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SACK TO SOPHISTICATION: JOURNEY OF JUTE INDUSTRY

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ABSTRACT

Adjectives like silky luster, high tensile strength, low extensibility, considerable heat and fire resistance and long staple lengths are used for Jute-natural fibre. There are 77 composite Jute mills in India, of which 60 Jute mills are located in West Bengal, 7 in Andhra Pradesh, 3 each in Bihar and U.P., and 1 each in Assam, Orissa, Tripura and Chhattisgarh. In terms of ownership-wise division, 6 mills are under Government of India, 1 mill (Tripura) is under State Government, 2 mills (Assam & New Central) are in the co-operative sector, and 68 are in private sector. In 1855 India got first jute mill and today it is one of the major industries in the eastern region, particularly in West Bengal. It chains nearly 40 lakh farm families, endow with direct employment to about 2.6 lakh industrial workers in addition livelihood to another 1.4 lakh persons in the tertiary sector and allied activities. The Jute cultivation was shoddily exaggerated by the partition of the Country in 1947, when most of the then jute agricultural land was located in Bangladesh which is now Pakistan region. A stiff competition from its cheaper substitutes and is plagued with many problems ranging from obsolete technology, labour unrest, etc is being faced by this golden fibre industry. Since 1999, the industry has grown marginally at CAGR of 0.1% in volume, but it has grown in value terms largely because the costs have increased over the years. The worldwide awareness on environment and health is likely to provide new opportunities for jute. The author took an inside voyage of the station called jute textile industry. To wrap up the agenda author keenly went to discover Jute industry with a microscope. The paper explores historical angle and makes an effort to be acquainted with the vital panoramas of the textile deal i.e. global scene and desi platter i.e. Indian status. Further it notices the drift, issues and challenges of Indian jute industry. At the end the author jotted a handful of solutions to embark upon the impediments in better way.

KEYWORDS

Historical perspective, SWOT Analysis, Global Scene, Indian Outlook, Challenges, Solutions

1. INTRODUCTION

Jute fibre i.e. the golden fibre is 100% bio-degradable and recyclable and thus environmentally friendly. It is the cheapest vegetable fibre acquired from the bast or skin of the plant's stem.

It is the second most imperative vegetable fibre after cotton, in terms of usage, global consumption, production, and availability. The Indian Jute Industry plays a key responsibility in the Indian economy by providing direct employment to about 0.26 million workers, and supporting the lives of around 4.0 million farm families. Tertiary sector supports jute industry which engages around 0.14 million people. At the moment, it add to exports about Rs. 1000 crore. Government of India has included the Jute Production for special concentration and attention in its National Common Minimum Programme. Das (2011) agrees India today has around 78 jute mills and the state of West Bengal alone has around 61 jute mills. Andhra Pradesh has 7 jute mills, 3 Uttar Pradesh has 3 jute mills and Bihar, Orissa, Assam, Tripura, and Madhya Pradesh has 1 Jute Mill each. Indian jute industry is an integral part of the Indian Textile Industry.

2. HISTORICAL PERSPECTIVE

Jute is cheap and important among all textile fibers next to cotton. The Indian Jute industry has been expanding really fast spanning from a wide range of life style consumer products, with courtesy to the versatility of Jute. Author collected pieces of past to make a collage of olden times of jute industry with the help of <http://www.jute-industry.com/history-of-jute.html>.

- **Earliest period**-Jute was the fabric of poor villagers during Mughal era in India. Earlier in West Bengal, white jute was used to make ropes and twines used for different domestic household applications. Chinese paper manufacturers used jute plants to abstract paper, apart from textile application.
- **Time span from 17th century**-British Empire sent through East India Company a team of delegation between 17th to 20th centuries for jute trading. Primarily the delegation started with trading raw jute. Margaret Donnelly in Dundee the first jute mill in India was set up in early 20th century. In 1793 by East India Company, the first shipment of jute product was signed. During the same period, the Scot-Landers were experimenting on whether jute fiber can be mechanically processed. Flax machines were used by Dundee spinners for spinning jute yarns in 1830. The use of flax machine ultimately led to increase in production and export of jute products in entire continent, since Dundee mill was the only supplier of jute.
- **Time lot from year 1855**-Kolkata side in Bengal was the major jute growing areas. In 1855 on river Hooghly near Calcutta Mr. George Auckland had brought jute spinning machinery from Dundee to India, the first power driven weaving factory was established at Rishra. Five mills were established with around 950 looms in 1869. The growth was so fast that, by the year 1910, 38 companies were operating around 30,685 looms, rendering more than a billion yards of cloth and over 450 million bags. Till the middle of year 1880, jute industry has acquired almost whole Dundee and Calcutta. Afterward in 19th century, manufacturing of jute has started in other countries also like in France, America, Italy, Austria, Russia, Belgium and Germany.
- **Time phase from 19th century till 1947**-A hefty and gigantic growths in jute industry was witnessed in 19th century, about 68,377 weaving looms were established in by the end of 1939 on the River Hooghly near Calcutta. At that period, sacking bags for packaging made by Hessian or burlap fabrics were the main jute weaved products manufactured .Calcutta manufacturers became the leading jute weaver in the world as they manufactured the finest burlap and jute packaging material.
- **Time epoch after the year 1947**-After Independence, Marwari people taken over the business as due to independence saga most of the jute industrialists left India. During the partition epic, the finest stock of jute and mills were left to East Pakistan. By then tensions between Pakistan and India already started and Pakistan realized the significance of jute industry which led to bunch establishment of jute mills in Narayanganj. Then, the liberation of Bangladesh took over Pakistan in 1971. The liberation not only took over Pakistan but the jute mills as well. Bangladesh government from the liberation took away the jute mills. Soon after, the Bangladesh government formed BJMC (Bangladesh Jute Mills Corporation) to monitor and run jute mills in the country.

