CHAPTER - 5

MARKETING OF RAW JUTE

I. Introduction

Unlike in the case of manufacturing products, the entire production of different agricultural commodities does not go to the market. The produce actually marketed depends upon the marketable surplus, immediate need for cash, price trends, availability of storage facilities etc. The marketable surplus, in its turn depends upon the production on the one hand and the growers' household and farm requirements on the other.

Thus, while marketable surplus is the residual left with the producer after meeting his requirements for family consumption, farm needs and payments in kind to labour, the landlord, artisans, and others, marketed surplus is the quantity of produce actually sold irrespactive of the requirements of grower. A grower's marketed surplus can be either more or less or the same as his marketable surplus.

According to the National Commission on Agriculture, 'agricultural marketing is a process which starts with a decision to produce a saleable farm commodity and it involves all aspects of market structure or system, both functional and institutional, based on technical and academic consideration and includes pre and post-harvest operations, assembling, storage, transportation and distribution'. (Report of National Commission on Agriculture, Part-XII-1976 P.110). In agricultural marketing, we are concerned with demand and supply conditions, marketing operations, including marketing functions, functionaries and costs, price fixation, market structure, conduct and performance and marketing efficiency.

Broadly, there are three entities involved in the marketing system. They are the producer, the consumer and the middleman.

Each of these has its own objective, which often conflicts with the others' interest. The producer, after making a lot of investment and putting in hard labour, would naturally look forward to get the largest possible returns for his produce. The Consumer would like to get his required quantity of goods of pure quality at the least possible cost. The middleman would aim at realising the largest possible net profits from the deal. An efficient marketing system should, therefore, aim at balancing these conflicting interests in such a way that each entity gets a fair deal.

Cost of cultivation can farm an important basis of price fixation so long as demand factors do not super impose themselves too strongly. In the organised industry regular accounts are maintained and hence the actual cost of production can be determined with great ease. In the agricultural sector, on the other hand, book keeping is an exception rather than the rule. Scientific pricing of agricultural products is of recent origin. In fact, only after the establishment of Agricultural Prices Commission in 1965, systematic efforts have been made in this direction. Deriving from the farm Management Studies of the earlier decades, a Comprehensive Scheme for Studying the cost of Cultivation/ Production of principal crops was started in 1971 - 72. Main components of cost of cultivation are as follows:-

<u>Material inputs</u>:-

In the case of farming operations adherence to the recommended doses of fertilizers, pesticides, seed rate and even irrigation would be adopted by very few farmers. On the contrary, the farmers would distribute their expenditures on these items in the light of the financial and physical resources available to them which would some times be far from the optimum suggested by research studies. So for agricultural pricing only the actuals can be recorded.

Risk and Uncertainty : Agriculture being so much depending on weather, the yield per hectare can vary considerebly even when the cost of cultivation per hectare is the same. The cost of production per Unit of out-put will, therefore, vary. This peculiar characteristic of agriculture has been made the basis for the plea that the support/procurement price should also include an allowance for risk. The risk of a sharp fall in prices at harvest time is covered by the support price, but the production risk is not. The answer to the later is really Crop Insurance.

Fixed Assets :- The three components of fixed assets are land and holdings, plant and machinery and transport equipment, In agriculture land may be inherited and then an imputed value has to be given. The whole question of depreciation boils down to effective utilisation of the equipment. The more intensive the use, the lower the element of fixed costs in the total cost.

Labour Costs :- There is no regular pay scale of agricultural labour. Moreover, a large part of the labour cost in agriculture is on account of family labour. Valuation of family labour poses serious conceptual problems. On the one hand, family labour can be shown to have been employed even when its marginal productivity is very low, and on the other, an hour's work done by a family labour can not be, strictly speaking, equated with that of a casual or an attached labour.

The prices of raw jute are determined in forces underlying their demand and supply, The annual variations in raw jute prices, have been closely fashioned by situations of scarcity and abundance. Thus, the years of ' bumper crop ' and ' crop failures ' have generally been associated with slumps and upheavals of fibre prices respectively. To cite some instances, the ' bumper crop ' years of 1967/68, 1969/70 and 1973/74 were all attended with strikingly low jute prices. Similarly, the poor crop years of 1968/69, 1970/71, 1974/75 and 1977/78 were all years of high jute price. It appears, therefore, that changes in supply have been the outstanding factor in shaping variations in raw jute prices given the low short-run price-elasticity of demand for the commodity.

