Price Fixed by the Jute Corporation of India and Other Related Issues

In the year 1992-93 the overall average market prices at which the farmers in the different selected blocks of Cooch Behar district are observed to sell raw jute are of the orders of Rs. 500.16, Rs. 406.05, Rs. 411.62 and Rs. 419.88 per quintal respectively for Haldibari, Cooch Behar II, Dinhata I and Tufanganj II blocks. The comparison of Rs. 413.00, the administered price fixed by the Jute Corporation of India in the said year, with the stated prices exhibits that the administered price is higher in Cooch Behar II and Dinhata I blocks while that is lower in Haldibari and Tufanganj II Blocks. Thus it is observed that the position of administered price fixed by the Jute Corporation of India in relation

to the overall average market price received by the farmers in the selected blocks of Cooch Behar district is mixed in character. However, the prospect in this respect concerning the district as a whole shows that the administered price fixed by the Jute Corporation of India for the year 1992-93 at Rs. 413.00 is strikingly lower than Rs. 447.31, the overall average market price per quintal received by the farmers.

As the administered price is lower than the over all average market price, it becomes more meaningful to assess here the remunerativeness of the later rather than the former and to search out whether there exists any need of refixing the administered price.

Table 10.1 manifests that the overall average market price in Cooch Behar district is significantly above the cost of production of jute per quintal measured in terms of Cost  $A_1$  and cash expenditure. But that is lying remarkably below the cost of production of jute per quintal measured on the basis of two other cost concepts, namely, cost B and cost C. Therefore, though the price received by the jute-growing farmers in this district is observed to be remunerative in terms of its efficacy of covering cost  $A_1$  and cash expenditure that is not so in relation to the cost of production of jute per quintal measured on the basis of cost B and cost C. This observed unremunerativeness of over-all average market

price received by the farmers in this district specially in terms of full cost principle i.e., cost C necessitates re-fixing of a new normative or administered price on the basis of full cost principle by the intervention of the Government in this sphere through the Jute Corporation of India with a view to protecting the interests of the jute-growing farmers in this district. This practice may bring forth such a situation where the jute growers in this district may be remunerated in the true sense of the term although the calculation of cost C is associated with some arbitrariness.

### 10.3. Indication about the Level of Re-fixing the Normative Price or Administered Price

The re-fixation of administered or normative price of jute for this district on the basis of average cost per unit of output can be said to be appropriate only when there exists minimum inter-farm variation in the per unit cost of production<sup>1</sup>. In the case where there is wide inter-farm variation in the per unit cost of production, the re-fixation of administered price on the basis of average cost of

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1. Pal, A. (1990) wheat Revolution in India (Constraints and Prospects), Mittal Publications, New Delhi-59, p. 181.

production loses its statistical significance. Wide inter-farm differences in the per unit cost of production of jute in this district is noted in Table 10.2. At this juncture this may be argued that the bulk of output may be produced within the limit of the estimated average cost per unit of output despite the existence of wide range of inter-farm variation in the unit cost of production of jute. But from Table 10.2 it is observed that only 49.69 per cent of output of jute is being produced within the noted limit of the estimated average cost of production in Cooch Behar district. A further examination of the same table reveals that the cumulative percentages of holding and area lying within the estimated average cost of production of jute in this district are noted to be 50.42 and 43.83 respectively. As the remarkable cumulative percentages of production, holding and area are observed lying outside the limit of the estimated average cost of production of jute in terms of cost C in this district, so the consideration of average cost of production of jute as an appropriate basis of refixation of administered price for this district loses its importance. It may, therefore, be necessary to think of other bases.

Among other bases, the bulk-line cost defined to cover 85 per cent of production along with covering the maximum

possible jute-growing area and protecting the interests of the largest possible number of jute-growing farmers can be considered as the most appropriate mechanism of refixing the administered price in this district. The cost per quintal of jute within the range of Rs. 810 to Rs. 840 covers 85.90 per cent of output, 81.55 per cent of area and 87.09 per cent of holding in this district as revealed in Table 10.3. This range of cost per quintal of jute on the basis of cost C satisfies the definition of bulk-line cost as mentioned. Therefore, the price of jute should be refixed within the range of Rs. 810 to Rs. 840 per quintal for this district. The refixation of price within this range will ensure the protection of the interests of the largest number of farmers making their jute cultivation remunerative in the true sense of the term.

