

# Indian Jute Industry in the Globalization Era: Problems and Prospects

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## **ABSTRACT :**

The industry started facing a potential survival threat where the protectionist policies were not supported successfully. This leads to stagnation in the industry. It is likely to be accumulating over time. With the industry in such a situation, India opened up its economy unavoidably. Being a path dependent one, the industry finds itself incapable to cope with this market system. The Government of India thus continued most the policies taken in the pre globalization period and along with those some new schemes and policies to make the sector competitive and functionally more efficient. In a nutshell, we can identify two major policies that have been taken by the government of India to rejuvenate the jute sector. One is the United Nation Development Programme (UNDP) assisted National Jute Development Programme taken in the Eighth Plan period. It is a programme described as technological development/transfer/ adaptation and modernization effort rejuvenate the Indian Jute Sector. In the Tenth Plan period, a national jute police was formulated as a part of National Common Minimum Programme in 2005 to restructure and rejuvenate the sector as a whole. But yet how far the jute industry has reaped the benefit of these liberalization policies is an issue of investigation.

Jute being eco-friendly has a lot a inherent qualities relative to its synthetic counterpart. Jute being agro-based traditional industry plays a vital role in the Indian economy and enjoys "major industry status. But it is on down hill journey and most of the jute mills are either closed or sick which require revival and modernization. Hence, in order to reap the benefits of global jute market it is high time to assess its opportunities and challenges to bring back this industry on right tract so as to comer larger share in the export both in terms of product wise and value wise, avail of the natural advantage in jute production and sort out the defects and problems faced by the industry by adopting suitable policy, making diversification of products and adopting the modern technology.

**Key Words :** Modernization Diversification, Industrial Sickness, Internal Market, External Market.

## **INTRODUCTION :**

Jute Industry is one of the oldest large-scale industries of India. It occupies a very important position in the India economy. It provides employment to a large number of people while about four persons are employed in the industry and trade about 40 lacs for more are supported lay the jute industry. The jute industry is an important foreign exchange earner of India. Export earning from jute manufactures was Rs.13 crores in 1950-51. Which accelerated to Rs.417 crores in 1980-91 fast

declined to Rs.298 crores in 1990-91. In 1990's its performance in terms of foreign earnings has always been oscillating smiling. In 1993-94 it could earn only Rs.389 crores from exports of jute products.

The output and price of raw jute too have shown wide fluctuations over the years causing serious problems for both the industry and the jute cultivators. As regards the locations trend it can very easily said that out of 70 jute mills in India majority of them (56) are located in West Bengal, followed by Andhra Pradesh (4), Uttar Pradesh and Bihar 3 mills each and Madhya Pradesh, Assam, Tripura & Orissa one mill each.

So far Bihar is concerned this industry is centralized in north eastern region of the state, particularly, at Katihar which is very important part of the Kosi region and in north Bihar at Muktapur under Samastipur district. Traditionally the Kosi, region has been endowed with a very favourable climate and Katihar, being an important railway junction with five outlets attracted the industrialists to set up jute mills here. So in course of time Katihar Jute Mills and R.B.H.M. jute mills were set up at Katihar and that too in pre-independence period. While Katihar jute mill is known as old jute mills and the R.B.H.M. jute mill though established in 1936, is better known as new jute mill.

The Development of jute industry is the demand of the hour with a view to raising output and income providing employment opportunity, safeguarding the interest of several lakh of farmers and enhancing foreign exchange. As other industries are not coming up why should not the traditional jute mills are taken care of, restructured and renovated? With this angle of view, I wish to present problems and prospects of this industry.

### **MAJOR PROBLEMS :**

The major problems of the industry are as follows

#### **Short and Irregular Supply of the Raw Material**

A major problem that the Indian jute industry has to face relates to the supply of raw jute. This important Indian Industry is plagued with instability. The root cause of this instability is irregular and fitful supply of raw jute. A poor harvest proves its bane as much as bumper crop. One threatens the closure of the jute mills whereas the other brings a crash in prices and otherwise recons the industry. There is ups and down in production due to changing weather conditions. These fluctuations have affected the price also. What the jute industry needs urgently is a regular of good quality jute at reasonable and stable prices.

