CHAPTER 10
MARKETING OF RAW JUTE

Our jute economy has just passed through its awkward product-oriented adolescence into the early stages of market-oriented adulthood. Since Partition, our resources and energy have been directed towards area, then productivity and only more recently, quality of raw jute. Over a quarter of a century has slipped away without much headway being made in the field of Marketing. Rather, the imperfections in Marketing have had an adverse effect on the jute economy, providing an ideal illustration to emphasise the need for integration between Production and Marketing. The sustenance of the desired level of production depends on the net returns for sale proceeds, but there is a yawning gap (in time and space) between the prices paid by the mills and those received by the farmers, who suffer when prices crash and seldom reap the benefits of higher prices, eg. while in the 1980-81 season, Tossa 5 reportedly sold at Rs. 110-130/q at farm level, price at Calcutta terminal market was Rs. 217.50/q. Price spread over the period 1980-81 to 1984-85 was as high as Rs. 86 (in 1984-85) and the market margin went to the middlemen. On the other hand, mills complain of a lack of regularity and adequacy of supply of desired grades of raw jute. The entire problem stems from a lack of bargaining power on the part of the farmers, and the frictional/functional defects of the jute marketing structure on the other hand.

10.1 The Market Process and Functionaries

The movement of raw jute from the producers (growers) to the consumers (mills) takes place in three stages (Fig. 10-1).
1. from the village to the primary market (which may be a group of larger villages having storage accommodation) or a 'hat' (i.e. a periodical market held at intervals at important villages), both ensuring the growers of buyers and a ready market for jute.

2. from the primary to the secondary market, the latter distinguished by its baling facilities, located at points of good communication and assurance of regular jute supply.

3. from the secondary market to the terminal market, the latter being the point of assembly for the produce from different areas, prior to its final dispersal to local manufacturers/exporters. Calcutta may be regarded as the terminal market for raw jute, since its neighbourhood houses most of India's jute mills (local consumers) and it is also the centre for the export trade. Spot markets for jute are Cossipore and Shyambazar.

Since 60% of the marketable surplus is sold by growers in the villages, this has fostered a chain of middlemen between growers and consumers, who, in addition to marketing, also assume responsibilities of assembling, transporting, storing and so on, rarely performed by the growers, but inseparably bound up with the proper sale and distribution of jute fibre.

At upcountry markets (villages) almost 60% of the marketable surplus is generally disposed of on the spot for cash payment, by the growers at their doors, mostly to money-lenders to whom they have pledged the standing crop in advance. Alternatively, in villages, peripatetic dealers (known as 'paikas' in North Bengal and Assam, 'beparis' and 'farias' in West Bengal and Assam - the beparis working on a larger scale than the
FIG 10-2
A. BUYERS AND PURCHASE AT DIFFERENT SALE POINTS

B. AVERAGE RAW JUTE PRICES AT DIFFERENT POINTS OF SALE DURING THE SIXTH PLAN PERIOD
farias) form the first link in the chain of intermediaries, moving from village to village, door to door (using their own or borrowed capital), to weigh, load and transport the fibre from the upcountry markets to the assembling/baling centres, from where they move to Calcutta and other consuming centres (Fig. 10-2A).

About 31% of the crop is sold by small beparis and growers in hats or primary markets to prosperous beparis and representatives of kutcha balers, who jointly constitute the buyers. The fibre brought in carts or on packhorses, is bought, weighed and removed by the buyer and his men. Transactions take place daily in primary markets and on fixed days in hats, but after assessment of fibre quality, prices are settled individually between buyers and sellers.

In the secondary markets, 3 groups of intermediaries operate. The 'dalals' (brokers) bring together the buyers and the sellers (local or upcountry), bearing in mind the requirements of the buyers (kutcha balers). The brokerage is paid by the buyer, but deducted along with the other market charges from the sale proceeds of jute. The dalal seeks more to satisfy buyers.

The 'aratdar' is the middleman (intermediary between buyers/balers and mills), who, though he performs assembling and transporting functions, is most important for financing beparis and undertaking storage of fibre. There are 4 types of aratdars:

a) merchant aratdars - speculative dealers who also sometimes finance beparis and own godowns which they rent out or use for storing their own jute.

b) those who act as commission agents for outside buyers
appointed by small Calcutta buyers/kutcha balers, to help purchase and store jute at a consolidated rate, inclusive of purchasing commission and storage charges.

c) those who act as commission agents for local buyers and may/may not provide storage facilities, performing the functions of a broker, sometimes financing small beparis and farias, and thereby ensuring their indebtedness.

d) some aratdars act on behalf of sellers, offering to buy at higher prices; the seller, during times of low price, stores his fibre with the aratdar without additional charge, but has to pay a consolidated fee covering selling commission and storage charges.

The *kutcha balers* undertake the preparation of jute for sale in the terminal market (Calcutta) and other consuming centres/pucca balers. The functions of a kutcha baler are to first segregate the unassorted jute into generally recognised commercial grades and then to pack it into kutcha bales. Kutcha balers may be grouped as :-

- a) merchants or firms of local importance, forming the bulk of the baling fraternity who, while mostly marketing their goods in Calcutta, also sell occasionally to bigger balers, operating in the same locality.