The Indian jute mills conquered the world jute market with 70% of its products ruling place in the global village till 1947. Partition after 1947 cause a major decline in Indian jute market as almost all jute producing area went under East Pakistan which is now in Bangladesh. On the same platform major jute consuming

countries switched towards synthetic packing materials which made the situation worsen. Two problems faced by Indian jute industry were India's dependence for raw jute on East Pakistan (Now in Bangladesh) and swift decline of export market. In 1947, the entire jute production was 10 lakhs MT and the same stature was 16.2 lakhs in 2003 MT respectively. In five decades, Indian Jute industry expanded by 62%. In recent times plastic bags substituted jute bags and thus jute was in the threshold of extinction. In order to refurbish jute industry, in 1987 Government of India reserved the packing of traditional commodities like sugar, food grains with jute material by proclaiming the Mandatory Jute Packaging Act (PJMA) 1987. PJMA is restricted to 100% coverage for sugar & food grains, which is the main bread earner for the industry at present. Currently in the countenance of multidimensional coercions this industry is again brazen out with peril of died out.

2.1 INDUSTRY MILESTONES

- Largest producer of raw jute in the world.
- Biggest manufacturer of jute goods in the world.
- Capacity to manufacture the widest range of products which tailored to customers' requirements.
- Comprehensive and world class research and development facilities in the area of jute agriculture.
- Export history of raw jute and jute manufactures dates back to over 100 years.
- Highly developed infrastructure like ports, shipping facilities etc.
- Capacity to produce and meet the International demand for food grade Jute bags and cloth.
- Food grade Jute Bags and cloth manufactured in India - are a boon in the context of global environmental and ecological concern. Indian food grade jute bags have a twin edged advantage: preservation of food in the most natural way.

2.2 ENVIRONMENTAL REMUNERATIONS

Since jute is natural fibre and known for its varied feature, it got environmental benefits which are as follows:

- It is utterly biodegradable and does not produce harmful toxic gases when burnt.
- Jute wastes can be used as renewable energy in small sector industry.
- Jute sticks are used in large number of rural households as cooking fuel.
- It can be used as geo-textiles to thwart soil erosion, increase rural road consolidation and vegetative growth.
- Jute is an important source of raw material for pulp and paper and thus saving valuable forest resource.
- JAF plants are source of renewable biomass.
- One hectare of jute plants consumes about 15 MT of CO₂ from atmospheres; and releases about 11 MT of O₂.
- JAF is eco-friendly, annually renewable and cheaper
- Proven to be reliable substitute to non-renewable timber wood, synthetics, plastics etc.
- Green house gas emission by jute came out to be negative revealed by a recent study.

3. SWOT ANALYSIS

The author endeavoured to critically analyze the strengths, weaknesses, opportunity and threats (SWOT Analysis) of this industry.

STRENGTHS

- It is an eco-friendly and biodegradable product.
- Jute industry is labour intensive industry which engages 4.35 million people.
- It has lot of prospective of providing employment especially in East Indian region. The industry offers employment opportunity to 7,500 persons per year.

WEAKNESS

- Due to recurrent appraisal of PJMA guidelines the industry is in dilemma whether to invest further on the Jute technology development or wait for new policies etc.
- Wages represent 35% of total renovation cost of jute industry, which evades the profit margins in spite of its labour intensive nature.
- Multi unionism employs major concentration of routine management in resolving labour dispute.
- The machinery used in jute industry is old and obsolete with age of machinery ranging between 40 - 150 years.
- Deprived and poor Research & Development (R&D) commencement, invention/reverse engineering effort has been hideously neglected in this sector.
- Within the country, wage for workers varies from Rs 50 - Rs 250 per man day. Government must take instantaneous steps in this apprehension and devise need based wage configuration for jute sector.

