Sustainable Growth in Indian Jute Industry—An Exploratory Study

Ashim Paul

M.Com., SET, Pursuing Ph.D.
Research Scholar, Department of Commerce, University of Calcutta

Introduction

Today's environment-conscious industrial world puts much more efforts on eco-friendly projects and concentrates more on production of bio-degradable products. Jute is one of those products, which is purely of bio-degradable and eco-friendly in nature and hence, it has found many uses in recent times. Jute is one of the largely cultivated crops in India, and it occupies an important position in Indian agriculture. Jute is popularly known as the 'Golden Fiber' for its numerous uses. Traditionally, jute is mainly used as packing materials in the manufacturing industries like sugar, cement, food grain etc., but with time many diversified jute products have come into use and now jute is being increasingly used for manufacturing of many fashionable household products of daily use like mat, bag, fabric, carpet, cloth, curtain etc. Indian Jute Industry is the largest producer of raw jute and jute products in the world. India holds the second largest position internationally as regards export of jute goods. Jute plays a very important role in Indian economy. India's textile industry is mainly dependent on jute. Apart from having huge export potential, the jute companies meet domestic needs as well. The government of India has taken many major supportive steps for the protection and growth of this industry. It has set up different authorities and legislative councils for successfully maintaining various acts and schemes to protect jute industry from losing its existing market. To name a few, the Jute Manufactures Development Council (JMDC), Centre Research Institute for Jute and Allied Fabrics, Indian Jute Industries Research Association (IJIRA), Indian Jute Mills Association (IJMA) etc. are such efforts made by the government. The Indian jute sector comprises of two parts, namely, organized sector and unorganized sector. Organized sector dominates this industry in India by contributing maximum in terms of employment generation and production of jute products. It has an average annual production of 1.6 million metric ton of jute products with 78 jute mills and creates employment to near about 4 million families, whereas the informal or unorganized sector has 700 registered units and creates employment to 63000 families [Source: http://www.jute.com]. Data collected from the International Jute Study Group, available at www.jute .org suggest that India takes a major share in World's jute production by producing 1.95 metric ton jute per hectare and occupying an average land area of 8,36,000 hectares annually. At the same time it generates an export quantity of 2, 02,000 metric ton jute goods, valuing US$ 246 million each year.

Therefore, this paper aims at examining the growth and sustainability of Indian jute industry. Section 2 of the paper highlights the present scenario of Indian jute industry in terms of its production, jute producing states, number of jute mills etc. Section 3 represents the future scope and opportunities of jute industry in India and examines future sustainability of Indian jute industry. Section 4 discusses the recent developments and regulative measures in the concerned industry in India and the paper ends with conclusions in Section 5.

Present Scenario of Indian jute Industry

This section has been compartmentalized into two parts : (a) discusses the state- wise distribution of jute mills in India and (b) shows state-wise raw jute production in India.

(a) State-wise distribution of jute mills

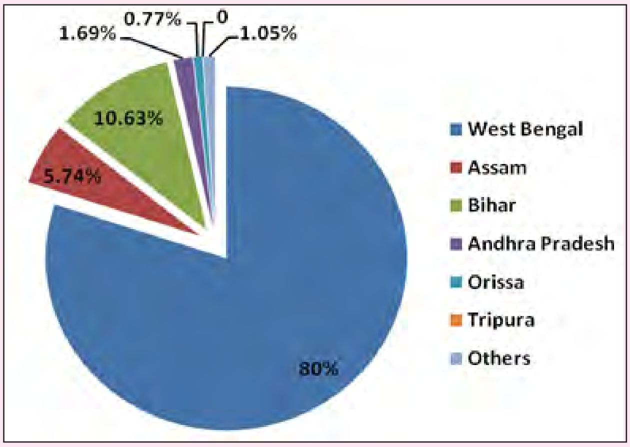
The major jute producing states in India are West Bengal, Assam, Bihar, Orissa and Andhra Pradesh, but the Indian jute industry is mainly dependent on West Bengal wherein this industry had begun in 1854 with the setting up of the jute mill by George Auckland at Rishra in Hooghly district. As per the National Jute Board, India records, there are 80 jute mills in India at present, out of which 62 belong to West Bengal, 7 belong to Andhra Pradesh, 3 belong to Bihar and Uttar Pradesh each, and Assam, Orissa, Madhya Pradesh and Tripura have 1 jute mill each. But the crucial fact is that, out of these 80 jute mills of India, 11 jute mills are not working, and 31 jute mills are referred as sick by the Board for Industrial and Financial Reconstruction of India (BIFR) [Source: Jute Commissioner, Ministry of Textiles, Government of India]. The following exhibit (Exhibit 1) will represent the state-wise distribution of jute mills in India more clearly :