- b) large baling firms, with their headquarters at Calcutta and through out-station agencies, exert great influence on jute marketing.

- c) representatives of jute mills which have their buying agencies at large baling centres, where they operate on the same lines as the large baling firms.

Thus, in the secondary markets, the marginal and small
farias are the sellers (only 30% of the crop is brought by growers), and the big farias, mill agents and kutcha balers are the buyers. Practically all jute grown passes through the hands of the kutcha balers, the most powerful group of intermediaries. Transactions are done on an individual basis, in cash payments (unless permanent financial arrangements exist between seller and buyer) before removal to godowns for packing. Thus, in the secondary market, the handling operations include unloading from carts, weighing (by buyer), selection, grading, baling, stacking, exporting and so on.

Jute arriving in the spot centres of Cossipore and Hatkhola, is packed in kutcha bales, while that reaching Shyambazar is made up into drums. All jute thus marketed is termed 'loose jute' and the markets in question, 'loose jute markets'.

Functionaries in the terminal market are again of 3 types. The 'aratdar' (commission agent) is the counterpart of the aratdar operating upcountry. These aratdars, known as 'sellers' operate at terminal markets of Cossipore and Shyambazar as agents of Kutcha balers upcountry, undertaking temporary storage till sale is arranged, the rates of aratdari inclusive of commission agent's fee, dalal's brokerage and occasional storage charge. The transactions usually take place in Cossipore and usually jute is sold soon after arrival.

The function of the dalal is to negotiate sales and purchases. In Cossipore market, brokers are employed by 'sellers', but in Shyambazar/Hatkhola by the buyers. In case of direct transactions between buyers and sellers, brokerage is paid by the seller or by the party which employs the dalal. Sometimes, European brokers act as intermediaries between mills and presses on one hand and kutcha balers on the other, and they sometimes
'Pucca Balers' are mainly established in Calcutta, but this work is sometimes undertaken in upcountry markets. Many of the large pucca balers in Calcutta obtain jute through their own agents in the principal markets upcountry. Jute mills generally obtain jute directly from kutcha balers through brokers, on the basis of forward delivery contracts. But many mills have their own purchasing agencies in the secondary markets and therefore enter the loose jute spot markets only when they are short of raw jute or of a particular quality.

When the jute arrives at Cossipore goods shed, owners/commission agents hand over railway receipts to their brokers, who are authorised to negotiate sales. Since the railway authorities only permit 24 hours free accommodation, sellers are eager to dispose of their goods, while buyers, after removal to their own premises, weigh and make cash payments for the raw jute, putting themselves in a strong bargaining position.

Again, when the jute reaches Shyambazar, intending buyers send representatives, sorters and brokers to inspect the quality of goods, prior to making bids. The final 'settlement under the cloth' is made by buyers with intent and sellers joining hands under a cloth, and the buyer presses his fingers in various combinations, indicating the rate at which he is willing to buy, the seller responding similarly with his counter offer. Once the weighed jute leaves the aratdars' godowns for the buyers' godowns, payment must be made within 4 days of delivery. The upcountry/local sellers receive part-payment at the time of depositing jute in the aratdars' godowns, the account being settled later.

Out of the differential between prices received by
the growers and that paid by the mills, marginal farias get 5%, small farias 10%, big farias 20%, aratdars 20% and commission agents 35% (CCI), the latter two, being recruits of the jute mills, who, together with the big farias, control 75-85% of the margin of jute trade, (thriving on speculation, which does not promote rural uplift, unlike the small and marginal farias who are mostly unemployed rural youth).

Problems of Marketing jute in India

The problems of marketing jute in India can be best appreciated under the following heads.

a) Jute is a buyers' market: Growers dispose of 60% of marketable surplus at village level, 31% at hats and primary markets and 8% in secondary markets. 96% of marketable surplus arrives in the secondary markets and the balance 4% goes directly to the Calcutta terminal market (Roy, 1963). Total purchase by the jute mills is 20% of upcountry stocks and 80% of marketable surplus (Fig 10-1).

This indicates that competition is far from perfect that at different points of exchange, buyers are prone to take advantage of the weak bargaining power of the sellers a buyer's market.

b) There are a large number of scattered supply points: The wide gap between the widely scattered producers and consumers (who thus lack direct contact) is bridged by various links of middlemen, who in their capacity of buyers, exploit the situation, fully. The large number of supply points necessitates an organised buying system.

c) Functions of physical supply relating to (i) transport and (ii) storage. (i) As the distance between producer and consumer increases, so does the need for transportation, contributing significantly to total cost of marketing. While transport from village to baling
centres is unsatisfactory, it is better from the baling centres to Calcutta.

The location and environment of jute areas permits use of only primitive and slow-moving means of communication, increasing the time-lag between sales in villages and arrival at baling centres, facilitating a big margin for the peripatetic dealers. In lowlands, 'beels' and 'khals' during monsoons open up lines of communications between villages and markets via country-boats, but these dry up after the monsoons, impeding other communications till the ground dries up and becomes hard enough. In highlands, water transport is scarce, metalled roads few and far between, so bullock/buffalo carts or in worst circumstances, pack animals are used, necessitating adoption of circuititious routes, payment of ferry charges and so on, wherever necessary.