OPPORTUNITIES

- In many quarters, Indian Jute industry is in front of other jute producing and manufacturing countries. It has learned not only how to upgrade a lower grade fibre in the batch mix but leads in diversified value added products.
- Government at the centre and at state has pro-jute outlook and have plans for taking jute industry to new horizons. This is apparent from National Jute Policy 2005 which aims to reach export Rs 5,000 crores in the 11th five year plan from present amount of Rs 1,000 crores.
- Brazil is one of the chief importers of Indian Jute, and it is estimated to have a market of 25,000 tonnes of food grains with few of Indian jute bag producers awarded zero duty which opens new flaps to other industry producers.
- Industry should realize and accomplish Total Quality Management as to fabricate eminent quality in the products.

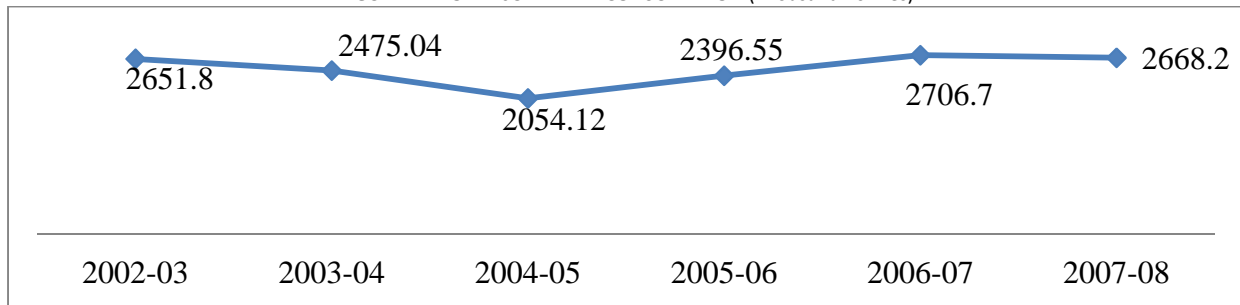
THREATS

- India got one of the major threats from Bangladesh Jute industry which is armed with 7% cash subsidy on all items of jute products without any string.
- Indian jute industry faced a major setback in shape of withdrawal of Export Subsidy Assistance (ESA) from 1 April, 2007.
- The Union Cabinet Committee for Economic Affairs (EA) has approved the continuation of Technical Up gradation Fund Scheme (TUFS) for next 5 year plan 2007 - 12 for Indian Textile industry including jute industry. The size of investment is projected at Rs 1,506 crores for this period but it is understood that jute sector may not get its due share from TUFS money, particularly for jute machinery modernization and for upgrading technology
- The Department of Food and Public Distribution (DFPD) has subjected orders for packaging paddy and coarse grains in used gunny bags which is a violation of Jute Packaging Material Act, 1987, which is measured as peril by jute industry.
- Since the synthetic lobby is gaining clout there is heaviness on government to dilute jute reluctant norms from existing 70% to 30% for grains and from 75% to 25% for sugar. Although the government has not made the revision yet, this pressure on government is a threat to jute industry.
- Latest government decision to withdraw 10% import duty on jute and jute products to zilch with effect from January 1, 2008, is also seen as a threat by the industry.

4. WORLD SCENARIO

1.1 WORLD JUTE FIBRE CONSUMPTION

FIGURE 1: WORLD JUTE FIBRE CONSUMPTION (Thousand Tonnes)