#### **Causes of Low Yield of Jute per Hectare and the effect of Manure and Fertilizers on its Yielding.:**

The per hectare yield rate of raw jute in India is lower than that of China and Bangladesh. In China the per hectare yield rate of raw jute is 32 quintals. In Bangladesh it is 4.26 quintals per hectares. But in India, the per hectare yield rate of raw jute is 13.6 quintals.

There are many reasons behind the low yield rate of jute in India i.e. subdivision and fragmentation of land, indebtedness of the farmers, lack of sufficient irrigation facilities and improved varieties of seeds, pesticides and anticides and finally the ignorance of the developed techniques of agriculture non application of manures and fertilizers seem to be one of the potent causes.

**Fluctuation in Production of Jute Products :**

As a result of the fluctuations in jute cultivation, production of jute products also will be fluctuating. The industry is not able to meet the demands especially of foreign market, with regular supply. Due to ups and downs in production the prices of finished products were also fluctuating. Stability in the prices of jute goods is equally essential. Fluctuation in prices of jute goods has resulted in uncertainty about the profit and performance in the industry.

**Increase in Competition :**

The industry has to face competition on two counts. In internal Market, the main product of jute is sacking cloth which is used as packing material. Recently, many industries have started using synthetic bags made of H.D.P.E. and paper bags. Intense competition from substitutes like paper and E cotton bags and synthetic substitutes and from bulk handling methods had till recently been growing fast.

**In external market we are facing competition in number of ways :**

- (1) from other jute producing countries.
- (2) from other natural fibre similar to jute, and
- (3) from synthetic materials.

**Lack of Diversification :**

Jute has entered various diversified sectors, where natural fibres are gradually becoming better substitution. Among these industries are paper, celluloid products (films), non-woven textiles, composites (pseudo-wood), and geotextiles. Diversified jute products are becoming more and more valuable to the consumer today. Among these are espadrilles, floor coverings, home textiles, high performance technical textiles, Geotextiles, composites, and more.

Geotextiles, is more popular in the agricultural sector. It is a lightly woven fabric made from natural fibres that is used for soil erosion control, seed protection, weed control, and many other agricultural and landscaping uses. The Geotextiles can be used more than a year and the biodegradable jute Geotextile left to rot on the ground keeps the ground cool and is able to make the land more fertile.

Jute floor coverings consist of woven and tufted and piled carpets. Jute non-wovens and composites can be used for underlay, linoleum substrate, and more. Jute has many advantages as a home textile, either replacing cotton or blending with it. It is a strong, durable, colour and light-fibre. Its UV protection, sound and heat insulation, low thermal conduction and anti-static properties make it a wise choice in home decor. Also, fabrics made of jute fibres are carbon-dioxide neutral and naturally decomposable. Diversified byproducts which can be cultivated from jute include uses in cosmetics medicine, paints, and other products, More details-Diversification of jute.

Though steps have been taken to diversify the jute products, diversified products account for barely 5% of the industry's total output.

**Increase in cost of Production :**

On the one hand, the industry is saddled with the problem of availability of jute economic price and higher cost of production, on the other. The industry believes that major factor responsible for high cost of production mainly rising wages without any corresponding increase in productivity, Productivity in Indian Jute Industry is far below the industry norms at absent 47 man-days a tonne of jute goods against 18 in the every cost“

Other important factors responsible for the increase in cost of production are as follows :-

- (a) Use of old machinery
- (b) Shortage of raw materials
- (c) Labour problems
- (d) Confrontation by trade union leaders with mill-managements causing to a numbers of problems.
- (e) Increase in exercise duty
- (f) The state levies on raw jute and the multi-point sales tax of finished goods.

It continues to be labour intensive with the wags mill accounting for 35% of production costs and the share of raw material at 40%.