From primary to secondary markets, jute is usually taken by motor-truck, especially in Assam, facilitated by all-weather roads, cheaper and faster country boat or bullock cart. Railways are not common, except in West Bengal and a few other markets. 4.04% of the arrivals of jute in Calcutta is brought by railways (NE and E Railways covering West Bengal, Bihar and Assam; S E Railway covering Orissa and N Railway, UP), 92.85% by road (motor trucks and bullock carts), 0.5% by steamers (mostly from Assam), all dependable and regular means of communication from secondary markets to Calcutta (Fig. 10-3). The advantages of a motor truck has increased its popularity and therefore its share in total from 76% to 93% over the 1980-87 period; rail transport has declined in importance (from 19% to 4% share
in the total arrivals) over the same period, but air transport is the exception rather than the rule, the air freight charge being almost prohibitive.

Unsatisfactory communication facilities in rural areas compel the growers to sell to beparis/itinerant dealers who have the resources to arrange transportation and using the excuse of time lag, compensation against fall in price while jute is in transit and need for wagon space during peak season, take the opportunity for keeping a high margin in hand. But the slow, primitive means of communication involving time-lag, not only facilitate exploitation at the hands of middlemen, but also causes deterioration in fibre and irregularity of supply.

(ii) Storage - In India, the majority of growers are compelled to sell jute early, owing to their inability to provide adequate storage accommodation.

In the villages, bamboo platform 'manchas' (2 feet high) or simply a bundle of bamboo sticks spread out on the floor, provide primitive storage.

In primary markets, for storage up to one month, jute is just piled on the floor, but for longer periods of time, it is stacked on wooden planks/bamboos or bamboo platforms 9-18" above floor-level. There are only a limited number of godowns with beaten-earth floors and corrugated iron-sheeted roofs and walls, and most of them are either owned or rented by aratdars/dealers who store the farias'/beperis' fibre in addition to their own when prices are low, and sell it when prices are favourable. Such godowns are seldom insured against fire, theft and so on.

Godowns used by kutcha balers for storage, (protected
from weather) are built of brick or mostly iron walls with roofs built over bamboo/sal frames, to accommodate even 20,000-30,000 mds (double of those in primary markets). These balers sometimes accommodate other buyers, without any time-limit, but on the understanding that the latter's fibre will be sold through these kutcha balers. However, the number of such godowns is limited in secondary markets.

Godowns in terminal markets of Calcutta are masonry structures with paved floors, iron-roofed with tar floors (brick-walled with cement floors in Hatkhola), capacity 700-20,000 mds, godowns and stocks being insured by aratdars against fire. Shyambazar generally serves daisee jute districts and beparis, Hatkhola all jute areas, but only from kutcha balers, whereas in Cossipore, aratdars being 'sellers', do not have godowns, the sales transactions taking place while the jute is lying in the railways goods shed or is temporarily shifted to a rented godown.

Jute mills and pucca balers have solid brick/cement watertight godowns, capacity 20,000-50,000 mds baled jute insured and with precautions against fire and other hazards.

Jute should be stored under dry conditions. High temperatures and humidity encourage fermentation and result in damage to fibre. Storage results in loss of weight upto 1 1/2 - 2% per year (jute packed during the monsoon, July-September, and stored for 6-8 months loses 12% in weight, but that packed after October, 10%) and experiences deterioration in colour and strength. Under dry conditions, soft jute can be stored for a year, but if moisture content is over the normal (15%), the fibre loses lustre, becomes darker and 'dazed'. Tossa/daisee jute can hold a greater amount of water and can be safely stored up to 6-8
Thus, lack of proper storage facilities compels growers to sell the major part of the surplus within a few months of harvest and creates a situation where supply outstrips demand to generate low prices. Again, the inadequacy of storage facilities in the secondary market offers the growers who have braved the journey the option of selling at any price offered or taking the produce back home, either choice involving financial loss.

d) **Functions of grading and standardisation**: Manufacturers are accustomed to judging fibre by its spinning qualities and buyers indicate their requirement in terms of grades. But jute upcountry is marketed in an unassorted form, and the price fixed on eye estimation of the grade composition. Thus, while the growers' share in price is reduced (as prices are fixed on the basis of lowest grade), the jute is ultimately sold at its full value to the mills.

Grading is first done by the 'Jachandar' (selector), appointed by the kutcha balers. Till the secondary markets, jute is judged by individual buyers employing different methods, causing confusion. This is partly because the growers are not aware or convinced of the advantages of grading and hence have no incentive to encourage them to ensure better quality and grade. Replacement of the old, complex scheme of grading (which was a tool in the hands of middlemen to confuse growers who were ignorant of the implications of 'grading') by the ISI Scheme in 1976-77 has had little impact and will continue to do so, unless the growers are properly trained in the art of grading. Though it is difficult to train 40 lakhs of growers, still, efforts to demonstrate and disseminate information should be
encouraged on a large scale by field level workers, supervisors and functionaries of the co-operatives of the Central Jute Training Centre, run by the Directorate of Jute Development.