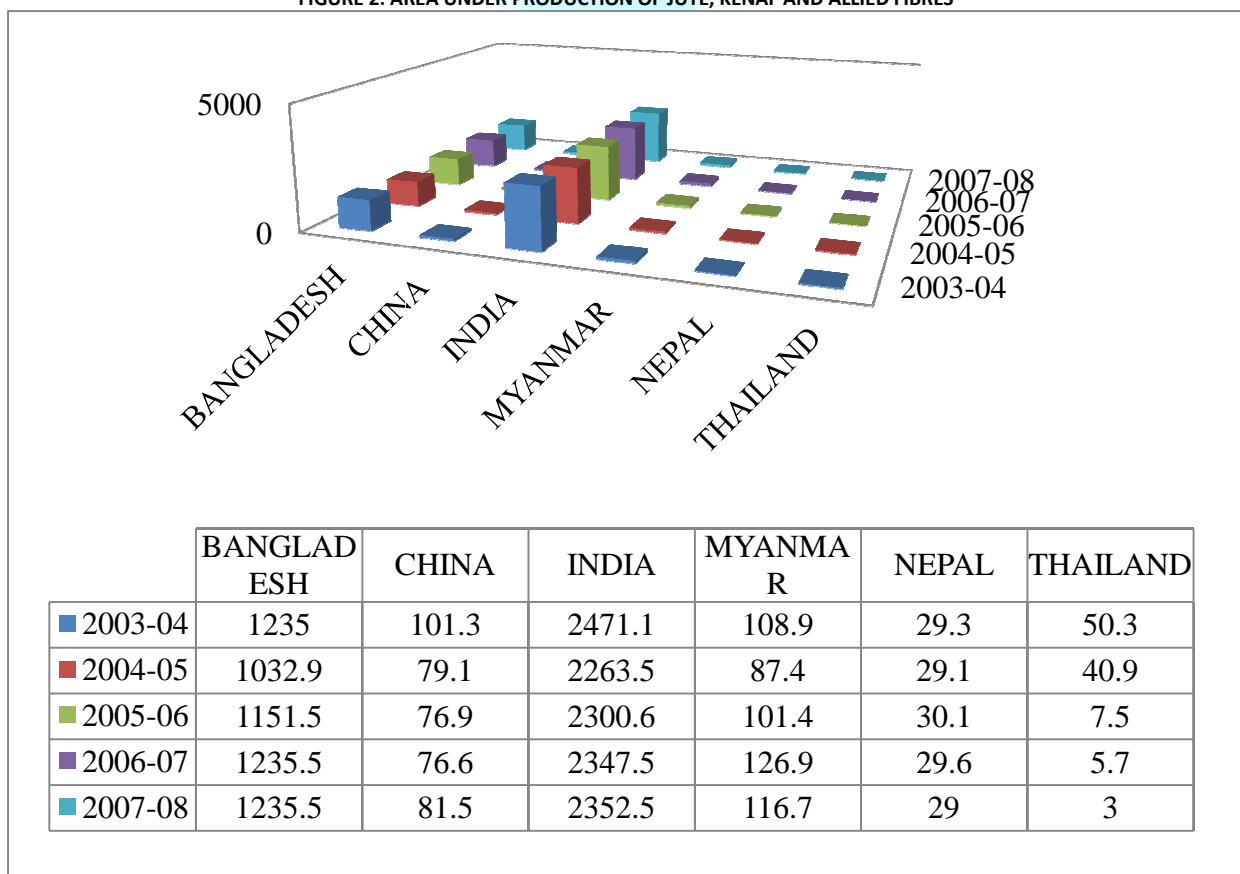


Data Source -FAO Statistics, June 2009

Figure 1 illustrates the jute fibre consumption for world capsule (Figure 1). In the year 2002-03 it was 2651.8, which came down very drastically in consecutive years to 2475.04(2003-04) and 2054.12 (2004-05). To move further, 2005-06 was relief year as the digits were in upward direction i.e. 2396.55. Shower of figures were seen in the next year viz. 2006-07 (2706.7).The virus of growth in the year was recession which did not spared jute industry too by directing the curve downwards, hence leaving 2668.2 in the cart of 2007-08 year.

4.2 AREA UNDER PRODUCTION OF JUTE, KENAF AND ALLIED FIBRES

FIGURE 2: AREA UNDER PRODUCTION OF JUTE, KENAF AND ALLIED FIBRES

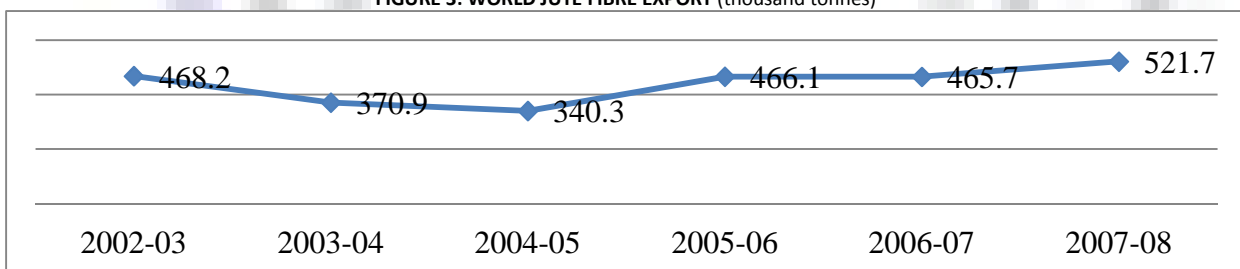


Data Source -FAO Statistics, June 2009

India has shown consistent figures throughout the 2003-2008.the highest digits were seen in 2003(2471.1) and the lowest was 2263.5 in the next year only i.e. 2004 (Figure 2). Bangladesh one of the major dangers for Indian jute industry, this declaration is very well perceptible by looking at figure 2.

4.3 WORLD JUTE FIBRE EXPORT

FIGURE 3: WORLD JUTE FIBRE EXPORT (thousand tonnes)



Data Source -FAO Statistics, June 2009

Figure 3 depicts world fibre export status in graphical manner. In the tear 2002-03 the export figure was 468.2 which went downhill to 370.9 in 2003-04 and 340.3 in 2004-05. This shocking down turn went up side with courageous steps in 2005-06 to 466.1 in digits. The refreshing and successful year for world export was 2007-08 which bagged 521.7 in its kitty (Figure 3).

