

**COMMITTEE ON PUBLIC
UNDERTAKINGS
(1978-79)**

(SIXTH LOK SABHA)

THIRTY-SECOND REPORT

Action Taken by Government on the recommendations contained in the Eighth Report of the Committee on Public Undertakings (Sixth Lok Sabha)

On

**JUTE CORPORATION OF INDIA LTD.—GOVERN-
MENT'S UNFAIR PRICING POLICY
FOR RAW JUTE**

MINISTRY OF INDUSTRY

Presented to Lok Sabha on



**LOK SABHA SECRETARIAT
NEW DELHI**

1979/Chairra, 1901 (S)

Price: Rs. 2-25

LIST OF AUTHORISED AGENTS FOR THE SALE OF LOK SABHA SECRETARIAT PUBLICATIONS

ANDHRA PRADESH

1. Andhra University General Co-operative Stores Ltd., Waltair (Visakhapatnam).

BIHAR

2. M/s. Crown Book Depot, Upper Bazar, Ranchi (Bihar).

GUJARAT

3. Vijay Stores, Station Road, Anand.

MADHYA PRADESH

4. Modern Book House, Shiv Vilas Palace, Indore City.

MAHARASHTRA

5. M/s. Sunderdas Gianchand, 601, Girgaum Road, near Princess Street, Bombay-2.
6. The International Book House Pvt., 9, Ash Lane, Mahatma Gandhi Road, Bombay-1.
7. The International Book Service, Deccan Gymkhana, Poona-4.
8. The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-1.
9. M/s. Usha Book Depot, 585/A, Chira Bazar Khan House, Girgaum Road, Bombay-2.

10. M & J Services, Publishers, Representatives Accounts & Law Book Sellers. Bahri Road, Bombay-15.

11. Popular Book Depot, Dr. Bhadkamkar Road, Bombay-400001.

MYSORE

12. M/s. Peoples Book House, Opp. Jaganmohan Palace, Mysore-1.

UTTAR PRADESH

13. Law Book Company, Sardar Patel Marg, Allahabad-1.
14. Law Publishers, Sardar Patel Marg, P.B. No. 77, Allahabad—U.P.

WEST BENGAL

15. Granthaloka, 5/1, Ambica Mookherjee Road, Belgharia, 24-Parganas.
16. W. Newman & Company Ltd., 3, Old Court House Street, Calcutta.
17. Mrs. Manimala, Buys & Sells, 128, Bow Bazar Street, Calcutta-12.

DELHI

18. Jain Book Agency, Connaught Place, New Delhi.
19. M/s. Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi.

C O R R I G E N D A

Thirty-second Report of the Committee on Public Undertakings (1978-79) on Action Taken by Government on the Recommendations contained in the Eighth Report of the Committee (Sixth Lok Sabha) on Jute Corporation of India Ltd. - Government's Unfair Pricing Policy for Raw Jute.

<u>Page</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
(i)	3 from bottom	date	data
(i),	3 from bottom	compresive	comprehensive
(i)	2 from bottom	granted	generated
6	2 from bottom	date	data
15	-	Add as footnote: *3rd Report of CPU(6th Lok Sabha)	
16	11	very	vary
20	10 from bottom	Annexure II	Appendix II

CONTENTS

	PAGE
COMPOSITION OF THE COMMITTEE . . .	(iii)
COMPOSITION OF SUB-COMMITTEE ON ACTION TAKEN	(v)
INTRODUCTION	(vii)
I. Report	1
II. Recommendations that have been accepted by Government . . .	10
III. Recommendations which the Committee do not desire to pursue in view of Governments replies	14
IV. Recommendations in respect of which replies of Government have not been accepted by the Committee	15
V. Recommendations in respect of which Final Replies of Government are still awaited	38
 APPENDICES	
I. Comparative statement showing the cost of Cultivation/Production of Jute in West Bengal on the date collected under the Comprehensive Scheme and the Estimates granted by the Government of West Bengal . . .	42
II. Terms of Reference of the Agricultural Prices Commission . . .	43

COMMITTEE ON PUBLIC UNDERTAKINGS
(1978-79)

CHAIRMAN

Shri Jyotirmoy, Bosu

MEMBERS

2. Shri O. V. Alagesan
3. Shri Maganti Ankineedu
4. Shrimati Chandravati
5. Shri Tridib Chaudhuri
6. Shri Hitendra Desai
7. Shri Anant Ram Jaiswal
8. Shri L. L. Kapoor
9. Shri K. Lakkappa
10. Shri Dharamsinhbhai Patel
11. Shri Raghavji
12. Shri Padmacharan Samantasinhhar
13. Shri Bhanu Kumar Shastri
14. Dr. Subramaniam Swamy
15. Shri Madhav Prasad Tripathi
16. Shri S. W. Dhabe
17. Shri K. N. Dhulap
18. Shri H. B. Mahida
19. Shri Murasoli Maran
20. Shri Era Sezhiyan
21. Shri Viren J. Shah
22. Shri Sultan Singh*

SECRETARIAT

1. Shri H. G. Paranjpe—*Joint Secretary*
2. Shri T. R. Krishnamachari—*Chief Financial Committee Officer*
3. Shri T. N. Khanna—*Senior Financial Committee Officer.*

*Elected w.e.f. 26-12-1978 vice Shri Deorao Patil died.

**SUB-COMMITTEE ON ACTION TAKEN OF THE COMMITTEE
ON PUBLIC UNDERTAKINGS
(1978-79)**

1. Shri Jyotirmoy Bosu—*Chairman*
2. Shri O. V. Alagesan—*Convener*
3. Shri Tridib Chaudhuri
4. Shri Hitendra Desai
5. Shri L. L. Kapoor
6. Shri K. Lakkappa
7. Shri Bhanu Kumar Shastri
8. Dr. Subramaniam Swamy
9. Shri K. N. Dhulap
10. Shri Era Sezhiyan
11. Shri Viren J. Shah

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this Thirty-Second Report on Action Taken by Government on the recommendations contained in the Eighth Report of the Committee on Public Undertakings (Sixth Lok Sabha) on Jute Corporation of India.—Government's Unfair Pricing Policy for Raw Jute.