Thus, as seen in Chapter 9, grading today is a relatively simple procedure; selling fibre in graded form not only ensures more return to the producer, but facilitates transactions (since personal inspection of produce is not necessary), prices easily ascertained and better security for advance by bankers. Futures trading is also facilitated. However, unless objective measurement is possible (as with the machines manufactured by JTRL) and the combination of the several characteristics into a single index, grading cannot be very effective.

e) **Financing**: The existing facilities for the supply of credit by the State and co-operatives are still inadequate for the needs of the jute growers. As a result, money-lenders and jute traders are the principal sources of credit. Jute growers receive advances from farias, beparis, aratdars or even directly from kutch balers (who normally operate on their own capital or borrow from commercial banks) subject to an agreement that the growers will sell their produce to any of the latter - the 'Dadan' system, compelling local sale to local agents, more often than not, at prices below the normal market rates. Peasant indebtedness is thus an important aspect of marketing of jute in India.

f) **Risk element**: Risks involved in the marketing of jute may relate to deterioration in quality, loss in weight, damage by fire/flood, theft, changes in price level or shifts in the demand-supply situation.
TABLE 10 - A
MARKET CHARGES

A. Deductions in Kind - mainly in secondary and terminal markets - ultimately borne by sellers.

a) Dhalta : Only found in villages. Fixed rate to compensate buyers for loss in weight from sorting to transportation.

b) Palladari : Deducted by buyers (especially in UF) to cover costs of weighing, loading and unloading.

c) Aratdari : By buyers to aratdars in secondary markets as commission fee plus godown rent.

d) Namuna : Buyer takes sample from each cartload.

e) Posga : Deducted by buyer for mistakes in weighing.

f) Bachhat : Allowance for excess of moisture and probable inferiority of fibre.

B. Cash Allowances - charged by buyers during purchase of Jute from Sellers.

a) Iswarbritti/Dharmada : Common cash allowance spent by buyers on local religious/charitable/public institutions.

b) Goshala : Deducted and spent by buyers for maintenance of ghsala/pinjraje

c) Basta-bandhai : Deducted by buyers in West Bengal to recover cost of drying and re-bundling of wet jute.

d) Kastadari : Recovered from sellers by buyers and weighted to their weighers (low rate when a large quantity is handled or where buyers maintain their own offices).

e) Kutoti/Mutiya : Charged by buyers to handle and weigh jute.

f) Dalali : Brokerage charged by dalals in secondary markets paid by buyers but recovered from sellers while settling final accounts.

g) Tax : Panchayat, Union Board Tax, levied in secondary markets, paid by buyers, recovered from sellers.

Kutcha balers and jute mills insured against fire, theft and so on, transfer such risks of loss to insurance companies. Insurance against loss from price changes is sought through 'hedging' operations. But speculation-caused violent fluctuations in price cannot be insured against, and directly hit the growers, who are unaware of existing market conditions.

Market information (on weather prices, demand prospects, future outlook and so on) valuable to the grower as an aid to future planning, is not available to the growers. The sources of such market information are the daily newspapers, trade publications, government publications, post, telegraph, wireless and telephone services, which are not all available or can be utilised by jute growers. They have to depend on peripatetic dealers who in turn depend on kutcha balers, which may be turned to the latter's advantage. Moreover, the information supplied may be of little practical utility to the majority of growers.

9) **Malpractices**: The imperfection of the markets and inefficiency in jute trade are seen in Table 10-A.

Absence of grading and standardisation in rural areas accounts for malpractices, the commonest being watering of jute and adulteration of fibre quality by growers or beparis. In many cases, buyers were reported to have encouraged this by offering to buy wet jute at a discount. Arbitrary estimation of moisture content merely by feel, encourages the spread of this practice. Adulteration was prevalent in some centres of Bihar and Assam.

Other manipulations of weight or standards of weight, arbitrary deductions and charges, though paid by the seller, are ultimately shifted to the growers, reducing their returns from the crop. Such deductions are heaviest in Bihar, high
In the absence of regulated markets, these charges are bound to press heavily on sellers, especially in the period of low prices, and constitute charges for which no services are rendered by intermediaries.

h) **Prices**: A study of the prices at different market points reveals that prices at terminal markets are mainly influenced by 'Futures Trading', whereas prices in upcountry markets are based upon day to day market arrivals, money available and so on - a simpler process of trade.

'Futures Trading' has developed mainly due to the distance between consumers (mills) and producers and the time involved in transporting raw jute from upcountry to terminal markets. It is on the basis of some variable factors like size of crop, taxes and so on, that the consumers plan their purchase policy and traders formulate their sales policy based upon which contracts are entered into in advance at estimated prices. Thus, traders purchase fibre at upcountry markets at prices which ensure definite profit and sell it before its actual arrival in the markets up to September-October, and hoard surplus in October-November to sell after purchase of fibre from November onwards. Thus, it would appear that price is indirectly controlled by mills till September-October and by traders after October-November, with the result that prices fluctuate widely in terminal markets.

Prices in secondary markets are also subject to wide fluctuations, more influenced by futures trading than in upcountry markets, because if cutcha balers find Calcutta quotations
unfavourable, they store jute in the hope of obtaining better prices.