**Modernisation of Plant and Machinery:**

The jute textile industry has for long been faced with the problem of obsolete and worn-out plant and machinery. The industry did not accumulate internal resources for modernisation of plant and machinery. The jute barons were more interested in their profits and did not bother to accumulate internal resources for modernisation. The Industrial Development Corporation (NIDC) to assist the jute industry in its efforts at modernisation. The Government has announced a package of assistance of Rs.150 crores under the Jute Modernisation Fund Scheme. This assistance is available for healthy as well as sick units.

**Growing Sickness :**

Sickness is very much prevalent in the jute industry. Money units are incurring cash loss ( loss even before allowing depreciation etc.) for number of years. They are not able to meet even the variable cost. Many units have become non-viable. Such units continue to be sick units after nationalization of same units and assistance from Industrial Reconstruction Bank of India (IRBI).

**Power Shortage :**

Lastly, in common with other industries, jute mills in West Bengal, Bihar and else where in recent years have been facing acute power famine, and as a result, they are unable to seize the opportunities arising out of the rapidly declining output of oil-based synthetic substitutes because of the prohibitively high price of crude oil. Production has, therefore, been seriously affected, mill cannot run three shift, labour has frequently to be laid off and it has been estimated that capacity utilization has at times fallen to 40% of installed capacity.

**Public Sector Jute Mills : Mounting Losses**

Besides, the failure of the Centre to enforce the reservations, continuous neglect of the central Public Sector undertakings operating in the Jute sector have added to the problems. The jute corporation of India had not been provided with working capital funds to enable them to purchase raw jute at the time of harvesting, stock the produce and sell them to the jute mills at reasonable prices. This corporation, setup to ensure remunerative prices to the farmers and introduce an element of stability of prices had come to said state owing to non-availability of funds.

**Labour Problem :**

The jute industry has, in recent years, been plagued with various labour problems, resulting in much harm to the industry as well as to the workers.

**Recent Government Measures :**

As would have been obvious from the above, in balances between supply and demand of jute goods, technical obsolescence and old machinery lie at the root of crisis facing the jute industry. Realizing this, the government has lately been taking several steps to encourage domestic consumption of jute good with a view to narrowing down the imbalance in their supply and demand, modernizing the industry and diversifying the jute products.

**A few of such measures are presented here :**

- (1) In April 1986, raw jute buffer stock scheme was introduced in April to bring about stability in prices and supply.
- (2) In September 1986, a comprehensive package of measures for revitalizing jute industry was announced which includes :

Therefore, Indian Jute Mills Association (IJMA) announced Rs.550 crores modernization programme in addition to Rs.250 crores jute modernization fund scheme announced by the government of India in November 1986.

- (3) The Government enacted :

The Jute Packaging Materials (Compulsory use in packaging commodities) Act 1987 for mandatory of industry up to a defined percentage of their production, e.g., food grains, sugar, fertilizer and cements are to be packed in jute bags to the extent of 100 percent in the case of food gains and sugar, 70% in case of cement and 50% , in respect of fertilizers ( non-corrosive verities).The act was challenged by the cement, sugar and fertilizer industries, but it was uphold by the Supreme Court in April, 1986.

The modified mandatory order which is valid since July 1996 requires the use of jute bags by the cement and fertilizer manufactures for 50% of their output but the food grains and sugar industries are required to use only jute for packaging.

- (4) Two newly-developed constructions of night weight jute a jute based blended bags have been permitted for commercial use by cement industry. Since cost of these lighter bags is expected to be some what lower, these bags will be in a better position to compete with synthetic.
- (5) The development of 1986-91 in the Ministry of Textiles provided a sound basis and opportunity for intervention by UNDP in terms of technical and financial assistance to jute sector. UNDP was looking for extension of assistance to some important and major sectors for extension of assistance to some important and major sectors of our economy on a “ program me approach basis” and naturally besides leather which was already on its upward move, jute with all complexity and potential for development on new lines attracted their attention.
- (6) Government have also taken a number of measures to increase export of Jute and jute goods including inter alia, participating in international fairs, organizing buyer’s seller meets, commissioning of market studies. Liaising with commercial intelligence and publicity campaigns, funding R & D activities to develop a new range of diversified just products to suit consumer preferences., linking of DGS & D orders for supply of jute bags with export obligation. External Market Assistance scheme. Loss sharing scheme on participation in global tenders etc.
- (7) Recently National Center for Jute Diversification (NCJD), an autonomous body, has been setup under the ministry of textiles for the development of jute entrepreneurs. This institution is expected to play a lead role keeping technology and markets as the joint focus.
- (8) It was for the first time in 1986-87 that the government looked into the problem of new products from the industry in terms of technologies, machinery and equipments fircal concessions and other marketing incentives. The industry was given full freedom and flexibility to import a wide range of machinery items based on different technologies for the manufacture of value added products. During 1987-90, complete exemption from payment of customs duty was notified for import of machinery items required by the industry.

