

CHAPTER-9

JUTE INDUSTRY

INTRODUCTION:

9.1 The Jute Industry occupies an important place in the national economy. It is one of the major industries in the eastern region, particularly in West Bengal. It supports nearly 4 million farm families, besides providing direct employment to about 2.6 lakh industrial workers and livelihood to another 1.4 lakh people in the tertiary sector and allied activities. The production process in the Jute Industry goes through a variety of activities, which include cultivation of raw jute, processing of jute fibres, spinning, weaving, bleaching, dyeing, finishing and marketing of both raw jute and its finished products. The Jute Industry is labour intensive and, as such, its labour-output ratio is also high. In spite of various difficulties faced by the industry, capacity utilization of the industry is around 75 per cent.

STRENGTHS AND OPPORTUNITIES

9.2 Jute is a bio-degradable and eco-friendly commodity. The promotion of green credentials of jute might help retain existing markets and explore new ones. For instance, switching to mineral oil free lubrication system to enhance eco friendly characteristics of jute products may send appropriate signals about packaging in jute.

9.3 The Report of the Expert Committee on Technical Textiles (July, 2004) states that in the year 2000 the world market for technical textiles was estimated to have a volume of 16.7 million tones with a value of US \$ 92.88 billion. As a fibre, jute contributed to 14 percent of the total fibre consumption of technical textiles in 2000. Of the total consumption of 1400 million sq. metres in geotextiles in 2000, jute constituted 1 percent. This 1 percent represents a sale figure of about Rs. 36 crore. As the market is likely to grow enormously in technical textiles, specially in geo textiles, the contribution of jute to technical textiles represents a strong market potential.

9.4 Technical textiles, including jute geo textiles and jute-diversified products, represent two growth areas for the jute sector. Considering past and present prospects, sacking and hessian are unlikely to grow beyond the normal rate and, at this stage, the

growth engines for the jute industry appear to be technical textiles and Jute Diversified Products (JDPs). Technical textiles, because of their immense potential should be targeted and given a closer look so as to utilize the opportunities of the emerging global market.

WEAKNESSES

9.5 The fibre quality needs to be improved. Currently only about 11 percent of the raw jute belongs to the higher grades of TD1, TD2 & TD3. Hardly any TD1 & TD2 are grown in India. The short supply of high grade raw jute is a major problem facing the Indian jute industry.

9.6 The Kolkata based jute industry points to the better quality jute available in Bangladesh, cheap labour and the subsidy for exports in Bangladesh as impediments in successfully competing against Bangladesh.

9.7 The jute industry has to withstand competition from the synthetic sector especially in packaging. The direct cost of a 50 kg capacity Food Grade Jute Bag today is about Rs. 18 to 20 vis-à-vis Rs. 14 or Rs. 15 for a synthetic bag.

PERFORMANCE DURING TENTH PLAN

9.8 During the Tenth Five Year plan period, the National Jute Policy, National Jute Board Bill as well as Jute Technology Mission with an outlay of Rs. 355.5 crore have been approved by the Government in respect of the jute sector. The National Jute Policy did not have any outlay as such and the National Jute Board Bill will be approved by the Parliament soon. The Jute Technology Mission is yet to be formally launched though the Cabinet approved it in June, 2006. The target for raw jute production in the Tenth Plan is likely to be achieved in the jute year 2006-07. Jute goods production, however, will fall short of the plan target by 18 percent. In contrast, export targets have been met and exceeded. Table-9.1 presents a view of targets and achievement.

Table 9.1

Targets vis-à-vis achievements set for the Tenth Five Year Plan

Items	Target for terminal year (2006-07)	Achievement in 2005-06	Average (2002-03 to 2005-06)
Production of jute & mesta	110 lakh bales	85 lakh bales (110 lakh bales is estimated in 2006-07)	91.25 lakh bales
Production of jute goods	19.5 lakh MT	15.82 lakh MT	15.96 lakh MT
Exports	US\$ 154.36 million	US\$ 276 million	US\$ 240 million

9.9 The jute industry has not been able to achieve the target growth rate of 10 percent per annum fixed for industry. Production for the last 4 years has stagnated at around 16 lakh MT instead of reaching 19.5 lakh MT. Thus, there is a shortfall of around 18 percent from the projected Tenth plan target.

