



Marketing of Jute: Problems and remedies

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Jute the 'golden fibre of India' provides livelihood to more than 40 lakh farm families. Majority of them face a lot of problems in marketing of their produce. Creation of higher buffer stock, strengthening and expansion of cooperative societies and contract farming may provide an alternative solution to weed out inherent problem of marketing.

Jute is an important eco-friendly bast fibre crop grown in Eastern and Northern states of India. It is cultivated in 8 lakh ha area by around 40 lakh small and marginal farmers of West Bengal, Bihar, Odisha, Assam, Uttar Pradesh and Tripura. West Bengal is the leading state of the country in acreage and production of jute. Traditional area of jute is located 50-800 km from Kolkata of West Bengal. Most of the jute mills are located on the bank of river Hoogly surrounding Kolkata. Both jute cultivation and jute industry are labour intensive with a high requirement of skilled and cheap labour. Jute is an annually renewable resource with a high biomass production per unit land area. It helps to clean the air; during growth as they assimilate three times more carbon dioxide than the average trees. Jute is a fibre crop of around four months grown as rainfed during summer to early rainy season (mid March to end of July). There are two types of jute available for commercial cultivation *i.e.* *Tossa* (*Corchorus olitorius*) and *White* (*Corchorus capsularis*). *Tossa* jute gives more yield in comparison to *White* jute and preferably grown in upland condition. *White* jute is hardy in nature and can be grown in both on high and low lands. It is able to tolerate waterlogging condition to some extent. Jute leaf is also used as leafy vegetable. It has many nutrition and also used as herbal medicine. Jute leaves provide beta carotene, vitamin-C, iron, calcium etc. It is used as herbal medicine for controlling gastric, dysentery and fever, etc.

Jute thrives best under warm and humid climate. Constant rain or water-logging is harmful. Warm humid climate is congenial for jute cultivation which also invites high infestation of several kinds of weeds. In jute cultivation weeding and retting (controlled microbial decomposition in high volume of water) are two major field operations. It contributes around 70% total cost of cultivation. The retting process consists of bundling of 110-120 days old green stems (18-20 cm diameter) together and immersing them in slow running clear water for 18-

21 days. In this process, fibres in the bark get loosened, extracted from retted stalks gently, washed in water, dried in sun and tied in bundles (called bale, one bale is 180 kg) for its sale. It is one of the most versatile natural fibres that have been used in raw materials for packaging, textiles, non-textile, construction and agricultural sectors. Fibre of jute is mostly used for the production of four types of product- hessian, sacking, canvas and jute yarn/twine. Nearly 75% of jute goods are used as packaging materials, hessian and sacks. Finer and good quality of jute threads are used for making hessian. Sacking is made from low grade jute fibres and used for packaging of heavy items. Canvas is made from most fine quality of jute. Jute yarn is used for production of cotton blended textiles. Jute twine in varying weights and thickness is used for sewing, tying, and for a variety of industrial applications such as packing pipe joints, cable binding etc.

Status of jute marketing: In comparison to food grains, price of jute is governed by the market demand. In jute marketing, there is flow of jute fibre from producer farmer to the mills as consumers through various marketing channels. In the market, usually the price of jute is determined on the basis of "hand and eye method". Hand method is used to know the hardness, strength and heaviness. While eye method used for judging colour, root content, defects and fineness of fibre. However, as per IS: 271-1975 there are eight grades (TD1-8) of jute (based upon fibre strength 14.9- 27 g/tex for white and 17.4-29.5 gm/tex for *tossa*). Various factors like retting, cultivation practices, diseases and pests and climatic conditions influence the quality of jute fibre. Grade TD1 to 4 are considered as good quality fibres (35% of total jute production). Good quality of jute fibre can only be available in areas where proper conditions for jute cultivation exist. Grade TD 5 alone consist of maximum amount *i.e.* 40% of total jute produced in the country. This is the reason why minimum support price (MSP) is announced by Government of India for this grade. Table 1 displays year-wise progression in minimum support price, total production of raw jute and price support offered by Jute Corporation of India (JCI) in the country during the year 2000 and onward (Anonymous, 2014). Raw jute includes jute and mesta. Roughly, total production of raw jute hovered around 90-100 lakh bales. Price support of JCI failed to help majority of the jute growers.

