

Chapter - 7

CHALLENGES FACED BY THE INDIAN JUTE INDUSTRY

Indian jute industry now stands at a cross road, where improving the marketing performance both in export market and in domestic market have become crucial for its survival and growth. Being environment friendly is the biggest unique selling point of jute but the sector is still short of catching the imaginations of eco-friendly consumers because of non-availability of desired quantities complying with green compliances and other parameters (IJSG, 2011). In the study a modest effort was made to identify the major deficiencies in the marketing practices of the industry, which are observed from the review of earlier studies, discussions with the officials of various jute firms. The following major factors are distracting the marketing practices of Indian jute industry directly or indirectly which leads to suggest the following remedial courses of action:

i. Threat from substitutes products

Before 1960's, jute had monopoly in packaging market globally. Since the inception of synthetic and plastic packaging materials in the packaging world there was inherent weakness in supplies of jute goods was found and vice versa supply of synthetic and plastic packaging has gained the momentum and developed so rapidly (Goyal, 1990; Ahmed, 1992; Mohanty and Misra, 1995). Because of the wrecked supply of jute product in world market substitutes products grab the market rapidly. One of the prime reasons of threat from substitutes is the price of jute product, generally it is pretty higher side in front other substitutes like synthetic, plastic, etc. To overcome these difficulties Indian jute has to develop some policy and take initiative for its survival.

ii. Keen competition from jute products made in Bangladesh

Indian jute industry is facing stiff competition from neighbour country Bangladesh which has taken a large portion of global trade of jute goods. After partition major part of raw jute production area has moved out to Bangladesh, that is one of the prime reasons for dilution of Indian jute industry (Karthik and Ramaya, 2012; Goyal, 1990). During the period of 2000-01 to 2012-13 production of raw jute and jute products in Bangladesh have shown significant growth in respect to India's growth. Though, till today Indian jute sector enjoying the position of major producers of raw jute as well producers and consumers of jute goods also, but due to large amount of consumption, Indian jute industry are lacking behind in export market in front of Bangladesh jute industry. To overcome the situation Indian jute board must initiate some policy measures for its survival.

iii. Fluctuations in supply and price of raw jute

Lesser demand in world market leads to shortage of production of jute. Shortage of adequate quantity of raw material is one of the major problems of the industry. Fluctuation in supply and price of raw jute; gradual decline in production of raw jute of finer grades; unevenness in price structure of jute goods, and inadequate demand at international level have adversely affected the jute sector (Rao and Ramaswamy, 1974). To meet the requirements of the industry, Indian jute board and other regulatory agencies that are connected with Indian jute are bound to import raw jute mainly from Bangladesh and other jute growing nations.

iv. Warehousing and Storage of raw jute

Warehousing and storage of raw material is one of the major problems of Indian jute sector. Due to lack of storage facility it leads to uneven supply of raw material. Due to this, Indian jute products manufacturers are not able to compete in world market as well as they are not able to fulfil the domestic demand.

v. Inconsistent production of jute goods

It is observed that production of jute goods has been fluctuating during the period. This is due to irregular and insufficient supplies of raw jute, unskilled labourers, primitive way of manufacturing, inefficient machinery to produce better quality of products, etc.

vi. Primitive way of manufacturing

Till today many jute mills in India have following primitive way of manufacturing. In a study (Sharma, Kaushik and Chatterjee, 2009) finds that, most of the machinery in jute mills is ranging between 40-150 years old, these machineries are old and obsolete and lead to low production. The industry needs early changes in modern machinery to reduce the cost of production and able to faster approach in production.

vii. High prices of jute goods

Products are made costlier because till today most of the Indian jute product manufacturers using primitive way of manufacturing. Gradual increase in the price of raw jute has affected the production cost of jute goods in India. Rising prices of jute goods have both a short-term and long-term impact on the export market. While exports may not be impacted in a big way in value terms, the decline would be felt in terms of quantity. Most of the Indian 24 jute mills are running at loss. As a result of this products made from jute are much costlier than other substitute's products which are easily available in the market with lower cost.

viii. Frequent changes in mandatory packaging

It is observed that during the study period 2000-01 to 2012-13 many times government has make changes in mandatory packaging of jute goods, due to low production of jute packaging materials. It is also observed that because of stumpy production of jute bags, government has bound to revise the mandatory packaging of food grains by jute bags every year.

ix. Unskilled labourers

It is one of the important reasons for dilution of Indian jute over the years. As jute industry is highly labour intensive, the industry requires a huge amount of skilled and efficient workforce in different fields to reduce the cost of production. But because of unhealthy conditions of workforce many industries has suffered with low production rate.

x. Less co-ordination between jute growers and producers of jute goods

There is huge gap in co-ordination between the jute farmers and the jute goods manufacturers in our country from the very beginning. It is because of distance between cultivation area and manufacturing area. One of the prime reasons of less coordination between jute farmers and manufacturers is involvement of huge numbers of middlemen (beparies, local agents, etc.) involved in marketing of raw jute etc.

xi. Research and Development

Another major weakness of jute industry is poor Research & Development (R&D) initiation, in case of marketing of jute products in different markets, inventions in case of machinery development has been grossly neglected in this sector which leads to higher cost of production, less amount of production, reducing export market etc.