4.4 WORLD EXPORTS OF PRODUCTS OF JUTE, KENAF AND ALLIED FIBRES

TABLE 1: WORLD EXPORTS OF PRODUCTS OF JUTE, KENAF AND ALLIED FIBRES (In '000 Tonnes)

	2003	2004	2005	2006	2007
World	729.5	748.1	800.3	774.1	832.7
Bangladesh	391.9	439.4	476.0	478.9	549.7
China	15.9	16.1	7.6	18.5	21.1
India	243.8	193.0	208.1	189.5	175.6
Nepal	10.0	13.0	13.0	13.0	13.0
Thailand	7.9	6.3	6.3	3.4	2.8
EU (27)	39.0	52.4	55.6	42.2	41.4
Others	21.0	27.9	33.7	28.6	29.1

Source: FAO Statistics on Jute, Kenaf and Allied Fibres, June

Table 1 shows world exports in categories of jute, kenaf and allied fibres. India bagged 243.8 in 2003 which kept on decreasing till the year 2007 on 175.6. Looking at Bangladesh portrayal the well known competition of India in jute industry ,it performed consistently well from 2003 (391.9) to 2007 (549.7). Coming to desi platform i.e. India which started very well at 243.8 in 2003 which consistently went on down turn tour (175.6) in 2007.

5. INDIAN SCENARIO

Indian Jute Textiles Industry dwells in a significant position in the Indian economy. It is one of the key industries in the eastern region, predominantly in West Bengal. The Jute Industry contributes to the export earnings to the tune of nearly Rs. 1200 crores annually. The production process in the Jute Industry goes through a mixture of actions, which embraces cultivation of raw Jute, processing of Jute fibers, spinning, weaving, bleaching, dyeing, finishing and marketing of both the raw Jute and its finished products. The Industry is labour intensive and as such, its labour-output ratio is sky-scraping in spite of various difficulties being faced by the industry.

5.1 EXPORT OF JUTE PRODUCTS BY TYPE FROM INDIA

TABLE 2: EXPORT OF JUTE PRODUCTS BY TYPE FROM INDIA (In '000 Tonnes)

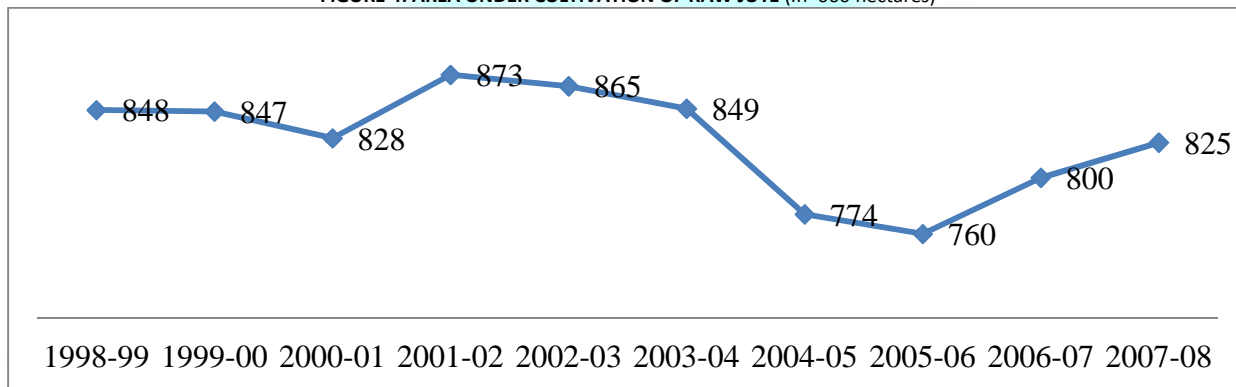
Year	Jute Products				Total
	Yarn	Hessian	Sacking	Carpet Backing & Others	
2003-04	86.1	52.5	34.7	21.4	194.7
2004-05	108.3	65.9	25.6	1.3	217.9
2005-06	66.6	76.7	35.2	11.0	189.5
2006-07	80.7	52.0	30.9	10.6	174.2
2007-08	91.1	81.4	30.9	14.6	218.0

Source: Jute Commissioner's Office, India

Looking at Table 2 it can be concluded that from various types of jute yarn has bagged the foremost position from 2003(86.1) to 2008 (91.1). Whereas carpet backing etc went to last position and come down side, 21.4 in 2003 to 14.6 in 2008 since its demand is less as compare to other types.