2. The Eighth Report of the Committee on Public Undertakings (1977-78) was presented to Lok Sabha on 25th April, 1978. Replies to all the recommendations contained in the Report were received in batches by 19th January, 1979. The replies of Government were considered by the Action Taken Sub-Committee of the Committee on Public Undertakings on 26th March, 1979. The Report was finally adopted by Committee on Public Undertakings on 30th March, 1979.

3. An analysis of the Action Taken by Government on the recommendations contained in the Eighth Report of the Committee on Public Undertakings (1977-78) is given in Chapter I.

4. It is most distressing that the Ministry of Agriculture have not examined the question of fixation of price for raw jute in the light of earlier observations/recommendations of the Committee. Indeed, the Ministry of Industry, on the recommendations of Agricultural Prices Commission fixed the statutory price for raw jute for the year 1978-79 as Rs. 150 only as against Rs. 447.64 per quintal recommended by the Committee.

In the calculation of cost of agricultural produce (in this case raw jute) the cost of items like managerial functions, miscellaneous expenses, marketing charges, minimum statutory wages, etc. are curiously excluded. Thus there are glaring inadequacies and serious deliberate distortions in the calculation made by the Directorate of Economics and Statistics under the comprehensive scheme and there is vast disparity between this and the cost as calculated by the Government of West Bengal a major jute producing State. This situation could be remedied only by strong political will which is free from pernicious influence of industrialists and big traders who

deploy their money power at different stages to influence formulation and implementation of economic policies of the Government intended for the development of rural masses.

It is hoped that in the light of new awakening in the rural people of the country and new policy declaration by the present Government such a political will would assert itself for improving the lot of poor and marginal farmers.

NEW DELHI;

March 3, 1979

Chaitra 9, 1901 (S)

JYOTIRMOY BOSU,

Chairman

Committee on Public Undertakings.

CHAPTER I

REPORT

The Report of the Committee deals with the Action Taken by Government on the recommendations contained in the Eighth Report (Sixth Lok Sabha) of the Committee on Public Undertakings on 'Jute Corporation of India Ltd.—Government's Unfair Pricing Policy for raw jute' which was presented to Parliament on 25th April, 1978.

Action Taken notes have been received from Government in respect of all the 21 recommendations contained in the Report.

The Action Taken Notes on the recommendations of the Committee have been categorised as follows:—

- (i) Recommendations/observations that have been accepted by Government:

Serial Nos. 4, 14, 15 and 20.

- (ii) Recommendations/observations in respect of which replies of Government are not satisfactory:—

Serial Nos. 1, 2, 3, 5, 6, 7, 8, 9, 10, 11, 12, 13, 17; 18 and 19.

- (iii) Recommendations/observations in respect of which final replies of Government are still awaited:

Serial Nos. 16 and 21.

The Committee will now deal with Action Taken by Government on some of the recommendations.

Cost of production of raw jute

Recommendations at Sl. Nos. 1, 2, 3, 6 and 7 (Paragraphs 98, 99, 100, 103 and 104)

The Committee were astonished to find that as against 1974-75 cost of production of trifling Rs. 116.47 per quintal in West Bengal, supplied by the Directorate of Economics and Statistics and relied upon without any further up-dating by the Agricultural Prices Commission in formulating their recommendations for a minimum statutory price for 1977-78 season, the true and real cost of production (as in 1977-78) turned out to be Rs. 344.34 per quintal (excluding

the by-product). The reading of the Committee was that this was a case where the Economics and Statistics Directorate made out a grossly under-estimated costing chart covering production of jute, by omitting various important items and at the same time reducing the actuals in many other items to unimaginably low levels.

In reply to the above observation of the Committee the Ministry of Agriculture have *inter alia* stated that (i) the data on cost of production of crops including raw jute, are being collected under the Central Scheme 'Comprehensive Scheme for studying the Cost of Cultivation of Principal Crops'. This scheme was recommended by the Standing Technical Committee on Indices of Input Costs; set up by the Government of India in 1967, and is in operation since 1970-71. It was designed to collect data on the cost of cultivation/production of agricultural commodities on a comprehensive and continuing basis according to a uniform set of concepts and procedures. The Scheme is being implemented mostly through the Agricultural Universities in the different States of the country.

(ii) the cost of production of raw jute in the Comprehensive Scheme of the Ministry of Agriculture and Irrigation Works out to Rs. 116.47 per quintal in 1974-75, Rs. 132.63 per quintal in 1975-76, Rs. 138.75 per quintal in 1976-77. So far as the cost data of the Government of West Bengal are concerned, the increase is from Rs. 179.74 per quintal in 1975-76 to Rs. 197.73 per quintal in 1976-77 and Rs. 344.34 per quintal in 1977-78. The estimated increase of 74 per cent in the cost of production of jute between 1976-77 and 1977-78 appears to be untenable if judged by the behaviour of the input prices during the period.

(iii) the methodology adopted by West Bengal Government for estimating the cost of production of raw jute is not free from shortcomings. While the estimates generated by the Ministry of Agriculture and Irrigation follow a sampling design for selection of villages and holdings for the study, the West Bengal Government have selected the holdings on a purposive basis. The latter approach can often provide biased results.

(iv) the State Government have evaluated the cost of labour both family and hired on the basis of the statutory minimum wage rate of Rs. 8.10 paise per day. Under the comprehensive scheme the cost of human labour is computed on the basis of wages which are actually paid to the labourers.

(v) the West Bengal Government have also used Management as an input which has been assessed at the rate of Rs. 800 per month.

per 10 acres. This is over and above the cost of labour input, both hired and owned by the family. Under the Comprehensive scheme, however, the cost of management has not been included.

(vi) the State Government's cost estimates also include miscellaneous expenses and marketing charges whereas the estimates based on the comprehensive scheme, do not separately include these items. It has been stated that the marketing expenses are not included for the simple reason that the cost of production estimate generated under the scheme relate to the cost at the farm stage and as such do not include the cost of post-harvest operations.

