

CHAPTER V

THE MARKETING OF JUTE—GENERAL

It is of importance to examine what the marketing conditions are and to what extent the prevailing practices allow the grower to get a fair share of the return for his crop. A description of the system of marketing of jute in Bengal is given in the Finlow and the Fawcus Committee reports. The Indian Central Jute Committee's first Report on the Marketing and Transport of Jute (1940) also contains an elaborate account of the preparation of jute for the market and the marketing practices in the various jute growing States. Mr. J. A. Todd in his Report on the Working of the Jute Futures and Hessian Futures Markets in Bengal has described the marketing of jute with particular reference to forward trading.

General
pattern—
No change

We have examined the operation of the various tiers in the marketing of raw jute from the grower to the mills. As the present pattern of marketing continues to be more or less the same as described by previous Committees, we have not dwelt on it in detail. We confine our examination, broadly to such improvements as may have occurred and suggest remedies for the principal defects noted by the Committees. We will however be dealing at greater length with specific suggestions that have been made to us.

It is estimated that growers in villages sell about 75 per cent. of their crop at their doors to *Farias* and *Beoparies* who are the first link in the chain of intermediaries supplying jute to the upcountry *kutchas* balers. A small percentage of growers take their produce to the *hats* and primary markets, but hardly any hold their stock and sell in secondary markets. The average grower sells only a small lot at a time as his holding is small and he often does not part with his crop at once. The Marketing Inquiry of the I.C.J.C. in 1940 showed the average crop sold by grower as seldom over 20 maunds per head.

Primary
markets.

We reproduce below a Table contained in Mr. Todd's report—vide page 16, which gives an analysis of the holdings of acreage in undivided Bengal. It has not been possible for us to collect similar data for all the jute-growing areas in India but having regard to the evidence collected by us by questioning growers in various markets that we visited, we consider that the situation is no different for these areas than mentioned by Mr. Todd. The holding of the average cultivator is small.

TABLE XII

Size of holding	Number of holdings	Total area. acres	Acres per holding
Upto 1/10 acre	542,775	33,641	0.062
1/10 to 1/6	402,155	54,982	0.136
1/6 to 1/4	536,048	109,182	0.205
1/4 to 1/3	350,459	161,007	0.285
1/3 to 1/2	793,588	321,666	0.405
1/2 to 2/3	658,344	378,124	0.575
2/3 to 1	767,695	619,656	0.79
1 to 1½	670,113	802,996	1.19
1½ to 2	318,680	535,444	1.68
2 to 2½	232,160	517,135	2.21
2½ to 5	236,767	795,571	3.35
5 to 6½	35,728	190,174	5.35
6½ to 20	44,397	432,219	9.80
	57,97,909	49,51,797	0.85

Such trends as have been noticed and commented on in the Census of India, 1951, Volume I, indicate that the average agricultural holding is not larger than one acre per capita and since 1891 there has been a steady reduction in the per capita figure.

The middlemen often perform subsidiary functions such as financing the grower, and arranging for storing, sorting and transport of jute to the market. The jute that is brought to the *hat* and primary markets by the *Farias*, *Beoparies* and cultivators is sold to bigger dealers or

Aratdars who are themselves balers or who in turn sell to *kutchha* balers. These operations take place in secondary markets located where communication and storage facilities are good and regular supplies arrive. *Kutchha* balers assort the jute and sell them to mills or dealers in mill centres. Cultivators do not sell directly to jute mills though a small quantity is sold to *kutchha* balers direct. In bigger centres, known as *mukams*, jute is bought by big dealers and mill agencies from *Farias* and other intermediaries who tender jute to them. With the cessation of export of raw jute the purchases by *pucca* balers has disappeared and mills buy only a small part of their requirements from *pucca* balers who seek to keep their presses employed. The main terminal markets are in Calcutta.

