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Minimum Support Price (MSP) Scheme for Jute in India, and Its Adoption in Bangladesh

The Commission for Agricultural Costs and Prices (CACP), India recommends Minimum Support Price (MSP) for 25 agricultural crops including jute. The MSP policy has been a matter of contention since its inception in 1966, with a general feeling that the policy is considered to have favoured food crops more than other (Sing et al., 2002). As a result a large chunk of good quality land shifted from jute, pulses and other important crops to paddy (Ali et al., 2012) creating serious imbalance in demand and supply of several other agricultural crops. It is necessary to find out whether the declaration of MSP for jute has any impact on the decision making of jute growing in India. Among the other agricultural crops, jute is termed as a golden fibre and the most important natural fibre after cotton that is distinguish by its eco-friendliness. Jute is one of the leading cash crops in Bangladesh with glorious past and has become back again with an offer of prospective future as an eco friendly crops. Bangladesh farmers are often facing losses due to lower market price of raw jute even though they produce quality jute fibre. We also discussed here the possibility of introduction of MSP in the raw jute sector of Bangladesh.

Analysis of Price trends of Jute in India:

Time-series on jute prices were available from Commission for Agricultural Cost and Prices (CACP). When we look at the trends in jute price, our intention is to compare between minimum support price and the other price trends so as to understand the impact of MSP on these prices. There is a significant correlation observed between the market prices and minimum support prices. The figure 1 illustrated that market prices has increased with increasing MSP. This situation can be more visualized by the figure 2, where the comparison between monthly minimum price MSP has been shown. The MSP has increased gradually with time and except a few months during 2002-03, 2003-04 and 2007-08 the minimum market prices is much higher than the MSP. It may suggest that due to higher MSP farmers get higher prices.

Figure 1: Relation among Minimum support price, Maximum market price, Minimum market price and average price

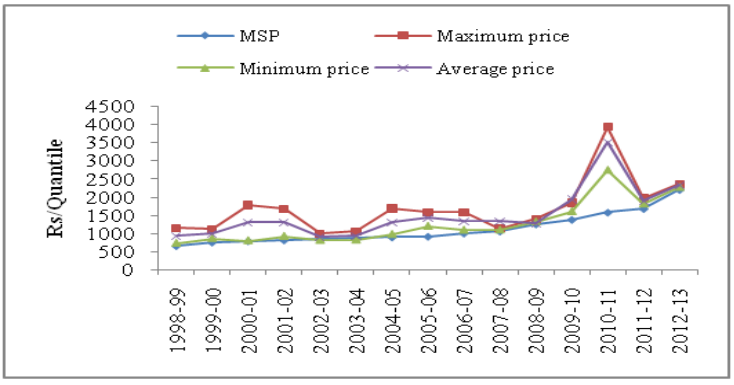
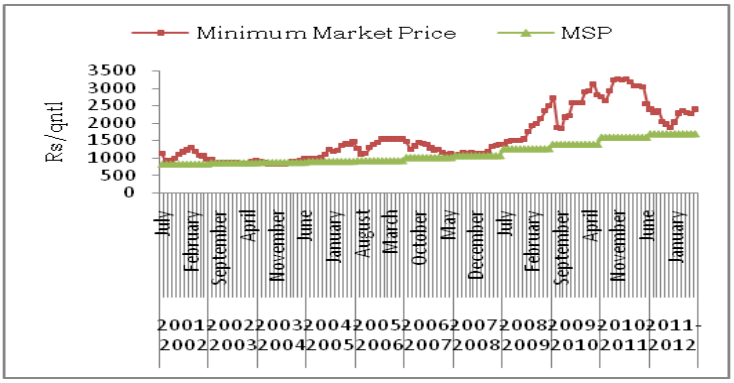


Fig. 2: Relation between minimum market price and MSP for TD-5 jute at Kolkata



Getting higher prices by the farmers does not always reflect that the policy is working well. Because there are many cases where farmer sales their crops from the field. Ali et al., (2012) suggested a model to measure the effectiveness of MSP for rice. The same model is used here to take decision about the effectiveness of MSP policy for jute in India.