The Ministry of Agriculture have further stated that the estimate of cost of production of jute generated by the Directorate of Economics and Statistics are based on the field data collected by field staff working under the guidance mostly of the agricultural universities and these are neither manipulated nor depressed by the Directorate.

It has been stated that for assessing the impact of variations in the prices of raw jute in the cost of production of jute goods in a more detailed and scientific manner, Ministry of Industry have asked B.I.C.P. to undertake this study. The findings of B.I.C.P. would be made available to Agricultural Prices Commission.

It is most distressing to note that the Ministry of Agriculture have not examined the question of fixation of price for raw jute in the light of their observations. Indeed, the Ministry of Industry, on the recommendations of Agricultural Prices Commission, fixed the statutory price of raw jute for the year 1978-79 as Rs. 150 only inspite of the fact that the Report of the Committee on the subject was in their hands. Invoking a recommendation of the Standing Technical Committee on Indices of Inputs Cost, set-up in 1967 and which was made operational in 1970-71, the Ministry of Industry, by adopting the arguments advanced by the Ministry of Agriculture have tried to justify their past discriminatory actions which resulted in the exploitation of the rural poor. It is most unfortunate to note that for calculation of cost of agricultural produce (in this case raw jute) in the hands of farmers, the cost of items like managerial functions, miscellaneous expenses, marketing charges, minimum statutory wages etc., are being excluded while these very items are prominently included in determining the cost of production of industrial goods.

The most distressing aspect of this discrimination is that it is sought to be given a colour of rationality through sponsored recommendations of Government Committees and Commissions. This has been continued to be perpetrated on the toiling mil-

tions for such long time even after Independence. The Committee feel that this situation could be remedied only by strong political will which is free from pernicious influence of industrialists and big traders who deploy their money power at different stages to influence formulation and implementation of economic policies of the Government intended for the development of rural masses. The Committee trust that in the light of new awakening in the rural people of the country and new policy declaration by the present Government such a political will would assert itself for improving the lot of poor and marginal farmers.

As regards the view expressed by the Ministry that the methodology adopted by the West Bengal Government for estimating the cost of production of raw jute is not free from shortcomings, the Committee fail to understand as to why the Directorate of Economics and Statistics did not think it fit to take up the matter with the Government of West Bengal earlier. The Committee are firmly of the view that the statutory minimum wage has to be taken into account while fixing the price and that unless this is done, the farmers would not have the capacity to pay wages at that rate to the labourers engaged by them. Secondly, imputed management cost should also be a factor to be reckoned with. Thirdly, there is no reason why expenses incurred in transporting the raw jute upto the primary market should be excluded. This indicates how the price fixed earlier did not represent the real cost of raw jute.

The Committee, therefore, reiterate their earlier observations and stress that the cost of cultivation as calculated by the Government of West Bengal should be the basis for fixing the minimum price by the Agricultural Prices Commission and that in future the price should be fixed having due regard to the above mentioned basis.

Fixation of Minimum Statutory Remunerative Price for Raw Jute

Recommendation Serial No. 5, 8, 9, 11 and 19 (Paragraphs 102, 105, 106, 108 and 17.

The Committee strongly recommended that the minimum statutory remunerative price for raw jute should in no case be fixed below Rs. 447.64 per quintal (1977-76). This amount included the cost of cultivation as ascertained by the Agricultural Department of the

Government of West Bengal plus a return of 30 per cent to the growers as suggested by representatives of West Bengal. The Committee also recommended that this price should apply only to the bottom grade of jute and for higher grades sufficient incentive should be given in the shape of higher prices to the growers.

In reply to the above recommendation, the Ministry of Agriculture have *inter alia* stated as follows:—

“Under the Comprehensive Scheme, all paid-out costs in cash and kind as also the rental value of owned land, imputed value of family labour, depreciation on implements and farm buildings and interest on fixed capital are taken into account in computing the cost of cultivation. The element of return to the farm to a large extent, is already built in the cost exercise. The Ministry of Agriculture have stated that the procedure adopted for estimating the cost of production is uniform for all the crops and the proposal to raise the cost of production by 30 per cent to arrive at a ‘remunerative minimum support price’ would not be justified in relation to a single crop of jute.”

The Ministry have further stated that since an average cost of production for a State is supposed to be representative of all varieties of grades of jute grown in the State, it would be an over-estimate of the cost of production if the estimate so generated is taken to be representative of the bottom grade jute only.

The Agricultural Prices Commission have given the following comments in regard to the fixation of minimum price for raw jute at Rs. 447.64 per quintal:—

“But this apart, even if this estimate is taken at its face value, can the minimum support price of jute be pitched at this or higher level? It may be useful to ponder over the consequences for the economy, especially that of jute, if this were done.”

The Committee are not at all satisfied with the reply of Government. In regard to raising the cost of production by 30 per cent to arrive at remunerative support price the Committee, particularly, wish to point out that it should be considered in the light of the risk involved in the cultivation of jute arising out of droughts and floods which are a common phenomenon. They also stress that the price—

should apply only to the bottom grade of jute so that there is no scope for exploitation of growers by manipulating gradation in the event of support price being fixed for mid-grade.

While 'pondering over' the consequences for the economy in fixing the remunerative prices the Agricultural Prices Commission seems to have overlooked the fact that jute industry is known to indulge in widespread under-invoicing of exports of jute manufactures and that "there is considerable amount of malpractice" as accepted by the Jute Commissioner. In this connection, the Committee would refer to the widespread violations of the FERA and tax evasions brought out in their 16th Report (1977-78) on "Economic offences committed by Jute Trade and Industry". They expected the Government not to come forward with such arguments as they have done, at least after the presentation of this Report.

Effect of Price on Production of Raw Jute

The Committee saw a serious danger of the cultivator of jute being forced to switch over to other crops, with resultant fall in production of raw jute in the years to come, leading to a devastating effect on the jute industry, the survival and development of which were so essential not only from the point of view of earning of foreign exchange but also for maintaining continuity of employment for over two lakh workers, who were also in a miserable state, directly engaged by the industry (paragraph 106).

