

## CHAPTER VII

### MARKETING OF JUTE-INDEBTEDNESS AND OTHER HANDICAPS

Since previous Committees have focussed attention on the burden of chronic indebtedness, and heavy rates of interest borne by the cultivator of jute, we have obtained information on the subject from as wide a field as possible. The system of cultivators receiving advances from brokers, traders or other persons interested in the trade does not now appear to be general. It was mentioned that in some areas such advances were usual before the War. But the general increase in prices of agricultural commodities, which has since taken place, and the fact that the grower of jute cultivates not only jute but other food or commercial crops, has made them less dependent for their credit needs on outside agencies.

Effect of  
Indebted-  
ness.

In the *bimli* growing areas of Andhra, we were told that the position of the agriculturist has considerably improved. The Director of Agriculture, Orissa has stated that advances are received in the growing season by growers in Keonjhar and the merged state areas where cultivators own small plots and are very poor. Indebtedness is also reported in Cuttack District, the main growing area. The Director of Agriculture, West Bengal estimate that about 30 per cent. of cultivators are indebted (mainly in Cooch Behar and the *daisee* growing areas) while in U.P. it is estimated that 40 per cent. of the cultivators receive loans. In Bihar the percentage of cultivators in debt is put at even 95 per cent. The trading associations, however, maintain that in the absence of cheap finance the cultivators seek financial accommodation from the village *Mahajan* who often is also a trader or who finances a trader, *Faria* or *Beopari* who buys or advances money against jute. In all these cases, it has been stated that despite legislation against usury the rates of interest are still very high. We strongly recommend that State Governments should enforce the laws against usurious practices more strictly.

In Orissa, we were told, that interest in some cases ranges from 75 to 300 per cent. during the season. Hardly any case has been noticed where the jute grower has been reported as able to get his loans at lower than 20 per

cent. per annum. Information collected by the I.C.J.C. (Annexure IX) shows extensive variation between the rates prevalent in different areas depending on the neediness of the cultivator and the capacity of the village moneylender to extort as much as possible. We understand that recently, the Reserve Bank of India conducted an all-India rural credit survey in 75 selected districts in West Bengal, Assam and Tripura. Factual data from the Sample Survey (not yet published) were given to us for reference. They largely support the conclusion that the number of families borrowing from traders and commission agents was negligible and that the number of cases financed by co-operative societies and commercial banks was insignificant. From evidence we have received, it seems clear that the extent of indebtedness among jute growers has diminished in the course of the last two decades. The pledging of the entire crop before harvest is not common. Where loans are taken by cultivators, it is not merely for the purpose of agricultural operations but also for other needs. The staying power of the cultivator has also increased to a certain extent with the relatively better prices that prevailed since the thirties. Most jute growers in practice cultivate food crops over a substantial portion of their holdings, where they are suitable for such crops. Cultivators are therefore not driven by the necessity for sustenance, at the beginning of the sowing season, to take or renew loans.

**'Dadan'  
system.**

Even more burdensome on the cultivator than the cash interest, is the system of 'Dadan', prevalent in Assam, and also in some growing areas of West Bengal and Bihar. Under this system small cultivators of jute with poor financial resources are driven to take loans for their sustenance, when the price of paddy is high during the cultivation season, and they have also to make cash payment for labour engaged for weeding or retting operations. Money is lent out on a mortgage basis and repayment of principal and interest is in the shape of an agreement to sell a given quantum of jute at rates even upto Rs. 10 per maund lower than the market price. In some cases, it has been stated that the whole crop of jute is handed over to the moneylenders, who are also balers and the latter sell the whole lot and take the principal and interest from the sale proceeds, returning the balance to the cultivator in instalments. We have also had occasion to discuss with a number of growers and representatives of growers' Associations,

during our tour and the information we obtained is in accordance with the position stated above.

Our enquiries show that the role so far played by the co-operative movement in jute growing areas is negligible. A few societies, which had operated in West Bengal are now defunct. Three co-operatives are functioning in Orissa, handling between themselves barely one per cent. of the output of the areas they cover. In Bihar there are a few co-operative banks whose activities do not cover marketing. The majority of jute cultivators being dependent on the output of a few *bighas* only, hope for the future can come only through the facilities afforded by improved co-operative finance and marketing.

