



**Presentation before the:
Standing Advisory Committee
(25th meeting)
4th May 2017**

Points to be covered today

2

- Packing reservation is against competitive neutrality
- Sacking reservation has not been good for jute industry
- Inadequate availability of jute bags
- Extra financial burden of 350 crore annually on sugar industry
- Quality of jute bags is a concern
- Jute bags are harmful for sugar
- Govt. bodies & authorities recommended full exemption for sugar

1) Competition Commission of India vide order of 31st Oct, 2014, has said

3

- **“Provisions of JPMA are undoubtedly against the principles of competitive neutrality”**
 - Such policy/provision restricts choice of users, and also escalates costs
 - CCI has advocated to **“remove the distortions which militate against the principles of competitive neutrality”**
- CCI expects Ministry of Textiles to reassess the situation
 - Since over 25 years have passed & scenario in jute industry has changed

**2) HAS SACKING RESERVATION BEEN
GOOD FOR THE JUTE INDUSTRY??**

Bangladesh jute industry better than Indian??

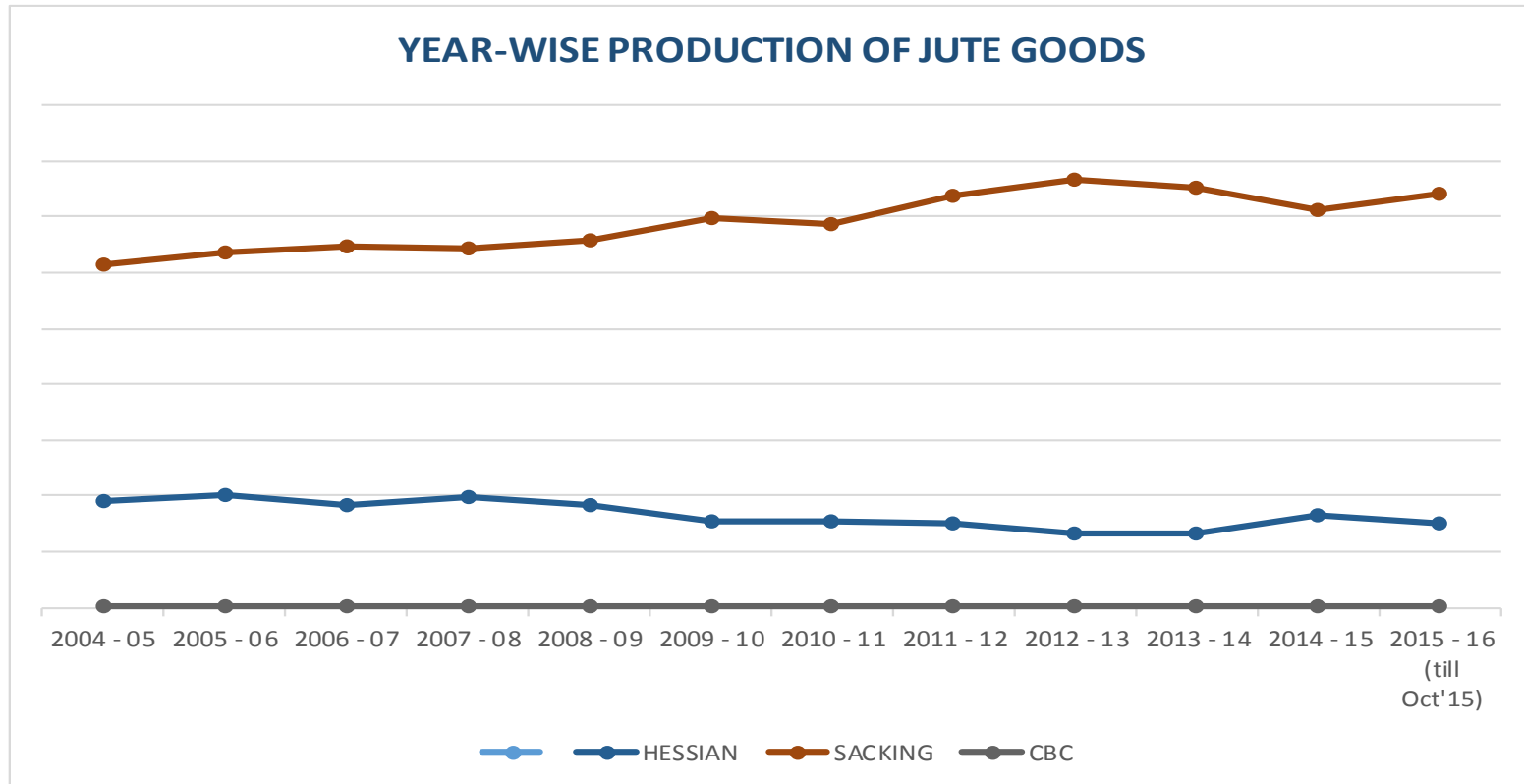
- McGill University, Montreal, Canada has said:
“Jute industry in Dhaka uses advanced technology thereby outstripping Indian Jute Industry”
- Is this due to the fact that Indian Jute Industry has become just a sacking industry, due to reservation (under JPMA)?
- Is it also that there is no compulsion on packing sugar in jute bags in Bangladesh?