xii. Trade policies

During the study period we have noticed that there is huge change in the trade policies of jute products in overseas market as well as in domestic market. Policies like, withdrawal of Export Subsidy Assistance (ESA) from 1 April, 2007, has been a massive setback to the export of Indian Jute industry; Government decision to withdraw 10% import duty on jute and jute products to nil with effect from January 1, 2008, cab be seen as a threat by the industry (Textiles trends, 2008).

xiii. Seasonal cultivation

Jute is a rain fed crop and cultivated during the rainy season, i.e., may to august every year. Due to seasonal cultivation of raw jute Indian jute

products manufacturers are facing difficulties in availability of raw materials at time, proper quantity and quality of raw materials etc. and because of this many jute mills had bound to close their shutters.

xiv. Monopolistic mind-set

In its early stage Indian jute had ruled the packaging market in overseas as well as in domestic market. After partition of Bangladesh Indian jute lost the export market continuously year after year. Entry of synthetics and plastics as substitutes to jute had collapsed the jute market in international market. Moreover, the manufacturers and authority have the monopolistic attitude towards distribution and marketing of jute products. The monopolistic attitude of the industries leads to high cost and lesser export which direct to massive setback for the industry.

xv. Declining interest of growers

The industry is based on production of raw jute. Jute agriculture became less rewarding; farmers are not able to earn what they invest to grow jute. Low rate of raw jute and import of raw jute at lower cost from Bangladesh had seriously affected production of raw jute in India. The farmers are shifted to produce other agricultural products in place of producing raw jute across different places of the country, only because of low price of raw jute.

xvi. Infrastructural Problems

One of the prominent problems existing in Indian jute industry is lack proper infrastructure. Jute industry in India is one of the oldest industries the building, machineries are getting older with the industry which hampers the working condition of an organisation more significantly. Many jute mills are not yet changed their machineries or repaired the building since its inception. The workers are working in unsafe conditions. Poor infrastructure of Indian jute industries are one of the major factors for declining of Indian jute.

xvii. Traditional ways of marketing

In this era where marketing is the most vital factor to increase the organisation client base, Indian jute product manufacturers still applying

traditional ways of marketing to place their products in different markets. Though traditional marketing methods have been successful in the past, they all have disadvantages, especially with the rapid increase in Internet usage. With traditional ways of marketing, it is difficult to target a specific customer; specific market segments can be targeted, but not an individual. There is no sign of marketing which includes placing advertisements in newspapers and magazines, T.V. commercials, direct mail and door-to-door sales, which may help more to compete with other products.

xviii. Low attractiveness of jute products

As we all know elegance is remembered, and by its look. In order to be irreplaceable one must always be different; as fashion is an instant language in today's world, so to make jute products an irreplaceable material the jute products should owed the fashionable attire of this era for mesmerizing the customers. For example, to target young women presentation of products quality, brand image, fashionable attire of the product is very much important in today's competitive market.

xix. Production of traditional jute products in highly proportioned amount

Till today after more than 100 years of its inception Indian jute industry still producing more than 85 per cent of traditional jute products. After having huge potential of JDPs in world market Indian manufacturers are not able to grab the market because of huge amount of production of traditional products.

xx. Government intervention in marketing and promotion of jute goods

Indian jute industry is one of the oldest and government supported industries in India. Government agencies like NJB, NJMC, DGS&D, are STC the major sources of marketing of jute goods in domestic as well as in export market. Traditional marketing strategies and promotion of jute goods by the government agencies in both export and domestic markets leads to loss of jute market in front of substitutes of jute products.

xxi. Less awareness

Every successful brand often opens their doors without giving sufficient consideration to developing a strong brand image. Strong brand image enjoy a high level of consumer awareness and receive increased attention from consumers. Brands with a weak brand name that lacks this hold on consumer minds cannot grab the market. Jute products are hardly known to everyone because of negligible advertisement in TV, Newspapers and other sources of media which directly connects to people in day to day life. Because of this jute industries is declining year after year.

xxii. Enormous amount of consumption

India is the world largest producer and consumer of jute products. In its early stage Indian jute industry is one of the major export earners for the industry. After partition, Indian jute is begun to lose the export market to Bangladesh as most of the jute growing areas went to the part of Bangladesh. The entry of synthetics and plastic as substitutes to jute in mid 1970s in world market disturbed the whole jute market. The manufacturers and policy makers started to rethink about the survival of the oldest industry which provides employment to many people and livelihood to many household in different parts of the country mainly in West Bengal. To save the industry government introduces JPM Act in 1987. The act describes 100 per cent mandatory use of jute bags to pack the finished products by sugar, foodgrains, cement and other government industries. Since then the consumption of jute goods is much higher in domestic market.

xxiii. Continuous closing up of jute mills

After partition most of the jute growing areas went to Bangladesh and most of the jute mills remain in India, since then Indian jute mills were facing shortage of raw materials. As result of shortage in raw materials Indian jute had faced lots of hazards that disturbed the manufacturing industries in India and because of this many jute mills begun to close. The entry of synthetic and plastic as substitutes to jute disturbed the jute market globally and also resulted in closing up of many jute mills across the country.

xxiv. Declining interest of the product manufacturers

It has been observed that there is decline in the interest of the manufacturers of jute products. The following are the major causes:

- Shortage of raw material;
- High cost of manufacturing;
- Less profit is gained as compared to the cost of investment in production;
- Less demand.

xxv. Easy availability of substitutes to jute

Synthetics and plastic products are easily available as compared to jute products in the world market. The products made of synthetic and plastic are less costly, more attractive and very handy to use. They are very much sustainable as compared to jute materials.