Effectiveness of MSP for Jute:

To study the effectiveness of the price policy during the harvest periods, the deviations of farm harvest prices (FHP) from the minimum support prices were worked out and divided into negative and positive deviations to examine whether market prices ruled lower or higher over the minimum support prices. The negative deviation reflected

Issue Highlights

ineffectiveness of MSP policy for procedures. The deviations were adjusted with MSP in order to examine the degree of their departures from the minimum support price.

The FHP of jute was available from the period 2001-02 to 2010 -11 of West Bengal, Assam, Orissa and Bihar states. The analysis of the differences between FHP and MSP of West Bengal showed negative deviation in 3 times, however, in Assam and Bihar the frequencies of negative deviation were 6 and 8 times respectively. On the other hand, the frequency of the negative deviation was only 1 in Tripura. These analysis means that the average FHP was ruled lower than MSP in Assam and Bihar, and higher in West Bengal and Tripura. Positive deviation indicates the success of MSP policy (Ali et al., 2012). This result suggested that the government intervention is very strong in the market of West Bengal and Tripura but very poor in Assam and Bihar. The reason behind this intervention may be due to presence of large market of jute in West Bengal where most of the jute mills are located.

MSP as incentives to the farmers:

The government of India adopted the MSP policy during the sixties to not only as a guard against the lower side fluctuations in prices but also as an incentive to grow a particular crop and maneuver the cropping pattern. This is achieved by ensuring a steady increase in the MSP price level over the years. It was designed to provide assurance to the farmers about the expected prices during the next season. In other words, MSP as an instrument of price policy provided a rational basis for price expectations to the farmers. We worked out a simple time-series one variable regression equation to find out the area and production response to MSP and also tried to find out the factors that influence the area allocation and growing of jute.

The factors considered responsible for growth in production of jute may be categorized as price and non-price factors. A large increase in the prices of a commodity results in the transfer of resources including area under that commodity, increasing production. Due to unavailability of the non price factors, MSP, Yield and maximum market price in the previous year considered as an independent variables in the acreage response multiple linear regression modeling.

Table 1: Deviation of FHP Vis a vis MSP in Jute growing states of India

State	Positive deviation		Negative deviation	
	Frequency	AMPD (%)	Frequency	AMND (%)
West Bengal	7	27.69	3	7.60
Assam	4	15.49	6	25.27
Bihar	2	103.82	8	14.12
Orissa	9	10.27	1	4.68

Table 2: Regression Result with Cultivated area as an dependent variable

	Constant	Maximum market price	Yield	MSP	Adjuster R^2
Cultivated area	22.78	1353.94	0.03	1476.17	0.87
	0.99	0.001*	0.15	0.05*	
Significant at 0.05% level*					

Table 3: Regression Result with Production as an dependent variable

	Constant	Maximum market price	Yield	MSP	Adjuster R^2
Production	1685.92	0.02	-332.75	-173.25	0.85
	0.018*	0.006*	0.002*	0.38	
Significant at 0.05% level*					

The area production choices of jute in India have remain almost in a similar state during the last ten years (2000-01 to 2010-11), considering lowest around 773 thousand hectares in 2009-2010 to highest in 1025 thousand hectares in 2003-04. The analysis of the multiple regression model showed that maximum prices and yield in the last year significantly influencing area under allocation. In addition, MSP though showed a positive correlation but that was not statistically significant. The rapid fluctuation of raw jute prices affects the distribution of cultivated area randomly. The lagged relationship of MSP with area showed a significant positive relationship that means, MSP has a role to take decision about the allocation of cultivated area for jute. However, in reality it was not observed. In last thirty years the allocated area for paddy cultivation has become threefold (Ali et al., 2012). For this reasons, cultivated areas for other cash crops has reduced significantly. But the area allocation of jute has remain almost in a stagnate state.

A multiple linear regression model has been also used to find out the factors that contribute to the decision making of jute production.

The multiple regression result of production with related to maximum market price yield and MSP presented in the table 3. The value of adjusted R^2 indicates that the performance of the model is satisfactory up to the confidence level of 85%. Maximum market price of previous year showed a strong positive correlation to influence the production of jute. However, MSP showed a negative correlation with production which was not statistically significant.