Price of agricultural commodities are expected to vary more than the prices of industrial products for three reasons :-

(i) agricultural markets are vulnerable to climatic changes,

(ii) the short-run responsiveness of supply and demand to changes in prices is usually less in the case of agricultural products than it is in industrial markets, and,

(iii) the out-put of most crops is necessarily seasonal. The variability of agricultural commodity prices explains why governments in developing countries often try price stabilization schemes to protect farmers from large price falls and consumers from large price increases, when greater price stability leads to greater income stability, ~~farm~~ farmers benefit from reduced risks.

II. Price policy of Govt. in respect of Jute :

A review of the price policy for jute during the past decades lends itself to a cut-off point into two broad time periods. The first period from 1947-48 to 1964-65 was one of trial and error when the price policy was somewhat ad-hoc in nature, and the second period from 1965-66 to the present is one of positive direction. During the first period, the jute economy of India had to make several drastic adjustments after the partition of India. India was left with the entire jute manufacturing capacity but with only one-fifth of the raw jute production of undivided India. The stress of partition was felt first in 1949-50 when imports of raw jute had to be reduced drastically from 45 lakh bales in 1948-49 to 20.6 lakh bales in 1949-50.

It goes to the credit of jute growers that by 1952-53 the deficiency in domestic raw jute supply was substantially made up and imports came down to 13.3 lakh bales in 1951-52 from 45.0 lakh bales in 1948-49. By 1958-59, production over took consumption and reduced imports drastically to 3.4 lakh bales. This level of increase in production was achieved under widely varying inter-crop price relationship. The crop which directly completed with jute for allocation of acreage and other inputs was paddy.

Wide fluctuations in the prices both within the season and between the years was a persistently disturbing feature of the jute economy in the fifties, as would be seen from Table5.A of the All India Index numbers of wholesale prices of jute.

Thus, over the decade 1956 to 1965, it would appear that there had not been a very sharp increase in raw jute ~~prices~~,

prices, the increase being at the rate of about 1.3 % percent per annum. However, there were wide fluctuations in prices from year to year. The fluctuations within the season were explained by the narrow geographical base of jute production which made the supply of raw jute more susceptible to uncertainties of weather, inelasticity of supply as well as demand in the short run, lack of proper grading standards and facilities, extremely weak marketing infrastructure, etc.

TABLE - 5A.

Average wholesale prices of jute,

Base : 1952-53 = 100.

Year	Average of Wholesale Price indices.	Peak index of the year.
1	2	3
1956	122.17	130.0
57	136.86	146.0
58	120.40	130.0
59	117.90	140.1
60	178.51	231.7
61	207.70	279.8
62	146.16	150.9
63	147.44	151.6
64	158.89	182.0
65	188.35	203.2

SOURCE : Agricultural price Policy in India, A.S. Kahlon & D.S. Tyagi, 1983 (P.95).

The fluctuations between the seasons were caused by the interaction of several factors which ranged from expectations of the size of the crop to expected foreign demand for Indian jute goods. The demand for raw jute is a derived demand from the export demand for India's jute goods, as in the fifties India had been a leading exporter of jute goods, accounting for more than three-fourths of the World trade. During this period manufactured jute goods constituted predominantly export commodities (Table 5B).

TABLE -5B.

Consumption, production and imports of raw jute and mesta production and exports of jute goods,

Year July-June	Total consumption of raw jute and mesta (lakh bales)	Domestic production of raw jute and mesta (lakh bales)	Import of raw jute lakh bales	Import of raw jute % of Cons.	Production of jute goods.	Export of jute goods '000 ton.	Export of jute goods % Prod
1	2	3	4	5	6	7	8
1947-48	65.63	16.71	-	-	1051	910	86.6
48-49	66.16	20.71	45.0	68.02	1056	889	84.2
49-50	53.69	31.14	20.6	38.37	838	766	91.4
52-53	56.92	53.10	13.3	23.37	906	687	75.8
58-59	62.46	69.11	3.4	5.44	1057	842	79.7
62-63	75.50	71.85	2.7	3.58	1218	894	73.4
63-64	79.80	79.76	1.4	1.75	1249	878	70.3
64-65	82.00	76.62	3.6	4.39	1320	927	70.2

SOURCE : Agricultural Price Policy in India, A.S. Kahlon & D.S. Tyagi, 1983 (P.96).

