CHAPTER XVI

SUGGESTIVE MEASURES TO PROMOTE JUTE EXPORTS
In the recent years the Centre has taken several measures to save the jute industry from complete liquidation. Despite marginal relaxation in credit policy, the government has reintroduced CCS on certain varieties of jute goods exports. The mills are provided with the facility of credit for stocking raw jute as per RBI's guidelines. The mills purchasing raw jute from JCI are eligible to get credit facility for which banks were advised to establish L/SS. The government has formed two consortiums (one for sacking and another for carpet backing) of exporting mills and the State Trade Corporation in the second half of 1982 to bid jointly for securing tenders on competitive basis in the international market or to obtain bulk order with loss-sharing provision. The government has also abolished export duty on hessian in September 1980, making all jute goods duty free. On the domestic front, to generate effective demand, the government has activated DGS & D to purchase gunny bags (2 lakh pieces under essential Commodity ACT) on cost-plus basis. Moreover, the cement industry is directed to use new gunny bags. The West Bengal government has introduced single point sales tax at the rate of 4 per cent in place of multi-point sales tax. The Central Government has also revised the cess rates on jute textiles liable to impose under the I (D & R) Act. Moreover,
there is progress in respect of 100 per cent export-oriented units for diversification of products meant for export and the government has already cleared a number of letters of indent for the purpose.

For the introduction of new products and improvement in existing ones and upgrading the quality of fibre through R & D efforts and for the better marketing of jute goods, the government has established Jute Manufactures Development Council, a statutory body which administers the cess fund collected by the Centre for financing projects for these purposes. It has an overseas office in New York with the aim of developing a market intelligence system. Moreover, there is a jute cell in the India Trade Centre, Brussels to propagate in favour of jute in the West European countries. The government has also set up a separate corporation 'National Jute Manufactures Corporation Ltd.' on June 3, 1980 for the management of all (at present six) nationalised jute mills.

However, all these promotional efforts have proved inadequate to check the deteriorating condition of the industry as a whole and it continues to suffer from acute discomforts owing to drastic fall in exports despite voluntary cut in production. It means that the industry is in great need of revamping with a package of measures for relief. It is encouraging that a committee of secretaries has looked into the recommendations
of Task Force on jute textiles. The government has initiated action to implement the recommendations. Here are the suggestions to drive out the industry from its miserable condition and to improve the export performance.

Prevailing circumstances suggest that jute goods in the world market cannot re-establish their supremacy as packaging material of early fifties and, therefore, only in this context, the efforts should be directed. Initially our efforts should aim at to check the further decay in exports and then are diverted to improve the export performance. For this, both the government and industry have to put their efforts together to implement short range as well as long term measures. However, under the changed economic ideology, involving more regulatory measures, it has shifted greater responsibility on the shoulder of the government. China's (and to some extent Taiwan's) entrance in the world jute market in a big way has also necessitated the incorporation of modified planning in our export strategy, otherwise it may prove fatal to Indian jute industry.

The efforts should be initiated with the following goals:

1. To raise the output of jute keeping the acreage stable under the fibre and to improve the quality of fibre with the ultimate aim of reducing the cost of production of fibre and final products;
2. To assure remunerative prices to jute growers and to increase their income by better utilisation of by-products and waste of jute;

3. To make available raw jute at reasonable price and if possible at international price through the JCI and for stability in the prices and supply of jute by creating buffer stock;

4. To improve price competitiveness by reducing the cost of constructions;

5. To ensure reasonable returns to the mills;

6. To diversify the production and development of new products through vigorous R & D efforts;

7. To implement effective sales promotion campaign and create demand for sale in the new territories; and

8. To adhere to shipment schedule and for this purpose harmony between labour and management be developed through application of scientific management.

Farm front

With the growing need of foodgrains, more land cannot be allowed to divert to jute cultivation. The present acreage is around 9 lakh hectares which should be stabilized by maintaining paddy-jute price ratio though it is a difficult
task, just like balancing on a tense rope. Sufficient and timely execution of support price will help much in this direction. Fixation of procurement price of jute must correspond with paddy price prevailing in the market at the time of sowing jute. The Jute Corporation of India, if properly streamlined, will prove to be an effective agency in stabilizing the prices of raw jute through rational procurement at the time of crop and storing it for releasing to the mills during their requirements. Thus, the farmers will be assured of getting support price as well as mills will be supplied raw material at reasonable stable prices. Ultimately, the fluctuations in the prices of jute and its constructions will be controlled largely.

About 9 lakh hectares under jute cultivation will suffice to meet the industry’s requirement which is estimated at 1680 thousand tonnes by the end of this century if per hectare yield is raised to around 19 quintals against an average yield of 13.5 quintals (1979-80 - 1981-82 average). A rise to this level is difficult but not impossible. Demonstrations in 24-Parganas had repeatedly recorded an average yield of 24 quintals and can be obtained at farmers’ end by carrying technologies to the field. It means, intensive cultivation is need to be stressed upon with scientific techniques and providing necessary inputs in time to the cultivators as said earlier. For this, there is imperative need of developing high-yielding varieties
of fibre. It is also equally important to improve the quality of fibre. In these contexts, continuous R & D efforts are sine qua non. It is a well known fact that retting technique affects the quality of jute to a great extent. The facility of constant running water helps in getting uniform quality and therefore, the facility should be extended to a larger area. Better methods of retting and recovery of fibre from plant will, to some extent, help in improving the quality of fibre.

In addition to the availability of raw jute at international price through JCI, the products having more than 15 per cent value added contents should also be provided with other requisite raw materials at competitive rates like polythene required for lining. Jute bags with polythene lining are in good demand in the European, West Asian and African countries. The exporters get polythene lining done in Europe because of higher rates of LDP granuals prevailing in the country. If the LDP granuals are made available to jute bag manufacturers at the price, not above the price charged by the European firms, the export of this item can be augmented. Additionally, lining work will be another source of employment. In manufacturing jute re-inforced plastics, the high cost of resin is the major constraint. If this material is also made available at reduced rate, the above product can be popularised.
Price stabilization

Since long the behaviour of the prices of jute goods is most unbecoming. Whenever the foreign buyers found the prices comparatively higher, they switched over to substitutes or preferred purchases from other sources. Furthermore, most of the buyers abroad preferred to keep their requirement to the minimum. They even hesitate to contract for future requirements in view of the frequent changes in the prices of jute goods. Stability in prices for a reasonable period accommodates importers to plan for bulk-purchases than piece-meal order. This factor is of much importance in the context of industrial usage of jute goods and no less in the field of agriculture for packaging.

For the purpose of stabilizing the price level, a stable fiscal policy will, to a greater extent, contribute in this direction. Future market is also to be regularised with a view to restrict the unhealthy speculative practices, making it an effective media of promoting export. As export trade in jute goods is largely carried on forward delivery basis, it is imperative to trim the speculative forces responsible for hectic movement in prices.

If the price moves out of range fixed (or point) within certain period the government should actively intervene. In case of price higher to the upper limit, created artificially, it should be curbed in the interest of the export. In case of losses incurred on exports it should be compensated from a price stabilization fund as suggested by the Task Force on jute textiles.
(1981). It has suggested that the fund should be created with equal contribution from the industry and the government. Operation of the fund will be more effective during wild fluctuations in the prices when cash assistance does not suffice. Creation of fund will also help in restoring confidence of overseas buyers to enter into long term contracts.

Meanwhile, the government has decided in March 1983 to introduce a cess Bill in the next session of Parliament to form an export subsidy fund for the industry.

Dual pricing

The IJMA has suggested an alternative to recover losses on export by earning a fair profit from domestic sales. The dual pricing system was well received by the Steering Committee on jute industry. However, the proposal in practice will not be so simple as in the case of sugar. The varieties of jute goods sold in domestic market are many which is a different condition. Moreover, in order to implement the dual pricing system effectively, it is necessary to amend the jute licensing and control order to empower the jute commissioner to release the standard varieties in the domestic market. Effective implementation of dual pricing system will assure fair return to the industry and create the condition for aggressive sales efforts in the world market.

Of the two different suggestions for compensating the losses
on exports, creation of fund is less cumbersome and risky. Any sort of control creates black market and dual pricing policy is not free from this drawback. We have not very good experience of dual price policy applicable for sugar.

**Internal consumption**

Unlike 1965-66, when the industry was two-third export-based, today the industry produces more than two-third for the domestic market. The sharp increase in the domestic consumption indicates that strongly protected market has developed over the years due to increase in agricultural and industrial production and overall economic growth in the country. This change has provided sustenance in the light of falling exports. The irony of the fact is that in spite of reverse market position, the manufacturers receive prices for their domestic sales based on sales affected abroad as pricing of jute goods in the country largely depends on the international market. But this is not the point of resentment in Indian condition where jute as packaging is an essential commodity, the only thing is that very little has been done to streamline the increasing internal consumption vis-a-vis decreasing external market. Today domestic market serves as a support of the last resort and the economic viability of the industry depends on the internal market.