The modernization scheme of IFCI was specifically, linked to diversification also so that the jute mills could exercise their choice for importing furnishings, soft luggage, shopping bags, carpets and matting, apparels blankets and non-woven can help offset the loss in the traditional items.

**Non-traditional products :**

Jute is environment-friendly and is also a renewable resource “ As the export market for traditional jute goods is dying up, the markets for non-traditional products like fine and blended yarn, geo-jute, decorative fabrics, home textiles, dhurries and rugs, hand and shopping bags soft luggage bags and the like should be developed.

Under the UNDP assisted National Jute Development Programme (NJDP), effort are being made to step up exports on non-traditional jute goods. A suitable marketing strategy should be evolved for the purpose. As more than three fifths of the production of diversified jute goods has been exported, a good beginning has been made, For instance, export of jute yarns has shot up to one lakh tones from 10000 tonnes in a short span. The future prospects for jute and blended yarns are very bright. But the industry still has a long way to go to made an impression on the world market.

The advantage of the new and volume added products have stirred a flurry of interest in the commercial, use of jute on a large scale. What is now needed is a concerted thrust on marketing. The textile manufactures, particularly in the South, are reportedly directing their attention now towards cotton-jute blended yarn in the context of high cost of cotton Yarns some uses.

**Lead from South**

It is pertinent to draw specific attention to the observations of main speakers “ Jutconfa '96” held at Coimbatore ( Tamil Nadu) in support of speedier measures to not only increase the proportion of value added products but also the marketing facilities to achieve substantial results. Mr. Ajay Prasad, Programmer Manager of the National Jute Development Programme (NJDP). In his address called for a new strategy from R & D units, jute textile machinery, makers, product manufacturer and their marketing wings to establish commercial ventures for diversified jute products, Commending the programme the entrepreneurs of the South, he visualized that in the years to come the South, he visualized that in the year to come the South could emerge as the largest manufacturing base for value added jute products in the country.

Other speakers at the conference made various suggestions including one for the creation of a technical escort service to entrepreneurs starting ventures in jute products to handle areas like machinery needs for the same, known how and processing parameters with a back-up for continued R & D emphasizing that any new venture carries greater business risk. The importance of making available easy credit facilities was also underlined.

A decade ago, the PSG College of Technology at Coimbatore did some pioneering work in promoting use of jute in non-traditional areas under a Union Textile Ministry's programme. At selected centers like Chennimalai and Karur which have hand and power looms, jute yarn was supplied to some units for making furnished fabrics and carpets. The IJIRA's help was sought for training and entrepreneurs and in bleaching, dyeing and printing and finishing of the jute-cotton union fabrics.

The programme attracted the attention of the UNDP. The idea that jute can be handled with cotton machinery with some modification caught on and weaving was also tried in handloom and powerloom outfits.. The PSG College of Technology arranged for technology transfer and the South India Textile Research Association (SITRA) Came into the picture to produce commercial jute blended yam along with the NTC at Coimbatore. An entrepreneur development programme was also undertaken and a few exhibitions were held to popularise the products. Later the Association for Jute Entrepreneurs of South India was set up to encourage the promotion of markets for nontraditional jute goods.