It will be seen from Table 5B that from 1952-53 onwards domestic production of raw jute has been increasing and imports ~~increasing~~/decreasing sharply. There has been a good step-up in consumption of raw jute by mills, an upward trend in the production of jute goods, and fairly stable export demand for jute goods. But the percentage share of exports to production of jute goods has been coming down mainly due to competition from erstwhile East Pakistan and synthetics. Although the Indian jute industry tried to maintain export of jute goods by diversifying the product-mix and finding new markets, its share in the international trade declined from 86 to 72 per cent during 1953 and 1963. This was an inevitable consequence of the partition. Left with a raw jute production of 68.43 lakh bales after the partition and with no manufacturing capacity for jute goods, it was but natural for Pakistan to build up its own jute industry . It took some time for it to do so. But by 1959, it had built up a capacity to manufacture 2.33 lakh tonnes and to export 1.90 lakh tonnes of jute goods, It's share in the international trade increased from almost nothing in 1954 to 7.08 per cent in 1956 and over 18% percent in 1963.

The price of raw jute exerted an influence on the prices of jute goods but the latter were influenced by the competitive forces in the World market and, in the ultimate analysis, it was the price of jute goods that largely determined the prices of raw jute. It will be seen from Table 5C, that the two sets of prices showed parallel trends in movement over time.

TABLE 5C :

Prices of raw jute and jute manufactures.

Year	Raw Jute	Jute manufacturers.	
	Assam white botton (Rs. per quintal).	Hessian 40 x 10 OZ (Rs. per 100 yds).	Sacking (B Twills) Rs. per 100 bags.
1	2	3	4
1955-56	73.03	30.87	110.12
56-57	80.16	42.62	113.79
57-58	72.57	40.86	102.27
58-59	60.00	41.20	94.84
59-60	81.50	42.76	112.70
60-61	135.25	55.40	167.97
61-62	81.30	55.72	134.47
62-63	86.65	52.01	115.36
63-64	80.30	46.97	112.39
64-65	98.78	31.63	155.15

SOURCE : Agricultural Price Policy in India, A.S. Kahlon & D.S. Tyagi, 1983 (P. 97).

Raw jute supplies remained responsive to changes in market prices of rawmaterial vis-a-vis paddy price and uncertainties of weather and followed a more or less 3 - year cycle during the period. For instance, during 1954-55,, jute prices moved down in sympathy with the general fall in the prices of other agricultural commodities and caused a fall in the production during 1955-56. There was a recovery in jute prices during 1956-57, despite an increase in production because of low arrivals of raw jute from the mofussil markets on account of transportation difficulties, reports of reduced stocks of jute with mills, and the decision of the Government of Pakistan to maintain minimum prices in that country. The contrary phenomenon surfaced in 1958-59 when a bumper production of 52 lakh bales depressed the prices and the low prices of the season adversely affected area and production in the following year. Up till this time the paramount need was for increasing the production of raw jute and, therefore, the Government did not go beyond banning forward trading in years of shortage and permitting it in years of good production and allowed market prices of the fibre to gain their level on the basis of demand and supply forces. The jute industry re-inforced the Government's efforts by sealing a certain percentage of looms when jute was in short supply. But excessive fall in raw jute prices in 1958-59 compelled the Government to adopt measures to check the downward drift and it imposed restrictions on imports, authorised the State Trading Corporation to purchase raw jute from Co-operative Societies and persuade jute mills to carry buffer stock requirements. These measures proved effective in so far as the declining trend was haulted and prices took a turn for the better. The up trend of rawjute prices was accentuated by the smaller crops of the subsequent two years. The continuous rise in jute prices during 1960-61 resulted in a large diversion of area to jute during 1961-62 and a record production of 63 lakh bales during the year. The expectations of an abundant supply of raw jute depressed the prices of fibre even before the market arrivals reached their peak.