**Internal consumption of jute goods over the period 1970-71**
to 1981-82 increased at the annual average compound rate of 5.25 per cent. The consumption of sacking and hessian increased by 4.6 and 4.7 per cent per year (compound). The highest rate of consumption was pronounced in the case of 'Other jute goods', being 8.6 per cent annually (compound).

Bangladesh does not have any important domestic market and that is why the government and trade circle strive for boosting export at any cost. Unlike India, her share of internal consumption to total production has reduced from 15.4 per cent in 1969-70 to 5.6 per cent in 1981-82, registering the industry almost 100 per cent export oriented. The contraction in domestic market since 1971-72 is due to separation of Bangladesh from Pakistan. Sacking is the main item of consumption accounting for nearly three-fourth of total consumption of jute products, more or less similar to India but dissimilar proportion to sacking productions. Bangladesh exported 87.5 per cent of her sacking production whereas this proportion for India was only 9.2 per cent in 1981-82.

Obviously, any depression in the gunny market in the country contributes to stock piling and closure of mills or curtailment in working hours directly affecting the economy of Eastern part of India and this happened off and on. In November 1981, the industry was heavily burdened with unsold stock as DGS & D affected less purchases to the tune of one lakh bags in 1981-82 as against two lakh bags in 1980-81. The government, therefore,
<table>
<thead>
<tr>
<th>Year</th>
<th>All Jute Goods</th>
<th>Hessian</th>
<th>Sacking</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Quantity</td>
<td>Percentage to total prod.</td>
<td>Quantity</td>
<td>Percentage to total prod. of hessian</td>
</tr>
<tr>
<td>1950</td>
<td>114.1</td>
<td>13</td>
<td>12.3</td>
<td>4</td>
</tr>
<tr>
<td>1955</td>
<td>171.9</td>
<td>16</td>
<td>25.3</td>
<td>6</td>
</tr>
<tr>
<td>1960</td>
<td>270.9</td>
<td>25</td>
<td>33.5</td>
<td>8</td>
</tr>
<tr>
<td>1965</td>
<td>377.7</td>
<td>28</td>
<td>53.9</td>
<td>10</td>
</tr>
<tr>
<td>1970-71</td>
<td>519.7</td>
<td>49</td>
<td>71.9</td>
<td>21</td>
</tr>
<tr>
<td>1971-72</td>
<td>592.0</td>
<td>46</td>
<td>71.3</td>
<td>20</td>
</tr>
<tr>
<td>1972-73</td>
<td>580.5</td>
<td>47</td>
<td>76.7</td>
<td>22</td>
</tr>
<tr>
<td>1973-74</td>
<td>494.6</td>
<td>46</td>
<td>75.3</td>
<td>24</td>
</tr>
<tr>
<td>1974-75</td>
<td>466.5</td>
<td>44</td>
<td>76.9</td>
<td>23</td>
</tr>
<tr>
<td>1975-76</td>
<td>777.6</td>
<td>59</td>
<td>82.4</td>
<td>26</td>
</tr>
<tr>
<td>1976-77</td>
<td>740.3</td>
<td>62</td>
<td>94.5</td>
<td>28</td>
</tr>
<tr>
<td>1977-78</td>
<td>646.8</td>
<td>55</td>
<td>95.8</td>
<td>27</td>
</tr>
<tr>
<td>1978-79</td>
<td>698.7</td>
<td>67</td>
<td>98.7</td>
<td>35</td>
</tr>
<tr>
<td>1979-80</td>
<td>824.3</td>
<td>62</td>
<td>98.4</td>
<td>27</td>
</tr>
<tr>
<td>1980-81</td>
<td>922.0</td>
<td>66</td>
<td>121.1</td>
<td>30</td>
</tr>
<tr>
<td>1981-82</td>
<td>912.8</td>
<td>68</td>
<td>122.9</td>
<td>35</td>
</tr>
</tbody>
</table>

Source: IJMA & JMDG.
decided in March 1982 that DGS & D would make purchase of two lakh bags (B.Twill) under the Essential Commodities Act on behalf of the Food Corporation of India for its rabi operations in the States of Punjab, Haryana and Uttar Pradesh.

The purchases are affected at cost plus basis (as per Palekar Commission formula i.e., ex-mill price of the bags plus 1.5 per cent of it when the market price is high and when the market price is low than market price plus 5 per cent extra). It is complained that DGS & D does not pay the price even to cover the cost of production. It affects purchases on the basis of open tenders or at market price when generally market prices are low (as the condition prevails). Moreover, its sporadic buying quantities have generated the instability and atmosphere of uncertainty in the industry circle, affecting adversely the production tempo and financial viability.

Recently in March 1983, the Bureau of Industrial costs and prices was asked to study the industry's current cost data and to recommend statutory minimum prices on cost plus basis. Moreover, the government had directed the Jute Commissioner to see that orders are placed in bulks for a year at a time to help the mills to plan their production on a more realistic basis. Both the things if implemented properly would give relief to the industry. In fact, there is a need of a pragmatic programme of purchasing B.twills by DGS & D in appropriate quantities in pre-determined intervals.
DGS & D is the largest single agency purchasing nearly 25 per cent of the total output of sacking. During the last six years, the organisation purchased the following quantities of B. twill:

**TABLE 203**

**Purchase of B. Twill by DGS & D**

<table>
<thead>
<tr>
<th>Year</th>
<th>Quantity ('000 tonnes)</th>
<th>Percentage to total production of sacking</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976-77</td>
<td>136.1</td>
<td>22</td>
</tr>
<tr>
<td>1977-78</td>
<td>73.2</td>
<td>13.82</td>
</tr>
<tr>
<td>1978-79</td>
<td>123.8</td>
<td>25</td>
</tr>
<tr>
<td>1979-80</td>
<td>168.5</td>
<td>25.72</td>
</tr>
<tr>
<td>1980-81</td>
<td>218.7</td>
<td>29.9</td>
</tr>
<tr>
<td>1981-82 (P)</td>
<td>91.2</td>
<td>12.55</td>
</tr>
</tbody>
</table>

Source: IJMA

The domestic demand for sacking is increasing at an average annual rate of 4.7 per cent due to increase in agricultural production. Internal market for 'others' has also developed. More than 90 per cent of production is consumed in the country. However, the consumption of hessian is increasing very slowly. The domestic demand for hessian and sacking is projected at 990 thousand tonnes by the end of Sixth Plan. IJMA has projected it at 1110 thousand tonnes.
There was also an opinion that there exists "a potential big market of such products (decoratives) within the country itself but because of the absence of the necessary supply and distribution channel for such products, the market within the country could not yet be utilised for the benefit of the Jute Industry and Handloom Sector."* At present different mills are producing decorative jute products on a limited scale for export market. The big domestic market can be tapped by market promotional measures.

It is definitely ailing that industry which has been primarily an export-oriented one for more than a century, is increasingly leaning on the domestic market for its existence and viability. Now in the changed circumstances, development of inland market is a must and is to be viewed as a cushion to absorb the shocks during slack demand abroad. In this very context, India enjoys advantage over Bangladesh which has no internal market. However, we should not miss even a chance to exploit foreign markets.

In the domestic market consumer preference is gradually shifting in favour of synthetic sacking. It is feared that unfair allowance to synthetic in the form of exemption of excise duty against levy on jute goods would harm the sacking part of the industry in near future. Therefore, the industry

has urged the government for the imposition of excise duty on high density polyethylene (HDPE) to discourage its use in the country as packaging material.

On the other hand, by reducing excise duty on jute goods, the consumption in the country can be stepped up. The reduction in duty will discourage the multiple reuse of bags. The reduction in excise duty also gets ground on the fact that nearly 30 per cent of sacking production is consumed by the government departments for packaging. Jute and synthetic yarn mixed fabrics can be manufactured for the purpose where all-jute construction is not suitable. Such change can be brought by rationalising the duty structure. The industry should also manufacture small bags of 40 to 75 kgs. capacities after assessing the requirement. Moreover, the possible uses in different industries or household should be searched out and accordingly the products should be modified or diversified.

*Need to delink the internal prices from world jute prices*

However, it is imperative to delink the internal prices of jute goods from the direct impact of international market. The industry has not remained export-oriented one and therefore, governing of internal prices by the world market is obviously not proper. Delinking of existing price relation will facilitate the industry to recover partly the losses on sales abroad.
Sales at the prices below the costs to withstand the competition in world jute market has become the regular feature.

