CHAPTER - I

INTRODUCTION
Chapter - 1

INTRODUCTION

1.1 The Problem

Jute Industry occupies a crucial position in the industrial structure of India. It accounts for a very substantial amount of capital investment and provides employment to about 2.7 lakh workers, besides sustaining about 4 million jute cultivators\(^1\). This industry still remains the largest foreign exchange earner for the country.

One can identify four major contending interests in the jute economy of the country. They are the jute growers, the manufacturers of the jute products, the consumers of final jute products both within the country and abroad and the state which acts through its various agencies to regulate and monitor this sector of the economy. The industry's fortunes, naturally, tend to wax and wane depending upon how these different forces interact with each other.

Being largely dependent upon the fluctuation in international demand as well as vagaries of weather conditions, the industry is intrinsically prone towards cyclical fluctuations in its activity level. Broadly, the main problems of the industry can be identified as:

i) fluctuations in the price and availability of raw jute,

ii) ups and downs in the price and demand levels in the international market,

iii) emergence and growth of synthetic substitutes,

iv) low productivity and obsolete technology coupled with high cost
of production, and
v) growing competition in the international market aggravated by
emergence of contenders like Bangladesh, Thailand, Burma,
Nepal and recently China.

The present study is concerned with only one aspect of the first
problem mentioned above, viz. raw jute marketing and its implications
for the economic of raw jute cultivation in the specific context of Barpeta
district of Assam.

Jute cultivation is predominantly concentrated in the eastern states
of India, viz., West Bengal, Assam, Bihar and Orissa. This happens to
be the only cash crop for the small farmers of Eastern India with 90%
of the crop finding its way to the market^{2}. Assam, at present is the
second largest producer of raw jute in the country contributing as much
as 30% of the total national output. According to the expert, the agro-
climatic conditions for production of raw jute happens to be ideal in this
state with a potential of as high as 2,500 kg. of yield per hectare compared
to the present figure of about 1,500 kg^{3}. Since 1950-51, the total area
under jute cultivation has remained almost stable at 4% of the total sown
area of the state^{4}. Low reinvestment potential, backward technology,
poor intra-structural facilities and dependence on monsoon can be cited
as the main constraints which prevents the system from exploring its
full potentiality.

One of the important instruments through which the cultivators
can be assured a remunerative price from his produce and hence a reason-
able money income, is well-structured marketing system. By raising the
level of income and reducing market exploitation of the cultivator, it can increase the reinvestment potential of the system thereby creating through the low level of equilibrium trap.

The study on jute marketing is first of its kind in Assam. Naturally it is very difficult to conceive market mechanism when different forces are reacting on the price. Farmers who are not well to do, usually do not or cannot wait for stabilisation of price. We have made an honest attempt to explore the various factors that synergically determines the price. Another very difficult point is that there is no such thing as a fixed, trade cycles or periodicity or seasonal price variations. Since jute is harvested during the period of August-September and being only a seasonal crop, we expect certain stability either in increment or in decrement in prices from the period of October to July. As already mentioned repercussions in the international market may cause repercussion in the home market since jute is internationally traded goods.

1.2 Chapterization

Now, we would like to give an account of the chapters contain in this dissertation. In the first chapter we have made an effort to give a brief history of the background of jute cultivation in Assam. Though jute is a major commercial crop of the state at present, its practice of cultivation is rather recent. We have tried to find out here how and when the cultivation of jute began in Assam. In the same chapter some important past studies in agricultural marketing specially in the context of jute have been discussed.
Chapter II includes the description of the market structure for raw jute in the state. Our endeavour concentrated on the explanation of different market channel from growers to the final consumer. The marketing services involved during the different stages also have been explained in this chapter. The major problems of agricultural marketing in India and in the State are explained in Chapter III. Marketing of raw jute has some special problems. These problems are also specified in this chapter. We have also dealt with some special problems of jute marketing faced by Assam in this context.

State intervention in the economic activities has a crucial role in our country. How the policy of laissez-faire proves obsolete and interference of state becomes necessary has been explained in chapter IV. In this respect we have tried to discuss the political, financial and institutional aspects of state activities in jute economy of our country.

In Chapter V we have tried to make an assessment of the policy and institutions of the state. Here we have explained the working of state instruments like J.C.I. Co-operative and Regulated Markets. The policy of minimum support price as recommended by the Agricultural Price Commission is also appraised in this chapter.

Chapter VI is the analysis of data. This is the most important chapter of the dissertation. Here we explain the data base — both secondary and primary, and methodology applied in the analysis of these data. The sources of both primary and secondary data are also described in this chapter. The first phase of the study is based on secondary information pertaining to various sources. The inferences drawn on the basis of secon-
Chapter VII contains conclusion and epilogue, where we have suggested certain measures for improvement in the existing market structure of jute from point of view of efficiency as well as equity. We hope, these suggestions, if adopted will improve the conditions of jute economy in Assam at least to some extent.

1.3 The Scope of the Study

The present study aims at analysing the structure of market for raw jute in the specific context of Assam with a view to understand its implications for the economics of jute cultivation in the state. Compared to the earlier studies mentioned above, the present study marks a departure both in terms of scope as well as conceptualisation of the problem. The concept of market structure is visualised in its two main aspects. Firstly, the physical organisational and institutional aspects which will involve identification and categorisation of various organic links between various stages of the market. This will involve an evaluation of their role in solving the main problems related to logistics and infrastructure such as assembling the raw produce, sorting, grading and standardization, storing, processing and finally transporting it to the next market stage. One can bring in the issues relating to the availability of credit, transmission of market intelligence, extension, education, research, etc. within the fold of this concept of market structure. It would be interesting to get some idea of the efficiency of this system in solving the above mentioned problem. The other important discussion of the concept of market structure
relates to the degree of competitiveness in the various stages of the market structure. An in-depth study of this aspect can reveal important clues for understanding a whole of exchange linkages which connect the well developed market structure operating at the mill sector on one end with pre-capitalist exchange relations between the small peasant and the village level trader at the other. Such a study will necessarily raise important theoretical issues pertaining to unequal exchange in a pre-capitalist peasant economy, non-maximising behaviour of the peasantry and a possible 'dependency' relationship between the pre-capitalist peasant sector and the mill sector.

It is envisaged that the study will be able to suggest improvements in the existing market-structure both from the point of view of efficiency as well as equity. In this context, the role of the organizations like the Jute Corporation of India, the Co-operatives, the Regulated Market and the Agricultural Price Commission deserve a careful scrutiny.

NOTES


3 Estimate of the Jute Development Officer, Assam.