5.2 AREA UNDER CULTIVATION OF RAW JUTE

FIGURE 4: AREA UNDER CULTIVATION OF RAW JUTE (In '000 hectares)

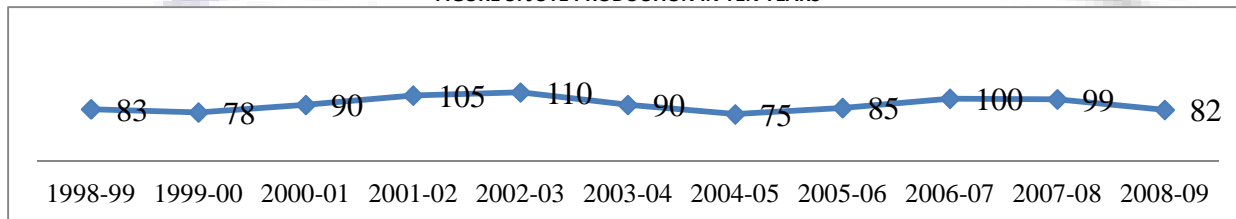


Source: Ministry of Textiles

The area under Jute cultivation remained in a narrow range with 848, 847, 828, and 873, 865, 849 during the period 1998-99 to 2003-04 following a cyclical trend. Further in this period, maximum area under cultivation (873,000 acres) was observed in year 2001-02. If we peep into 2005-06 to 2007-08 the minimum (760,000 acres) in the year 2005-06 (Figure 4).

5.3 JUTE PRODUCTION IN TEN YEARS

FIGURE 5: JUTE PRODUCTION IN TEN YEARS

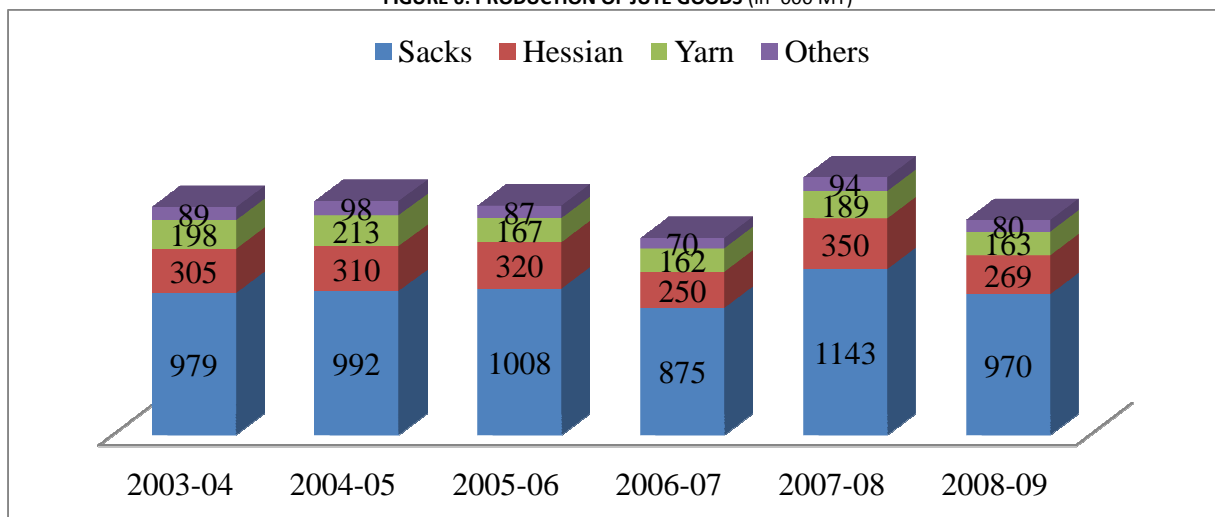


Source: Jute Advisory Board

Jute production has followed a cyclic trend during last 10 years distinguished by crests and troughs with highest annual production (110 lakh bales) attained in the year 2002-03 (Figure 5).

5.4 PRODUCTION OF JUTE GOODS

FIGURE 6: PRODUCTION OF JUTE GOODS (in '000 MT)