The Committee regret to note that the Ministry of Industry have not given any specific reply to the above observation of the Committee. It has not been indicated as to how the Government would ensure that the cultivator of jute is not forced to switch over to other crops with resultant fall in production of raw jute in the years to come. The Committee would await a reply in this regard.

Directorate of Economics and Statistics|Agricultural Prices Commission|Ministry of Agriculture and Irrigation|Ministry of Commerce
Recommendations at Serial Nos. 10, 12, 17 and 18 (Paragraphs 107, 109, 115 and 116)

The Committee expressed a feeling of utter distress over the fact that as against the true first cost of cultivation of jute of Rs. 344.34 per quintal in West Bengal, the fixation of minimum statutory price had all along been fraudulently based on a deliberately depressed figure of cost of cultivation of about Rs. 116 per quintal.

The Committee had no doubt that in the entire process of collection, compilation and publication of data relating to cost of cultivation of jute and of fixation and announcement of minimum statutory

price for raw jute, all the agencies viz. the then Statistical Adviser in the Directorate of Economics and Statistics (Shri Ram Saran—formerly Member Secretary of the Agricultural Prices Commission), the then Chairman of the Agricultural Prices Commission, (Dr. Dharam Narain), the representatives of the Ministry of Agriculture and Irrigation and the representatives of the Ministry of Commerce, instead of safeguarding the cause of the impoverished agriculturists, had acted as the “bitterest enemies” of the poor jute growers in that they completely sided with the jute industrialists and traders. According to the Committee the role played by them needed to be thoroughly and specially investigated, with a view to fixing of responsibility.

The Committee looked upon this sort of arrangement as a “different and dangerous category” of economic offence having far reaching consequences, and felt that it was the bounden duty of the Government to ensure that the commission of such an offence was no more allowed to be perpetuated. For this purpose, there was imperative need for immediate setting up of a special cell in the C.B.I. where a co-ordinated functioning of investigating official, economists, sociologists etc. should be organised forthwith.

In reply to the above observation/recommendation, the Ministry of Industry has stated that the observation made by the Committee that the Directorate of Economics and Statistics and the Agricultural Prices Commission have acted as the bitterest enemies of the jute growers in that they completely sided with jute tycoons, is not shared by the Ministry of Agriculture in view of the replies given by them to earlier recommendations. It has been further stated that the replies given to the earlier recommendations would clearly show that the charge of the Committee that deliberate attempt has been made by the senior officers of the Ministry to depress cost of production of jute so as to harm the interests of jute growers is unjustified. Therefore, there is no ground for instituting an enquiry into the matter or replacing the concerned senior officers.

The Committee have already established beyond doubt that there is vast disparity between the figures of cost of cultivation as calculated by the Government of West Bengal and those calculated by the Directorate of Economics and Statistics and that the cost estimates generated by the Directorate of Economic and Statistics are unrealistic. The Committee have also pointed out glaring inadequacies and serious deliberate distortions in the calculations made by the Directorate of Economics and Statistics under the Comprehensive Scheme.

The Committee have further observed that while fixing the price of jute, the Agricultural Prices Commission relied on the cost of production figures manipulated and depressed in a planned manner which amounted to collusion with the Directorate of Economics and Statistics in order to serve the interests of the jute industrialists. The matter therefore needs to be thoroughly investigated with a view to taking drastic action.

The Committee, further wish to reiterate that there is imperative need for a special cell in the C.B.I. to have a coordinated functioning of investigating officials, economists, sociologists etc., for prevention of economic offences.

Nationalisation of Jute and Jute Goods Export Trade

Recommendation at Serial No. 13 (Paragraph 110)

The Committee strongly felt that one of the real solutions to the problem lay in the nationalisation of the entire jute and jute goods export trade.

In reply to the above recommendation, the Ministry of Industry have stated as follows:—

“It is true that the jute industry has not been managed in an ideal manner during the last decade. The profits, which accrued to the industry, were not ploughed back for the purpose of renovation and modernisation of the industry which could have brought about cost reduction to a substantial extent and made the industry competitive vis-à-vis synthetics in the overseas markets. Because of apprehension of large scale manipulation in the purchase of raw jute by the mills as also over/under invoicing, representations have been voiced from time to time for nationalisation of jute industry.

Nationalisation of such a huge industry like jute industry, whose problems are admittedly diverse and complex, requires considerable preparatory action. A heavy investment would be immediately necessary from the side of the Government to give effect to such a programme. In the present state of our economy, it is doubtful whether investment of such an order would be forthcoming. Secondly, huge organisational infrastructure would have to be built up to meet the various problems inter-linked with such nationalisation of the industry. Government does not have the machinery to take over and run an industry

of this size nor would the resources position permit nationalisation at present. The capital base of the industry has been eroded substantially and our immediate concern is to maintain exports at the existing levels in order to keep the industry going. It is therefore, felt that any disturbance of the *status quo* at this stage will not be, perhaps, in the interest of the industry and therefore of the labour."

The Committee are amazed at the above reply of the Government as they had not recommended the nationalisation of jute industry as such. They had recommended the nationalisation of jute and jute goods export trade only.

The Committee reiterate their earlier recommendation and stress that the nationalisation of jute and jute goods export trade is the only way in which rural poor could be saved from much exploitation and total ruination. A judicious step in this regard will not only save the rural poor but it will save the industry at the same time.

CHAPTER II

Recommendations that have been accepted by Government

Recommendation No. 4.

The Committee are also positive that there is imperative need for stepping up the pace of collection and processing of the data pertaining to cost of production so that the figures collected and compiled by the State Governments in this regard relate to the immediate past.

(Paragraph—101)

Reply of the Government

The Ministry of Agriculture have stated that though the cultivation of jute crop is over by the end of August|September, the field data have to be collected for the entire agricultural year before these could be tabulated, processed, analysed and cost estimates generated for the crop. There are many items of cost which require to be apportioned among the various crops grown on the cultivator's holding and therefore, the entire crop economy is studied for the whole agricultural year. Besides, processing of the field data reveals, in many cases, discrepancies and inconsistencies for which references have to be made to the Implementing Agencies for clarification and reconciliation. All these steps take time. Thus, there is an inherent time-lag between the collection of data and ultimate generation of cost estimates. A close consideration is already being given to the problem of cutting down the delays and reducing the time lag in bringing out the cost of production estimates.