ESRA said that an increase of Rs. 1000 per tonne on the basis of cost (and not on international prices) will result into nominal increase of maximum 2.5 paise per kg. in the cost of the packed material. The calculations made by ESRA in this connection are given below:

**TABLE 204**

Statement Showing Calculation of Fair Selling Price per tonne of Carpet Backing, Hessian and Sacking (Rs./tonne)

<table>
<thead>
<tr>
<th></th>
<th>Carpet Backing (7 oz./36&quot;)</th>
<th>Hessian (40&quot; - 10 oz.)</th>
<th>Sacking (44&quot; x 26¼&quot; 2¼ lbs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Total cost of prod.</td>
<td>8936</td>
<td>7392</td>
<td>5502</td>
</tr>
<tr>
<td>2. Add: (a) Return at 10% of cost</td>
<td>894</td>
<td>739</td>
<td>550</td>
</tr>
<tr>
<td></td>
<td>(b) Loss in exports</td>
<td>-</td>
<td>250</td>
</tr>
<tr>
<td>3. Fair selling price (1 + 2)</td>
<td>9830</td>
<td>8381</td>
<td>6302</td>
</tr>
</tbody>
</table>

or

- Rs. 237.60 per 100 yds.
- Rs. 643.06 per 100 bags (or say Rs. 650)

Note: Element of loss on export may be transferred to a Cass fund and returned back in the form of CCS on exports. These figures are, however, only a suggested estimate and would require revision depending on actual export losses.

Contd.....
<table>
<thead>
<tr>
<th></th>
<th>B-Twill (food-grains)</th>
<th>A-Twill (Sugar)</th>
<th>Cement</th>
<th>Fertiliser</th>
<th>D.W. Flours</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Standard packing</td>
<td>100 kgs.</td>
<td>100 kgs.</td>
<td>50 kgs.</td>
<td>50 kgs.</td>
<td>100 kgs.</td>
</tr>
<tr>
<td>2. Market price for 100 bags (Rs.)</td>
<td>461.00</td>
<td>550.00</td>
<td>272.88</td>
<td>317.84</td>
<td>342.34</td>
</tr>
<tr>
<td>3. Suggested local price (Rs.)</td>
<td>650.00</td>
<td>787.62</td>
<td>367.08</td>
<td>427.35</td>
<td>497.63</td>
</tr>
</tbody>
</table>

(Basic price Rs.6470/- + Rs. 250/- premium)

(Basic price Rs. 6470/- + Rs. 150/- premium & value charges)

(Basic price Rs. 8064/- per tonne + Rs. 65/- per 100 bags for lamination)

(Basic price Rs. 6470/- per tonne + Rs. 800/- premium for lighter construction)

Increase in packing cost (per kg.) (Paise) 1.89 2.37 1.88 2.18 1.56


Modernisation of the industry

In general, the scope for reduction of conversion cost is limited as mills already enjoy relatively low cost though economy can be gained in certain fields like control of wastage, production of light weight products and limiting disruption during production. Application of improved method and techniques will, to a greater extent, help in reducing the production cost.
In the Second Plan, it was affirmed for the first time that without extensive renovation programme of the jute industry (cotton textiles also) export growth cannot be sustained against competition and therefore, modernisation programme was given the highest priority. Some steps for modernisation were taken but they were largely in the spinning sector and in weaving and finishing. Even these were insignificant. Simultaneously working conditions were adjusted. In the Third Plan paucity of funds for replacement was felt. Mills also felt short of funds and no significant efforts were made to modernise except partial modernisation of the 1st Drawing Line and also in Spinning Line in a few mills during late sixties and early seventies. The reason for such a deplorable state of the machinery has been the low profitability of the industry as said earlier. Moreover, the industry invested nearly Rs. 40 to 50 crores in installing captive power sets otherwise it would have been used this capital in modernisation. However, the industry has claimed that in 1979-80, short-lived boom year, the industry has ploughed-back profit amounting to 40 per cent of the retained net profit for modernisation, renovation and expansion.

Modernisation programme of jute industry should cover three aspects:

(1) Replacement of out-moded machinery.

(ii) Improvement in processing machinery and technology to produce finer and better finishing quality products, and

(iii) Development of machines and equipments to suit the changing requirements of the industry for product diversification.

Due to out-moded machinery and inadequate maintenance the industry suffers from low productivity and higher cost of production compared to Bangladesh which has better machinery and has an edge over India. Moreover, "The time has come when we must have an entirely different look on the whole concept of modernisation. If the jute industry is to survive in the international market in competition with synthetics, it will have to produce substantially lighter fabrics with much greater performance capabilities from the end-use point. This is possible only if the whole technique of spinning and weaving is modernised."¹ It is further added that, "Technology for production of very light yarn using low jute batch on a high speed twistless wrapped spinning machine has been developed and is available. Modern looms with high productivity are also available. The high capital costs of these machines have to be compensated by substantial reduction in raw materials cost and reduction in man-days per tonne by 50 per cent."²

¹ IJMA: Chairman's Speech at the Annual General Meeting held on July 10, 1982.
² Ibid.
There are three jute machinery manufacturing units in India, one in public sector and two in private sector. These units are working below their capacity but their capacity is insufficient to meet the demand of jute industry for modernisation or latest technology. The use of domestic jute machinery costs much less as well as saves valuable foreign currency.

As said, the jute industry needs machines of new technology and the capacity of manufacturing such machines in India is not sufficient. It is, therefore, needed to step up the capacity of jute machinery manufacturing units in the right direction after assessing the requirements of different jute mills. India can collaborate with the technically advanced countries, including Italy to augment the modern looms manufacturing capacity. In the meantime, the government should allow imports of indispensable machinery and equipments to the industry at low rate of import duty. At present the rate of duty is 42 per cent which is very high. While modernising, this basic fact is to be kept in mind that the industry cannot go ahead speedily in the field of modernisation being limited scope for research and innovation as the industry is largely concentrated in developing countries. On this basis one cannot compare the jute industry with textile (wearable) industry which has more or less world-wide coverage.

According to a recent estimate (made in 1980), the jute industry would require Rs. 350 crores for modernisation/
renovation/balancing/expansion of spinning capacity between 1981 and 1985. Of this amount, Rs. 193 crores would be required for importing machinery of new technology. ESRA estimated Rs. 400 crores for the above purpose. It said that the servicing charges will be Rs. 10 crores a year if the interest is 10 per cent. It further said that if this modernisation programme is implemented, it will facilitate the increase in production at 5 per cent for five years, bringing an additional output of about 70,000 tonnes per year. ESRA further estimated that the jute industry will be able to save Rs. 2000 per tonne by way of wages and fixed overheads, working out to annual saving of Rs. 14 crores.*

As mentioned earlier, poor profitability and investment in captive power generator sets prohibited mills to go for renovation. Moreover, mills had not shown interest in taking advantage of loans available under soft loan scheme (suggested by Narsimha Committee set up in 1976 by Government of India for studying the sickness of major industries) from the Industrial Development Bank of India. Out of Rs. 250 crores earmarked for jute industry under this scheme, the industry took only Rs. 6.7 crores by the end of June 1981. The mills could not be motivated in spite of providing rebate @ 25 per cent on all plants and machinery installed under the Income Tax Act.

* Economic and Scientific Research Asso., op. cit., p. 60.
It is opined that more secured domestic market has developed greater indifference on the part of the mills to modernise their units and earn as much as possible without investing more in fixed assets. The off and on demand for nationalisation further restrained mills to renovate. It is also argued that, though differently, the uneconomic working of the mills has refrained them to avail loan facility for modernisation. They are doubtful of their repaying capacity including servicing charges. It is, therefore, imperative that the government should take lead in this respect. The need is to prepare unitwise replacement plan and finance them accordingly on very easy terms. But progress will require continuous vigilance during execution of such plans.

The group set up (1981-82) to examine the recommendations made by the Expert Panel, headed by the then Commerce Secretary Mr. P. N. Kaul suggested to create a fund for modernisation and development by imposing a cess on the industry, being reluctant to undertake modernisation. This suggestion needs consideration in the light of facts above analysed. This cess can be revised from time to time depending on the production, domestic availability and export prospects of jute goods.

The government has already paved the way for modernisation in NJMC, managing six mills. It was expected that by 1982-83, these mills would complete 50 to 60 per cent of modernisation scheme. The government should also continue to persuade the
industry for implementing the modernisation programme and only at last, the government apply some sort of obligatory measures like linking fiscal relief or cash assistance with modernisation. In fact, the industry has developed the tendency of complete reliance over government subsidy/grant/relief etc.

