

A Value Chain Study of Jute Industry

Swaniti Initiative

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Jute Industry in India – Background

Significance of Jute Industry:

The jute industry is one of the oldest industries in India and employs approximately 3,70,000 workers, supporting 4 millions farmers through its 83 jute mills across India. 64 of these jute mills are located in West Bengal. In 2010-11, the jute industry produced goods worth Rs. 7,500 crore and had export earnings of nearly Rs. 1,350 crore.

Growth Potential of Jute Industry:

A 2010 study by World Economic Forum observed that 95 percent of the consumers' worldwide want to go green. Since jute is a natural fibre and has the potential to become ‘green’ alternative to plastic bags, jute industry has tremendous growth opportunities. India as a major player in jute production is bound to benefit from such a development. In order to maximize the benefit, India needs to tackle the issues crippling domestic jute industry.

Key Highlights

3.7 La Workers Employed

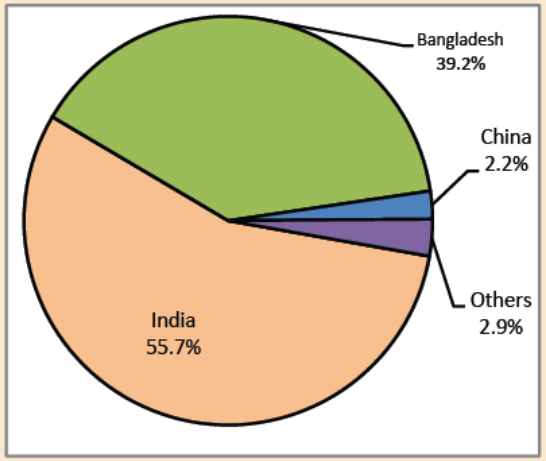
40 La Farmers Involved

7,500 Cr worth Goods Produced

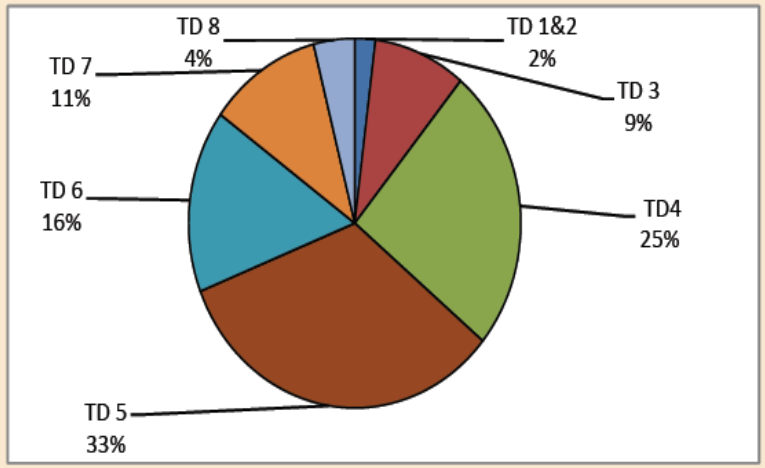
1,350 Cr Export Earnings

Jute Industry in India – A Story Through Numbers

Major producers of Raw Jute, TE 2011-12

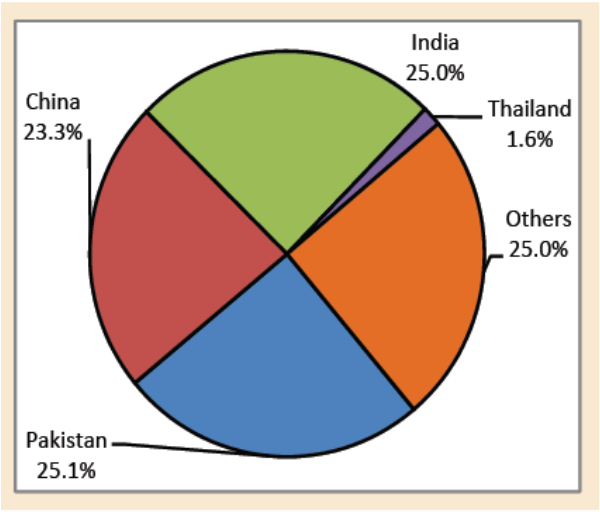


Grade Wise Composition of Jute (Tossa Deshi) Production

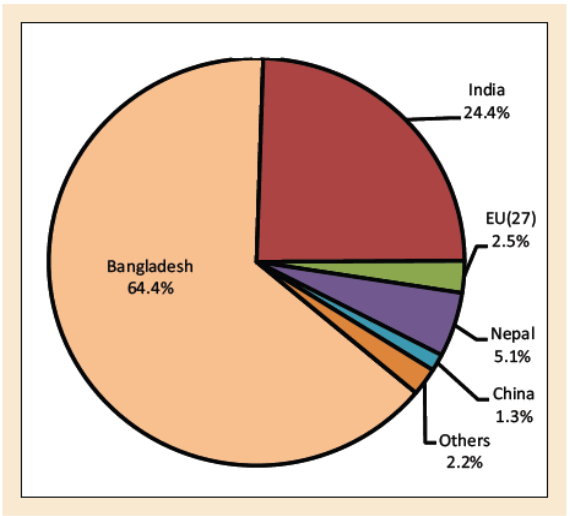


- India is the biggest producer of raw jute but also imports raw jute from Bangladesh (25%)