About 25 per cent of the total fibre produced in the country has the grade TD 6, 7 and 8. About 45-50 lakh bale of fibre is generally utilized for sacking. Year wise fluctuation in jute production is depended upon market price of previous year besides climatic factors. Normally two kinds of situations prevail in the marketing of jute. In case of favourable climatic condition when bumper crop is harvested, jute mills have the tendency to offer lower market prices. On the other hand, in case of low production of jute under adverse climatic condition the mills offer higher market price (*i.e.* above minimum support price) in order to keep the mills running. In both situations, middlemen play a dominant role in marketing of jute. Profit margin of jute growers is gradually declining due to continuous rise in the cost of agro inputs and tough competition from cheaper and durable synthetic materials. Jute is an under-mechanized crop. The cost of manual labour required for weeding, retting and fibre extraction is ever increasing. The critical operations in jute cultivation like harvesting, retting, fibre extraction, drying, bundling etc. coincide with rice transplantation making labour availability further scanty. Under such a situation, cultivation of jute has become a non-profitable venture.

Usually jute growers are poor with small and fragmented land. They have small capital with low risk bearing capacity. Their priority is to sell the produce as early as possible immediately after harvesting of crop in order to meet out their domestic needs and to pursue the next crop. Bulky and inflammable nature of the produce also inhibits them to store it for higher market price. Thus, a grower sells out his 95% of marketable surplus just after extraction of fibre. The jute fibres usually sold by the

farmers are of TD 6-7 grade fetching lower price than the declared MSP (TD 5). The sale of jute fibre by the farmers is generally completed by the October/November (4 to 5 months after harvest). A large number of merchants/middlemen/mill agents/rich farmers are involved in jute marketing. They purchase the produce from the farmers and store for sale to the jute mills throughout the year at higher prices. Thus, a normal jute grower fails to get fair price of his produce.

Government's effort : Historically jute cultivation was confined in East Pakistan (presently Bangladesh) due to its unique agro-climatic conditions and the jute industries were situated nearby Kolkata for easier marketing of the finished products. After independence jute industries has gone through four phases *i.e.* post partition, self-sufficiency, declining and recovery phase in the country (Das and Goswami, 2001). In post partition phase (1947-61) there was predominance of jute mills with meagre production of jute (7 lakh bales with productivity of around 11 q/ha). Higher production (50 lakh bales) coupled with moderate productivity (14 q/ha) was attained during self-sufficiency phase (1961-68). Declining phase (1969-1978) started with stiff competition posed from cheaper synthetic materials and one of the lowest production (29 lakh bales in 1969) in independent India. Recovery phase started during early 1980s. Special jute production programmes were initiated by the Government of India (GOI) in major jute growing states. Modernization of jute mills were started for manufacturing diversified and value added products (Das and Goswami, 2001). By the end of year 2000 productivity was achieved around 20 q/ha. In present decade, adoption of improved agricultural technologies and area expansion

Table 1 : Year-wise progression in raw jute minimum support price (average Kolkata landed price for TD 5 ex other states) and total production of raw jute

| Year | MSP (Rs./q) | Total production (Lakh bales of 180 kgs.) | Price support of JCI |
|----------|-------------|---|----------------------|
| 2000-01 | 785 | 90.0 | 4.54 |
| 2001-02 | 810 | 105.0 | 2.45 |
| 2002-03 | 850 | 110.0 | 13.09 |
| 2003-04 | 860 | 90.0 | 11.22 |
| 2004-05 | 890 | 75.0 | 3.56 |
| 2005-06 | 910 | 85.0 | 1.41 |
| 2006-07 | 1,000 | 100.0 | 4.84 |
| 2007-08 | 1,055 | 99.0 | 7.66 |
| 2008-09 | 1,250 | 82.0 | 1.02 |
| 2009-10 | 1,375 | 90.0 | 0.01 |
| 2010-11 | 1,575 | 100.0 | 0.34 |
| 2011-12 | 1,675 | 102.5 | 1.56 |
| 2012-13 | 2,200 | 93.0 | 3.64 |
| 2013-14* | 2,300 | 95.0 | 1.69 |

Source: Jute Advisory Board, Ministry of Textiles, Govt. of India

*Up to 27.01.2014

has further improved the productivity of jute (around 23 q/ha). At present, 103.4 lakh bales of jute fibre have been produced (2012-13).