Here, the labour should cooperate in modernising the mills and it has become more important in the light of declining exports. It is said that their strong resentment has been one of the major constraints to modernisation. They do not agree to better man-machine ratio as they fear of retrenchment, being excess in number. Some amicable solution should be sought out by all concerned at least to achieve the normal productivity level of 50 man-days per tonne fixed by the JMDG. The Government of West Bengal and the Centre together should work for the common approach. It is estimated that after modernisation one labour will operate 8 looms against one loom at present. Likewise, in the field of production of twistless yarn on modern machines one labour will be required in place of four. This yarn is useful in producing light-weight low-cost fabrics which can compete against synthetic used for carpet backing cloth.

It is definitely surprising that workers do not differentiate between present work-load and would-be-work pattern after modernisation which will not increase, on the contrary it will reduce. Modernisation and thereby increase in the productivity
is the only way for reducing the cost per unit of production as wage bill cannot be deflated directly and it should not be. Since the raw material and wages account for more than 75 per cent of total cost, it is clear that the key to cost saving lies in the improvement of productivity of farm and labour. And this is the only course to fight against synthetics.

The industry has yet to develop any productivity norm. There is definitely urgency of evolving certain productivity norms and on these norms an effective cost control system should be implemented. Simultaneously, the industry should bring in force the professional management system.

The existing loomage and spindlage potential capacity of the industry is much higher if rehabilitation and renovation of the machinery set up is properly implemented. For full utilisation of the installed capacity, the infrastructural facilities are must. "In order that the installed capacity is fully utilised, stable infrastructural conditions like availability of power, smooth working in the ports and in transport agencies' services and good employer-employee relationship in jute mills are also absolutely essential."* It seems undesirable to create any additional capacity by establishing new mills; otherwise the things would be more serious. The industry is already suffering from demand recession. The only necessity is to encourage the mills for

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better working through modernization and other means, resulting into increase in production. The measures should apt to balance supply with demand. In fact, delay in creating additional capacity of 1.13 lakh tonnes by establishing 8 mills has saved the industry going from bad to worse. At present, the industry is saddled with excess capacity of about 2 lakh tonnes, accounting for nearly 12 to 15 per cent of the industry's production capacity.

The IIFIT was of the opinion that the industry should have small number of mills equipped with modern machinery than to have a large number of sick units and units having old outmoded machinery. It said, "... the policy of relating to opening of any sick and closed mill in the country by artificial pumping of resources may have to be reviewed carefully. Even if new industrial end-uses for jute emerge, it is doubtful whether the old jute industry can play effective role. It is better to have a small number of jute mills with modern equipment than to have large number." *

As seen the economic viability of the industry is almost shattered and, therefore, it needs adequate finance at minimum service charges on the terms and conditions of financing to sick units. On the same basis soft loan scheme needs modifications. Moreover, the commercial banks should be directed to

finance mills liberally for the purchase of raw jute throughout the year. There is also need to lower the margin money from 25 per cent to 15 per cent. Simultaneously, the rate of interest should also be reduced. However, these facilities may not be extended by commercial banks in the wake of the deteriorating financial position of mills and therefore, the industry should be provided with term loans. All India financial institutions should take initiative in this direction. Their role so far has not been significant to the jute industry.

The Reserve Bank of India has constituted a Standing Committee to coordinate institutional finance for jute industry and to study its financial problems on an on-going basis. Let us hope that this step if taken may rejuvenate the industry and strengthen its present state of affairs.

**Diversification of products**

The success in subduing the ligneous nature of jute, opened the way for manufacturing the finer fabric hessian which was well received by the foreign end-users. This was the first instance of diversification of products observed in 1870; prior to which industry was solely concentrating on the production of rough and heavy sacking cloth and bags. During a long spell of 80 years, after development of hessian, the industry exerted for diversification of products but nothing important could be brought out. In 1950 some new products like, cotton bagging,
webbing etc. were introduced. The process of diversification continued and broad hessian cloth – carpet backing cloth was exclusively developed for (and later on light weight 8 oz. and below upto 5.5 oz.) export purpose. Further, the feasibility of bleaching and water-proofing of jute cloth made possible to produce tarpaulin and canvas and other products like new improved wool-pack, cotton bagging, lined and laminated jute fabrics. Lately, the use of jute in decoratives is being applied.

Introduction of carpet backing (and other products) gave vital effect to the industry but that has gradually diluted by synthetic. Now there is again need to revitalise the industry by diversification of products as the industry is passing through the worried state.

The need for diversification of products was again and again resurrected by different committees set up and delegations visited abroad. They established that industry's long survival depends largely on its ability of manufacturing modified and new products to suit the changing requirements of end-users and keeping pace with these changes will open new avenues for exports. This does not mean that traditional constructions of jute have become obsolete; it is only that new products will enlarge the export spectrum. Newer products are needed to be invented or designed in the light of the fall in demand for conventional jute products of heavy-duty low-cost.
It is realised that there is lack of rigorous efforts in developing diversified products like printed decorative fashion jute fabrics and other specialities. While advanced countries such as the USA, West European countries, Canada, Australia, New Zealand and the USSR are particularly more responsive to such modified/new products. Oil-rich countries have also shown their inclination to such products, for example, Iran was interested in decorative jute fabrics, Tanzania needed jute bags of 50 kg. capacity.\(^1\) A sincere effort in the direction of developing a small packaging suitable for consumers is also required since long. Not only in developed but also in developing countries consumer packaging is being widely used. Under the bulk handling techniques, the use of rigid containers prompt some difficulties, viz., heavy weight, high initial cost, difficulty in cleaning inner surface and requirement of space even when they are empty. Jute packs with the capacity of holding one to two tonnes of materials like sugar, grains etc., if developed, will serve as substitute of container system. These bags should possess the quality of strength according to weight as well as quality of folding in case they are kept empty. IIIT has suggested the development of jute reinforced plastic materials as composites for new end-uses like low-cost houses, irrigation pipes, structural materials, machine parts etc.\(^2\) At the symposium organised

\(^1\) IIIT Report: Study Team to Selected Asian and African Countries (D.R. of Korea, Iran, Iraq, Kuwait, Saudi Arabia, Syria, Malawi, Nigeria and Tanzania), 1979.

during the exhibition on jute decoratives held in New Delhi in 1982 it was held that there is good scope for hand bags, clothing accessories, neckties, shawls, belts, shoes, attractive consumer products and low priced blankets made of jute blends. These products can be produced by auxiliary units attached to jute mills, small scale industries and the handloom/handicraft sector. Jute shopping bags attracted the buyers in the Ghent (Belgium) International Jute Fair, October, 1981. Lamp shades, shoulder bags, embroidery fabrics etc. also will attract the advanced countries. Despite creation of new jobs, these products will fetch higher value.

The Task Force (1981) has suggested to grant adequate cash assistance for a fairly good period to establish the new and/or improved products in the markets, both inland and abroad, through sustained promotional efforts.

R & D efforts

Research and development activities in Indian jute industry have about fifty years at their credit. First research department was started by IJMA in 1937 which subsequently took the shape of a Research Institute. The Institute established its separate entity in 1966 under the name of the Indian Jute Industries Research Association (IJIRA) which is now working under the Ministry of Commerce. Its research works range from jute cultivation and retting to the development of new products,
incorporating fibre preparation and upgrading, bleaching, dyeing, finishing, spinning, weaving and unit economy. Jute Technological Research Laboratories (JTRL) and Jute Agricultural Research Institute (JARI) are working under the Indian Council for Agricultural Research.

No doubt, research has opened new dimensions to jute uses but an assessment of its actual worth has yet to be seen, not in competition but in cooperation with synthetics and other fibre substitutes. It is believed that blending, intermixing, coating or laminating of jute with other substitutes, largely synthetics, have the potentiality of revolutionizing the industry and trade in future. It is, therefore, felt that sincere R & D efforts are required in this direction. However, to avail the impressive results, technical progress of substitutes should be watched and assessed from time to time, keeping in mind their gains, as has been done in the case of jute backing material by introducing fire retardant and moisture proof and light weight varieties. There is also need to change the technological properties of jute yarn to suit the developed countries' manufacturing technology. In case of carpet backing cloth, despite price factor, the non-price factor, particularly technological performance of the construction in the process of manufacture should be attended more vigorously. The hope of reviving the primary jute backing market can be seen only in the context if technically accepted product is developed. Here
the price factor will be of less importance.

Despite research in the field of industrial end-uses, efforts are also to be diverted to develop the products for domestic use, providing wider base to the industry in general.

**IJIRA**

During the last ten years IJIRA has developed a number of products of jute blended with other fibres like rayon, wool etc. Such blending developments have been aimed at making jute products free from rough appearance, unpleasant smell and furrowy defect and constructing better quality, durable and good appearing constructions for different end-uses. Such blended constructions are lighter and easier to handle and therefore, transportation cost is less. However, such constructions are subject to higher excise duty, obstructing their large scale production.