[Department of Industrial Development O.M. No. 20(16)78-Jute
(II) dated 15-12-1978.]

Recommendation No. 14

The Committee are concerned to note that there is an unusually long time lag of about ten months between the date of submission of the Report of the Agriculture Prices Commission and the date of publication of this Report by Government, as a result of which the farmer knows the minimum statutory price of his product only after most of the jute crop has already been sold. This,

the Committee apprehend, is definitely done at the behest of the jute industrialists and jute tycoons.

(Paragraph No. 111)

Recommendation No. 15

As admitted by representatives of the Ministry of Agriculture and Industry and also the representatives of the State Governments concerned, there is full justification in the demand of the farmers that the minimum price for raw jute should be made known to them well before the time of sowing itself. The Committee accordingly recommend that the entire exercise of collection of data of cost of cultivation and formulation and announcement of the minimum statutory remunerative price should be rescheduled in a manner as to enable the announcement of minimum statutory remunerative prices for the crop of a particular year at the time of sowing itself, that is in January-February of that year.

(Paragraph No. 112)

Reply of the Government

The Agricultural Prices Commission submits its reports on price policy for raw jute usually in the month of February. The Commission itself has been emphasising the timely announcement of the minimum support price for jute, as will be seen from the following extracts from its Reports.

"14. The Commission hopes that, unlike in the 1967-68 season, the minimum prices for jute for the 1968-69 season for Assam Bottoms in Calcutta the grade differentials and the derivative minimum prices for 'upcountry' markets would be announced before the sowing commence". (Report on Price Policy for Raw Jute for the 1968-69 season, pp. 6).

"15. Simultaneously with the announcement on the level of minimum price for the basic variety in Calcutta and the grade differentials, the derivative minimum prices for the respective grades for the upcountry markets may also be notified. Such announcement of the derivative prices for the upcountry markets at the appropriate time is of vital importance, since the bulk of the production is concentrated around these markets". (Report on Price Policy for Raw Jute for the 1969-70 season, pp. 4).

"5. The situation brought to the surface once again the weaknesses in the existing machinery for lending support to the prices of the fibre. The Government, of course, initiated several measures like relaxation in the control and credit against jute stocks and announcement of minimum purchase quotas—requiring the mills to buy at least specified quantities within specified periods—to offer support to the market. But some of these, at any rate, tended to be belated and together they proved to be inadequate. In the first place, the level itself at which prices were to be supported was not known till well after the start of the marketing season. The minimum support prices for raw jute at Calcutta were announced as late as August 31, 1971 and the derivative minimum prices for the up-country markets even latter in mid-September. The Jute Corporation of India started making purchases in Bihar, for example, in November about a month after the prices started ruling below the minimum support prices. Besides judging by the periods for which prices in the different markets ruled below the minimum support prices, the combined impact of the measures undertaken was clearly inadequate". (Report on Price Policy for raw jute for the 1972-73 season. pp. 2).

So far as the data on cost of cultivation is concerned, the position has been explained under recommendation in para 101. All efforts are being made to cut down the delays in the collection and processing of the data so as to make the latest cost estimates available to the APC with the minimum of time-lag.

The Government is fully conscious of the importance of announcing the statutory minimum prices of raw jute as early as possible and all efforts are made towards this end. However, after the report of the Agricultural Prices Commission is received, the recommendations have to be processed in consultation with the other Ministries/Departments/Organisations concerned and only after receiving their views, paper has to be taken to the Cabinet for a decision.

The maximum time taken in announcing the statutory minimum prices after the receipt, of the recommendations of the Agricultural Prices Commission, has been five months and 21 days during 1974-75. During the current season, statutory minimum prices were announced within three and a half months of the receipt of the report of the Agricultural Prices Commission. All efforts will be made to cut down delays in the processing of recommendations of the Agricultural Prices Commission.

[Department of Industrial Development O.M. No. 20(16)78-Jute
(II) dated 15-12-1978.]

Recommendation No. 20

The price of Mesta, which is only a variety of jute, should also similarly be fixed and there should not be any appreciable gap between the prices of the two.

(Paragraph 118)

Reply of the Government

Statutory minimum prices of mesta are already being fixed on the basis of the minimum support of the basic grade of raw jute announced every season.

[Department of Industrial Development O.M. No. 20(16)78-Jute
(II) dated 15-12-1978.]

CHAPTER III

**RECOMMENDATIONS WHICH THE COMMITTEE DO NOT
DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S
REPLIES**

N I L

CHAPTER IV

RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation No. 1

As already stated in the earlier report* of the Committee on Jute Corporation of India, one of the important objectives for which the Jute Corporation of India was set up was to ensure for the jute growers a proper remunerative and fair price for his produce and thereby sustain his interest in jute growing and in economic advancement of the country. The Committee note that as an important pre-requisite to the achievement of this objective, the minimum prices (not remunerative price) of raw jute were put on a statutory basis from 1972-73 onwards. The Committee further note that between 1972-73 and 1977-78 the minimum statutory price fixed for raw jute was increased from a trifling Rs. 100 per quintal to mere Rs. 141 per quintal, which comparatively was very much less than the corresponding increase in the prices of other important agricultural commodities like pulses, raw cotton, oil seeds etc. In view of this position and representations made to the Committee by the jute growers and other eminent persons like Members of Parliament and Members of State Legislatures, closely connected with the cultivation of jute, to the effect that the minimum prices fixed by Government as also the prices being offered to the jute cultivators were most too inadequate and did not cover even part of their cost of cultivation, the Committee have gone in detail into the drills and demonstrations (for consumption of the public) gone through by different concerned agencies of Government viz., Directorate of Economics and Statistics (Adviser, Shri Ram Saran), the Agricultural Prices Commission (Chairman Dr. Dharam Narain), Ministry of Agriculture and Irrigation and the Ministry of Commerce (now Ministry of Industry).

(Paragraph—98).