Exhibit 1
Distribution of Jute Mills in India

State	Number of Jute Mills	BIFR Cases	Mills Not Working
West Bengal	62	27	8
Andhra Pradesh	7	1	1
Bihar	3	1	1
Uttar Pradesh	3	1	1
Assam	1	—	—
Orissa	1	1	—
Madhya Pradesh	1	—	—
Tripura	1	—	—

(b) State-wise production of jute in India

Exhibit 2
State-Wise Production of Raw Jute



The above exhibit (Exhibit 2) is based on the figures of raw jute production in the year 2009-10 and it clearly shows that West Bengal shares the major portion of raw jute production in India It indicates that West Bengal itself produces 80% of total raw jute production of India during 2009-10, whereas Bihar is at second place with 10% of total production, followed by Assam and some other states. Experience suggests that the jute industry of West Bengal had flourished in the past, and though it holds the first position as regards raw jute production in India, but for the last few years it has been facing ups and downs and condition of the other states is also not very satisfactory. The annual per hectare yield of raw jute in Bangladesh and China are 2.32 metric ton and 2.67 metric ton respectively, while India's annual yield of raw jute is 1.95 metric ton per hectare [Source: International Jute Study Group, available at www.jute .org]. If this trend of low productivity of raw jute per hectare keeps continuing in India, then it will certainly damage Indian jute market. Therefore, the state-wise production of raw jute in India should have to be increased to cope with the increasing national and international demand for jute products.

Sustainability of Indian Jute Industry

This section has been compartmentalized into two parts to depict the growth of Indian jute industry in terms of its production of raw jute and export of jute goods to analyze its future sustainability. Part (a) shows growth of Indian jute industry in terms of production of raw jute and part (b) highlights growth of Indian jute industry as regards its export of jute goods.

(a) Growth as regards production of raw jute

India being the largest producer of raw jute has huge potential for its jute industry. The following exhibit 3 shows the total production of raw jute in India and its growth rate since 2001-02, as per the data collected from the Jute Commissioner, Ministry of Textile, Government of India:

Exhibit 3
Production and Growth of Raw Jute

Year	Production (000' Bales)	Growth (000'Bales)
2001-02	9000	–1500
2002-03	11000	2000
2003-04	9000	–2000
2004-05	10272.3	1272.3
2005-06	10839.6	567.3
2006-07	11273	433.4
2007-08	11210.5	–62.5
2008-09	10365.3	–845.2
2009-10	11103.9	738.6

From the above exhibit (Exhibit 3) it is quite clear that raw jute production in India has witnessed an up and down trend since 2001-02. During the 2000-01, total production of raw jute in India was 10500x1000 bales. It has registered a significant increase in the years 2002-03, 2004-05 and 2009-10 relative to their respective previous years. However, it showed a nominal increase in 2005-06, 2006-07 and a negative growth in raw jute production in 2001-02, 2003-04, 2007-08 and 2008-09. The main reasons for such inconsistent growth in raw jute production in India are insufficiency of adequate capital, poor quality seeds and scarcity of water. For all these reasons, total production of jute in India follows an inconsistent pattern every year, and as a result, though India occupies a major share in World's jute production and export, it is far behind the optimum level that could be achieved, if the problems of this industry are identified at an early stage and curative measures are taken. It is, therefore, imperative to identify the causes of such downsides of the jute industry in India so that preventive measures can be suggested. However, the following exhibit (Exhibit 4) will show more clearly the inconsistent growth pattern of jute production in India through a line chart :