- Most of the produce of raw jute in India weighs in favor of grades lower than TD – 4. The total jute production of TD – 4 and TD – 5 alone constitute 58%

Importers of Raw Jute, TE 2011-12



Exporters of Jute products, TE 2011-12



- **Possibility of increasing the focus on higher quality grades** to reduce dependence on imports from Bangladesh?
- A huge difference between the export percentage of Jute Products between India and Bangladesh – Will the **improvement in quality of Jute Products and productivity of machines** help reduce the deficit?

Challenges in Raw Jute Cultivation (Supply Side)



Raw Jute Cultivation – Challenges (1/2)

	Challenges	Details
1	**Ineffective Minimum Support Price (MSP) and Procurement Mechanism**	• Jute Corporation of India (JCI) procured less than 5% of total raw jute in 2013-14 and thus, most farmers sell their produce through middlemen • Despite MSP being Rs. 2,400 per quintal for Jute last year, many farmers sold jute for Rs. 1,800 – 2,000 per quintal: an amount to be able to just breakeven
2	**Poor agricultural practices**	• While different technologies and dosages of fertilizers have been developed by CRIJAF, a few farmers have adopted the technologies and prescribed norms • Due to low adoption of new technologies, there is currently a wide gap between the potential yield of 2.7 tons/hectare and actual yield of 2.1 tons/ hectare *Ref: National Fibre Policy, Ministry of Textiles*

Year	Production of Raw Jute (in lakh bales)	Quantum procured by Jute Corporation of India as estimated by Jute Advisory Board (in lakh bales)	Percentage
2012 – 13	93.00	3.196	3.44%
2013 – 14	90.00	1.381	1.53%