Recommendation No. 2

The Committee note that the minimum statutory prices for raw jute are determined and announced by the Government on the basis of recommendations of the Agricultural Prices Commission (Chairman Dr. Dharam Narain) which relies on the figures of cost of

production made available to it by the Directorate of Economics and Statistics (Adviser Shri Ram Saran till recently also Member Secretary, Agricultural Prices Commission) in the Ministry of Agriculture and Irrigation which in turn passes on the baby of the so called work of collection of basic data for the purpose of Agricultural Universities in the various jute growing States, where the officers-in-charge of the scheme of collection of data work only on a part-time basis (like Dr. Sain in the Kalyani University being paid Rs. 200 p.m. for this work). The Committee find that the figures of cost of cultivation of jute so collected and processed by these agencies very widely from the figures separately collected by the Agriculture Departments of the State Government concerned especially West Bengal, by far the largest jute growing State. In view of the glaring inadequacies and serious distortions (created deliberately) in the costs of various items included in the calculations for determining the cost of production, the Committee had the exercises done over again on a selective basis, by the Agriculture Department of the Government of West Bengal.

The Committee were astonished to find that as against the 1974-75 cost of production of trifling Rs. 116.47 per quintal of jute in West Bengal, supplied by the Directorate of Economic and Statistics (Adviser Shri Ram Saran, till recently also Member Secretary, Agricultural Prices Commission), and relied upon without any further up-dating by the Agricultural Prices Commission (Chairman Dr. Dharam Narain) in formulating their recommendations for a minimum statutory price for 1977-78 season, the true and real cost of production of this golden fibre (as in 1977-78) turned out to be Rs. 344.34 per quintal (excluding the by-product). This figure is thrice as much the amount determined by the Economics and Statistics Directorate. The reading of the Committee is that this is a clear case where the Economic and Statistics Directorate (Adviser Shri Ram Saran, till recently also Member Secretary, Agricultural Prices Commission) whose sole job is to give true and correct reflection of what an agriculturist spends for production on a particular item, made out a grossly under-estimated costing chart covering production of jute, by omitting various important items and at the same time reducing the actuals in many other items to unimaginably low levels (e.g. 71 paise per hectare for cost of pesticides). They have, therefore, obviously served the economic interests of the jute industrialists and jute tycoons alone to the detriment of the poor jute growers.

Reply of the Government

The Ministry of Agriculture have stated that the data on cost of production of crops, including raw jute, are being collected under the Central Scheme 'Comprehensive Scheme for studying the Cost of Cultivation of Principal Crops'. This scheme was recommended by the Standing Technical Committee on Indices of Input Costs, set up by the Government of India in 1967, and is in operation since 1970-71. It was desired to collect data on the cost of cultivation/production of agricultural commodities on a comprehensive and continuing basis according to a uniform set of concepts and procedures. The Scheme is being implemented mostly through the Agricultural Universities in the different States of the country.

Under this scheme, data on cost of cultivation/production of raw jute, as also of other crops, are collected from randomly selected cultivators in villages selected according to a uniform sample design. Cost accounting method is employed in the collection of field data. Data on inputs and output (both in physical as well as monetary terms) are collected by whole time field-men residing in the villages selected for study on the basis of day-to-day observations and contact with the cultivators as the various agricultural operations take place.

Cost studies on raw jute were initiated in the year 1973-74 in the major jute growing states of Assam, Bihar, Orissa and West Bengal. In West Bengal, the field work under the Scheme has been entrusted to the Bidhan Chandra Krishi Viswavidyalaya, Kalyani, who are responsible for the collection of data at the field level as well as its supervision, scrutiny and compilation. All the staff engaged in the collection, compilation, supervision, etc. of field data are full time employees of the Scheme. The entire field work is looked after by a field officer who is also a full time employee. There is also an officer-in-charge, who is generally a senior officer of the concerned university and is responsible for providing overall guidance to the staff appointed for the Scheme. The final processing of the cost data and the generation of the final cost estimates, is done by the Directorate of Economics & Statistics. The cost estimates generated by the West Bengal Government are under a Scheme of their own.

Lasting their judgement on the cost estimates of raw jute generated by the West Bengal Government, the Committee has observed that the Directorate of Economics and Statistics have deliberately manipulated the cost of cultivation at about Rs. 116 per quintal for 1974-75 as against Rs. 344 per quintal for 1977-78 "calculated on a

scientific basis by the Government of West Bengal, by far the largest jute-growing State".

A comparative statement on the Cost estimates generated under the comprehensive Scheme and those generated by the West Bengal Government is given in Annexure I. The cost of production of raw jute in the Comprehensive Scheme of the Ministry of Agriculture & Irrigation Works out to Rs. 116.47 per quintal in 1974-75, Rs. 132.63 per quintal in 1975-76, Rs. 138.37 per quintal in 1976-77. So far as the cost data of the Government of West Bengal are concerned, the increase is from Rs. 179.74 per quintal in 1975-76 to Rs. 197.73 per quintal in 1976-77, and Rs. 344.34 per quintal in 1977-78. The Ministry of Agriculture have stated that the estimated increase of 74 per cent in the cost of production of jute between 1976-77 and 1977-78 appears to be untenable if judged by the behaviour of input prices during the period.

As will be seen from the Annexure I, the cost of cultivation per hectare based on West Bengal Government's data shows very large increase from Rs. 3898 in 1975-76 to Rs. 5874 in 1977-78, while the yield per hectare has shown a decline from 17.9 quintals per hectare in 1975-76 to 15.56 quintals per hectare in 1977-78. The extent of escalation in some of the cost items is illustrated in the following table.

West Bengal Government's Estimates

Items	Rs. per hectare		Extent of escalation (per cent)
	1975-76	1977-78	
Depreciation	54.54	128.44	135
Interest on fixed capital (including land)	372.57	1541.50	314
Management	301.39	1186.08	294
Miscellaneous expenses	12.79	53.72	320
Marketing charges	9.21	220.59	2295

The Ministry of Agriculture have pointed out that the methodology adopted by the West Bengal Government for estimating the cost of production of raw jute is also not free from short-comings. While the estimates generated by the Ministry of Agriculture & Irrigation follow a sampling design for selection of villages and holdings for the study, the West Bengal Government have selected the holdings on a purposive basis. The latter approach can often provide biased results. Further, the State Government have evaluated the cost of labour—both family and hired—on the basis of the statutory minimum rate of Rs. 8.10 paise per day while under the Comprehensive

Scheme the cost of human labour is computed on the basis of wages which are actually paid to the labourers.