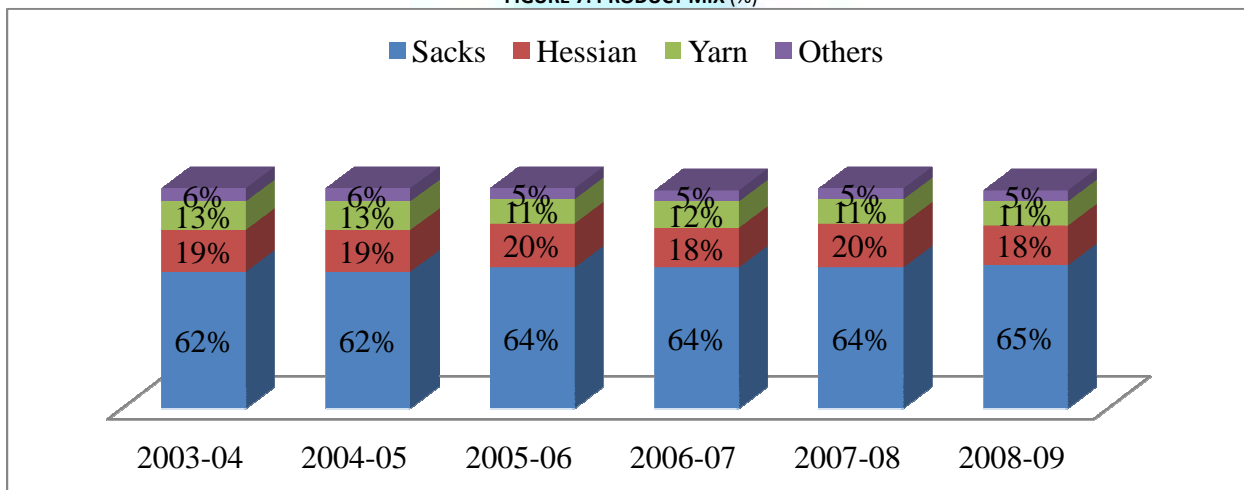


Source: JMDC Bulletin and IJMA, Period:Apr-Mar

Overall production of Jute goods has grown at an annual rate of approximately 3% from 2003-04 to 2007-08. Conversely, the latest available data for 2008-09 (11 months) indicates a reduction in production over last year (Figure 6).

5.5 PRODUCT MIX

FIGURE 7: PRODUCT MIX (%)

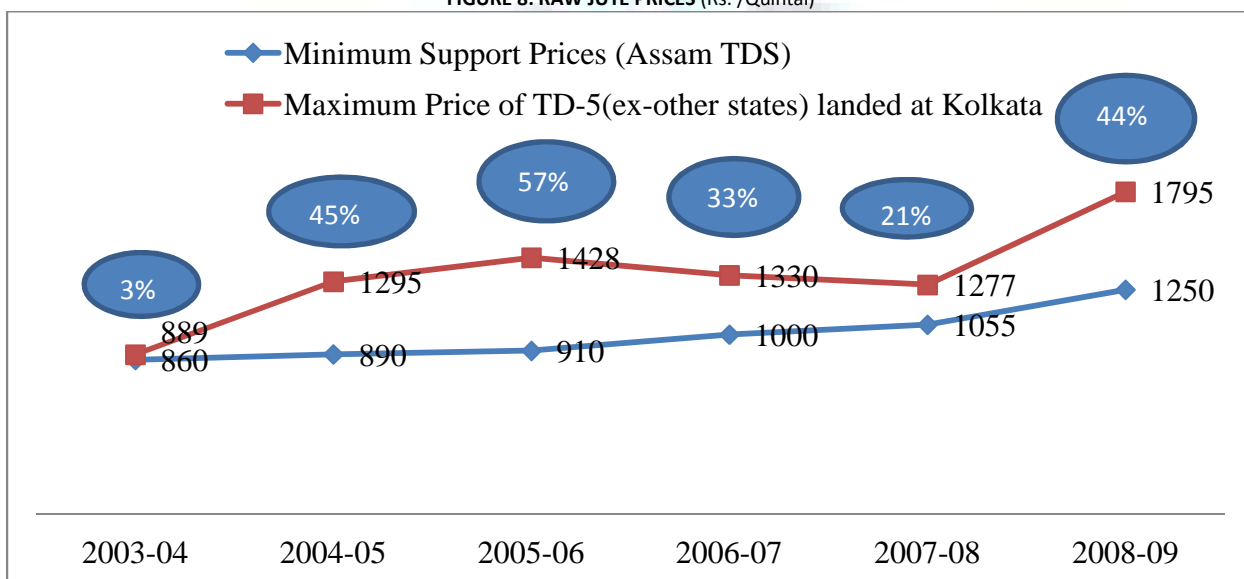


Source: Technopak Report

Figure 7 illustrates the total production of Jute goods in the year 2007-08 was 1776 thousand MT with Sacks occupying the largest share of production (~64%). the second most important category occupying almost 20% of production was Hessian . Yarn comprised around 11% of the whole production while other Jute products engaged 5% of the total production. Over the last six years, Sacks as a category has maintained its highest share in production accounting for more than 60% of production every year (Figure 7).

5.6 RAW JUTE PRICES

FIGURE 8: RAW JUTE PRICES (Rs. /Quintal)



Source: IJMA, Data up to April 2009

Figure 8 demonstrates raw jute prices, in last five years (2003-04 to 2008-09) the Minimum Support Price (MSP) of raw Jute grew by a CAGR of 8% while the market price grew by a CAGR of 15% (see figure 4). Market price has clearly been much higher than the Minimum Support Price (MSP) over the last five years except in the year 2003-04 where the difference between the two was very low. While MSP has increased consistently over the years, market prices fell during 2006-07 and 2007-08 before appreciating again by 40% in 2008-09.