Prices in villages are generally associated with 'loose jute' (whereas futures trading is allied to baled and graded jute) and is more influenced by secondary market conditions not the Calcutta terminal market. Prices crashed below statutory minima especially from July to December in 1980-81 and 1981-82 (due to large availability and smaller take off by mills), improved in 1982-83 over statutory minima (due to short crop), exhibiting a hardening tendency in 1983-84, violent rise in 1984-85 (for a comparatively short crop, in the face of very firm and steady demand from mills and agents) which touched the highest ever level of Rs. 1,000/q and which continued to prevail even in the peak period of fibre arrivals (September to November).

In the 1985-86 season, it was noted that though the season started with a fairly reasonable price, especially after April 1985, (which had record prices), bumper crop production upset the supply-demand balance and caused a slump in prices. In West Bengal, after August, price dwindled to minimum statutory price level and below; in Bihar, the declining trend was evident, reaching minimum statutory level in October, and lowest level in May; in Assam, Orissa and Meghalaya and UP, prices fell to statutory level in September, falling slightly below this in Tripura, but recording a steep decline in UP. (Fig. 10-4)

A comparison between the prices at upcountry markets and at Calcutta gives some idea of the price differential at different stages of marketing, and the margin of profit retained by intermediaries Fig. 10-5 reveals that prices spread
FIG 10-5 PRICING AT DIFFERENT SALE POINTS 1985-86

WEST BENGAL

ASSAM

ORISSA

TRIPURA

BIHAR

MONTH JASONDJFM

CALCUTTA

SHEORAPHULLI

BELAKOBA W5

SAMP S P TDS

BARPE T W5

NONONG W5

SHAKHDAS TDS

CE SPREAD AT DIFFERENT SALES POINTS
is very wide in the case of jute, since the commodity has to pass through different points of sale and many intermediaries, the initial grower-seller receiving the lowest price in relation to actual price paid for the commodity by the ultimate consumer. In West Bengal, due to various market imperfections, market margins varied between Rs. 121.50 to Rs. 250 per quintal, between primary and terminal market prices. Price differentials were notably at a minimum during the peak period of the jute season (viz. August to October), owing to factors of distance between producers and consumers, price behaviour of terminal markets, transport, time-lag and so on. In Bihar, due to market imperfections, prices soon fell below statutory level and the sellers sustained loss, profit margins varying widely in different places in the same month. In Assam, the margin between the primary and secondary markets was narrow compared to the wide gap between primary/secondary and terminal markets. In Orissa, prices moved up with the movement of the fibre from primary to Calcutta terminal market level, the secondary-terminal market gap being especially wide. In Tripura, the interaction of market functionaries at different categories of markets helped to cause variable price spread. Thus, the existing market mechanism with its numerous failings, does not provide the grower with the necessary guarantee of a stable price for his crop.

Further, the entire crop of jute, equivalent to twelve months' consumption in the mills, is produced during a 3-4 month period in the field, and under force of compelling circumstances, is sold soon after harvest, 75% of the marketable surplus being sold within 5 months (September to January), variation in dates of sowing causing different marketing sche-
FIG 10-6 SEASONAL PRICE TREND & MOVEMENT OF RAW JUTE
A. 1977-78 TO 1980-81

INDEX
PRICE AS % OF MAXIMUM PRICE
FIBRE ARRIVALS

B. DURING THE SIXTH PLAN PERIOD

C. MONTHLY FIBRE ARRIVALS STATEWISE
dyles and timings in different states. In 1985-86, 63% of West Bengal's crop was marketed within the period September- November; in Bihar hardly 1.84% was marketed in July, the bulk (62%) marketed between September and November; in Assam 75.26% of the fibre was marketed in the August - November period; in Orissa, 76% between October and January. In UP, where retting water in scarce and retting is still a problem, quality of the bulk of the fibre is very low, for which prospective buyers are few and demand low; the fibre is mostly lifted immediately by farias and beparis and the rest is sold by farmers in the secondary markets. Similarly, in Meghalaya, due to marketing deficiencies and severe problems to dispose of the produce, the growers are compelled to sell to farias and beparis at prices significantly below the minimum statutory level. In Tripura the bulk of the fibre (65%) is sold between September and November; the underdeveloped marketing infrastructure and market inefficiency encourages the traders to take advantage of the growers, depriving them of their rightful share. (Jute Development Journal, January - March, 1987)

Traders take advantage by feigning lack of interest in purchase in July (accounting for only about 4% of annual fibre marketed) when prices happen to be at peak, enjoying 94% of the maximum level. The bulk of the fibre (63.43%) is marketed during September to November, when price levels range between 84-87% of the season's maximum (Fig.10-6). Apart from the margin of profit retained by intermediaries, jute prices are subject to wide annual fluctua-
10.3 Remedial Measures Recommended

It may thus be noted that the unremunerative price received by the majority of the growers stems from problems arising from (1) Place of sale (farm/hat) (2) Agency to whom they sell (moneylender/middlemen) (3) Timing of sale (post-harvest/distress sales) and at the root of the problem lie the inadequate facilities and poor holding capacity of growers who are weak, poor and not organised.

It is also clear that the raw jute market in India has been traditionally characterised by monopsonistic and profiteering elements in private trade and that the intermediaries between the jute grower and consumer appropriate a "disproportionately large margin compared to the actual services they provide" (Task Force, 1981) (Fig. 10-2B).