Exhibit 4

Trend of Jute Production in India

(b) Growth as regards export of jute goods

India holds the second largest position as regards export of jute goods in the World. The next exhibit (Exhibit 5) shows total volume of export of jute goods of India in terms of quantity and value from 2000-01 to 2010-11. Accordingly, the two subsequent line charts represent the trend of India's export growth as regards jute goods in terms of its quantity and value since 2000-01 [Source: Jute Commissioner, Ministry of Textile, Government of India].

Exhibit 5

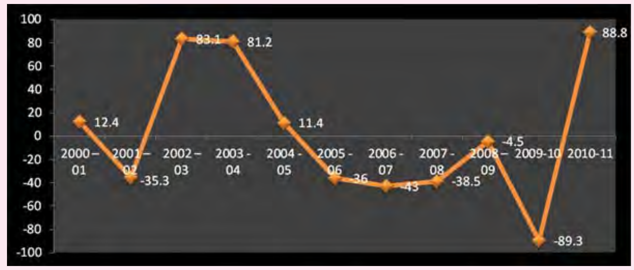
Export of Jute Goods in Terms of Quantity and Value

Year	Export (000'M.T)	Growth (000'M.T)	Export Rs (Cr.)	Growth Rs (Cr.)
2000–01	181.4	12.4	646.3	71.8
2001–02	146.1	–35.3	567.5	–78.8
2002–03	229.2	83.1	916.6	349.1
2003–04	310.4	81.2	1051.88	135.28
2004–05	321.8	11.4	1146.9	95.02
2005–06	285.8	–36	1186.24	39.34
2006–07	242.8	–43	1055.16	–131.08
2007–08	204.3	–38.5	1143.57	88.41
2008–09	199.8	–4.5	1216.16	72.59
2009–10	110.5	–89.3	859.46	–356.7
2010–11	199.3	88.8	1363.29	503.83

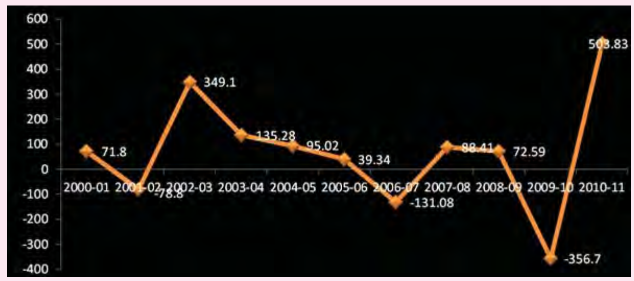
M.T= Metric Ton and Cr. = Rs in Crore

Exhibit 6

Trend of Jute Export from India (Quantity)



Trend of Jute Export from India (Value)



The above exhibit (Exhibit 5) shows that total export of jute goods from India in terms of quantity has shown a decreasing trend from 2005-06 and continued up to 2008-09, but during 2009-10 it has slightly improved over the last year i.e. 2008-09 and in terms of value the picture is also not very bright. It has seen negative growth in the years 2001-02, 2006-07 and in the recent past i.e. 2009-10. But luckily during the last financial year 2010-11 it got in to the positive track and registered a growth in terms of its quantity and value together. On the other hand the trend lines in the above exhibit (Exhibit 6) depict the same inconsistent behaviour of Indian jute industry similar to that of raw jute production in exhibit 4. From the above analysis the problems of Indian jute industry can be indentified and summed up as follows :