From the year 1966-67, on the recommendation of Commission on Agriculture Cost and Price (CAPC) GOI regularly announces MSP for TD5 grade of jute. Jute Corporation of India (JCI) is the Price Support Agency of the GOI for jute. It was set up in April 1971 primarily to protect the interest of the jute growers through procurement of raw jute under the MSP. It also stabilizes the raw jute market for the benefit of the jute farmers and the jute economy as a whole. It procures the produce from jute growers without any involvement of middlemen.

In jute growing areas, JCI alone has 171 procurement centres and operating another 40 centre in association of cooperatives. But JCI with its present capacity is able to procure up to only around 10% of the total jute produced in the country (Table 1). However, year wise variation in procurement existed due to policy and related issues. It was highest in the year 2002-03 and lowest in the year 2008-09. Thus private institution/middlemen still play a dominant role in purchase of major jute produce.

In the XIth five year Plan GOI initiated Jute Technology Mission (JTM) in the year 2007-08 for overall development of jute sector in the country (www.texmin.nic.in). It has four components- Mini Mission I, Mini Mission II, Mini Mission III and Mini Mission IV.

Under Mini Mission I, at research front, development of good quality seed varieties, improved production and protection technologies for minimizing the cost of cultivation of jute major steps have been taken up by Central Research Institute for Jute and Allied Fibres (CRIJAF), Barrackpore and National Institute for Research on Jute and Allied Fibres Technology (NIRJAFT), Kolkata.

The mandate of Mini Mission II is to transfer improved technologies developed by CRIJAF, NIRJAFT and other institutions through extension machineries to the farmers. It is being popularized by extension functionaries of the State Governments and Directorate of Jute Development, Government of India.

Mini Mission III is being implemented through JCI to set up strong market linkage between growers and jute mills. There is a target to construct/upgrade 10 marketing yards in major jute growing districts of the country to handle arrivals of raw jute (10,000 mt per annum and above) with a cost of Rs. 1 crore each. The scheme would provide 60% funding and Agricultural Produce Marketing Committee (APMC) would contribute balance 40% of the total cost besides providing/acquiring land for the purpose of establishment of the market yards. JCI has also planned to open up 20 another

departmental purchasing centre (DPC) in important jute growing states. The cost of construction is estimated at Rs. 1 crore per DPC including cost of acquisition of land. The entire cost will be borne by the GOI.

Mini Mission IV is emphasising upon modernization of jute mills and diversification of jute. Modernization of jute mills consist of various steps like improvement of productivity of labourers and supervisors through training, subsidy on purchase of new machinery, development of machine under Public Private Partnership model. Under diversification of jute major emphasis has been given upon design and development of jute based materials and its promotion, financial help to the Non Government Organizations and Women Self Help Groups (WSHGs) involved in jute based activities, opening of jute service centre/jute raw material bank.

The result of these efforts at grass root level is yet to be realized. In the above backdrop maintenance of buffer stock, strengthening of cooperative marketing and contract farming can help in dealing with inherent problem of jute marketing.

Buffer-stock is a government scheme to make a stock of any agricultural commodity in glut situation by paying fair price to the growers. In scarce situation this stock is released in the market to maintain the supply. This buffer stock scheme in one hand helps to provide farmers a reasonable price of their produce at the time of over production on the other hand maintains the regular supply of the produce in the market during crop failure or under production. JCI had kept a stock of 5.28 lakh bales during 1985-86/1986-87 which was referred as the golden period in the history of jute production. It was around 50% of fibre production of jute that particular year (1986). There is a need to raise this limit in the interest of jute industry as well as the jute growers.

Marketing of jute includes various activities ranging from assembling, grading and transportation to its distribution. The whole exercise involves different intermediaries like farmer, itinerant trader, whole seller, broker, commission agent, mill agent etc. As per the business volume, the number of intermediaries changes. Small volume business involves more number of intermediaries in comparison to large volume business where jute mills directly purchase the produce from broker/mill agent. Small size jute grower (up to 5 q) and medium size growers (up to 10 q) usually follow market channel comprising either Farmer-Itinerant trader-Wholesaler-Commission agent-Miller or Farmer-Wholesaler-Commission agent-Miller. Large size farmers are less interested in cultivation of jute rather they are more interested in procuring from the small farmers and holding

for future sale. But farmers through a cooperative can easily execute all these activities without involvement of any middlemen/broker/mill agent and can sell it directly to the jute mill with higher price.