The basic goals of marketing policy are as below:

1. Adequate arrangements for the procurement of jute at support prices, especially if prices fall below that level.

Initially, co-operatives were encouraged as an alternative to private marketeering, in order to enhance competition and thus the bargaining power of the farmers; but despite strong government support, the weakness in the structure of the co-operatives in jute areas (apposite to that in cotton areas), lack of loan recovery and so on, limit its efficient functioning and reduce its role to merely procurer of jute from the state.
and not as a measure for countering market imperfections. It was reiterated that some mechanism had to be devised in the Public sector to improve the ineffective marketing system, arrest heavy price fall, strengthen the financial position of the growers and ensure them of better returns. Thus, the Jute Corporation of India (JCI) was established by the government in 1970-71 to procure the entire supply of jute (as far as possible) at statutory minimum prices, fixed by the government, thereby ensuring the industry of smooth flow of supply at reasonable price and encouraging jute growers' competitiveness vis-a-vis traders and middlemen.

The JCI has built up over the years a network of 115 DPSs, 69 Sub-centres supported by 240 co-operatives in 1984-85, which from a modest beginning of 1.46% of total crop produced, currently procures 11.02% of total crop produced, the highest procurement of 1,76,100 bales, representing 21.04% of total crop having occurred in 1980-81 (Fig. 10-7). This coverage is extremely inadequate and the bulk of the raw jute continues to be bought by private traders at prices much below those offered by the JCI; despite the announcement of minimum statutory price, there is no guarantee, especially in view of the JCI's limited network, that all growers would receive the same. Conscious of the needs of poor and marginal farmers, JCI covered as many as 340 hats and in West Bengal tried through the Comprehensive Area Development Corporation, but neither made much impact; the JCI also tried a pilot scheme for linking credit
with marketing in 9 jute districts of West Bengal, but the scheme did not make much headway, resulting in the procurement of only 3,500 bales of raw jute (due to a large number of defaulters being rendered ineligible for fresh credit facilities). A scheme of identity cards was introduced in West Bengal, Bihar and Tripura, both JCI and co-operatives agreeing on purchase of jute from holders of cards only; but though this step was in the right direction to flush out middlemen and worked well in 1982-83 (short crop), in bumper years like 1981-82, it was upset by the need for distress sales and illegal sales along the Bangladesh border.

There are many problems which have limited the scope of efficient functioning of the JCI. Though the government wants the JCI to procure up to 40% of the total crop produced by the end of the Sixth Plan, its commercial operations depend on the funding by the RBI, which is much less than in the case of cotton; with its large overheads, the JCI's annual losses were substantial in 1979-80 (Rs. 15.5 crores), though they declined in 1980-81 (Rs. 11.8 crores) and subsequently through 1981-82, till the JCI was actually able to make a profit in 1982-83. Again, the JCI is obliged to pay commercial rates of interest on its borrowed funds, and the heavy interest burden alongside its limited market coverage has affected the economic viability of the JCI. Thus, the JCI has not enjoyed the financial support necessary to make its role effective.

Traditionally, farmers have shown the tendency to sell lower-grade jute to the JCI and the superior grades
directly to the mills, encouraged by the fact that
the JCI operated within the price-band that made it
difficult to buy high-grade jute; but the JCI has of
late decided to purchase the high-grade jute and sell
it on a commercial basis to mills, to keep the organ-
isation on a viable base.
Fixing the minimum statutory prices must be backed
up by a scheme for its practical implementation viz,
the extension of grading facilities, which the JCI
should keep in mind.
The JCI needs full co-operation from state and agricul-
tural departments and must be kept informed of their
development programmes and changing crop situation.
To ensure that procurement operations have maximum impact
on prices received by jute growers, JCI must start
procurement at the beginning of the season and continue
uninterrupted, throughout. During bumper years, a buffer
stock (at low prices) must be retained in order to
offset the carrying costs and requirements over the
lean years.
Purchase operations do not only stabilise the market,
but ensure the availability of fibre to the industry
at reasonable prices, which is also important from
the export angle. In case of great fall in supply,
the JCI should execute timely import to prevent prices
from rising to an uneconomic level. Such co-operatives
must have adequate funds available.
Inadequate storage facilities slackened the pace of
the purchase operations of the JCI, giving the advantage
to the middlemen. As the JCI cannot purchase all the jute at the time of peak arrivals, the growers are forced to sell to middlemen at lower prices. But there is a greater tendency to buy direct from the growers, whose share in total procurement increased from 26% to 39% and 74% over 1978-79 to 1980-81, to almost 100% in 1981-82 to 1982-83. (Directorate of Jute Development) Hiring godowns from FCI alleviated some of the JCI's problems and the latter has plans to build up additional storage capacity, baling presses and assortment sheds, especially in West Bengal, but this is a long term solution and the problem is a pressing one, requiring immediate solution. The lack of strong support from the co-operatives (especially in Hooghly, Malda, Burdwan and Cooch Behar) was a crucial deterrent to the JCI but was mainly due to the inability of the JCI to settle bills speedily, the co-operatives having to fall back on their own resources (which could not continue indefinitely), transport difficulties (especially in Tripura) and inter-state price differentials. Another important inhibiting factor is the lack of integration between credit and marketing. JCI must provide the 'umbrella' under which the co-operatives can operate without being exposed to undue risks. As regards the role of the JCI, the marketing problem cannot be solved unless the entire jute trade is taken over by the JCI. This would be an impossible task without the help of the village panchayats and would also necessitate the involvement of the JCI in the farmers' economy right from the stage of land preparation to
<table>
<thead>
<tr>
<th>CENTRE</th>
<th>VILLAGES</th>
<th>PRIMARY MARKET</th>
<th>SECONDARY MARKET</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>QUANTITY</td>
<td>PRICE (Rs/q)</td>
<td>QUANTITY</td>
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<tr>
<td>Chakdah</td>
<td>290.42</td>
<td>192.77</td>
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<td>Sheoraphuli</td>
<td>147.60</td>
<td>205.21</td>
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<tr>
<td>Samsi</td>
<td>-</td>
<td>-</td>
<td>149.05</td>
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<tr>
<td>Belakoba</td>
<td>33.15</td>
<td>252.90</td>
<td>179.90</td>
</tr>
<tr>
<td>Chakia</td>
<td>48.40</td>
<td>196.75</td>
<td>-</td>
</tr>
<tr>
<td>Furnes</td>
<td>174.40</td>
<td>232.09</td>
<td>-</td>
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</tr>
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<td>40.23</td>
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<tr>
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</tr>
<tr>
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<td>-</td>
<td>-</td>
<td>63.85</td>
</tr>
<tr>
<td>Agartala</td>
<td>-</td>
<td>-</td>
<td>46.10</td>
</tr>
</tbody>
</table>