The period up to which the season's crop is held by cultivators or middlemen in the market has indeed *some* influence on the ultimate price of the crop. The official jute year begins in July, when in some areas crop which is harvested early comes into the market. In most areas the crop is ready for marketing by October-November. The cultivator generally sells his crop in the village or in a nearby *hat* to a *Faria* or a small dealer. The number who take their crop for sale to a large primary market is relatively small. Hence, to the extent that they are needy or in distress, on account of debt or under pressure for repayment of loans, as soon as the crop is ready, the cultivator is forced to part with his crop early in the season, when prices are generally lower than in the busy season. State Governments, as well as trade Associations, have reported that sales of their standing crop by cultivators do not take place and that the bulk of the sales are made by growers within 6 months. The Bengal Jute Dealers Association estimate that growers sell about 25 per cent. of their crop in July-September and the bulk of the balance in the next two quarters. It was found that the average grower who cultivates less than an acre, parts with his crop quite early in the season, while only the bigger growers can hold out for some months for better prices. The pressure for sale is naturally accentuated by transport difficulties, during the rainy season when roads in some areas remain impassable even for bullock carts or when offtake from the primary market is slowed down by lack of onward transport.

In the opinion of the Director of Economic Research, I.C.J.C., about 75 per cent of the crop is sold by the growers by the end of December except in Orissa, where the marketing season being late, only about 30 per cent. of the crop

is sold by December. Some of the trade Associations contend that dealers and middlemen have to retain the crop that they buy to the extent of 10 per cent. for 3 months and 5 per cent. for more than 3 months. Others place the accumulation with dealers at a higher level, as the mills do not buy and stock large quantities. Factors which have affected this position, since partition, include attrition and stoppage of business in export of raw jute, the dwindling activities of *pucca* balers and shippers, as well as the reported fall in capacity of dealers and middlemen to finance bulk purchase of the new crop. To some extent mills also appear to have become direct purchasers. The extension of co-operative marketing and setting up of regulated markets, and reduction in the number of superfluous middlemen will undoubtedly be advantageous to the cultivator as well as to the mills.

Market deductions and irregularities.

It has been stated that in the past, low prices to the agriculturist were caused by activities of financiers and brokers. These included arbitrary price cuts, in grading, grant of loans repayable in kind (*dadan*), defects in weightment (*dhaltā*). The L.J.M.A. are of the view that the cultivators' holding power has increased in recent years and the type of market irregularities mentioned are not general now-a-days and do not lead to the grower being in any way victimised. On the other hand, in the course of our enquiry, we were informed that a regular practice existed in certain markets, for charging *dhaltā* ranging from  $\frac{1}{2}$  seer to 2 seers per maund or of sales taking place, instead of on the standard seer of 80 tolas, on one seer of 90 to 100 tolas. While the Assam and Uttar Pradesh Governments have stated that these abuses are *not* general, the Government of Bihar have reported that such malpractices do exist despite the law for the enforcement of standard weights and measures. It has however been contended that in Assam and Bihar where these large discounts on weight basis are prevalent, the cultivator is fully cognisant of the basis of deduction. As he is becoming more price conscious, he appreciates being offered a price related to the Calcutta price, with due allowance for transport and dealers and middleman's expenses. Dealers have told us that if the standard weights were enforced middlemen in the primary markets will have to cover themselves against losses on account of moisture content, and lower quality fibre (when jute is bought on a *garsat* basis) by their offering a lower price than the Calcutta price. We consider that it will be

advantageous to the cultivator if he invariably receives payment for his crop on a uniform standard weighments, and with growing bargaining strength and price consciousness he will be able to get his fair price as against the prevalent Calcutta price. Only the strict enforcement of standard weights which can come from the extension of regulated markets or growth of public opinion can eradicate these abuses.