Seasonal Variation in Raw Jute Price:

Seasonal variation in prices is another important problem confronted while formulating the price policy. In order to analyse the seasonal variations we have observed the procurement of Jute Corporation of India (JCI) which is the responsible organization for procurement of jute under MSP operation. The procurement pattern of JCI showed that (Figure 3), most of the MSP operation has taken place during the months July to October indicating these months as the peak period for operation of MSP.

Figure 3: Monthly Procurement of JCI under the MSP operation

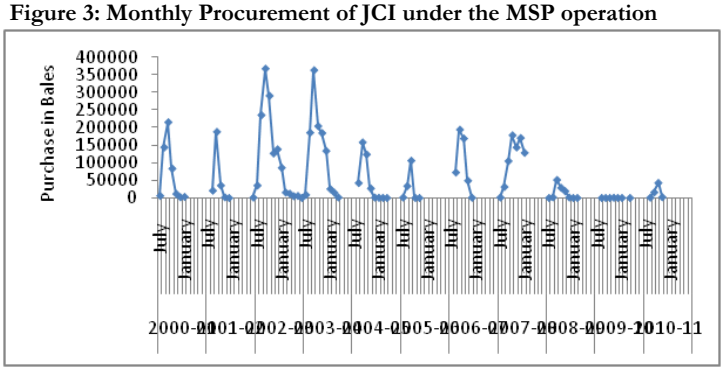


Figure 4: Comparison of grower level price in Bangladesh and India

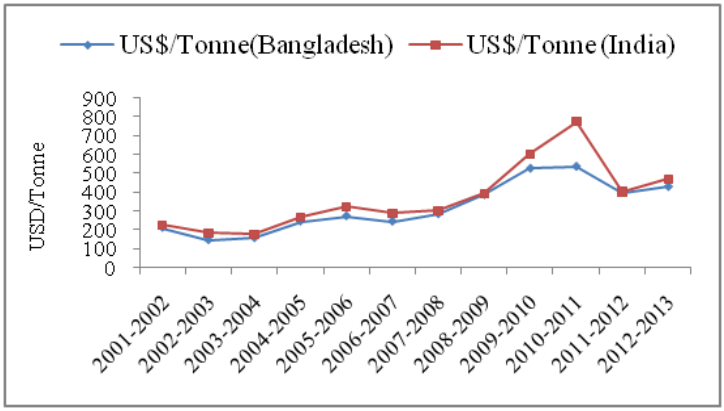


Figure 5: Average Monthly Price Raw jute in the Markets of Bangladesh

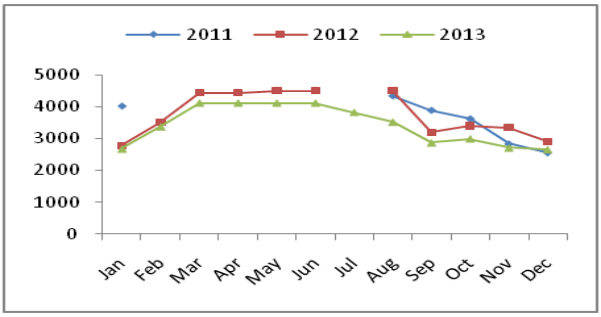
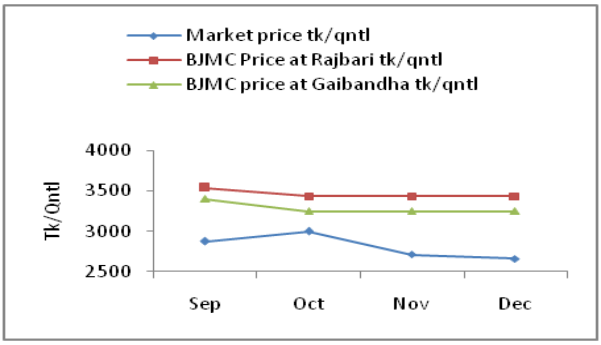


Figure 6: Comparison between monthly market price and BJMC's purchasing price in 2013



Source: DAE & BJMC, Bangladesh,

Possibility of implement MSP in Bangladesh:

In Bangladesh, there is no Minimum Support Price (MSP) Scheme for jute. Higher local demand for raw jute has had a significant impact on jute price in 2009-10, attracting farmers to jute cultivation. But price debacle in two consecutive years discouraged farmers from jute farming in the last season, The latest data of Bangladesh Bureau of Statistics (BBS) revealed that jute production in 2013 dropped by 7.09 per cent due to reduction in acreage.