In 1975, IJIRA developed fire retardant fabrics but did not gain favour in different end-uses like decorative fabric for wall coverings, coverings for foam or rubber cushions, brattle cloth for coal mines etc. Another product developed is decorative jute fabric used as wall-covering, home furnishing and alike elaborated previously. Jute wall covering is popular and account for nearly 20 per cent of total textile wall-covering consumption and it is expected that this will further expand.
It is, therefore, necessary to stress on improving the quality of such fabrics by removing the defects like fibre shedding, knots, weft bars etc. Moreover, time bound and effective R & D efforts are to be directed to add certain qualities like washability, crease resistance, softness and light colourfastness. There is also scope to add novelty in designs and colours suiting to different markets and tests. The creation of high standard quality jute specialities is of paramount importance and for this purpose quality control at every stage is a must.

IJIRA has developed a double layer hessian bag, 25 per cent lighter than B.twill bag. Being two-layer construction, the loss of material packed by leakage and breakage is much less during transportation or handling. It is reported that prevailing governmental specifications are the main constraint in the way of popularising the products of different specifications. It is also reported that to affect the changes in these specifications, much time is wasted.

The following products have been developed by IJIRA but they are not commercially tried:

(i) 'Soil Saver' is found very useful for minimising soil erosion after prolonged tests. As soil erosion causes loss of fertility, this will prove very useful.

(ii) 'Twistless Yarn' for spinning is useful for
manufacturing light weight fabrics. IJIRA has also developed the spinning technology for the same which will, if incorporated, greatly improve the labour productivity. 4.5 oz. per square yard fabric made from twistless yarn received from Netherlands has attracted the attention of the US tufters.

(iii) 'Jute Reinforced Plastic' (JRP) is useful in furniture, boats, silos, houses, pipes, wall panels etc.

(iv) Low-cost colourless and odourless bonding material for making laminated fertilizer jute bags with PP lining in place of conventional bitumen has been developed.

(v) Bulk packaging from jute is developed. Enquiries were received from home and abroad for adopting the bulk packaging construction on commercial basis.

IJIRA is also working in the following directions to develop new products:

(i) Lighter jute covers for cotton bales for the US market,

(ii) Union primary backing with jute in warp and PP tap in the weft for fine-gauge high-density tufted carpets,
(iii) Jute/rayon blended yarn for tufted carpets, and
(iv) Low-cost blankets from jute/wool blended yarn.

Jute Technological Research Laboratories

JTRL

JTRL has also developed the following products:

(i) **Woollenised Jute Blankets** (trade name Caplon): It is claimed that this new product has greater resistance to moth and better inertness than all-wool blankets. Moreover, such blanket enjoys price preference over all-wool blanket. The cost of new blanket ranges between Rs. 40 to Rs. 60 while an all-wool blanket costs nearly Rs. 200.

(ii) **Jute Khadi**: It is now possible to produce khadi yarn of staple jute blended with raw cotton/waste cotton and wool separately. Such blended khadi yarn can be used to produce a variety of products like seed bags, sling bags, wiper cloth, table mats and curtains.

(iii) **Coloured Jute Covered Yarn**: JTRL has made possible the bleaching and dyeing of heavy fabrics made from coarse jute fibres and colour fastness by producing coloured jute covered yarns directly on the spinning frame.
It was claimed that all these three products have good market potential.

(iv) Jute Blended with Pineapple Leaf Fibre: JTRL has developed the process for spinning yarn from pineapple fibre. It has also become possible to weave light-weight decoratives and heavy-weight fabrics in the handloom sector. This development, if executed, will help in using the pineapple leaf fibre. At present about 3 tonnes of such fibre is annually wasted.

To facilitate the manufacturing of these products, JTRL has already developed a prototype composite spinning unit which includes carding, drawing and spinning machines acceptable to the small-scale and handloom sectors.

In the field of diversification of products, the General Industrial Society Ltd., Vizianagram was to start production of jute pile carpet, initially by installing six looms. The Society, however, was sanctioned the capacity of producing six lakh square metres. Belgium was to provide requisite looms and technical know-how. It was claimed that jute pile carpet will gain favour in the domestic market being half the cost as compared to wool carpet. Moreover, this new product will also have quality appeal. It was believed that it can find the market abroad also.
Funds for R & D

There is no doubt that IJIRA and other organisations separately and in collaboration with each other are trying their best to exploit the properties of jute but R & D endeavour has not so far taken the shape for global changes due to the paucity of funds. At present amount spent on research work by IJIRA is nearly Rs. one crore annually. This much amount cannot be said sufficient in the wake of crucial situation created by synthetic on which heavy expenditure is being made by its manufacturers, keeping in view to displace jute out of market.

IJIRA gets the finance for its activities largely from the ministry of Commerce and the JMDC. It also receives funds from mills on the voluntary basis. JMDC provides finance to IJIRA out of the fund collected from cess levied on the sale value of jute manufactures at the rate of 0.125 per cent under Industries (D & R) Act. The fund so raised at about Rs. 45 lakh annually was considered inadequate by the Task Force (on jute textiles) to promote the export market and coordinate the research and development work of three major institutions IJIRA, JITRL and JARI by JMDC. However, due to increased unit prices the Council expected to collect more funds of about 80 lakhs at the same rate.
In order to collect more funds for research and promotional efforts the government was intending to introduce a bill in the Parliament for a new jute fund and discontinue the present one.

One thing is to be stressed upon here that research should not be considered a short time phenomenon but it should continue with vigour all the time and for this the paucity of fund should not come in the way. The industry circle feels that nearly Rs. 10 crores will be sufficient for this purpose. The Working Group set up by the Task Force suggested Rs. 17.3 crores for the period 1980-81 to 1984-85 for the requirements of the above three organisations.

In brief, urgent attention is a must for intensifying the R & D efforts along with renovation and modernisation in order to generate the higher competitive ability of the industry against synthetics otherwise the later will make more speedier encroachment in the field of jute usage, leading to almost complete displacement.

UN Development Programme

The R & D Working Group on Jute appointed by UN Development Programme identified certain high priority projects covering different facets of jute from farm to factory. These projects are:
(1) Agricultural:
   (a) development of simple, robust agricultural implements for jute farming,
   (b) developments of jute plants giving significantly high yield than present varieties together with high quality fibre, and
   (c) development of a new technology for jute retting.

(2) Improved conventional products:
   (a) development of light-weight cotton bagging,
   (b) jute carpet backings with improved performance at lower cost,
   (c) improved jute packaging for wool packs, rice bags and potato bags,
   (d) improved jute yarns for carpets, baler twine and binder twine, and
   (e) improved jute decoratives and domestic fabrics.

(3) Novel products for traditional end-uses:
   (a) blending of jute with other fibres for improving processing and performance characteristics, and
   (b) chemical finishing treatment for the production of jute articles with improved performance characteristics.

(4) New manufacturing technologies:
   reduction of costs of conversion of jute into products.
(5) New market outlets for jute:
   (a) production of properties of jute reinforced laminates,
   (b) evolution of technologies for manufacturing commercially viable products from jute sticks, and
   (c) market studies on the potential for jute in large volume end-uses where jute usage is currently low.

   All the three Indian research institutes are already working on most of the projects mentioned above but there is an imperative need for intensifying the efforts, as said earlier, when the existence of jute is at stake.

   It is true that there are some fields which cannot be regained by jute and in some cases it is losing ground, projecting a diminishing importance of jute as a significant commodity in the world trade. However, there are possibilities of retaining the markets left by substitutes as well as to find out new alternative end-uses, consuming large quantity of jute though it is a very difficult task but not impossible if vigorous R & D efforts are made. UNDP-RD Working Group pointed out that the total world production of raw jute would be consumed in producing only one commodity the fibreglass if cost aspect falls in favour of jute which is still to be finally determined through scientific investigations.
Marketing strategy and export promotion measure

Till mid-fifties, Indian goods were being sold on their own accord but spontaneous movement crippled with the emergence of Pakistan on the horizon of world trade and subsequently amputated with the increasing share of synthetics in the traditional usage of the same. Later on, export promotion measures stemmed from the idea that the demand for jute products would continue to rise and if not, inaction would probably lead to lose the market. It was, therefore, the promotional measures in operation were traditionally defensive. Now, the scene is totally changed and hence to secure optimum benefit, sales promotional efforts must conform to the conditions prevalent in the client country in particular and world trade in general. In the competitive market, only aggressive sales promotional campaign can give some fruitful results. The newly developed products should be supported by vigorous promotional campaign. In fact, India has to develop a new marketing culture in a business-like way.