The trade Associations generally have pointed out that market information regarding current prices, as well as crop forecast and other factors which influence prices, is now widely disseminated through radio broadcasts, telegrams and the Press to all important mofussil centres. Cultivators who go frequently to the primary markets in the mofussil carry back the news to their own areas. Depending on their urgent need for disposal of the crop, the growers in general are apparently able to wait for sale at suitable prices. In his reply, the West Bengal Director of Agriculture has contended that jute growers have hardly any knowledge of market conditions and are therefore easily exploited by middlemen spreading false rumours and creating market conditions to their advantage. The Director of Agriculture, Bihar has expressed similar views, while the Uttar Pradesh Government appear to be satisfied with the arrangements made by the I.C.J.C. for publication of jute prices, through regional stations of A.I.R. though the service covers only the main baling centres. On the other hand, officers from Assam and Orissa have pointed out that cultivators are alert now and have full scope to get market information, and they therefore attribute the handicaps of the grower, more to his lack of holding power and levy of unauthorised discounts or deductions, than to ignorance of the market information. Market information.

## CHAPTER VIII

### MARKETING OF JUTE—CLASSIFICATION AND GRADING

Value of  
proper grad-  
ing.

We have described the handicaps of growers in primary markets. Their main difficulties in the working of secondary markets and in Calcutta for jute are considered here. Of these, absence of proper standards of grading for loose jute is the chief one which has been stressed also by the Finlow and Fawcus Committees previously. We have been confronted with the same divergence of viewpoints as were placed before these committees. The Sub-Committee of the I.C.J.C. which went into this question (1942-47) have listed the following characteristics as governing the quality of fibre for grading, namely, length, strength, colour, fineness, stiffness, proportion of barky root ends or 'cuttings' and proportion of faults (specks, knots, runners, hard crop and 'moss'). An accurate assessment of any of these characteristics features by hand and eye methods is scarcely possible. Even *bona-fide* individual judgements are bound to vary and it is therefore natural that we have come across complaints that the grading for purposes of price fixation has been manipulated by intermediaries in the trade at the expense of the seller.

Changes in  
basis of  
grading.

In 1935-36 the classification of *white jute* was based on warp yarn guarantee, 2's; 3's; 4's and R's with percentages of content in each group of fibre for hessian and sacking warp or weft and cuttings. This was revised a year later into 3's, 4's and R's with differential based on sound fibre, colour of the district and percentage of cuttings. A further change was made in 1941-42 into the following grades, namely:—

Top . . .	Sound fibre, good colour of district, cuttings not to exceed 25 per cent.
Middle . . .	Sound fibre, average medium colour of district, cutting not exceed 35 per cent.
Bottom . . .	Straight morhead fibre warranted not to contain more than 70 per cent sacking weft.

The grading for Tossa was similar except that cuttings were not to exceed 15 per cent, for tops and 25 per cent. for middles. In the middle of the 1952 season, on the advice of the I.J.M.A. and in the teeth of opposition from the trade, the mills are stated to have adopted a further sub-division of bottoms into two grades, bottoms—(straight morhead of sound fibre—not suitable for inclusion in a

higher grade—and containing not more than 70 per cent, sacking weft quality or cuttings or both) and X—Bottoms —(straight morahed —not fit to be included in a higher grade—or tangled but free from hunka or 'stick'). We have received complaints from almost every Indian trade association on this arbitrary reclassification done without sufficient notice or agreement between the interests concerned, in the middle of a season. The I.J.M.A. however have stated that the X-bottom grade was there in the 1941-42 classification, but that acceptance of 10 per cent. of this variety along with bottom was stopped when large quantities of X-bottoms began to be tendered with bottoms.

It is also noteworthy that the Sub-Committee of the I.C.J.C. which consisted of representatives of all interests, still could not agree unanimously on the basis of revised classification even after five years of discussion. The majority however were inclined to support a basis of classification which would be more scientific and avoid some of the defects of the present system. The present grades are not mutually exclusive. The division into tops, middles, bottoms etc. is not a scheme of grading but one which gives unilateral guarantee to the buyer regarding two factors, namely spinnability and percentages of cuttings. It also brings in an undefined basis for colour by relating it to the district in which it is grown. The scheme of grading which found favour with the majority of the Expert Committee is the following:—

Suggestions  
of I.C.J.C.  
Committee  
1947.