The history of farmers cooperative in India is more than one century old. Around 2,60,000 Non Financial Cooperative Societies are successfully operating with 2,50,000 members having turnover of Rs. 700 billion in the country. In Tamil Nadu and Maharashtra more than 75% commercial agricultural produces like cotton and sugarcane are sold through cooperatives. Jute is also a commercial crop like cotton and sugarcane. Jute Farmers Co operative may include jute growers and government representatives. In West Bengal BENFED (West Bengal State Cooperative Marketing Federation Ltd.) is carrying out marketing operation of jute for JCI as well as jute mills. Strengthening and expansion of cooperative marketing societies on this pattern in all jute producing states is the need of the hour.

Cooperative societies should initiate their activity at rented place to avoid long term investment of their working capital in fixed assets. Expense upon office and other facilities should be as per the size of business volume, quality based purchase of produce, purchase of produce from non-members to attract them etc. All these points should be given due attention for running of a jute marketing cooperative society.

Besides, model of contract farming could be another avenue in marketing of jute fibre. It basically involved four things - pre-agreed price, quality, quantity or acreage (minimum/maximum) and time (Singh, 2002). It helped farmers to reduce price risk, removed input supply bottlenecks, technology constraints and access to viable procurement options. In India, contract farming was initiated during British regime for assured supply of indigo and opium to their overseas factories. Seed companies are successfully following this model from last four decades for production of quality seeds. As per New Agriculture Policy, 2000 of Govt. of India for assured supply of quality material at fair price and to have direct contact with framers, corporate sectors have developed various models/systems of contract farming. The terms and nature of these systems / models differ according to variation in the nature of crops grown, farmers' agencies, technologies and the context in which they are practiced. With available data, till 2007, total area under contract farming in the country was 4,25,834 ha (www.Indiastat.com). Tamil Nadu had the maximum acreage under this system. In 1989, PepsiCo successfully marketed tomatoes in Punjab through this model. Encouraged by the sweeping success in tomato, the company subsequently

emulated the model in 6,000 ha in food grains (Basmati Rice), spices (Chillies), oil seeds (Groundnut) and other vegetable crop like potato. In the year 2001-02, Hindustan Lever Limited (HLL), Rallis and ICICI Bank followed a model of wheat farming in 5,000 ha in Madhya Pradesh where Rallis supplied agro-inputs and know-how and ICICI Bank financed farm credit to the farmers. HLL, the processing company, provided the buy back arrangement of durum wheat to the farmers for its food processing industry. The wheat was directly purchased by the company at 15% lesser price due to non-involvement of middlemen. This amount was distributed among the farmers as incentive. The HLL benefitted through supply-chain efficiency while Rallis and ICICI benefitted through assured clientele for their products and services.

In Tamil Nadu during 2002 *Kharif*, Appachi Cotton Company (ACC), the ginning and trading house from Pollachi (Coimbatore district) convinced around 600 farmers from various districts for Integrated Cotton Cultivation (ICC). It guaranteed a market-supportive mechanism for selling of cotton. In this way, the crop was grown in 260 ha. It improved the economic condition of participating farmers. This was the first time ever that a cotton farmer in India had been forwardly integrated to the consumer textile industry. The offer made by the company came at a time when failure of monsoon for the third consecutive year was imminent. The offer proved as a boon, as their traditional sources of finance and support had refused further fund due to non-recovery of earlier loans. The core principle of the formula lied in the formation of farmers' Self-Help Group (SHGs). The Appachi formula ensured that its farmer members never went short of money and materials during the crucial 100 days of the crop cycle. The contract assured the farmers easy availability of quality seeds, farm finance at an interest rate of 12% per annum, door delivery of unadulterated fertilizers and pesticides at discounted rates, expert advice and field supervision at every alternate week and a unique selling option through a Memorandum of Understanding (MoU) with the coordinating agency (ACC). The MoU clearly stipulated conditions to be followed in case of open tender/ auction and allowed the coordinating agency to participate in the proceedings. The formula had built some checks and balances into the system for early identification of troublemaking farmers and their elimination at early stage to protect the interest of the group, the bank and the coordinating agency. The Appachi formula differed significantly from other existing contract farming models on its 'pricing' front that no prior price fixing was done in this model. As cotton is a commodity prone to price fluctuations due to domestic and international market

forces, ACC did not wish to create a climate of uncertainty due to pre-fixed prices with the contracting farmers.