It was said that there was ignorance and misunderstanding in general about jute and jute goods among manufacturers of bags and carpets and their distributors as well as consumers of these which need to be dispelled. People, particularly in the European countries are not well-acquainted with better performance of jute goods. It means, sales promotional activities
should also cover consumers of jute goods. It is assessed that till recently efforts made largely were related to the people engaged in trade of carpet backing only, suggesting merits of jute over its synthetic substitute. Moreover, efforts made so far were neither intensive nor extensive. It is felt that trade and consumer advertising, using latest techniques, and press publicity media on regular basis will be beneficial to eradicate the disagreement with jute. It should be done aggressively by educating people in favour of natural fibre. It is hopeful that the use of natural fibre will get inducement because ecology lobby is gaining base in the western countries against synthetic. Sales promotion propaganda must include this aspect along with distinct advantages of jute over synthetics like moisture-proof, stretchability etc. in case of carpet backing cloth. Similar things apply in case of the US market.

In the early months of 1982, the international trade centre (Geneva) launched a jute product promotion drive on generic basis in the USA and West Europe in collaboration with the Jute Carpet Backing Council, USA. In this context, the Centre prepared a logo concerning fibre identification. Moreover, sample books were prepared and distributed among carpet manufacturers of Europe. UN's Development Programme also launched a project in North America with a view to augment consumers' confidence in inherent qualities of natural fibre.
In fact, generic qualities of jute need extensive propaganda over a long period. Besides traditional jute constructions, the Trade Centre launched the programme for popularizing new products. It planned a detailed programme for jute wall covering, jute felt, jute bags, all-pile jute carpets and other similar items. The IIIFT pointed out that there was also imperative need to inform the developing countries about the varied end-uses of jute. This applies not only about new products but also traditional ones; for example, intensive publicity regarding suitability of jute bags for packaging food-grains in the African countries where agriculture sector is getting priority.

India's export promotion activities need to be launched categorically. The US market is the most important market for the substantial viability of the industry and this is the market where synthetic producers are bent upon to dislodge jute completely from tufted carpet industry by hook or by crook. If they succeed in their efforts of displacing jute from secondary backing, the Indian industry will be in jeopardy. Therefore, counter-action against such movement is immediately required. The participation in the promotional activities of the jute Carpet Backing Council, USA on regular basis will be useful. If Bangladesh cooperates the results can be obtained earlier. It was encouraging that UNCTAD granted the Council substantial amount for the general promotion of jute in 1981.
In the USA (and also in the Western countries as well as in Japan) the promotional programme-cost is comparatively very high. If Indian exporters and JMDG join together with the US importers for promotional campaign may reduce expenses and may bring some fruitful result to the industry.

In respect of the EEC, our promotional efforts had remained indifferent and this was one of the main reasons for losing the market for jute goods. "There has also never been any attempt of jute industry in various European countries combining together to promote use of jute carpet backing materials, as was found in the USA." During market diversification programme, the EEC market should be surveyed properly, as there has been change in consumption pattern during the last few years.

In case of Japan, promotional efforts should be activated more vigorously in the light of increasing production of carpet and its use and therefore, the demand for jute carpet backing is likely to rise substantially in the coming years. Japanese tufters had shown their interest in Indian jute backing and, therefore, it is essential to intensify our sales promotional activities. China will try its best to enter Japanese carpet backing market and hence, our marketing strategy should be designed covering this aspect.

In respect of expanding market for the high value added items like jute wall coverings and other speciality products, it will be useful to associate with the European manufacturers and distributors who, being located right in the marketing centres, can meet the changing requirements of consumers effectively but the cost of distribution is very high nearly 170 to 295 per cent higher than the wholesale price depending on the quality sold.* However, in order to establish these specialities in advanced countries and oil-rich countries, an intensive marketing promotion campaign is a must. The USA is a large potential market for specialities also. In case of wall coverings, meetings/contacts with importers, professional interior decorators and consumers will be useful in order to assess their exact requirements as well as to inculcate superiority of jute decoratives over synthetic products.

In brief, India should readjust her marketing strategy and follow the aggressive export promotion drive. The strategy has to be designed as such to surmount the new challenges offered by China in our principal markets like the USA and Japan for carpet backing. The Indian government and the industry should keep constant watch over the China's developments in respect of production, consumption and surplus and her movements in the international jute and jute goods trade. Her plans for future should also to be studied.

* Dr. B.L. Banerjee, Director, IJIRA, 'Outlook of Decorative and Other Special Products from Jute' (a Paper), in the Workshop on Jute Decoratives and Jute Reinforced Plastic Products held on 19 & 20 Aug., 1982.
The greater liability of market promotion lies on JMDC as the government exercises considerable influence on export marketing of jute goods through it. Therefore, this organisation should work with utmost alertness and action should correctly be taken in time. Delay in the trade practices leads to irreparable losses. JMDC's responsibility enhances in the light of good prospects projected for the second half of the eighties by the FAO. FAO itself has suggested the jute exporting countries to develop long-term sales programme, covering stability in supplies and price level.

**Diversification of market**

An excessive dependence on a particular market (USA in the case of carpet backing) can never be said safe for the trade and industry. It is, therefore, necessary that promotional activities be diversified to different new and non-traditional markets and the countries which are at present not significant buyers but have the potentiality of consuming more in future. A well thought-out diversified marketing strategy is a must when the industry is on the brink of disaster owing to demand shrinkage in the most important market - the USA. In this connection, the reports of the study teams which visited different markets, if timely complied with, will give encouraging results. What is most shocking is presently these timely steps are not being taken up.
For many years our promotional efforts were largely concentrated in the developed countries' markets and developing economy markets were less attended. In fact, the off-takes of later markets will become sizeable if they are put together as in the case of African and Latin American countries. FAO has projected the increase in demand for jute goods in developing countries of these continents. However, these countries are short of funds and therefore, India may enter into bilateral agreements with developing countries. The EXIM Bank will be useful in financing such trade. A systematic aggressive sales promotion campaign, supported with detailed market surveys, in these markets is a must.

There is also need to affect systematic promotional activities in the centrally planned countries and Australia.

The IIPT during its survey in 1975 observed that the EEC countries would concentrate on decorative fabrics and other specialized items (and would withdraw from traditional product lines) while the USA market would remain for fancy-fabrics. These markets, therefore, are required to be tapped properly after having the knowledge of latest developments there.

During last two years, the industry was trying to enter into new markets. West Asian, African and Latin American countries were being tapped for gunnies and European markets for carpet backing. New Zealand was also in the list of JMDG
where it decided to put emphasis to implement sales promotion drive. The most of the non-traditional markets mentioned above have not taken off from the subsistence economy to market economy and only regular sales promotion campaign, conforming to the individual country's conditions, will add them in our client's list.

Field contacts

Under the sales promotional measures, the frequency of field contacts needs an improvement. It is a well-conceived fact that personal contacts serve better than many postal dialoguing. Personal talks help in satisfying the customers and in nullifying misunderstandings as well as in creating goodwill. It will be in the interest of the industry to send delegations, preferably of executives from jute trade circle, to different foreign markets to know the choice and likings of end-users and to assure the buyers the services rendered by India. The visits to crucial markets like the USA should be made frequently.

Likewise, delegations from the other countries should be invited from time to time to know their outlook and to have first hand information regarding the difficulties experienced by them during the course of trade.
Participation in exhibition and fairs

Since last decade, international exhibitions and fairs have become an utmost effective media of publicity campaign, but the government has realised the fact only during the last few years, particularly after the suggestions give by the task force. Earlier practice was to participate irregularly in fairs in developed countries. There is need of regular participation in the important fairs like Harrogate's (West Germany) biggest carpet fair, Ghent (Belgium) International Trade Fair, Heimtextile Fair, Frankfurt etc. Such practice will help India to keep abreast the trends and establish new contacts with end-users of different countries at one place. Moreover, exhibitions will prove to be a potent media for presenting modified as well as new products, for example, India finalised business in Ghent fair for not only carpet backing cloth but also for jute shopping bags.

Market intelligence

The jute industry suffered from inadequate and delayed market information that sometimes caused a particular jute product to go out of usage or to abnormal increase or decrease in demand. "For instance, the industry does not yet know, although there have been intelligent guesses, why Argentina bought large quantities of Indian hessian in 1953."* Heavy loss

* Shrinivasa Rao, B.: op. cit.
of wool-pack market was due to lack of proper channel of gathering market information though there was complaint against this jute construction since the very beginning of fifties.

In the present context, China's developments in world jute market should be watched regularly. In view of its likely emergence in jute backing markets of the USA and Japan, this has become utmost important to prepare ourselves for any eventuality. In general, market information of major importing countries should be gathered on regular basis to take timely measures. Our fiscal measures did not give expected results mainly due to paucity of intelligence services.

**Maintaining delivery schedule**

Despite solving the infrastructural difficulties coming in the way of regular supplies, the industry and trade circle should be very cautious for timely execution of orders at their ends. Deliberate delaying in fulfilment of contracts for immediate gain against normal trade practices should be dealt with adversely. The IJMA can do much in this connection.