The above is generally the pattern, but local variation exist in each State. In West Bengal the cultivator generally sells his produce to the *Farias* or *Beoparies* who either work as agents of *Dalals* (brokers) or the *Aratdars* (Commission Agents) or on their own account. From the *Desi* Districts of Bengal the jute is brought in drums of about one maund to one or other of the loose jute markets in Calcutta *viz.* Sham Bazar and Hatkola. Roughly 10 per cent of this jute finds its way to the mill jetties and another 20 per cent. is sold to mills agents and representatives. The balance moves through the usual channels of intermediaries to the baler godowns located mainly in Calcutta. Local variations

In Assam, transactions generally take place in primary markets where *Farias* and growers bring their stock for sale. In Bihar the general pattern of marketing starts with *Paikars*. The cultivators bring their jute to small *hats*, and sell it to *Paikars*. These *Paikars* bring the jute to secondary markets and sell it to another intermediary or a *kutchha* baler. From there the jute is pressed and despatched to Calcutta. Roughly 90 per cent. of cultivators' produce is sold through intermediaries and the balance to *kutchha* balers. In Orissa, jute from the growers is purchased by the agents of mills, *kutchha* balers, commission agents, brokers, dealers and *Beoparies*. Roughly 5 per cent. is sold, by the growers direct to *kutchha* balers and agents of mills. Commission agents are stated to be handling about 60 per cent. and the rest is marketed through

brokers and intermediaries. Co-operatives handle less than one per cent of the produce in the Cuttack District. When Jute cultivation was started in Uttar Pradesh, in the beginning of 1948 most of the growers disposed of their produce in Lakhimpur market. Later with the increased output of jute, middlemen increased in numbers. At present 60 to 70 per cent. of the produce is purchased by middlemen in the villages, while the rest is brought to the market for disposal to dealers and commission agents of mills. In the district of Visakhapatnam and Srikakulam of Andhra State, where most of the *bimli* jute is grown, cultivators bring their stocks to Vijayanagaram and other centres, where there are dealers and buying agents of mills.

Mill purchases and stocks.

Mills purchase their requirements from dealers through brokers and no purchases are made by them direct from cultivators. Brokers and dealers in the jute trade have complained that mills do not now-a-days stock raw jute to the same extent as before the war. In the decade before the War, mills generally held stocks up to six months requirements. Up-country stocks with the trade was relatively much smaller at any time. The present position is that mills carry less than three months stocks and the intermediaries in the trade carry the bulk of the stock through the season (see Table XIII). In the changed conditions the Bengal Jute Dealers Association have complained that "the mills do not maintain stocks and do not make regular purchases as before. This results in sudden fluctuation of price".

The Indian Futures and Forward Market Association Limited has also stated that—

"Previously when in undivided India jute had three main buyers mills, shippers and overseas countries, mills in self-preservation used to carry large stocks of raw jute; for example, at end of season 1940-41 i.e. on 30th June 1941 mills' stocks of raw jute totalled 45,96,000 bales. Generally mills kept in hand stock of 30 to 40 lakhs bales. But now, since banning of exports, mills are confident that the whole of India's jute crop is at their mercy and is theirs to buy whenever they like. Mills now do not carry much stock, only about 12 lakh bales."

TABLE XIII

Statement showing Area, Production, Exports, Mill Consumption and Mill stock of Raw jute

Area = 000 Acres.

Production = 000 Bales of 400 Lbs.

Period	Area	Production	Exports	Mills Consumption	Carry over of Stock (Mill) at end of season	Carry over by others at end of season
1937-38	2,889	8,680	4,185	Average 5,277	Average 3,807	Average 1,708
1938-39	3,166	6,844	3,883			
1939-40	3,160.9	9,738.1	2,963			
1940-41	5,668.7	13,172.0	1,348	6,841		
1941-42	2,160.5	5,459.6	1,546	6,731	2,858	1,576
1942-43	3,332.6	9,047.1	1,316	6,401	2,710	1,690
1943-44	2,640.0	6,989.9	953	5,778	2,424	1,926
1944-45	2,104.0	6,188.8	1,051	6,518*	2,826	1,200
1945-46	2,421.7	7,791.1	2,190	6,081*	2,731	619
1946-47	537.3	1,319.9	1,502	6,501*	2,110	725
1947-48	651.8	1,658.3	1,556	6,536*	1,700	750
1948-49	765.6	1,981.9	896	5,326*	1,514	700
1949-50	1,162.6	3,089.2	605	5,655*	838	240
1950-51	1,453.9	3,301.3	Nil	6,100*	1,013	250
1951-52	1,951.1	4,677.5	Nil	5,600*	1,013	850
1952-53	1,834.1	4,695.0	Nil			

*Included Non-Association Mills figures reported by the Indian Central Jute Committee.