While Jute confined to straight morahed fibre

Grade	Colour	Cuttings of sacking weft content (percent).
1. Tops . . . . .	Light	Up to 25
2. Inters . . . . .	Light	26 to 35
	Medium	Up to 25
3. Middles . . . . .	Light	36 to 50
	Medium	26 to 35
	Dark	Up to 25
4. Bottoms . . . . .	Medium	36 to 50
	Dark	26 to 35
5. Low Bottoms . . . . .	Light Dark	51 to 70
	Dark	36 to 50

The attempt in the above classification has been to make it a little more elaborate by applying grading for price purposes and by making more specific the quality attributes. On the other hand, this scheme has also been criticised as involving too many grades. The necessity for a larger number of grades traditionally required for purposes of export markets has now disappeared. The Indian Standards Institution has published a standard specification for grading of raw jute (*kutchra* assortment—vide I.S.I. 271—1950 and for pucca assortment—I.S.I. 272—1950). These standards have been approved by a sectional committee of experts of the Institution including members of the Indian Jute Mills Association, representatives of the jute trade and research workers connected with technological laboratories. While the general opinion among mills still appears to be that detailed specification and grading for jute is not necessary, experts whom we have consulted are of the view that specification is important from the point of both the mills and the grower. In these circumstances, we recommend that the specification of the I.S.I. should be adopted and applied by all sections of the trade and industry and any changes necessary therein authorised by the Institution. It is desirable that samples of the approved grades should be kept not only with the arbitration bodies in Calcutta but also in every regulated market (whose establishment we have recommended) and cultivators should receive from the jute development agencies in the main growing areas instructions on the nature of these classifications.

Grading for export unnecessary.

A special system of grading mainly for the export market has been prevalent in the trade, the terms of which has been fixed under the standard I.J.M.A. contract. Certain representations in the working of the "home guarantee" and "invoicing back clauses" and difficulties about London arbitration were represented before the Fawcus Committee which they considered were somewhat unreal and of a distinctly quasi-political nature. Since we do not recommend the production of raw jute for export, we have deemed it unnecessary to deal with the question of special grading for the export market.

Classification and quality differential.

Besides the botanical classification of jute into the varieties known as white jute (*Corchorus Capsularis*) and Tossa or Daisee (*Corchorus Oletorius*) as the physical properties of the fibre vary with the kind grown in certain areas and the method of retting done there, a description



by quality has also been prevalent in the trade, side by side with the normal basis of grading in each quality. These are: *Jat*, the finest hard fibre, *District* a grade of fibre of slightly lower quality; *Northern* grown north of the Ganges in Bihar and in North Bengal; *Western* (or Bihar) *Assam*, *Orissa* (according to the area grown) and *Jungli*, which is the inferior quality grown in certain areas of fibre of slightly lower quality. The *Daisee* variety grown in Districts near Calcutta is of the *oletorius* variety and has great fineness fit for higher counts. (See I.C.J.C.'s Reports on the marketing and Transport of Jute, 1940, pages 276 to 286).

Apart from the fixation of prices according to grades there has been a well understood price differential on the above class basis, which before the war was estimated at so many annas less per maund than the price of jute of *Jat* class:—District 2-4 annas lower; Northern 4 to 6 annas, Assam 4 to 12 annas. Western 6 to 10 annas. The differentials have gone up since. For *Tossa* jute on account of its finer spinning quality a premium was usual.

Lack of storage facilities continues to be the handicap Storage. to the agriculturist. In primary markets where he takes his crop for sale he has to depend on the *Beopari*; or *Aratdar* for storage space and is naturally at a disadvantage. For small growers this disability can be remedied only by establishment of co-operatives which will render a collection and storage service and assist in marketing. In secondary markets which are also generally baling centres, there is reported to be no dearth of storage space. But if facilities have to be utilised to best advantage of growers, there should be a regulated market which would offer the necessary accommodation. In Calcutta which is the terminal market, as the godowns of baling and export houses are now available with the stoppage of raw jute export, storage accommodation is more than adequate. A rational utilisation of this advantage would require that co-operative agencies as well as dealers should buy regularly in secondary markets and move their stocks to Calcutta throughout the season.