Having observed for many years the phenomenon of high amplitude of inter-seasonal price variations, cyclical movement in production, and increasing costs and uncertainties of importing raw jute, the Government of India realised the imperative need to ensure a steady production of raw jute at around the level of mills' consumption. This was considered a necessity for maintaining production and export earnings of the highly important industry for the country's economy. The most desirable objective could not, however, be achieved without protecting the incomes of jute growers in Eastern states by way of giving them an assurance of a minimum price for their produce. Thus, the jute price policy came into action with the announcement of the operational price of Rs.30.00 per maund (Rs.80.40 per quintal) in 1961 for the Assam Bottom varieties of raw jute at Calcutta. The operational price of Rs.30.00 per maund of raw jute fixed in November, 1961, remained in force up to 1965-66.

The jute price policy during the Second period, 1965-66 to 1979-80, set out to achieve increasing production of the fibre, minimise price fluctuations, adopt improved technology, and bring out institutional changes for stranthening the marketing structure of raw jute. Minimum support price of Jute for the period 1970-71 to 1979-80 is represented below :-

July to June,	Minm, Support price of Jute (Rs. Quintal).	Years	Minm. Support price
1970- 71	107.17	1975- 76	135.00
1971- 72	113.87	1976- 77	136.00
1972- 73	115.00	1977- 78	141.00
1973- 74	125.00	1978- 79	150.00
1974- 75	125.00	1979- 80	155.00

(Source : Jute Industry in India, Economic and Scientific Research Association, Calcutta, 1982), P.12.

During this period began the production of a complete substitute of jute, namely, Woven, " Polyo Lefin ", for use in major areas of jute, i.e. bags and carpet backing. As a result the percentage share of jute in the total carpet backing material used in the U.S.A. started declining year after year. Also, in the bag market, jute bags started getting replaced by synthetics for fertilisers and beans in Japan, and for Wool packs and Corn sacks in Australia. Again, competition from the erstwhile East Pakistan was on the increase.. Consequently, inspite of the increase in the World demand for carpet backing materials and for packing materials, the Indian exports of all these commodities declined after 1965-66. The exports of all jute goods which stood at 8.44 lakh tonnes came down to 5.01 lakh tonnes in 1969-70. The internal demand for jute manufactures had not increased much and the internal production of raw jute remained so erratic as to fall from the high level of 75.9 lakh bales in 1967-68 to 38.37 lakh bales in 1968-69 with consequent abrupt fluctuations in the market prices of the fibre. Resultantly, production of jute goods suffered to such an extent that it declined from 11.41 lakh tonnes in 1967-68 to 9.69 lakh tonnes in 1969-70.

To help augment production of raw jute the Government of India introduced a centrally sponsored scheme of ' foliar ' spray of Urea in 1965-66, and a ' special package programme ' for saturating selected areas with all inputs in 1968-69. But the coverage of these schemes was too limited to make any significant impact on raising the per hectare yield of the crop.

The existing system of providing support to the prices of the fibre was to determine the minimum quotas for purchases by the mills and the JBSA, with the STC coming in as an agency of the last resort. This did not prove effective because trade and industry were not eager to extend theur buying operations and purchases were called off as soon as the crisis blew over. The marketing infrastructure was conspicuously weak in the jute growing eastern states and the margins claimed by the trade were higher in jute marketing than in the marketing of paddy. In this period, only 20 out of a total of 341 markets in Bihar, and 20 out of a total of 94 in Orissa were regulated, and only one market each in Uttar Pradesh and Tripura was regulated for jute.

In West Bengal, legislation enabling the regulation of agricultural markets was passed but the measure remained to be implemented. In Assam, legislation to this effect was not even passed. In the other jute growing states, the legislation existed, but the number of centres where the regulations were enforced was severely limited. Naturally, the ancillary facilities for grading, baling and storage of the fibre also lagged behind.

Moreover, purchases by the J & JGBSA and the STC did not extend to the primary markets ~~a-n-d~~ and, therefore, did not provide direct support to producers. The APC, therefore, recommended in its price policy report for the year 1969-70, that there was a very strong machinery for ensuring price support to the growers of raw jute. It reiterated its recommendation on the induction of a public agency in the trade for raw jute to ensure a fair return to jute growers and minimise price fluctuations through its purchase and sale operations. Accordingly, Jute Corporation of India, was established in April, 1971.