Assured supplies in the wake of industry's uncompetitiveness is very important and will help in building our image in the world market. Maintenance of delivery schedule will also check the drift to synthetics from jute.
Shipment of jute goods

Since all jute goods cargo is shipped from Calcutta port, it is relatively easier to prepare sailing plan for different destinations. Likely quantity of jute cargo can be assessed without much trouble at a given date or period to be shipped to a particular country or countries on the same route and shipping-schedule can be planned accordingly. In this way, shipping will be possible at regular intervals with adequate quantity. It is also necessary to arrange direct service lines at least to the important markets like the USA.

The second problem associated with the shipping is higher freight rates. In 1981, the Secretary to the European Association for Trade in jute goods and in 1982 an Australian trade delegation visited India and made the higher freight rates responsible also for arresting the growth in export trade from India. It is, therefore, necessary that the government should find the ways of minimising the impact of freight cost. The government may consider the proposal made in 1976 by the industry regarding the reimbursement of ocean freight on jute goods paid in excess of 12.5 per cent of mill selling price. Efforts should also be made to persuade the shipping lines to reduce freight rates.

There is also need to improve the packaging of jute goods. This has become more imperative in case of shipments of high valued items. The IJMA should activate itself in this respect and
should take help from IJIFA and the Indian Institute of Packaging.

**Maintenance of inventory abroad**

In order to ensure steady and regular supply of jute goods, maintenance of inventories in the USA and Western Europe is a must seeing the trend of disturbed supplies. It will be tremendously beneficial in the case of carpet backing, the demand for which fluctuates with the general economic conditions, particularly construction activities. The Report of the delegation visited the USA and Japan in February, 1975 and in-depth study conducted by the IIFT in November, 1975 stressed on maintaining the stock of carpet backing in the USA. The IIFT recommended to maintain a buffer stock of jute carpet backing material at Savannah as the development of leno-weave construction in the field of secondary carpet backing in the USA was to intensify competition. Moreover, such stock would demonstrate our keenness in servicing the end-users and also help in curbing speculative impact, keeping the product price competitive. Lately, the Task Force on jute textiles also suggested to study the proposal of setting up of warehouses in the USA and Europe. The importers also suggested to maintain the inventories.

In the present condition, it seems befitting that the State
Trading Corporation of India which has offices abroad, should be assigned the work of maintaining stocks of jute goods. Simultaneously, authorising corporation to deal with the tenders of foreign buyers will remove the lapses. It is also suggested that a commercial counsellor’s service in respect of jute goods trade should be attached with the Corporation with a view to render on-the-spot advice and assistance in settling the trade disputes and complaints.

Besides the USA, (on account of increasing consumption of carpet backing in Japan) has required to set up a cell at Osaka as emphatically suggested by the IIFT in its survey report on jute manufactures in selected countries of Asia and Africa in 1975. This office may be opened by STC or JIDC. This office or centre will be able to project India’s capability of supplying required quantities in requisite qualities. This office will also help in improving the demand for Indian jute carpet backing in the wake of probable entry of China in Japanese market. However, increasing share of polypropylene has diminished the probable effectiveness of such inventory.

Jute industry circle also feels that present level of cash subsidy is inadequate. CCS rates on carpet backing cloth and decoratives should be stepped up to 20 per cent. Other items of jute goods should also be provided with CCS facility. Moreover, there should not be any discrimination in giving CCS.
exporter must get the benefit of support whether he is a manufacturer or a merchant-exporter. Any discrimination generates general resentment and discourages the business community. In order to revitalise the export trade, the government should seriously think to devise a similar scheme based on the old bonus voucher scheme.

Withdrawal of the floor price of carpet backing cloth

In the state of severe price undercutting, the system of floor price has become ineffective. Export trade in jute backing is being carried on under such condition. It seems fit to withdraw completely the floor price scheme of carpet backing as demanded by the industry and shippers.*

Setting up of a jute board/
expert promotion council

Different bodies on jute recommended the formation of a well-constituted jute board and in succession the Task Force on jute textiles also supported this idea. This proposed body, if set up, will take care of jute goods manufacturers from the growers' level to the point of final sale. This organisation can study in depth the cost-benefit ratio and

* Jute Development Journal, op. cit., p. 5.
industry's competitive ability. It may also open offices abroad. It will take steps to increase production and coordinate it with demand/consumption. Setting up of a board will help in reducing the number of organisations. However, JCI will remain and will be gradually strengthened.

The Task Force also suggested to constitute an export promotion council as a wing of proposed jute board but separate to it.

It was reported that the government was intending to form a high level standing committee of Secretaries instead of constituting jute board. However, it was opined that it would not solve the problem of having a separate body fully devoted to export promotion. In fact, the time has come to establish at least a jute textiles export promotion council, a special body exclusively to look after the export affairs. Very little has been done exclusively on jute export promotion so far.

Above all, the ultimate object of all the activities is to bring an optimum return to all those who are concerned, directly or indirectly, with the industry, from farming to manufacturing. It is, therefore, desirable on the part of the government to evolve a well-defined fairly stable policy covering different aspects like price stabilisation and fiscal measures to bring the industry as a whole on sound footing. Simultaneously, government should give serious look to the
suggestions given by the IIFT, IJMA and expert bodies as they knew better the intricacies of the trade and the industry.

Establishing an international organisation

When the existence of jute export trade is at stake, individual efforts at national level will not suffice. It is, therefore, felt that to safeguard the common interest, the jute and jute goods exporting countries should exert jointly.

Jute and jute products are the main source of valuable foreign exchange earnings of less-developed countries and if it is to be retained against big combines producing synthetics, they have to evolve a joint strategy. There are already some international organisations for different commodities like coffee, tin, copper, iron ore etc. which safeguard the interest of their members. OPEC is an extreme example of such type. Even among natural fibres cotton and wool have substantially received international attention. All these commodities are essential in one or other aspect but jute is basically a packaging material having substitutes, and therefore, can withstand effectively only when producing countries exert making jute and jute goods competitive, and not resort to undercutting each other. Furthermore, major consumers of jute goods are the major producers of synthetics also and they are
developed ones. These countries persistently denied the fair treatment to jute goods exporters, being ununited, for the development of their synthetic industry.

It is a matter of happiness that an international body called International Jute Organisation is being set up with its headquarters at Dacca having its first chief executive from India. Its membership is restricted to jute producing countries (like India, Bangladesh, Nepal, Thailand, Burma, Brazil and China) but it will be operated through another associate machinery, the International Jute Council in which the consuming countries will have their representatives.

The draft agreement which came into force from July, 1983 covers various aspects such as market promotion, R & D, cost reduction, exchange of information about technology. The organisation will also provide technical, marketing and promotional services to the industries using jute. The accord, however, does not incorporate the crucial issue of price stabilisation though price fluctuation has been indentified by producing countries as one of the major factors contributing to loss of markets.* In fact, this is in favour of major consuming countries which played up the differences among exporting countries. It is doubtful that without including price stabilisation aspect, the IJO would get success in achieving the main objects, as the price is and will remain a dominating

factor, affecting the world trade in jute goods.

There is another reason for advocating price stabilisation. The producing countries have decided "to opt for a technical mini-agreement - the first of its type with the explicit of making a commodity eligible for financing under the Common Fund's Second Account. However, allowance should be made for speedy arrangement between producers and consumers for price stabilisation; should that become essential, taking into consideration the possibility of utilising the facilities of the First Account of the Common Fund."*

In order to overcome the above shortcoming, India and Bangladesh should mutually solve the problem of unfair price-war as it is continuously causing heavy losses to both (denationalisation of jute industry in Bangladesh is an indication of poor economic and financial viability). They should also enter into a bilateral arrangement in respect of minimum floor/export price and sharing of markets and if possible on other aspects also. Only then jute goods withstand against synthetics. In July, 1982 the jute-producing countries (India, Bangladesh, Thailand, Nepal and China) met under the auspices of the Economic and Social Commission for Asia and the Pacific) agreed to fix minimum floor prices for export based on international data. Let us hope for the best.

* Gautam K. Sarkar: op. cit., p. 112.
There are different trade barriers in developed countries, except the USA, with the aim of safeguarding the interest of synthetic manufacturers. There is imperative need to persuade jointly the developed countries to remove the barriers, particularly quantitative. Agro-based products of developing countries like jute should receive the privileged treatment over capital intensive petro-chemical industry's derivatives.