9.10 The export projections for Tenth plan in respect of jute, hemp, and mesta textiles was fixed at US \$ 154.36 million for the terminal year of the Tenth Five Year Plan. Against this exports stood at US \$ 276 million in 2005-06. Against the cumulative export target of US \$ 634.52 million for the entire tenth Five Year Plan period, the actual export for the first four years of Tenth Five Year Plan was worth US \$ 960 million.

9.11 In the 1970s and 1980s, jute diversified products hardly contributed to jute exports. In the first five to six years of the present century, jute diversified products constituted at least 20 percent of total jute exports. In 2005-06 the export of jute-diversified products was Rs. 280 crore (US \$ 63 million out of total exports of US \$ 276 million). As the trend is on an increase, it is expected that this will continue in the years to come.

REVIEW OF THE ONGOING SCHEMES

9.12 Jute, Mesta and Bimli which are all consumed for manufacture of jute products are at present grown in not more than seven States of the country. However, an overwhelming of 60 jute mills is located in the State of West Bengal, mainly in the

four districts of Hooghly, North and South 24 Parganas and Howrah. The Plan schemes in the jute sector are spread over the length and breadth of the country and neither spread nor expenditure of Plan schemes are directly proportional to the number of jute mills or volume of jute grown in a State

9.13 The artisans and weavers are either employed by the organized jute mills or trained under National Centre for Jute Diversification (NCJD) schemes so that they may increase their earning through entrepreneurship. The Plan scheme like the Jute Service Centre Scheme is primarily aimed at providing basic and advance training programmes to artisans and weavers while the Plan schemes of Jute Raw Material Bank, Design and Development, as well as Market Support Scheme of NCJD are targeted at such entrepreneurs so that this may increase their skills and reach sustainable levels.

9.14 The Jute Manufactures Development Council also organizes fairs and exhibitions in India and abroad to provide promotional avenues and channels for marketing and sale of products to the organized as well as decentralized sectors.

9.15 The NCJD Scheme were formulated in the second half of the Eighth Plan and since then there has been a manifold increase in the number of persons / institutions engaged in the manufacture of jute diversified products as well as in the market of the organized sector, specially for hessian, decorative fabrics and yarn.

9.16 The problems of farmers regarding sale of raw jute is addressed by the Jute Corporation of India which is committed to buying whatever is offered at their depots at the market support price, declared each year prior to the start of the jute season

9.17 The plan schemes in the jute sector are mainly implemented by JMDC and NCJD.

9.18 The on-going Plan schemes in the jute sector are essentially for the development of the decentralized sector and implemented through NCJD and JMDC. A decision has already been taken that all the existing Plan schemes will be subsumed and be a part of the Jute Technology Mission which is likely to be launched soon.

9.19 The schemes implemented by NCJD have multiple objectives. The primary objectives include developing a business environment where all requisites like raw

material, skilled manpower, technology, skill development through training and workshops, market creation in the form of forward and backward linkages are established. NCJD was provisionally allocated Rs. 30 crore during the Tenth Five Year Plan period.

9.20 Against the Tenth plan allocation of Rs. 30 crore money released till 2005-06 amounts to Rs. 26.93 crore. Against this the total expenditure till 2005-06 comes to Rs. 28.36 crore.

9.21 NCJD receives plan grants for the following schemes.

Jute Service Centre Scheme

9.22 Under the scheme service and extension centers are set up to provide training to entrepreneurs to enable them to operate commercially. At present 19 JSCs and 5 Jute Service Extension Centres are operating across the country. During the Tenth Five Year Plan period, the Ministry of Textiles approved setting up of 20 JSCs and 6 JSExCs.

Jute Raw Material Bank (JRMB) Scheme

9.23 The scheme aims at establishment of raw material banks for fulfilling the requirement of jute yarn, providing information about diverse applications of jute, creation of awareness amongst entrepreneurs and organizing technical workshops on application of jute. Here jute fibre, fabric and yarn are available in small quantities as required by the micro enterprises, craft persons and artisans. The scheme provides 5 percent subsidy on sales value as sales incentive.