Under this situation, introduction of minimum support price of jute may protect the interest of farmers against the abrupt fall of price and might inspired farmers to attract towards allocating more areas for jute cultivation and will also help improving the quality of the products. The average grower level price of Bangladesh and India indicated that the farmers of India are getting higher prices compare to Bangladesh (figure 4).

Moreover, it has become a very common scenario that the farmers are not getting the fair prices just after the cultivation of jute. The national news papers of Bangladesh have depicted the scenarios of the 2013-14 market of raw jute. Farmers were to sell their raw jute during September and October, 2013 much below their cultivation cost. The daily star published on October 7, 2013 showed that the farmers are getting around 400-500 taka/maund less than the previous year. However, the market price of jute has become two to threefold in some areas in late November and December compare to September and October market. The monthly trend of market price of jute in Bangladesh showed similar seasonal variation like India (figure 5) (Data of some months were not available). Earlier in a season the prices showed a decreasing trend and after the month of November the price of raw jute tend to be increased. The average market price of the months September to December, 2013 was compared with the purchase price of BJMC (the only public Sector in Bangladesh that purchase raw jute) in the same months. The purchase price of BJMC was 300-400 taka/quintal higher than the market price (figure 6). Discussion with the different stakeholders also confirmed that every year the purchase price of BJMC was found higher than the local market price during September to November. Moreover, the BJMC have already around 183 purchasing centre all over the country where as 172 centres for Jute Corporation India (JCI) that operating MSP in India . So, initiation of MSP operation will require minimum change in the present structure.

Conclusion:

This report has evaluated the effectiveness of MSP policy for jute in different jute growing states of India. The study has shown that MSP policy has been very effective in the states where maximum market structure of jute products is present like West Bengal. However the policy has not been so effective where the growing areas of jute are limited like Assam and Orissa. A positive correlation is observed between MSP and Market price indicated higher prices by the farmers with increasing MSP.

The study identified that allocation of agricultural area for jute cultivation was influenced by market price of the previous year and MSP but there was no significant relationship observed between production of jute and MSP. This might be due to, MSP served as a psychological support in the case of price collapse and not as an instrument of price. There is scope of operating a MSP policy of jute for the farmers of Bangladesh as the fluctuation of prices in India and Bangladesh showed almost similar seasonal variations.

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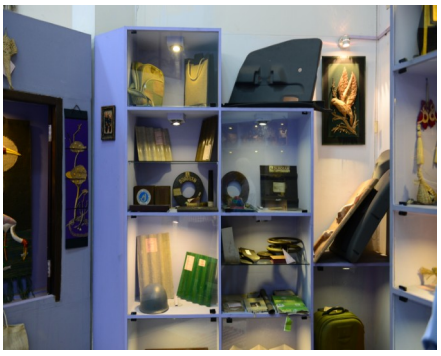
Author: A. T. M. Jahangir Alam, Project Assistant of IJSG



Pictures from IJSG's display centre

IJSG News

IJSG Successfully Completed JDP Training at Guwahati, Assam, India January 2-8, 2014

The International Jute Study Group (IJSG) in collaboration with National Jute Board (NJB), India, successfully completed the training programme on "Design and Product Development of Jute Diversified Products (JDP)" in Guwahati, Assam in support with National Centre for Design and Product Development (NCDPD) and Indian Jute Industries' Research Association(IJIRA) held during January 2-8, 2014. The training was conducted by the trainers of NCDPD Ms. Amla Srivastava and Ms. Prajisha K. The aim of the training was to equip participants with skills and knowledge and upgrade the existing skill of entrepreneurs, manufacturers, artisans about the innovative design and product development, harmonizing the demands of international consumers, so as to promote exports of jute products from North-Eastern part of India. Shri Pankaj Chakravorty, ACS, BDO, Kamrup was present as Chief Guest and Dr. Chandan Kumar Saha, Project and Operations Officer of IJSG were present in the inaugural ceremony on behalf of IJSG. Mr A.K. Ghosh, Consultant of NJB, Kolkata and Mr Debi Prasad Gon, Scientist, IJIRA were also present in the ceremony.