Various reports in India do suggest this!!

- Textiles Ministry in its Annual Report for 2010-11 accepted that reservation has resulted in
 - ✓ Jute industry not modernising itself
 - ✓ New opportunities have not been developed
 - ✓ No new/alternate jute product developed
- Jute Commissioner has also suggested that
 - ✓ Continued reliance on sacking is a bottleneck to modernisation
- CACP in its Report for 2016-17 MSP for jute has also said:
 - ✓ Reservation under JPMA does not encourage jute industry to develop or diversify
 - ✓ JPMA impedes jute sector to attain its full potential

Indian Jute Industry relying too much on jute bags

7



3) SHORTAGE OF JUTE

Raw jute production has not increased to meet demands

9

Production Particulars	2004-05	2015-16	% change
Foodgrains (As per website of DES)	198.36 mn tons	264.10 mn tons	+ 33%
Sugar (as per ISMA)	12.7 mn tons	25.1 mn tons	+98%
Raw Jute (as per the website of Jute Commissioner)	1027.23 mn bales	884.20 mn bales	-14%

Production of foodgrains and sugar has increased substantially, but **production of raw jute has decreased**

Not enough jute bags

- India is the **LARGEST IMPORTER** of raw jute in the **WORLD**
- Jute bag shortage accepted by Govt. on floor of Parliament
- It is because of this shortage that
 - 10% of foodgrains have been allowed to be packed in other bags
 - Food Ministry & States faced tremendous shortage even for its 90% requirement
- As per media reports, because of shortage, Food Ministry has said
 - Last rabi season, Govt. reqt. not met, and 40% dilution had to be allowed
 - Hence, lowered packing reservation of foodgrains to 75% from 90%, and zero for sugar

4) Jute bags are substantially costlier

- ❑ Jute bags are more than twice as expensive than HDPE bags
 - ❑ 50 kilo HDPE bag: Average Rs.15-16
 - ❑ 50 kilo Jute bag: Average Rs.50-51
- ❑ Addl. cost of Rs.700 per ton of sugar, at 20% sugar in jute bags
 - ❑ Translates to addl. burden on sugar industry of Rs.350 crore annually
- ❑ As per media reports, Food Ministry has said
 - ❑ “ Limited production capacity of jute mills and decrease in production of jute escalates the prices of jute bags”
 - ❑ “Concentration of jute mills in eastern part results in logistics problems and huge expenditure is incurred in transportation”

5) Quality of jute bags a problem !!!!

12

- Large gaps in jute bags leads to sugar leakage and moisture regain
- Irregular size of jute bags
- Bulk consumers like beverage, biscuit, confectioners, pharmaceutical companies etc. are reluctant to accept sugar packed in jute bags
 - They do not want any jute fibres to mix with their products
 - Batching Oil not suitable for their products/human consumption

6) Jute bags bad for sugar, not so for grains

13

- Air is good for foodgrains
 - Avoids deterioration in quality
 - Can be ensured through packaging in jute bags
- Jute bags bad for sugar packaging
 - Sugar is highly hygroscopic and any moisture regain is bad for sugar
 - Sugar granules are very small and possibility of leakage is higher
- Unlike rice and wheat which need to be cleaned and cooked, sugar is to be consumed in its existing form
 - Jute fibres cannot be removed
 - Batching oil harmful

7) Govt. Bodies recommend complete removal of sugar from JPMA

14

- Rangarajan Committee, appointed by Hon' ble Prime Minister recommended for complete removal of sugar from JPMA
- While recommending MSP for jute for 2013-14, 2014-15, 2015-16 and 2016-17 CACP recommended complete removal of sugar from JPMA
- Food Ministry has been recommending full exemption of sugar since 2013-14

Opinion of Jute Commissioner in the past

15

- Continued reliance on sacking has been a bottleneck to modernisation of jute mills
- It is imperative that the jute industry should not be supported **in a way** that allows it to continue manufacture in an inefficient manner
- It is necessary to diversify their product mix and thereby reduce their dependence on Govt. orders
- In Bangladesh, which does not have any effective reservation, the industry exports more than twice our exports
- **YET, JUTE COMMISSIONER HAS BEEN RECOMMENDING RESERVATION EVERY YEAR**

Request/Demand of Sugar Industry

16

- Sugar should be **completely removed from JPMA**
- If mandatory packing in jute bags has to be continued, it should be continued for food grains alone

Thank You