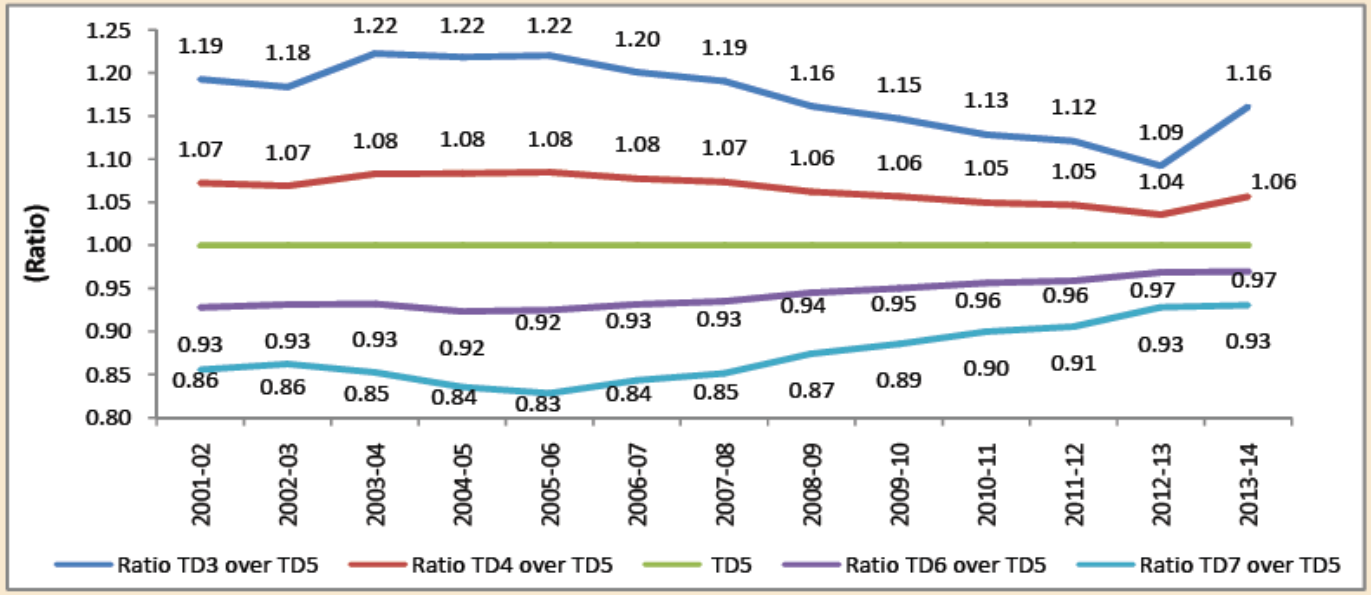
Source: Lok Sabha Questions (July '14 and Dec '14)

Raw Jute Cultivation – Challenges (2/2)

	Challenges	Details
3	**Lack of incentive mechanism for improving the Jute quality**	• The focus of Indian Council of Agricultural Research has been on improving the yield of the jute seeds leading to the fiber quality being compromised • Current pricing mechanism doesn't consider quality. The sale of produce at farmers' level is un-assorted and un-graded : farmers have no incentive to improve grading and quality of jute • Insufficient water resources result in poor retting which in turn impacts quality and grading of jute fibre *Ref: Central Research Institute for Jute and Allied Fibres*
4	**Lack of adequate availability of HYV seeds**	• Yield of jute in India is lower compared to that in China and Bangladesh. Low yield results in less profit for farmer and thus minimizes the reinvestment from farmer • Even though High Yielding Variety of jute seeds have been developed, lack of adequate awareness and absence of support infrastructure has restricted the access to these (caters to only 30-35% jute area) *Ref: National Fibre Policy, Ministry of Textiles*
5	**Insufficient funding for Jute research**	• The scientists need to bid for the project funding (to the Department of Agriculture) along with other researchers working on various other projects across the agricultural value chain • Getting adequate funding is a challenge due to the focus of the department on other commercially viable agricultural products

Raw Jute Cultivation – Challenges (2/2)

Reducing price differential between MSP Ratios of premium grades viz. TD – 3 and TD – 4 and infer grades viz. TD – 6 and TD – 7:



Source: Price Policy for Jute, Commission for Agricultural Costs & Prices

Yield of Jute, Kenaf & Allied Fibre in major producing countries.

(tonnes per hectare)

	Bangladesh	China	*India*	Myanmar	Nepal	Thailand
2005-06	2.34	2.66	***1.64***	0.90	1.45	1.51
2006-07	2.22	2.80	***1.93***	0.94	1.43	1.55
2007-08	2.47	2.63	***1.87***	0.94	1.43	1.79
2008-09	2.28	2.67	***1.88***	0.90	1.47	1.93
2009-10	2.22	2.67	***2.09***	0.90	1.47	1.20