The valediction ceremony was held on January 8, 2014, where 30 participants were awarded with certificates upon successful completion of the training program. Mr. N. Sengupta, Assistant Secretary and Chief Finance Officer, of NJB attended as the chief Guest. Among others, Dr. Prabir Ray, Director, IJIRA, Mr. Fahad Ibne Zaid, from IJSG, Mr. Debi Prasad Gon, IJIRA and Mr. Th. Basanta Singh, Officer in Charge, NERC, IJIRA were present.

Jute News

MSP of Raw Jute at Rs.2400 Per Quintal for 2014-15

The Cabinet Committee on Economic Affairs has approved the Minimum Support Price (MSP) for 2014-15 season for TD-5 grade of Jute at Rs.2400 per quintal for the entire country. This is an increase of Rs 100 per quintal over the MSP announced by the Government for the last season. The increase in the MSP of raw jute is expected to encourage farmers to step up investment in jute cultivation and thereby production and productivity of jute in the country.

In order to incentivize farmers for the production of higher grades, the premiums for TD-3 and TD-4 grades of raw jute will be maintained at 20 percent and 8 percent respectively in relation to the price of TD-5. The Jute Corporation of India (JCI) would continue to act as the nodal agency to undertake price support operation at MSP in jute growing states.

[Source: Business Standard, Jan 03, 2014]

Go Green With Jute

The natural yarn of jute in varied shapes and forms meet at 'Jute Air' exhibition. Master weavers from across the country have put up their exhibits in 23 stalls at the expo facilitated by National Jute Board, Hyderabad, India. The expo features a wide range of home furnishing, attractive jute jewellery, eco-friendly wall hangings, jute bags in diverse sizes, table mats, wallets, showpieces, swings and several other jute products.

Entrepreneurs and direct manufacturers from different places like Srikakulam, West Bengal, Uttar Pradesh, Karnataka, and other regions put up their exhibits. Additional Joint Collector Y. Narasimha Rao, inaugurated the expo. She said that the products displayed have gone through a refined metamorphosis compared to last year. B. Narsimulu of National Jute Board highlighted the growing demand for jute products across the country. "The avenue not only helps the weavers to gain an extra edge to improve their marketing techniques but also offers an excellent alternative to plastic bags." *[Source: The Hindu, Jan. 4, 2014]*

Lebanon keen to Import Jute, Jute Goods from Bangladesh

Lebanon, a potential export destination, has expressed keen interest to import jute and jute goods from Bangladesh. BJMC Chairman Major General (retd) Humayun Khaled who recently visited some of the Middle East countries, disclosed the Lebanese interest on Bangladeshi jute and jute goods..

The Lebanese chamber leaders were interested not only to buy jute and jute goods but also they want to import readymade garments, fish, leather and leather goods and ceramics from Bangladesh, he said. He also said a Lebanese business team would visit Bangladesh soon to place their orders.

About Syria, he said Bangladesh delegation led by himself has signed an agreement with Syria. According to the agreement, Syria would buy about 30,000 bales of jute and jute goods from Bangladesh.

The BJMC official also said that despite unstable and risky situation in Iraq, Bangladesh was trying to export jute and jute goods to Iraq via Turkey. When asked about United Arab Emirates, who decided to ban using polythene by 2014, BJMC Chairman said that UAE could be a potential destination for Bangladeshi jute goods. Bangladesh business community has been making efforts to increase the use of jute and jute goods in Dubai, he said.