Source: Directorates of Jute Development
final marketing.

2. A well-spread and regulated infrastructure of marketing which will ensure fair prices to jute producers in open market conditions and help eliminate non-functional marketing margins of intermediaries.

Malpractices and arbitrary deductions exist in open markets which can be curbed by the establishment of regulated markets, the current position noted in Fig. 10-8. But though almost all the jute growing states have laws for the establishment of such markets, enforcement faces several difficulties, partly arising out of legal complications, but principally due to the absence of essential infrastructural facilities. Recognising the need for the latter, the Centre had released a grant of Rs. 1.5 lakhs for the development of primary markets and has circulated a similar scheme for the development of secondary markets. The states should take up time-bound schemes to promote orderly development in jute markets to ensure standardisation of weights, measures and market charges, grading of produce, dissemination of market information, open bidding of prices, better storage facilities in markets and regulation of time, space, manner and time of sale of produce.

The jute growing states have a special responsibility in the extension of regulated markets in rural areas to facilitate small jute growers who are obliged to sell to local 'traders. The government should take steps to ensure creation of adequate infrastructural facilities,
inspection, supervision and, in total, help the JCI to set up the necessary purchase machinery at markets, so that the growers can be assured of fair prices. Grading is an essential pre-requisite, without whose implementation, the standardisation purpose is defeated. With a view to enabling the jute growers to avail of the new grading system, it must be introduced at the farm level through education by field-level workers and supervisory staff. The NCDC has sponsored and financed training performances of grading and marketing of jute for the staff of co-operatives. Short-term courses conducted by the Central Jute Grading Training Centre, run by the Directorate of Jute Development (in collaboration with the JTRL and JARI) should be continued on a regular basis. State governments should set up their own establishments for training, in collaboration with the JCI. Though it is impossible to educate millions of jute growers, those selected for training should educate others in their own villages; if this is done on an urgent priority basis, it is perhaps the only way of ensuring widespread implementation of this system.

Unlike foodgrains, which exhibit a multi-directional movement from producers to consumers, the bulk of the jute crop moves in one direction, towards Calcutta, within a very short period (4-5 months), putting considerable strain on traffic which, if dislocated, due to waterlogging, floods, wagon shortage and so on, causes a slump in prices; so, orderly movement of fibre is extremely advantageous to jute growers.
The State government should play a major role in improving road facilities. Costs of operating motor vehicles are especially high in the case of unimproved roads; a country like India with abundant labour and scarce capital, can well benefit from spending on road maintenance.

Non-availability of railway wagons especially in peak times impeded upcountry jute movement by rail to Calcutta and encouraged use of road transport, which is more expensive. As transport costs account for about 15% of the final cost and price for jute, suggestions for encouraging rail transport would entail allotment of wagons and organising raw jute 'special' goods trains during peak marketing season. The 'B' priority accorded to the JCI wagon allotment should be looked into.

As riverine routes are cheapest from Assam to Calcutta, barge transport, via Bangladesh should be discussed in consultation with the Central Inland Water Transport Corporation.

The Sixth Plan sought to establish a network of rural godowns in the co-operative sector which should have been suitably modified in jute growing areas to meet the requirements of the jute growers.

In order to ensure effective price support operations, the JCI has already taken up a plan for the construction of godowns at all strategic points with a total capacity of 5 lakh bales. The Agricultural Re-finance and Development Corporation has agreed to re-finance assistance:

1) to commercial banks to the extent of 80% of the loans given by them to the JCI for godown construction to start new units.
2) to private parties to construct godowns for the JCI. Loans cover 75% of the estimated cost of construction and the rest will be met by borrowers from their own resources. For most effective impact, the JCI should enlist the help of the AROC and the Central and State Warehousing Corporations, while co-operatives should seek the assistance of the NCDC.