9.24 JRMBs aim to ensure raw material availability in small quantities and right quality at mill gate prices to meet the requirements of micro enterprises, craft persons, artisans, designers, NGOs, besides women's SHGs. JRMBs supply jute yarn and other raw materials such as fibre, fabric and dyes and chemicals. JRMBs are also required to disseminate information on application of jute in various uses in addition to awareness generation for existing and potential entrepreneurs and organizing technical workshops on application of jute. There were 33 JRMBs operating in the country as on 1st June 2006.

9.25 The performance of 24 JRMBs, which have been evaluated by National Production Council (NPC), have been graded based on monthly average sales of yarn

and fabric. Poor implies less than 3MT per month. Average implies the range 3 MT to 5 MT. Good implies the range 5 MT to 10 MT and excellent implies sales exceeding 10 MT.

Design Development Scheme

9.26 The scheme aims at keeping beneficiaries abreast of latest design through workshops, product evaluation, engagement of specialized design agencies and development of prototypes, etc.

Market Support Scheme

9.27 The scheme aims at facilitating small entrepreneurs and NGOs to gain exposure through participation in national level exhibitions, local fairs, buyer-seller meets and provides linkage to the demand centres with producers of jute for meeting the demand of jute.

Jute Entrepreneurs Assistance Scheme

9.28 Under the Scheme, capital subsidy is given at the rate of 15 percent and 10 percent of the cost of plant and machinery for projects under category A&B, respectively, of jute diversified units. The permissible subsidy is for units with cost of plant and machinery up to Rs. 5 crore. The Scheme is intended for setting up new units / expansion of existing units for production of diversified jute products.

Micro Finance Scheme

9.29 NCJD is operating this entrepreneur friendly scheme for extending financial assistance to individual entrepreneurs, Self Help Groups (SHGs) and Non-Government Organizations (NGOs). Support to Micro Enterprises and NGOs is being given due priority in view of sustainable human development through jute diversification. This scheme requires to be modified.

Schemes for North Eastern Region

9.30 The schemes for North East region will cover the states of Assam, Arunachal Pradesh, Meghalaya, Manipur, Mizoram, Nagaland, Sikkim and Tripura. Under the market promotion scheme for JDPs under Mini Mission IV of the Jute Technology Mission a scheme for North-East Region (NER) is proposed. The scheme aims at

setting up of enterprises for handicrafts, spinning, weaving, wet processing, hand made paper, etc. in general and entrepreneurship development in diversified jute sector in particular. These programmes will be carried out by setting up of operating units namely, Jute Diversification Support Centre (JDSC) and Jute Diversification Support Extension Centre (JDSEC).

9.31 The above objective will be fulfilled through the following activities.

- To conduct trade specific training programmes
- To organise awareness generation programmes
- To create scope for large scale consumption of jute in non-traditional field
- To develop skills among weavers, entrepreneurs and craft persons.

9.32 Plan schemes in the jute sector are implemented by NCJD & JMDC. Majority of beneficiaries of NCJD schemes like JSC scheme, JRMB scheme and Micro Finance Scheme are artisans and weavers. During Eleventh Five Year Plan, schemes will be subsumed under the Jute Technology Mission which is already approved by the Government.

Low off-take under TUFS

9.33 Presently the financial norms and other conditions that have been prescribed by IFCI Nodal Agency for jute sector under TUFS and other co-opted Banks/Financial Institutions for availing the benefit of the scheme are considered to be stringent by the jute industry. For example, most jute mills are unable to contribute 17.5 percent / 20 percent of the cost of the scheme as promoters contribution to fulfill a debt service coverage ratio of less than 1.3.

9.34 At present, out of 78 composite Jute mills, 30 are under BIFR. These mills are unable to access loans from Banks / Financial Institutions. Hence off take from TUFS is not possible for these mills.

ROLE OF STATE GOVERNMENTS

9.35 The Jute Technology Mission is to be implemented in the jute growing states of West Bengal, Assam, Bihar, Orissa, Andhra Pradesh, Meghalaya and Tripura. The Department of Agricultural Research & Education and the Indian Council of

Agricultural Research will implement Mini Mission I and II with the help of 10 State Agricultural universities and 3 other institutes related to jute and allied fibre crops.

9.36 In case of Mini Mission III (construction of new marketing facilities & also upgradation of existing marketing facilities) the State Governments are required to share 40 percent of the cost for development of the marketing infrastructure. While states of West Bengal, Tripura and Andhra Pradesh have agreed to implement the Scheme, the concurrence of the states of Bihar, Orissa & Meghalaya is yet to be received.