Apachi model may be adopted with required modification suitable in jute cultivation and marketing. Here the model may consist of Farmer-Jute mill-credit institution. For effective jute marketing active participation of farmers group, jute mill, financial institution and coordinating unit (on behalf of a jute mill) is essential. Jute cultivation is mostly undertaken by resource poor marginal farmers. Usually, an individual production limits to only 5-10 q jute fibre. This small produce cannot be sold by the producer directly to the jute mills for better profitability. Here the middlemen get involved in the market chain and collect the produces from the marginal farmers and hold for future sale. Therefore, the middlemen and the mills play major role in regulating jute marketing farmers. Jute growers will have to come forward through a Self Help Group (S.H.G.). The self-help group will place input demand and remain associated with jute production. The input demand should be calculated based upon the demand of the respective jute mill. One self-help group should grow one variety to meet the demand of concerned jute mill. Thus, the first step is desired from the jute mills to select the area for production of jute fibre. At present jute is being cultivated in 87 districts of country spanning West Bengal, Odisha, Bihar and Assam in which 33 are efficient jute producing districts (like Nadia, Murshidabad, North 24 Parganas, Hoogly, Malda, Coochbehar) accounts for 98.41 per cent area of jute cultivation. The farmer group from such jute growing districts can sign a MoU with interested jute mill. The mill should ensure supply of quality seed, fertilizer and pesticide latest by end of first week of March before sowing of jute starts to the S.H.G. on payment basis. The input cost should be borne by the individual farmer proportionately. Jute cultivation is labour intensive production system involving highest labour requirement during weeding (3rd-4th week and 6th-7th week after sowing) retting and fibre extraction (16th-17th week after sowing). On an average weeding and harvesting including retting and fibre extraction involves around 25 % and 46%, respectively, of total cost of cultivation (approx. Rs.60,000/ha). Financial institution should made available cash in hand to the resource poor farmers vulnerable to neglecting the crop to unavailability of cash due during these two critical operations.

Buy back mechanism of jute fibre by jute mills at a reasonable price based on declared minimum support price will protect the group from distress sale. This will also ensure stable supply of raw materials to the mills. Besides, a community warehouse cum procurement centre should be developed for safe storage of jute fibre. This facility

may be created by availing the government schemes. These government assets may be used by the jute mills for short term storage of procured jute on rental basis. Responsibility of carrying individual's produce to these centres should lie with the S.H.G.

Intensive extension efforts to be offered by the mills towards jute production will infuse confidence among the jute growers. These efforts will establish a linkage between different Government institution and research and development agencies for higher and economic production of jute. The mill can appoint a nodal officer to implement and monitor the jute production programme. He should be well aware of local jute growing areas. Fully trained extension workers may provide training to upgrade the knowledge and skill of members of the S.H.G. upon latest jute production technologies ex-mechanical (nail weeder) and herbicidal method of weed management, improved and low cost retting method, fibre extraction in limited water condition etc. Adoption of these new technologies will reduce the cost of cultivation, increase the fibre production and profitability of jute cultivation.

Success of this model will depend upon selection of the area and formation of SHGs, timely supply of inputs, linking of bank for credit, payment of a price acceptable to the farmers, empowerment of farmers, mutually beneficial relationship among the participating farmers etc. In the case of disadvantageous situation there is possibility of declining/disobey the contract/agreement by anyone of the party. Long sightedness and mutual understanding of both the parties are demanded.

Conclusion: Above discussion revealed that at ground level a lot of efforts are still required for strengthening the government machineries through procurement and cooperative societies. At the same time, active support of jute industry to the individual jute growers through contract farming can transform the shape of jute industry as a whole through assured supply of raw material. It will help in stabilisation of raw jute price and increase the growers share in consumer price. Consequently, the farming communities, jute industry and nation will be benefitted.

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