In addition, BJMC on behalf of the government would set up two big warehouses of jute goods in Dubai, which is called 'the business hub' of the world. According to statistics available at Department of Jute, Bangladesh has so far produced about 9.77 lakh tonnes of jute goods in 2012-13. Bangladesh has earned about Tk 6,162 crore during 2012-13 by exporting some 8.68 lakh tonnes of jute goods. *[Source: New Age, Jan 13 , 2014]*

Natural Fibre News

Tanzania: Tanga Set to Produce Sweetener from Sisal

USA based company named Tierra Group plans to build an agave sisalana syrup distillery in Tanga. The Tanzania Sisal Board, (TSB) and Tierra Group had already signed a Memorandum of Understanding for the investment. This company is a leading importer and exporter of premium agave based products would provide job opportunities for 500 people. Under the signed pact small scale holders in the sisal industry will own 20 per cent share in the investment. Going by TSB statistics, the country produces 500,000 tonnes of sisal fibre per year. Agave Sisalana, also called agave nectar, is produced through physical extraction from sisal stem-known in sisal industry circles as 'bole'. Extraction of agave syrup is done when the plant is between 7 and 11 years old, ideally, before flowering stage.

[Source: all Africa.com, Jan 24, 2014]

Upcoming International Events

- 7th International Conference on Bio-based Materials, 08-10 April 2014, Cologne - Germany
- 13th European Workshop on Lignocelluloses and Pulp, June 24-27, 2014, Sevilla, Spain.
- South-East European Conference & Exhibition on Waste. Management & Recycling, Environment, 5-7 March 2014, Sofia, Bulgaria

Upcoming IJSG Events

- 4th Year ending meeting of the CFC funded Jute Geo Textiles Project, 31st March, IJSG Secretariat, Dhaka, Bangladesh
- National Seminar on Jute Geo-Textiles under CFC funded project (CFC/IJSG/21), April 01, 2014, IJSG Secretariat, Dhaka, Bangladesh

Plastic News

Biodegradable Bags to be Sold for Six Pence

Nearly 400 Co-operative food stores have replaced the traditional plastic bag with a compostable version, in a bid to reduce waste and cut the cost for consumers buying food waste bin liners. The Co-op confirmed that trial at a handful of stores in England and Scotland. Although the Co-op will be charging six pence for each of its compostable shopping bags, it hopes consumers will be attracted by the savings compared to compostable bin liners, which should make it easier for households to recycle food waste. "Our aim is to enable our customers to recycle more of the products they buy from us - from the leftover food and packaging, right through to the bag they use to carry their shopping home," said Co-operative Food's environment manager Iain Ferguson. Moreover, the policy of charging for bags is likely to serve the dual purpose of encouraging shoppers to reuse bags where possible, further reducing waste levels.

[Source: Business Green, Jan 15, 2014]

Plastic Refuse Found On River Thames

Scientists at Royal Holloway, University of London and the Natural History Museum have discovered thousands of submerged pieces of plastic along the river bed of the upper Thames Estuary. More than 8,000 pieces of plastic were collected by scientists while using nets to capture Chinese mitten crabs. The recovered plastic proves there is an unseen stream of toxic rubbish that could pose a real threat to not only the wildlife and ecosystem of the area, but also to the North Sea that the Thames flows into. According to the National History Museum, the Thames tide breaks up the plastic into smaller pieces and can be eaten by birds, fish and smaller animals. The chemicals from the plastic are then transferred through the food chain into the ecosystem, where they become a threat to other wildlife.

[Source: red Orbit, Jan 02, 2014]

Environment

Global Warming Could Impact Antarctic Food Chain

Resting near the bottom of the food chain, Antarctic krill underpin much of the Southern Ocean's ecosystem. But in a rapidly warming world, these hugely-abundant crustaceans could see their habitat shrink considerably. In a recent paper in PLOS ONE, scientists predict that Antarctic krill could lose 20 percent of their growth habitat, or 1.2 million square kilometers."Antarctic krill are an important food species for many animals including Southern Ocean residents such as mackerel ice fish and humpback whales," Some predators are highly dependent on krill directly, for example Antarctic krill make up 85 percent of Antarctic fur seals and 76 percent of grey headed albatrosses diet during breeding seasons. Dependent on cold water

and low acidity, krill are likely to be impacted by global warming and ocean acidification. Antarctic krill also feed on the undersides of sea ice. These changes may end in conflict with far-flung industrial fisheries. "Reduced food supplies in the Southern Ocean could lead to species such as Antarctic fur seals and macaroni penguins in the Atlantic, Pacific and Indian oceans." Antarctic krill are also the target of a burgeoning fishery in the Southern Ocean, which could be imperiled by depleted populations. *[Source: Environmental News Network, Jan 04, 2014]*

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