5.7 PROJECTED MARKET SIZE OF INDIAN JUTE

TABLE 3: PROJECTED MARKET SIZE OF INDIAN JUTE

In 000 MT	2008-09	2018-2019	CAGR
Hessian	300	369	2%
Sacks	1053	1276	2%
Yarn	179	198	1%
Others	93	165	6%
Total	1630	2008	2%

Source: Jute Industry Analysis

Table 3 depicts the bright future of Indian jute industry in the coming future. Hessian jute will jump to 369 from 300 in the year 2018-2019 and 2008-2009 respectively. Total hop of the jute raw materials will be 2008 in 2018-19 from 1630(2008-2009) with 2% in CAGR (Table 3).

6. ISSUES AND CHALLENGES

There has been a gradual decline in the jute industry, because it has been facing the following challenges:

- **Deficient of Demand:** There is a decline in demand for jute products due to several reasons like Machinery as most of the units of jute industry are using old and outdated machinery and due to this cost production of jute articles is increasing day by day.
- **Worldwide contest:** There is an international competition, especially from Bangladesh in 'international market is putting a grand challenge before Jute industry.
- **Cheaper Synthetic:** Emergence of cheaper synthetic substitution from China in the Indian markets as well in other country's markets posing a great challenge before Indian jute industries.
- **Lack of High Yielding Seed Varieties:** In the history, no major breach in the area of high yielding seed varieties has happened. Some institutes are carrying out the research work in this track but commercialization of such work is not expected quickly.
- **Stumpy Seed Availability:** In some years, low seed availability has resulted in lesser production than prospective available.
- **Rain reliant Crop:** Jute production is greatly reliant on rain, moreover floods interrupts the crop at times.
- **Deprived Raw Jute Quality:** In India, the soil and climate conditions are not suited for production of best Jute varieties. In addition to that, retting process that affects the raw Jute quality substantially is done mostly in standing water while it has to be done in flowing water to achieve better quality.
- **Meager Working Conditions:** Throughout retting farmers have to stand in water containing rotten material as to carry out the complete process. Furthermore, they are out in open to harmful gases which are released due to tissue decomposition.
- **Low Price Realization:** Lower price realization of Jute in comparison to other crops like rice is another factor which causes farmer to switch to cultivation of other crops.
- **Torpid volumes:** Severe competition from cheaper alternatives which not only has been gradually eroding market of jute products but making the market volume stagnant as well. The production of the Jute Industry has largely remained stagnant during the last decade growing only at the rate of 0.1% CAGR during this period.
- **Dominance of single product:** under JPM Act and administered cost plus pricing system for goods and products the Industry has been reluctant to put in much effort in diversification and new product development. Therefore all along the product mix of the Industry is heavily asymmetrical in favour of the traditional products like sacking and hessian which constitutes more than 80% of the total production.
- **Dearth of institutionalized marketing effort at industry level:** one of the key challenges faced by jute industry is absence of efforts like push-based rather than pull-based marketing, absence of fabric standardization policy for a given end use requirement, inadequate sales infrastructure at mill level, insufficient technical selling capabilities for technical products like technical textiles and no long term pragmatic export promotion plan.
- **Low global market share:** Bangladesh is the key competitor of India in exports of jute products. Bangladesh contributes to almost 70% of the export volume. The reasons for higher share of exports of Bangladeshi jute as compared to India are: availability of good quality jute, lower cost structure i.e. low wage and power cost, export cash incentives 7.5% - 10% of FOB value in 2009, compared to zero at present in India etc.

7. SOLUTIONS

With every problem there is a solution, author jotted down few of solutions to tackle the hurdles which are as follows:

- Establishment of a Jute Development Fund for R&D efforts in developing new machines and Technology
- Upgrading and adoption of new Technology
- Skill Development and Up-gradation of the Workforce
- Export incentive schemes need to be revived and the Indian industry may be supported to remain competitive
- Assistance in commercialization of new and innovative jute products and their applications
- Labeling of Jute as eco-friendly product in developed countries
- Strengthening of informal sector for production of diversified Jute Products
- Improve working conditions at the shop floor, develop better work culture and adopt better maintenance practices
- Export Market Development
- Production /supply of adequate quality jute seed
- Increase production of higher quality fibre
- Reduce processing/conversion cost
- Improvement of jute mill machinery
- Promotion of diversified jute products
- Create/increase awareness about the positive attributes of jute products
- Increase market promotional activities.

8. CONCLUSION

Jute our golden fibre got potential of reaching the height where it used to be in the past, but it is only possible through constant efforts by government and a proper follow-up by the industry. The Indian jute industry is having lots of opportunity by its side since it is not only one of the oldest industries of India but also among the chief employer of the nation. Nevertheless, renovating your threats into your opportunities is the triumph mantra for the prosperous future of a nation.

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