The West Bengal Government have also used management as an input which has been assessed at the rate of Rs. 800 per month per 10 acres. This is over and above the cost of labour input, both hired and owned by the family. The Standing Technical Committee on Indices of Inputs Costs, set up by the Government of India in February, 1967, considered, *inter-alia*, the question of imputation of managerial allowance in estimating the cost of production of agricultural commodities. The Committee expressed the view that it "does not consider it necessary to make a separate provision for managerial allowance. Any profits, earned by the farmer over and above the normal cost would represent the compensation for managerial responsibilities". The National Commission on Agriculture also considered this question. It observed, in its interim report on Agricultural Price Policy (February, 1975) that "in so far as the managerial cost is considered, the bulk of the land owners will be managing not very large holdings particularly, after the enforcement of the legal provisions relating to land reforms. When the cultivators is himself the manager, there is no separate management cost. His income after deducting all relevant costs including imputed cost of his labour, would, in fact, be a return to his managerial function. No special allowance, therefore, need be made in the cost on this account, when it is not actually incurred by the hired managers". As such the cost of management is not included in the costing chart under the Comprehensive Scheme.

The State Government's cost estimates also include miscellaneous expenses and marketing charges. The estimates based on the Comprehensive Scheme, do not separately include these items. It may be mentioned that under the Comprehensive Scheme the total cost relates to all the expenses incurred by the selected cultivators, whether these are in the nature of actual expenses in cash or kind (on fertilisers, insecticide, hired labour, etc.) or imputed (on family labour rental value of owned land, interest on owned capital). The Ministry of Agriculture have pointed out that as regards marketing expenses, these are not included for the simple reason that the cost of production estimates generated under the Scheme relate to the cost at the farm stage and as such do not include the costs of post-harvest operations.

While formulating its recommendations on price policy for raw jute for the 1977-78 season, the Agricultural Prices Commission did consider the possible changes that might have occurred in the cost of cultivation of raw jute subsequent to 1974-75, as would be seen

from the following observations of the Commission in its Report on Price Policy for Raw Jute for the 1977-78 Season:

"As variations in input prices since 1974-75 do not suggest that the cost of production would have undergone any appreciable change over this period, the existing support price of Rs. 136 per quintal for W-5 grade of jute in Assam, and even more so, the weighted average of the support prices for different grades of jute for the different markets, would seem to be comfortably above the cost of production of the fibre." (pp. 6-7 of the Report).

For the Commission's Report on Price Policy for the 1977-78 Season, the State Government of West Bengal had given a figure of Rs. 162.92 per quintal as cost of production of jute for 1976-77 and it was indicated that this figure was estimated by the State Government, keeping the physical inputs same as in 1973-74. The estimate of Rs. 344.34 per quintal as cost of production of jute for 1977-78 crop was not made available to the Commission by the State Government at the time of its recommendation on the price policy for jute for the 1977-78 season. For the Commission's report for the 1978-79 season, the State Government had, in the first instance, given a figure of Rs. 197.73 per quintal for cost of production of jute for the 1976-77 crop. Subsequently, the State Government supplied to the Commission the figure of Rs. 344.34 per quintal as estimate for 1977-78. The observations of the Commission on the above mentioned estimate of cost of production supplied by the State Government are reproduced below from its Report on Price Policy for Raw jute for the 1978-79 season.

"While according to this source, the cost of production of a quintal of jute in West Bengal, which generally shows the highest cost among the jute producing States, is Rs. 132.63 the estimate for 1976-77 made available to the Commission by the State Government places it at Rs. 197.73*. It is true that the two estimates relate to different years but the disparity is so large that it eludes, for the most part, an explanation in terms of variations in inputs prices. Focussing on the value of human labour which accounts for a considerable proportion of the total cost, the main explanation for the disparity is found to lie in the fact that whereas under the Comprehensive Scheme

*The State Government has further supplied for 1977-78 a cost estimate of Rs. 344.34 per quintal.

this input is valued at the prevailing wage rates, in the estimates supplied by the Government of West Bengal, it has been valued at the minimum wage notified by the State Government. The data on the actual wage rates available to the Commission show that the average wage prevailing in the selected centres in the jute growing districts of the State in 1976 was close to that under-lying the estimate generated under the Comprehensive Scheme and was only around 52 per cent of the minimum wage. The difference indeed is so sizeable that it raises some pertinent question....." (pp. 4-5 of the Report).

- "7. Since in the costing for other crops, human labour input is valued at the prevailing wage rate, should jute be treated on a different plane? Further, while there can be no two opinions that the lot of the agricultural labourers as well as of the jute growing families needs to be improved, the question is: how for this can be achieved through an increase in administered prices and how far through an expansion in the opportunities for productive employment which may enable agricultural labourers to realise in fact a better wage, and through increases in the productivity of jute cultivation which may yield larger incomes to the growers of jute from the lands they cultivate? The question becomes particularly important considering that the latest estimate supplied by the Government of West Bengal for 1977-78 places the per quintal cost of production of raw jute at Rs. 344.34 per quintal. This represents an increase of 74 per cent over the estimate emanating from the same source for the preceding year; an escalation of this order finds little support in the behaviour of input prices....." (pp. 5-6 of the Report).

[Department of Industrial Development O.M. No. 20(16)78-Jute (II) dated 15-12-1978.]

Recommendation No. 3

In view of the vast disparity between the figures of genuine cost of cultivation as calculated by the Government of West Bengal and the depressed and manipulated figures as calculated by the Directorate of Economics and Statistics, the Committee require that the entire exercise of calculation of data relating to cost of cultivation of jute should be exclusively left to the State Governments concerned, who are the people on the spot and who are answerable to the actual growers of jute in their respective States. The Central Government should be responsible only for coordination and im-

mediate announcement of minimum statutory price, which has to be remunerative.