Source: Planning Commission Working Group on Textiles & Jute Industry

Challenges in Production and Sale of Jute Products

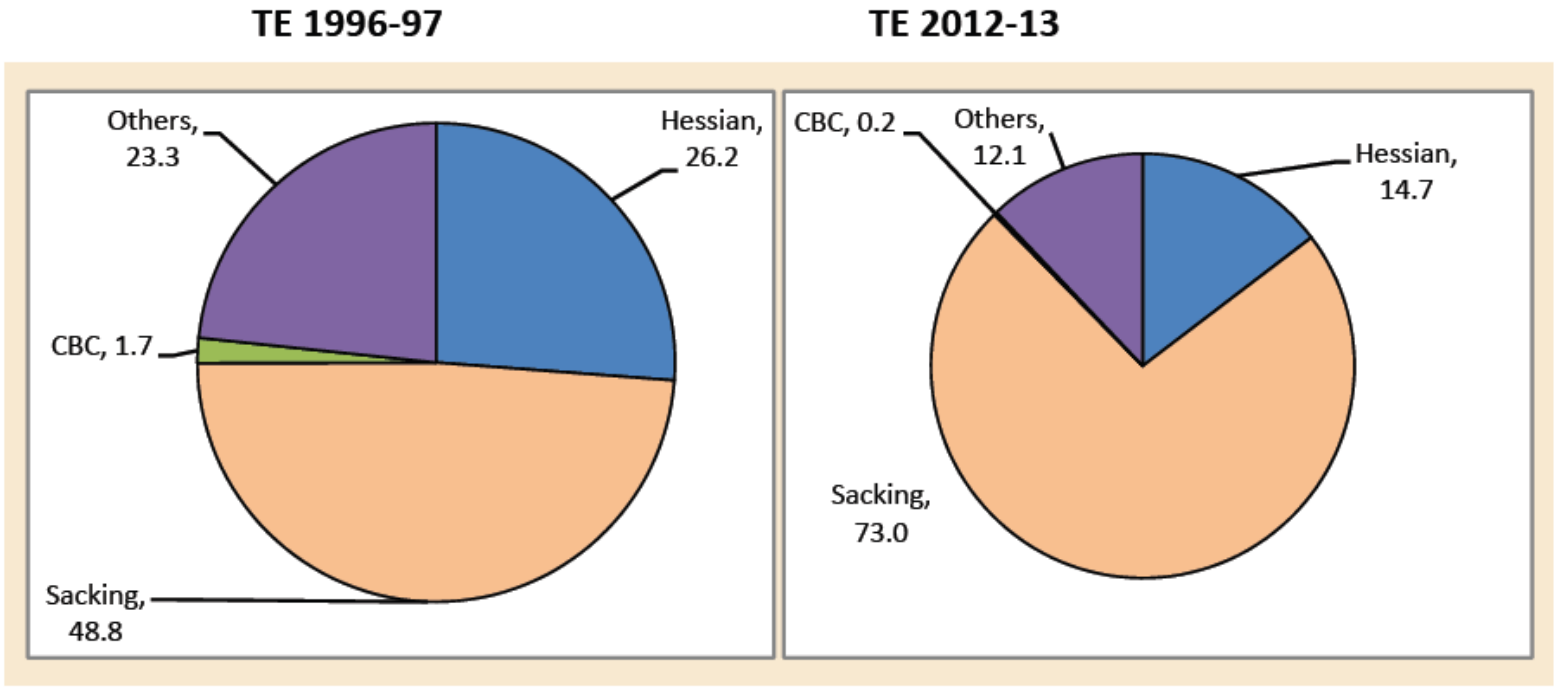


Jute Goods Production – Challenges (1/2)

	Challenges	Details
1	**Lack of modernization leading to underutilization and reduced product quality**	• The current machinery used in most of the mills in India is obsolete technology leading to reduced productivity and product quality. This has impacted the overall competitiveness of the industry in the export market • According to a report by Standing Committee, of the study conducted in 66 jute mills in India, it was found that the capacity utilization in most of these mills is between 50 to 83 per cent only
2	**Lack of adequate focus on Product Diversification**	• With the Jute Packaging Materials Act of 1987, the jute industry has been safeguarded leading to lack of incentive to innovate and improve processes as well as to diversify and reduce costs • Lack of diversification acts as a barrier to the industry moving up the value chain and also increase export of jute products of countries like Bangladesh
3	**Absence of institutionalized marketing effort at industry level**	• The industry has largely been operating in silos with piece meal marketing efforts and with no concerted industry wide effort • According to the response of the ministry during the parliamentary question hour, currently, there is no infrastructure in place for marketing the jute products in the country (July '14)