The research institutes have a key role to play in helping the jute industry change its products profile. The IJIRA has been working on a number of projects for developing new jute packaging materials, their product optimization, product improvement and substitution and the like. Some key items developed with the assistance of research institutions include laminated fertilizer bags, bitumen coated bags, jute canvas fabric, paper laminated cement bags and the like. It has developed new spinning technologies and under the Diversified jute Product Development Scheme, with the help of the UNDP and the Government of India, the IJIRA is developing fine yam spinning technology using ring frames to produce counts of six lb and below as also blends with cotton and synthetic materials.

Many jute mills are modernizing and upgrading their technology to develop new jute-based products. Since its inception it has spend over Rs.100 crores on its activities including market research, product development and so on. It has also been trying to promote norms of industrial production and the urgency for modernization of mills, development of human resources and the like with a long terms perspective.

The development of the market for newer products with value addition, as the trend shows, is an excellent opportunity for the industry to direct its attention penetrate and create new markets with brand name “ Indian Jute “

In this connection it is to be noted that the diversification plans undertaken by the UNDP aided national jute development programme has beer jute fibre. The stress now should be on accelerated steps to full scale commercialization of value added products.

The should be followed by indigenous manufacture, Such a process will not only be cost effective but will also ensure national self-sufficiently and self-reliance in machine building. Since new equipment will be expensive, their use can only be justified for diversified value added products.

The transition towards diversification and modernization is taking place at a gradual pace for various reasons. The industry should concentrate on development of lighter fabrics and bags with denser weave and appropriate breaking strength fir retaining the share of jute in the home market. Development of specialized union fabrics and bags with features like moisture-barrier, water proofing, dyeing and bleaching as found acceptable by the user industries should receive urgent attention.

Under the jute decorative and other jute specialties, items like tea bags, jute reinforced plastic, geo-textiles, decorative including furnishing, soft luggage, shopping bags, carpets and matting, apparels, blankets and non-wovens have been include. Production of these items will receive a special thrust in times to come.

While stressing the need for increased production of diversified products there should also be equal emphasis on the quality of jute. The government and industry should pay special attention to encourage farmers to produce the right type of jute for the purpose. The requirement of the organised sector of the industry is estimated at 100 lac bales, leaving a surplus of eight lac bales of which 5.5 lack bales can be used in the decentralized sector.

While stressing the importance of both quantity and quality in jute production, special attention is called for to give the grower an assured minimum price for his produce through appropriate marketing facilities. Unless this is done, the farmer is certain to divert the area to other more remunerative crops. Again, it is important to note that the jute area being inelastic, attention should be directed towards increasing per hectare yield in order to ensure that the targeted production is achieved.

The Government of India is implementing a package of revitalisation programme with the help of UNDP to cater to the needs of the jute sector from production to export stage, to the needs of the jute sector from production to export stage. Major thrust of the programme is on diversification of product range and involvement of entrepreneurs. Besides, the Government of India has enacted Jute Packing Materials (compulsory use in packing commodities) Act, 1997 to protect the interest of the jute sector, and broaden the sector of jute usages. Government has also allowed 'nil' rate of excise duty on all jute products, applicable from financial year 1997-98 and has also provided assistance under the External Market Assistance Scheme. As a consequence exports of jute manufactures increased to Rs.1039.6 crores in 2012-13.

### **SUMMARY & CONCLUSION :**

In fine, the major problems of the industry are: technical obsolescence of machinery, historical high man-machine ratio, burgeoning wages and input cost and loss of market in the packaging sector with unequal competition from synthetics. The competition from Bangladesh is also aggravating the problem. Also synthetic products has Ousted Jute from some sphere of end uses where jute had monopoly.

On top of it, the industry's productive capacity remains largely unused as there is a mismatch between the installed capacity and actual production. Saddled with such a host of problems, a number of units have become sick and many being run under arrangements reached with the approval of the BIFR. Placed in this peculiar situation no resources are available with the industry for large scale modernization and rehabilitation. In fact, the industry is carrying a large surplus labour force who have already reached the retirement age and is unable to retire them due to paucity of funds.

There need to be technological upgration and adaptation followed by indigenous manufacture. Such a process will not only be cost effective but will also ensure national self-sufficiency and self-reliance in machine building