Projection of export of jute goods

Over a long spell of more than forty years, from 1937 to 1979-80, the world export trade in jute goods rose only 3.4 per cent. More precisely, between 1966-67 and 1979-80, exports of jute goods remained almost stable around 1250 thousand tonnes. In 1980-81, the world trade surprisingly rose by 8.31 per cent over previous year to 1356 thousand metric tonnes but fell to 1286 thousand metric tonnes in 1981-82. It is opined that the world trade would have been of lesser amount if comparatively new construction jute carpet backing would not have been accepted by the tufters of developed countries. Because of changes in consumer preference, mode of transportation and handling of agricultural products have weakened the traditional relationship between income and demand for jute goods. Income elasticity of demand for jute carpet backing has been relatively high but that too is changing in favour of synthetic.
In spite of almost stagnant world trade in jute goods, India's share of exports of jute goods fell steadily from 90 per cent (1948-50 av.) to 35.1 per cent in 1979-80 due to a number of reasons discussed earlier. However, in 1980-81 the share rose to 36.1 per cent (490 thousand metric tonnes) but drastically dropped to 28.7 per cent in 1981-82 (369 thousand metric tonnes). Only in these context, the future prospects of India's exports of jute goods needs to be projected, incorporating latest developments.

The world consumption of jute goods also remained stagnant at about 33 lakh tonnes since 1963 but moved to 36 lakh tonnes in 1972-74 (av.) and further to around 39 lakh tonnes in 1980-1981 (av.). The FAO's projection and prospects stated that during first half of the eighties there would be very thin increase in consumption owing to the operations of the giant petro-chemical complexes, however, in the second half of the jute would improve its competitive position and would gain favour against synthetics. FAO said that there might be shortage of polypropylene in the mid-eighties, as no new plants are being set up and there will be no capacity expansion as well as petro-chemical industry are also moved for rationalisation to profitability rates. FAO further added that in this light increasing demand for polypropylene will result into rise in its prices and reduce its application or usage in textiles and will increase in the higher value constructions, having the
fastest growth, even though there will not be any increase in the consumption of jute goods in the developed countries including centrally planned economies. Contrarily, there have been already decreasing imports into developed countries. In the recent years, imports into these countries fell from 834 thousand metric tonnes (1976-78 av.) to 806 thousand metric tonnes in 1981. According to FAO (1979), there is likely distinctive reductions in demand in centrally planned countries, the USSR and East European countries, because of their planned expansion of petro-chemical sector, probably encouraging consumption of synthetic products. In case of developing countries the demand and consumption of jute goods are likely to increase. During the last few years, their (Latin American, African and Near East countries) importations have shown steady upward trend from 391 thousand metric tonnes (1976-78 av.) to 559 thousand metric tonnes in 1981, registering the increase more than the fall observed in developed countries. However, in developing countries the demands fluctuate considerably from year to year, depending on the balance of payments conditions and availability of foreign exchange.

Let us see the consumption vis-a-vis export of jute goods varietywise. Consumption of jute for packaging, particularly for bagging, has already lost much part of its ground to

2 FAO: Commodity Review and Outlook, 82-83, pp. 80-81.
substitutes, substantial portion to synthetics and bulk handling and rest to the locally grown allied fibres in different areas of the world. These substitutes have severely affected the consumption of jute as packaging material in developed countries, including the centrally planned economies. In case of developing countries, the demand for jute goods for packaging will increase in the coming years. However, the increase will be trimmed by the rise in applications of alternative packaging materials and bulk handling. Moreover, these countries have been developing locally grown hard and rough fibres as substitutes of jute. Surveys conducted in selected African countries by IIFT in 1980 pointed out that most of the countries have banned the imports of jute goods in order to develop their own industries.

The demand for hessian, a finer variety of jute cloth, could not be dislodged by the substitutes so severely and hence its demand will remain almost at the present level. In some cases, hessian's use is still indispensable as in automobile industry.

In the case of jute carpet backing, synthetic has made severe inroads, completely displacing it from primary backing market. In the field of secondary carpet backing, jute's share is gradually declining in the USA, the leading consumer of jute carpet backing in the world. The trend in the European
countries is not different. However, Japan's tufted carpet industry provides a promising market, though limited, for jute backing. Japan is the second largest consumer of Indian jute backing material. It is expected that this variety, being a semi-luxury item, will gain market with the increase in the GNP of some centrally planned countries (like Yugoslavia and Poland), as happened in the case of Japan. However, these increases will not be significant as were in the case of other developed countries. Jute's thermal insensitivity and ecology lobby in its favour and against synthetic will probably check the displacement of jute to some extent. Moreover, demand for some new jute specialities like decorative fabrics and wall coverings is likely to increase. Technical superiority of new jute wool pack has reinstated natural fibre. The light-weight carpet backing cloth construction is well received in the USA.

Considering all aforesaid facts, it is expected that world trade in jute goods will probably increase by 8.33 per cent over 1980-81 - 1981-82 average of 1321 thousand metric tonnes to 1431 thousand metric tonnes in 1989-90. This probable export figure arrived at on the basis of assumption that 36 lakh tonnes (av. 1972-74) consumption rose to 39 lakh tonnes av. 1980-81 - 1981-82 nearly in 9 years and therefore, will further increase, assuming the same percentage growth, to 42.25 lakh tonnes, after almost equal interval in 1989-90. It means, for 42.25 lakh metric tonnes of consumption, the export figure will
stand at 1431 thousand tonnes because of the level of 39 lakh tonnes of consumption, exports stood at 1321 thousand metric tonnes.

The likely quantity of export of jute goods from India in the projected world trade for 1989-90, taking her average proportional contribution at 32.5 per cent (average 1980-81 - 1981-82), will be 465 thousand tonnes, if other things remaining the same.

However, in the light of present circumstances, the above project for Indian export seems optimistic as there have been and will be steady increase in internal consumption in the country (and also in China and Brazil). On the other hand, Bangladesh and Thailand did not have and will not have increased consumption and therefore, will adopt more aggressive marketing campaign. This is more true about Bangladesh. Bangladesh's Second Five Year Plan (1980-85) aimed at achieving 50 per cent share of the world trade by 1988 and this gain may be at the expense of India as happened in the past. Moreover, in the recent years China has entered into the world market and made impressive gains in sacks and bags. She had also entered into agreements with the USA and Japan to set up carpet backing cloth units and to export the product to these countries, against the finance received for establishment of such units. This will definitely adversely affect our exports of this variety to these leading markets. It means, there will be more intensive competition among the three main producing and exporting countries.
Therefore, the above projection for India is to be considered the highest and possibly may move down to around 430 thousand metric tonnes, an average figure of exports affected between 1976-77 to 1981-82. It is estimated that this much quantity of export will fetch Rs. 289 crores at the rate of Rs. 6717 per tonne (an average of unit value realisation of Rs. 6797, Rs. 7443 and Rs. 5912 for the years 1979-80, 1980-81 and 1981-82). FAO Study expected that the real prices of jute products will move up from present unprofitable level but maintain competitive position against synthetics.

**Export projection of raw jute**

According to FAO, the demand for jute fibre is likely to increase in the developing countries. Such increase would offset the fall in demand in developed countries. Upto 1979, the import figures of jute, kenaf and allied fibres were much higher in case of developed countries compared to developing countries. Imports into these countries accounted for 58 and 42 per cent of total world imports of 551 thousand metric tonnes in 1979. In 1980, for the first time imports of fibre in developing countries exceeded. The developing countries imported 310 thousand metric tonnes whereas developed countries lifted 279 thousand metric tonnes. In the year 1981, the purchases affected by developing countries were modestly higher to the purchases made by the developed countries. Their purchases
stood at 288 and 275 thousand metric tonnes. Among developing countries, most of the increase in imports took place in Near East, particularly in Egypt, Iran, Syria and Turkey and to a lesser extent, in Africa and Latin America. Increase in demand for jute in less-developed countries was partly attributed to large requirement of bags for packaging increased agricultural production and partly to slow shift in favour of synthetics.

Despite likely increase in demand for raw jute, India's export potentiality of the fibre will depend on the local crop. The production of jute has increased but simultaneously consumption has also went up. Average jute and mesta production was at 82 lakh bales (1979-80 to 1981-82 av.) while the average mill consumption for the same period was around 78 lakh bales for the average production of 13.54 lakh tonnes of jute goods. If an average consumption of 2 lakh bales of jute and mesta is taken as village consumption, the country's total requirement would be added to 80 lakh bales.

By 1989-90, production of jute goods is likely to increase to around 15 lakh tonnes, which will require around 82 lakh bales of fibre equivalent. The production of jute and mesta on an average will not cross the figure of 86 lakh bales even if marginal increase in productivity is observed. It means, India may be in a position to export maximum of 2 lakh bales
only by 1989-90, if weather favours, keeping in mind the ex-mill consumption stable at 2 lakh bales. Unusual export of 2.23 lakh bales in the financial year 1981-82 was a rare occurrence largely attributed to the best weather condition and the level of production of jute goods was also little depressed compared to the previous year's level.