The JCI functioned till about 1975-76 as a mere intermediary by immediately selling the produce purchased by it on the basis of back-to-back contracts with the mills. This arrangement did not result in a net withdrawal of supplies from the market and failed to boost the level of prices for the growers of jute. This policy was improved upon and changed to holding stocks and disposing them of when prices tended to go up. Even this stocking policy could deal only with the problem of fluctuations in prices and could not influence the trend.

The price policy helped in increasing the per hectare yield of the fibre. The other developments that helped in making the jute price policy meaningful. were, ~~were~~,

i) availability, for the first time, of data on cost of production of raw jute for Orissa and West Bengal, for the 1973-74 season from the comprehensive scheme of cost of cultivation of Principal Crops and subsequently, for other states for later years,

ii) increases effected in the statutory minimum wages for the farm labour,

iii) maintenance of price differentials depending upon the cost of moving the produce from the up-country markets to Calcutta resulting in fixation of relatively higher prices for the markets nearer Calcutta than for the distant markets even for similar varieties of jute;

and iv) introduction of a new grading scheme for jute as per the revised specifications given by the Indian Standards Institution from 1974-75. In the matter of improvement in the quality of raw jute, the Agricultural prices commission had recommanded as for back as 1967-68 that " increased earnings from exports would largely hinge upon the greater domestic availability of superior quality raw jute ". The echo of the Commission's recommendations emphasising quality improvement resounded in almost every subsequent report.

The existence of a long and complex chain of intermediaries, claiming higher margins, continues to be the fundamental weakness in the marketing system for jute. The movement of jute from the producer to the consumer takes place in three stages, the intermediary claiming his margin at every stage, and the grower marketing not more than 10% per cent of the produce directly. Again, not more than 10% per cent of the jute production in the country was purchased by the JCI and this appeared to be utterly inadequate for either ensuring support or reducing market fluctuations. The situation was further aggravated by the limited number of co-operatives performing limited functions and weak institutional credit structure. The allied facilities of grading, storing and baling also showedlittle improvement in the up-country markets and, therefore, price differentials between Calcutta and up-country markets further widened. The JCI was to ~~prove~~/expand its operations considerably to improve the situation.

The performance of price policy in the sphere of raw jute sector vitally affected production, exports, internal sales, prices, etc., of the jute manufactures. Regular supply of good quality raw jute at stable prices remained highly important as the raw material accounted for as much as 40 to 50% per cent of the cost of manufacturing, jute goods. It was also important in maintaining levels of production, ensuring the quality of the manufactured goods, and, above all, supplying internal and external orders on time.

The exports of jute goods varied mainly due to competition ~~completion~~ from Bangladesh and synthetics. Bangladesh has succeeded in improving its share in the export market for jute goods owing to its better quality of raw jute, lower intermediary margins, lower wages, streamlined export strategy etc. On the other hand, India's share has probably come down due to inadequacy of supply of good quality raw jute to permit the required diversification of product-mix, higher cost of production of jute goods due to old machinery, and failure to explore new markets, to mention only the main causes.

The foregoing analysis shows that variations in relative prices of jute were largely influenced by acreage and production of raw jute. Although the price policy pursued during the past few years has not been able to completely eliminate yearly fluctuations, it ~~It~~ has certainly helped in achieving some amount of stability in the production of raw jute. Again, though the contribution of yield to increases in out-put has not been significant in the past, the introduction of improved varieties and better crop rotations are likely to improve the situation. However, the quality of raw jute has to be improved by expanding and improving retting facilities, as also by extending incentives on account of price differentials to growers of jute on top priority basis.

III. Marketing Structure of Raw Jute.

The incentive effect of marketing is vitiated by the allocative in-efficiency 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 judgement of ~~conseative~~ conservative official report. The usual market operators are known as ' fariahs ' who function on the advice from their bosses who supply raw jute to mills. The Jute Balers' Association comprising raw jute sellers to the mills has a wide network of small purchasers in the entire jute growing area including North Bengal region of West Bengal. The existence of the Jute Balers' Association explain the monopsonistic nature of market system at the upper echelons of marketing.