9.37 The schemes under Mini Mission IV are also location specific and would be implemented in consultation with the concerned State Governments in the jute growing areas.

9.38 Besides the Jute Technology Mission, State Governments have an important role to play in raw jute cultivation as agriculture is a State subject. Extension services have become non-existent. Growers' cooperatives need to be revived to protect growers interests in raw jute marketing.

9.39 The exhaustive and holistic approach to technological and infrastructural support to the jute industry in the form of 9 schemes and intervention plans to bring about the following:

- Radical and sustainable change in the whole environment of production, usage and sustenance of jute.
- From its present level of 30 percent of modernization in the existing jute mills, the intervention under Mini-Mission – IV plans to increase it to 55 percent.
- An expected 15 percent rise in productivity level which will result in the requirement of mandays per metric tone of jute products to come down to 35.
- The expected increase of share of JDP to the total is expected to rise 20 percent from its present level of 8 percent.
- Export of JDPs is expected to rise by 45 percent over the present level.

FUTURE SCENARIO

9.40 The protection given to the jute growers as well as jute industry is unique specially after the promulgation of the Jute Packaging Materials (Compulsory Use in

packing Commodities) Act 1987 (JPM Act 1987) whereby 30-40 percent of the production of the jute industry is absorbed by Food Corporation of India and other State Government agencies. The jute industry will have to take a view on such continued protection and subsidies and take alternative steps to ensure the continuity and growth of this sector.

9.41 In spite of a number of Plan schemes, protection to the industry in the form of the JPM Act, assistance through UNDP and CCF schemes in the past the jute industry has not been able to maintain a steady growth pattern. During the Eighth Plan Period the average annual production was to the tune of 14.04 lakh MT and, in the Ninth Plan period, the corresponding figure was 16.18 lakh M.T representing an increase of 15.25 percent. During the last two decades this difference represents the only significant growth in production of jute goods.

9.42 The Jute Technology Mission which will be formally launched in this Plan Period aims at a holistic improvement of this sector and is a golden opportunity for the industry in sustaining itself independently in the years to come. Moreover, the National Jute Policy announced in April 2005 is also unique in the 150 years of the jute industry.

Table 9.2
Eleventh Five Year Plan targets at a glance

Item	Target for 2011-12
Production of raw jute & mesta	129 lakh bales
Production of jute goods	20 lakh MT
Domestic consumption of jute goods	15.5 lakh MT
Export of jute goods	4.5 lakh MT (Traditional 3 lakh MT & JDPs 1.5 lakh MT)
Import of raw jute	95,000 MT annually
Import of jute goods	25,000 MT annually

SUGGESTIONS

9.43 The VAT of 12.5 percent imposed on all jute goods except sacks, bags and yarn needs to be reviewed and brought down to a lower slab. In particular, this will help in promotion of diversified jute goods.

9.44 Under Mini Mission IV of the Jute Technology Mission, there is a separate scheme for setting up of jute parks. The jute parks are supposed to have assured power supply, exhibition/ marketing halls, warehousing, testing laboratories for yarn, fabric dyeing, bleaching plants besides providing common facilities like roads, effluent treatment plants, sanitation, sewerage, drainage systems, and state-of-the-art telecommunication facilities. Branches of commercial banks, Office of the Custom & Excise Department as well as Sales Tax Department would be there to ensure quick clearance of shipment.

9.45 There is a need to set up new JRMBs in states, which have not been covered.

9.46 A newsletter could be brought out in regional languages containing information about opportunities and latest developments in the jute sector. This material could be circulated among all beneficiaries of various programmes.

9.47 To prevent highly active and successful NGOs from migrating to other areas they could be oriented to explore the export market. NCJD can assist by providing information on future overseas marketing events besides documentation etc.

9.48 Standardization of product quality by dissemination of detailed designs can help in getting better market value.

FINANCIAL REQUIREMENT

9.49 The year-wise financial requirement for Jute Technology Mission is given below:

Table – 9.3

Year-wise financial requirement for Jute Technology Mission

(Rs. crore)

Sl. No.	Component	Total
1	Mini Mission – I	7.05
2	Mini Mission – II	49.90
3	Mini Mission – III	38.60
4	Mini Mission - IV	260.00
	Total	355.55