#### 10.4. Findings

The lower magnitude of overall average market price received by the jute growers in Cooch Behar district in relation to cost C per quintal of jute establishes the unremunerativeness of jute price in this district. Besides, the strikingly lower position of price fixed by the Jute Corporation of India in comparison to over-all average market price corroborates the ineffectiveness of the present administered price to cover the full cost of production of

jute per quintal measured on the basis of cost C as well as to fully remunerate the jute growers in this district. The lower position of the prevailing administered price along with the low overall average market price relative to cost of production of jute per quintal measured in terms of full cost principle gives rise to the necessity of refixing administered price to a new level. The consideration of average cost of production on the basis of full cost principle in refixing a new level of administered price shows that remarkable percentages of production, holding and area in this district remain unremunerated. This raises the imperative need to work out the new level of administered price in accordance with the bulk-line cost principle. With the objective of remunerating the jute growers in this district in the true sense of the term, we have suggested as per the above principle to refix the administered price at a new level within the range of Rs. 810 to Rs. 840 per quintal.

## Tables of Chapter X

Table 10.1 Over-All Average Price per Quintal of Jute Received by the Farmers and Cost of Production of Jute per Quintal Measured on the Basis of Cost  $A_1$ , Cost B, Cost C and Cash Expenditure along with the Difference between Those in Cooch Behar District for the Year 1992-93

Name of the items	Magnitudes (in Rs.)
Over all average price per quintal of jute received by the farmers	447.31
Cost of production of jute per quintal on the basis of :	
i) Cost $A_1$	371.41
ii) Cost B	519.44
iii) Cost C	662.79
iv) Cash expenditure	312.81
Surplus of over all average price received by the farmers over cost of production of jute per quintal on the basis of :	
i) Cost $A_1$	75.90
ii) Cost B	-72.13
iii) Cost C	-215.48
iv) Cash expenditure	134.50



Table 10.2 Magnitudes of Highest and Lowest Cost, Related Range, Average Cost of Production per Quintal of Jute and Percentages of Production, Holding and Area Covered at Average Cost of Production in the Year 1992-93 for Cooch Behar District.

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Cost per quintal of jute on the basis of Cost C (in Rs. )	Maximum	1538.85
	Minimum	407.24
	Average	662.79
Range between maximum and minimum cost		1131.61
Percentage covered at average cost (cost C) per quintal of jute	i) Production	49.69
	ii) Holding	50.42
	iii) Area	43.83

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Table 10.3 Bulk-line Cost of Production of Jute on the Basis of Full Cost Principle (Cost C) in Cooch Behar District in the Year 1992-93

Range of cost of production per quintal (in Rs.)	Production			Number	Holding		Area		
	Production (in quintals)	% to total production	Cumulative percentage		% to total holding	Cumulative percentage	Area (in bighas)	% to total area	Cumulative percentage
Below 570	241.10	13.62	13.62	43	17.92	17.92	107.50	11.39	11.39
570-600	229.40	12.96	26.58	25	10.42	28.34	104.50	11.08	22.47
600-630	171.40	9.69	36.27	24	10.00	38.34	83.00	8.80	31.27
630-660	230.30	13.01	49.28	28	11.67	50.01	114.00	12.08	43.35
660-690	133.20	7.53	56.81	20	8.33	58.34	69.50	7.37	50.72
690-720	141.10	7.97	64.78	20	8.33	66.67	79.00	8.37	59.09
720-750	178.40	10.08	74.86	18	7.50	74.17	92.50	9.80	68.89
750-780	90.80	5.13	79.99	13	5.42	79.59	53.50	5.67	74.56
780-810	68.60	3.88	83.87	10	4.17	83.76	40.50	4.29	78.85
810-840	36.00	2.03	85.90	8	3.33	87.09	25.50	2.70	81.55
840-870	55.60	3.14	89.04	6	2.50	89.59	36.00	3.82	85.37
Above 870	193.96	10.96	100.00	25	10.41	100.00	138.00	14.63	100.00
<b>Total</b>	<b>1769.86</b>	<b>100.00</b>		<b>240</b>	<b>100.00</b>		<b>943.50</b>	<b>100.00</b>	