- jute industry in India mainly suffers from inadequate supply of capital, raw material, scarcity of water and dearth of skilled labour etc;
- jute mills in India generally follow traditional methods for producing jute products which involve high production cost;
- old infrastructures of the jute mills reduce total production of jute goods continuously;
- competition from the other Asian countries like China, Bangladesh is increasing rapidly;
- low cost jute products from other Asian countries are capturing international market;
- lack of proper administration and governance system encourages jute mills to attract financial anomalies more quickly;

- dearth of proper agricultural strategies and rapid urbanization are putting harm full effects on jute cultivation in India largely;

However, the government of India is trying hard to protect this ancient industry from losing its existing market nationally and internationally. It has set up a number of organizations, legislative councils to protect Indian jute industry from international competition by improving the standard and quality of the jute products and introduced various acts to create social awareness for encouraging use of jute products. The next paragraph will highlight different activities that are being taken up in India to create an environment so to give this premier industry a boost to sustain for many years to come.

Steps for Future Sustainability of Indian Jute Industry

The general objective behind setting up of different organizations is to watch and monitor the growth of the jute industry in India and take necessary steps for helping this industry to sustain. Institutes that generally carry on different researches on how to increase the demand of jute goods by developing new variety of jute products in India are namely Centre Research Institute for Jute and Allied Fabrics, Indian Jute Industries Research Association (IJIRA), Indian Jute Mills Association (IJMA), Jute Manufactures Development Council (JMDC) etc. The main acts that control and regulate jute industry in India and encourage use of eco-friendly jute products are Jute Packaging Materials Act 1987, Jute Manufacturers Cess Act 1983, and National Jute Board Act 2008 etc. In spite of these organizations and acts, the government of India has introduced some specific orders and rules for controlling the market competition and making it compulsory for some industries to use jute packaging. Some of the orders and rules are Jute and Jute Textiles Control Order 2000, Jute and Jute Textile Control (Amendment) Order 2005, Notification for withdrawal of minimum Order 2006, and Jute Manufactures Development Council (JMDC) Procedural Rules 1984, Jute Packaging Materials Rules 1987 etc respectively. More specifically, the government with all its organizations, acts, orders and rules should look into the following issues for maintaining a consistent growth in the concerned industry to help it sustain in coming years :

- an in depth analysis of the legal provisions and other regulatory measures regarding financial matters, especially those applicable to the jute mills in India;
- identification of the disclosure and reporting aspects of financial matters in relation to the jute companies;
- assessment of the need for diagnosis of financial anomalies, if any in Indian jute industry and proper efforts should also be made to find out the possibility of its revival;
- measurement of the financial performance, signals and effects of financial anomalies in jute industry in India;
- eradication of the reasons responsible for inconsistent financial performance of the jute mills in India in recent years, to the extent possible;
- strategies for judging the financial stability of the existing jute mills currently operating in India;
- implementation of appropriate packages of restructuring and rehabilitation strategies for jute industry;

Conclusions

Jute industry is one of those industries which depends largely on the external factors than the internal issues and hence likely to attract financial anomalies more quickly. If the above identified problems remain unsolved, then these may lead to several problems for Indian jute industry like under utilization of capacity, poor surplus generation, decline in net worth etc and ultimately affect its sustainability. Therefore, the sooner these problems are appropriately addressed, the lesser will be the probability for Indian jute industry to lose its sustainability. Indian jute industry is facing two big challenges in recent times which are high production cost and inadequate supply of capital. Therefore, new technologies should be introduced to produce standard jute products at low cost to capture the growing international market. Besides, supply of raw material should be brought under control, labour rate should be held in check, and proper policies are to be framed to maintain a sustainable growth. Experience suggests that the jute industry in India had flourished in the past because of its favourable environment, availability of labour and demand of its jute products from national and international markets etc. Therefore, chances are still there to make Indian jute industry a grand success and for this purpose some true initiatives as suggested above, need to be taken to replace this present inconsistent growth by a consistent one and hence help the industry grow further and sustain for a longer period.