The movement of jute from the fields to the factories takes place, as a rule, in three distinct stages. The first stage is from villages to the primary assembling markets. A small percentage of the marketable surplus is disposed of by growers at their own doors, while major production is sold by them in the primary markets and hats. The term marketable surplus signifies the total production of jute minus the small quantity retained by growers for domestic consumption. The second stage is from the rural areas to the secondary markets. Only a small percentage of growers consisting mainly of those whose holdings are located in close proximity bring their fibre for sale to these markets. The third stage is from the upcountry baling centres to the loose jute markets of Calcutta, the press houses of pucca balers, the jute mills and to ships for expart at Calcutta. The three stages are further described below:-

I. The marketing enquiry has established that the major portion of the marketable surplus of jute is sold by the growers in the villages. This fact is primarily responsible for the establi -shment of a chain of middlemen between the grower and the customers. A middleman performs many functions - assembling, financing, sorting, transportation etc.

II (a) Farias, paikars and beparis are peripatetic dealers who form the first link in the chain of intermediaries in the loose jute trade. They operate individually, in many cases using their own capital,

(b) Dalals (Brokers), - They operate only in some of the important baling centres. Dalals remain in the secondary markets and never go into the interior. In the jute trade, dalals do not occupy an entirely independent position, as they have more to gain by satisfying the buyers than the sellers,

(c) Aratdars - An aratdar is a middleman operating between sellers - growers or peripatetic dealers - on the one hand and buyers - balers and mills - on the other. Aratdar's importance lies in financing the beparis and in undertaking the storage of fibre,

(d) Kutcha balers - Up to the secondary market stage, jute is handled by the growers, beparis and dalals in loose form made upto bundles of varying sizes and weights. After reaching these markets, the fibre is normally packed into, what are commonly called ' Kutcha bales '. The term ' Kutcha baler ' embraces all dealers who own or hire establishments for preparing kutcha bales.

(e) Pucca balers - Pucca baling establishments are located in the up-country only at Haldibari (West Bengal) and Kishanganj (Bihar), They secure jute in the same manner as other purchasers. After selection and assortment, the fibre is packed by means of hydraulic presses into bales of high density weighing 180 Kgs each. These are called pucca bales and are generally intended for export. Mills in India,, however, buy a very small proportion of their raw jute requirement in the form of pucca bales - cuttings forming the major portion of their pucca bale purchases.

III. Terminal Markets, Calcutta - A terminal market is a market at which most of the produce from different areas is assembled prior to the final distribution either to local manufacturers or for exports . Calcutta may, therefore, be regarded as the terminal market for jute, as it is here and in its neighbourhood, that most of the jute mills consuming a substantial portion of India's raw jute supply are located.

The up country markets may be divided into three categories: a) the village markets, b) primary markets, c) kutcha baling centres (secondary markets).

a) Village markets - There are no special markets for jute in villages. The general practice is for peripatetic dealers to visit villages and to transact their business with growers individually,

b) Primary markets and 'huts' - In the jute trade, primary markets may be regarded as consisting of the larger villages at which well-to-do beparis and representatives of kutcha and pucca bales operate as buyers and where there is usually a certain amount of storage accommodation. A 'hut' is a periodical market which is ordinarily held in the open air and sellers spread their wares on the ground. The real importance of primary markets and huts, however, lies in the fact that they provide ready markets for jute. The peasants can take their produce there knowing that they are sure to get a buyer,

c) Secondary markets (baling centres) - To distinguish it from primary and other markets, a secondary market has been interpreted as a place where baling is done. Secondary markets are usually located at places where communications are good and where large and regular supplies of jute are assured. The chief buyers in these markets are kutcha balers who purchase their requirement of jute from farias, beparis and aratdars and occasionally also from growers. The two main functions of kutcha balers are assorting and packing.