The government of India adopted a scheme for the construction of primary godowns at hats and the NCDC provided financial assistance to co-operatives for the construction of transit godowns at primary/secondary markets, but only half the required number were installed. As the need is large, and construction not possible due to financial constraints, recourse may be taken to hired storage, in the Public Sector, since private investors do not show interest, and trained staff should be selected with care.

Access to market information reduces business risks of traders and enables their operation on lower margins. A well-developed market intelligence system is necessary to ascertain the exact details of the year's crop and to carry out a positive, active marketing policy. Appreciation of the value of marketing information is noted from the widespread complaints of growers regarding its limited extent and request for extension of such services. Inaccurate crop forecasting encourages speculation and undesirable price movements, which can be prevented by timely release of accurate statistics, the first
estimates by end-June-early July, and the final figures by mid-November. The existing method of forecasting leaves much scope for improvement; better techniques will also facilitate the adoption of the crop insurance scheme by jute growers.

The credit problems of the jute growers stem from the fact that the jute farmers, poor in resources, when confronted with new technologies are at a disadvantage, owing to the larger outlay demanded by new technology. In order to assist growers in raising their productivity through optimum level of input utilisation, institutional credit must be made available at cheap rates. Nationalised banks should indentify the expansion of their activities in rural areas by means of mobile branches in unbanked, underbanked areas of interior pockets. In this context it has been noted that despite exorbitant rates of interest charged by local money-lenders, the lack of general alternatives impels the grower to borrow just enough to cover the barest minimum of operational expenses. In the interest of improving productivity, availability of cheap credit should be generally raised to a level which meets the optimum requirements of intensive cultivation and its scale of inputs, accompanied by competent supervision over the execution of credit facilities.

Recommendations for helping jute growers include the gradual replacement of money lenders by institutional agencies, co-operatives and banks and lowering of the interest rate, in the hope that demand for production credit will increase.
Secondly, a substantial part of the short-term institutional finance is provided on the basis of 'personal security', so small jute growers are denied access. In order to counteract this problem, special programmes, agencies and the NABARD set up to fund purchase of inputs, are efforts being made to loosen the grip of large farmers over the co-operative societies, de-link the supply of short-term finance from ownership of land asset and relate the same to the level of input requirements, so that the small jute grower benefits materially. Thirdly, credit must be linked with marketing, as proved conclusively by the experiment carried out in the IJDP block in Kendrapara district in 1976-77. Either the PACs or the village panchayats should arrange to pool the raw jute produced by the growers and sell it to the PACs or the DPCs of the JCI, with efforts made to recover loans issued. Jute credit should be extended to cover emergency and maintenance too. Finally, as a complementary measure to linking credit with marketing, the crop insurance scheme should be introduced to raise the jute farmers' credit-worthiness and safeguard natural calamities. The RBI has probed the extension of such facilities and has set up a Working Group On Institutional Credit for Jute Growers, whose recommendations are among those listed above.

3. Suitable structure of support prices must be adjusted from time to time, in the light of costs of production, so as to ensure fair returns to the grower. Obviously, while fixing the support price, the Agricul-
tural Prices Commission keeps in mind the farmers' concept of cost and remunerative price, which is so difficult to delineate and compute, having to consider factors like competing crops, the general economic situation, export trend and so on. But a sharp rise in raw jute price would discourage investment in the jute manufacturing sector, whereas cost reduction, coupled with quantity and quality improvement would provide an in-built system for encouraging growth in raw jute and a favourable price structure.

Another solution to the problem would be to grant subsidies. Since subsidies are meant to encourage recipients to adopt innovations, a scheme of supervised subsidies analogous to supervised credit may be desirable, subject to manpower constraints.

One factor which can bring about price stability is the building up of buffer stocks. To frame a suitable policy of buffer stocks requires a knowledge of the size of buffer stocks needed to make an impact on price; the costs and time of storage and its availability, and the margin between cost-price and issue price of stocks. Among favourable factors for this scheme are low elasticity of demand for and supply of jute and fluctuations in supply.

Buffer stocks of jute can ensure stability and uniformity of raw jute price even at international levels. Among all the disadvantages facing the grower, frictional defects in marketing can be overcome by the establishment of regulated markets, but for removing the fundamental weaknesses, there is no alternative
to the growers' co-operatives, which, adequately equipped with all infrastructural facilities (aided by government) could go a long way in building up a strong sellers' organisation, ensuring an economic price to the cultivator and an assured supply of raw jute to the mills.
FIG 11-1 RAW JUTE-DEMAND, AVAILABILITY & UTILISATION

INDEX

TOTAL PRODUCTION OF RAW JUTE
AS % OF TOTAL AVAILABILITY

MILL CONSUMPTION OF JUTE
AS % OF CROP PRODUCTION
AS % OF TOTAL AVAILABILITY

DEMAND

BY JUTE MILLS
BY FOREIGN BUYERS
BY DOMESTIC BUYERS