Jute Goods Production – Challenges (1/2)

- As compared to 1996-97, the use of jute for sacking has increased from 48.8 percent to 73.0 percent in 2012-13. The category of “others” that includes Diversified Jute Products (DJPs) has declined from 23.3 percent to 12.1 percent during the same period
- In a way, this has led to JPMA luring the jute industry to expand its sacking capacity at the expense of other value-added products



Note: CBC stands for Carpet Backing Cloth

Source: Price Policy for Jute, Commission for Agricultural Costs & Prices

Jute Goods Production – Challenges (2/2)

	Challenges	Details
4	**Frequent Strikes leading to reduced productivity**	• During the last three years, the jute workers in West Bengal have gone on strike every year. During 2010-12, total man days lost due to strikes was in the range of 18 million • Frequent strikes lower the production, causing loss to the mill as well as the industry. It also resulted in rotting of food grains due to unavailability of sacks • There are several issues concerning labor due to which they go on repeated strikes. Employment of contract labor, non payment of dues, dismal working conditions are some of the reasons for frequent strikes
5	**Lack of Thrust on Skill Development and Training of Labor**	• There has been limited investment in the continued education of workers to advance their skills. This has resulted in lower worker satisfaction and productivity • Absence of incentives for mill owners to constantly update their workers' skills and knowledge

Proposed Changes in Jute Packaging Materials Act 1987

About Legislation:

The Jute Packaging Material Act, 1987 (JPM Act) provides the legislative framework under which Government provides for compulsory use of jute packaging material in supply and distribution of certain commodities in the interest of production of raw jute and jute packaging material and the persons engaged in the production thereof**.** The legislation requires mandatory packaging in jute bags a minimum of 40% of the production of sugar and 90% of the production of food grains.

Planned Modifications:

The Central Government is planning to make changes in the provisions of the Act. It plans to **phase out of jute for packaging food grains** by bringing it down to **70 per cent in the first instance** and to **zero in the process over next two/three years**, and **exempting sugar packaging** from the Act.

Possible Implications:

Phasing out mandatory jute packaging clause under Jute Packaging Materials Act will lead to a tremendous fall in demand for jute industry which depends on government orders for its survival. In the current state, the **mills are not in a position to compete with the plastic industry** and this may sound death bell for sick jute mills. Only **those mills which have diversified their product range** and don't depend completely on government for orders will be able to survive.

Possible Interventions to Address the Challenges

	Recommendations	Responsible Agencies
Agriculture	• Increasing procurement from current levels of 5% in order to reduce the role of middlemen and increase returns for farmers	JCI
	• Improving the price differential between procurement of higher and lower quality of jute produce	JCI
	• Increasing availability of certified seeds and improve distribution through government agencies/channels	JCI, JMDC, WBSSCL
	• Constructing more water facilities to improve retting process	JCI, NJB
	• Increasing penetration of new farm techniques by conducting awareness programs	JCI, CRIJAF, NIRJAFT
Industry	• Increasing the funding and ensuring the modernization of the machinery	NJB, Ministry of Textiles
	• Improving working conditions at the shop floor, developing better working conditions	DGFASLI, JMDC
	• Creating a talent pool of well trained workforce through skill development	NJB
	• Undertaking a more focused market driven product development (both domestic and export market) to produce innovate jute products and increase cost competitiveness	NJB, NCJD

Abbreviations:

- CRIJAF Central Research Institute for Jute & Allied Fibres
- DGFASLI Directorate General, Factory Advice Service and Labour Institutes
- JCI Jute Corporation of India
- JMDC Jute Manufacturers Development Council
- NIRJAFT National Institute of Research on Jute & Allied Fibre Technology
- NJB National Jute Board
- NJCD National Centre for Jute Diversification
- WBBCLWest Bengal State Seed Corporation Limited


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