Empirical studies on price spreads and structure of jute markets are incopious; but just to cite one broad instance, when in the 1980 - 81 season the TD/5 variety was sold at the farm level at around Rs.120 per quintal the price at the Calcutta Terminal market ruled at about Rs.220 per quintal. Admittedly in the case of jute where different sub-systems of the markets are characterised by various shades of imperfect competition, and the multiple classes of inter-mediaries (ranging from the small, poor rural 'farias' to the prosperous " arhatdar " and commission agents) have divergent class interest, any single measure like the static concurrent method of gauging price spread is not adequate for the purpose of judging the overall economic performance and social (distributional) aspects of the marketing channels. Nevertheless, the low producer share in the final value of the produce provides some ideas of the collusiveness and the anti-grower bias of the jute markets, One may also note that because of the pronounced year-to-year fluctuations in output and supply, speculation enters into the price formation of jute in a big way, and private traders count upon a high trading margin to meet the risk of sharp, speculative price variations and maintain their desired ' normal ' profits on the average over time.

The State of market information is also poor. Price intelligence has been limited by the slow progress of regulated markets, and of grading despite the introduction of ISI grade specifications for jute. There has been a tendency in official circles to understate grossly the crop shortfalls in bad years for fear of speculative price rise, but this actually exacerbated the problem through the creation of informationally inefficient (irrational) expectations.

In addition to this, poor production statistics and delayed reporting have precipitated speculative price gyratious, with crop estimates of different government agencies, the jute traders, and the industry varying widely among them. In a number of years the government might have arranged for imports of the fibre had there been earlier confirmation of the law out-put. In the absence of uniform methods of farm costing pursued by the Union and the State Government agencies, the fixation of the level of support price of jute has naturally led to bitter political controversies. Also, ostensibly on the ground of procedures such as, departmental homework on incidental charges, support prices were often announced much after sowing had commenced, sometimes, even when hervesting was round the corner, that is too late to have any incentive effect whatsoever on production; and capsularies sowing in Assam, Northern Bengal, and parts of Bihar starts early. At times, owing to the lag in announcement there were no statutory prices and hence no price obligations at all for traders and mills for buying jute. However, from 1985-86 the situation seems to be looking up.

With extensive distress sales, and forced marketing due to debt bondage, jute prices at the farmgate and the village level do not truly reflect the interplay of demand and supply. JCI on the other hand, is bedevilled by constraints that are important and numerous. The market coverage and control of the corporation while expanding over the decade and a half of its operation remains low- the procurement barely exceeding 25 per cent of the market arrivals. It bought 2.8 million bales at support prices in 1985-86 which for it was an all - time record, the previous one being 1.8 million bales in 1981-82. Therefore, ~~fa~~ farmers with poor holding power have of necessity turned to private trade for selling a very major share of their jute and mesta crop and ~~at~~ in prices much lower than the support prices in years of good crop (such as 1985-86, 1980-81, 1967-68 and 1961-62 to 1963-64), particularly in remote vulnerable pockets prices at which are not quite reflected in the averages. On the other hand, in years such as 1982-83, to 1984-85, 1977-78, and 1972-73, when market prices were well above the statutory minima, procurement operations of JCI were impeded by its inability to make commercial purchases freely, thereby affecting the interest of the buyers (mills). The procurement points of JCI have been rising but slowly, and by the end of 1985-86 there were altogether 577 purchase centres inclusive of the Corporation's departmental purchase centres and sub-centres, and purchase centres of co-operatives - evidently not a happy state of affairs considering jute's geographical coverage and volume of marketed surplus. Remoteness of procurement centres implies that for many a grower the marketing cost plus value of time spent in selling at the centres is not offset by the incentive provided by the higher prices offered at the centres. The corporation's penetration into remote villages and primary markets where distress sales take place largely - the enforcement of statutory minimum prices like that of minimum agricultural wages being a chimera - is also thwarted by opposition, disguised and overt from middlemen. For identification of jute growers, cards were issued, but the scheme has hardly been full - proof, and has often encouraged corruption. And the smuggling of jute from the neighbouring country, which affected JCI's procurement drives, could never be eliminated.

Heretofore, there has been a tendency on the part of farmers (and middlemen) to sell lower grade jute to JCI, and superior grades direct to mills, This was occasioned by the fact that the corporation, operating within a stipulated price band, was basically excluded from buying high grade jute. The corporation would have been able to offer diversified packages of fibre to its ~~buying~~ buyers, including the State owned mills run by the National Jute Manufactures Corporation (NJMC), if it could freely make commercial purchases, at prices higher than the statutory minimum. This would help in countering the proclivity of several mills to wriggle out of their purchase commitments on the pretext that suitable grades were not available with JCI. There has throughout been an inadequate recognition of the obvious need for commercial purchase and sale, specially of raw jute of superior quality, by JCI as a means of making the organisation economically stronger - in definite contrast to the parallel case of the Cotton Corporation of India.