(Authority I. J. M. A's Annual Reports)

Shri C. S. Rangaswami, Editor 'Indian Finance', considers that continued steady purchase by mills is essential for supporting prices of raw jute and stabilising its supply. In his view a stock of 20 to 30 bales per loom or 15 to 20 lakh bales with mills will give a tone to the market.

It is true that the mills are now holding only comparatively smaller stocks than they used to do before the War (vide Table XIII). It has however been contended that the reduced holdings are necessitated by the reduced off-take of manufactured goods. If mills hold more stocks of jute it would only shift the burden of financing from the dealers to themselves and this will not in any way improve the cultivator's prospects of securing a better price. Some trade Associations have complained that their business has been affected and stability in the market shaken by mills now making large 'jetty purchases' and by their dealing direct with jute sellers without the intermediary of brokers. They allege that the system of 'jetty purchases' opens out possibilities of illicit profits and tax evasion.

Decline of
intermediaries.

Others have raised the problem of unemployment due to elimination of a large section of middlemen and the decline of the *pucca* balers. The changing patterns of trade require fewer number of intermediaries. Direct dealing between mills and merchants holding jute will make it possible for the grower ultimately to get a better price in the primary market. The objective will succeed if he is a member of a co-operative organisation and can avail himself of facilities offered by regulated markets. We are strongly of the opinion that the elimination of unnecessary intermediaries will result in the grower realising a better price.

Basis of
prices in
primary
markets.

The main factor which determines price in the primary markets at any time is the prevailing Calcutta price. The replies we have received from the State Governments, the I.J.M.A. and the various Associations concerned with the marketing of jute confirm this. Any rise or fall in prices in the Calcutta market has its immediate effect on the prices in secondary and primary markets and in the villages.

Transport also plays an important part in the determination of prices in the growing centres and primary markets. In Purnea and Saharsa Districts of Bihar and certain areas of West Bengal and Orissa, during the rainy

season, the jute growing tracts are virtually cut off from the primary markets and till October the *kutchra* roads are not useable for movement of jute even by bullock carts. During these seasons the village dealers who are sole buyers of jute are in a position of vantage, and needy growers would have to accept the prices and terms dictated to them. Transport difficulties at marketing and baling centres such as non-availability of railway wagons or of steamer freight space tend to bring about a fall in prices.

In the primary markets and in villages no proper allowance is given for factors like quality and grading. Quality and grading. Actually no grading is done by cultivators and they only get a gross price for the lot of mixed jute they offer for sale. The prices are therefore determined on the *andazi* basis (a rough hand and eye estimation) of the composition of the particular parcel of jute. While no credit is given for quality, a discount is made by the buyer if the quality is below the mark. Deductions are made for excess of moisture and for short fibre. Why there is no inducement for cultivators to improve the quality is that he receives no adequate return for the labour put in to produce better quality jute.

In marketing jute, various allowances are required to be paid by the seller in the primary markets as well as in the villages. Market charges and deductions. The different kinds of allowances in force are described in the Report on the Marketing and Transport of Jute published by the Indian Central Jute Committee, and they are not, therefore, described at length here. In the course of our tour we found that most of these deductions are still in vogue. The commonest is *Dhalta*, a deduction for weight lost in handling. Other deductions are for commission (*Aratdari*) or (*Dalali*), weighing (*Tola*), assorting charges (*Jachandari*), and baling charges. In Annexure IV is given a list of these allowances and the scales prevailing in a few selected secondary markets.

Besides these allowances different unauthorised weights are also adopted in different localities as will be seen from Annexure V. Non-standard weights. The Finlow and Fawcuss Committee in their reports have made recommendations for the enforcement of uniform weights. Elsewhere in the report we have recommended the introduction of regulated markets. These markets if introduced would go a long way in popularising standard weights and stop the practice of demanding unauthorised allowances.