The miseries of JCI are compounded by the lack of adequate support from co-operatives. Behind the much more successful record of the procurement scheme for Cotton lies the solid back-up that the co-operatives have provided in the cotton-growing States of Maharashtra and Gujarat in particular. The share of co-operatives in jute procurement was about 30 percent in 1982-83, 35 percent in 1983-84, and only 20 percent in 1984-85, and they should have fared much better with the liberal trading conditions offered by J.C.I.. For one thing, they are spared of the trading risk in as much as the selling part which is the more problematic is taken care of by the Corporation. Another serious handicap of JCI has been the lack of storage and rural communication facilities which impeded the proliferation of its buying network at the primary market level. A number of principal secondary markets too are left uncovered by JCI and the co-operatives. Further, although the constitution of JCI allowed its buying of jute from intermediaries when grower-sellers were not forthcoming, since 1981-82 the entire procurement is professedly made direct from the growers. However, there is considerable room for doubting the success of the venture.

It is easy to see that with the measure of economic and political support that JCI enjoyed, and without a buffer stock, only a half - hearted public intervention in the trading of jute was feasible. The case for monopoly procurement of jute, without which it would be impossible to implement an effective stabilising response to supply variations, has been rather cynically sidetracked, and the State decision has merely been in terms of increasing the procurement level gradually so as to enable JCI to procure 40 percent of the local jute crop by the end of the Sixth Plan which too, remained an unfulfilled target, With large overheads compared to the scale of operations and the burden of interest on borrowings at commercial rates, JCI's recurring losses have been considrable, accumulating to about Rs.30 crore by the end of 1985-86. In sum, with a low " procurement efficiency " JCI has been unable to provide a viable alternative to the existing marketing options in jute available through the degenerate private channels, and its cherished goal of reaching, commanding heights' in raw jute trade remains a distressingly far cry.

IV. Marketing Problems of Jute Growers :-

The role of the JCI being limited, the private traders dominate the scene of marketing in raw jute. In case of jute, the basic problem is that market is distorted not only by imports but also by a long chain of middlemen. Most growers are still at the mercy of ruthless market and other forces ranged against them. The growers are often deprived of remunerative prices resulting in little incentive to promote productivity by costly inputs. Speculation is rampant in the jute industry. A few speculators dominate the market scene and decide the prices of raw materials, which are most often detrimental to the jute cultivators. So, the real problem in the case of jute is that of a weak marketing system which makes it difficult for the farmers to secure the prices fixed by the Central Government constrained by a very weak market infrastructure, the JCI finds it difficult to reach out the farmers at the level of primary markets (Hats'), Even most of the Secondary markets are not regulated. In the absence of regulated markets and faced with market imperfections, the small jute growers have to sell their produfe to the " farias " and other local dealers who are in a position to exploit the market situation.

The jute growers of North Bengal also face the same problem of imperfect marketing structure. In the local market small traders and farias purchase jute from the growers. They sell jute to local aratdars. Aratdars, in majority, sell jute to terminal market at Calcutta. More or less 10% aratdars sell their jute in kutcha baling centres. Most of the growers sell their produce immediately after harvest. Only a small percentage of well-to-do growers retain jute to reap the benefit of higher price.

The jute growers of North Bengal suffer from the imperfections of raw jute market as well as the existence of a chain of middlemen. Their sufferings is even greater due to doldrums in the jute industry. In the final analysis, the future of the jute economy depends on its ability to expand its markets through diversification and modification of jute products to meet the changing needs of the customers. The domestic market can be expanded by controlling the prices of sacking, establishing, long term purchase plans with DGS & D and developing jute products for home decorations, such as wall cover, curtains etc. ~~etc.~~

For the external market there appears to be a growing preference for lighter variations of jute constructions because of the competition from such light and cheap packing materials as poly-propylene and polythene. Hence, the jute industry has to diversify its production by producing more packing materials which are lighter and smaller in size. Similarly, the industry has to make some adjustments in its production patterns that will meet the ' International Demand For Jute Goods ".

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