(Paragraph 100).

Reply of the Government

The fixation of price policy is of national importance and calls for a coordinated approach. If all the State Governments conduct studies and culcuate the cost of production of the different crops on their own, it is most likely that there would be wide variations in the concepts, difinitions and the methodology used by them in the collection/processing of the data. This would make the task of formulating appropriate pricing policy at the national level a difficult one. The Standing Technical Committee on Indices of Input Costs, set up by the Government of India in 1967, thoroughly examined this question and recommended that the work under the Scheme in different States may be entrusted, as far as possible, to non-official agencies such as Agricultural Universities and Agro-Economic Research Centres in the various States. The Agricultural Universities in the country are institutions having the necessary expertise in the field and are considered to be the most appropriate agencies for collecting these types of statistics. Further, the holding-wise data as well as State level estimates of cost of cultivation/production, based on the Comprehensive Scheme, are made available to the State Governments concerned and their views are taken into consideration before finalising the cost estimates. Thus, there exists, even in the present situation, a coordination between the State Governments and Government of India in the matter of finalising the estimates of cost of cultivation/production of the different crops being studied under the Comprehensive Scheme for Studying the Cost of Cultivation of Principal Crops.

[Department of Industrial Development O.M. No. 20(16)78-Jute
(II) dated 15-12-1978.]

Recommendation No. 5

According to the calculations made by the Government of West Bengal, by far the largest jute growing State, the average cost of cultivation of raw jute in that State (including the cost of reaching primary market) in 1977-78 worked out to Rs. 344.34 per quintal (excluding cost of by-product). The Committee therefore, strongly recommend that the minimum statutory remunerative price for raw jute should in no case be fixed below Rs. 447.64 per quintal (1977-78).

This amount includes the cost of cultivation as ascertained by the Agriculture Department of the Government of West Bengal, by far the largest jute growing State, plus a return of 30 per cent to the growers as suggested by the representatives of the West Bengal Government when they tendered evidence before the Committee. The committee are in full agreement with the spokesmen of the jute growing States that a remunerative price would mean true cost of production (including reaching primary market) plus 30 per cent return to the growers. The Committee also recommend that this price should apply only to the bottom grade of jute and for higher grades sufficient incentive should be given in the shape of higher prices to the growers.

(Paragraph 103).

Reply of the Government

The reason for variation in the cost estimates furnished by the Government of West Bengal to the Committee on Public Undertakings has been dealt with in detail in reply to the recommendations in para 99 of the report of the Committee. Under the Comprehensive Scheme, all paid-out costs in cash and kind as also the rental value of owned land, imputed value of family labour, depreciation on implements and farm buildings and interest on fixed capital are taken into account in computing the cost of cultivation. The element of return to the farmer to a large extent, is already built in the costing exercise. The Ministry of Agriculture have stated that the procedure adopted for estimating the cost of production is uniform for all the crops and the proposal to raise the cost of production by 30 per cent to arrive at a "remunerative minimum support price" would not be justified in relation to a single crop of jute.

The Agricultural Prices Committee takes into consideration, *inter-alia*, the Cost Concept of the cost of production while formulating its views on the level of minimum support prices. Cost-C is the most comprehensive cost; it covers all items of expenses of cultivation as also the imputed value of inputs owned by the farmers such as the rental value of owned land and interest on owned fixed capital. The Ministry of Agriculture have further stated that in assessing the margin between the administered prices and the total cost (Cost-C), it is, therefore, important to note that the latter already contains a return on the investments in fixed capital and land, any attempt to build this return again in the margin of the administered price, over and above the total cost, would amount to double counting.

As regards the fixation of the minimum price for raw jute at Rs. 447.64 per quintal on the basis of the cost estimate of Rs. 344.34

per quintal of raw jute, the Commission's remarks in its Report on Price Policy for Raw Jute for the 1978-79 season are relevant.

"... But this apart, even if this estimate is taken at its face value, can be minimum support price of jute be pitched at this or higher level? It may be useful to ponder over the consequences for the economy especially that of jute, if this were done". (Page 6)

That apart, since an average cost of production for a State is supposed to be representative of all varieties of grades of jute grown in the State, it would be an over-estimate of the cost of production if the estimate so generated is taken to be representative of the bottom grade jute only. The appropriateness of the level of the minimum support price for any particular grade and variety can be adjudged by comparing a valid estimate of cost in respect of any State with the weighted average of the corresponding minimum support prices for the different varieties and grades of the crop grown in that State.

[Department of Industrial Development, O.M. No. 20/16/78-Jute (II) dated 15-12-1978.]

Recommendation No. 6

At the level of the Agricultural Prices Commission (Chairman Dr. Dharam Narain) also the Committee are astonished to find that while fixing the price of jute, the Agricultural Price Commission (Chairman Dr. Dharam Narain) relied on cost of production figures manipulated and depressed in a planned manner, which amounted to collusion with the Directorate of Economics and Statistics (Shri Ram Saran, Adviser, till recently also Member Secretary Agricultural Prices Commission) in order to serve the unholy financial interests of the jute industrialists and jute tycoons at the cost of poor jute growers.

The Agricultural Prices Commission have tried to justify their action under the garb of utterances like "overall needs of the economy", which have not been spelt out. In taking into consideration the so called "balanced and integrated view of the matter and the overall needs of the economy", the Agricultural Prices Commission does not appear to have given any serious consideration towards the genuine needs of the cultivators of jute.

The Agricultural Prices Commission have also claimed before the Committee that consultations are made by them with the State Government concerned before finalising their recommendations in regard to the minimum statutory price for raw jute. A true indication of

what exactly happens at such consultations has been provided to the Committee during evidence of a very senior officer of the Government of one of the leading jute growing States who stated before the Committee:—

“We recommended a rock bottom price because we knew what the prevailing minimum price was and we knew also that if we recommended a much higher price, it would not be a possibility of being accepted. Even if we had recommended a price of Rs. 200, the support price declared by the Government of India later would not have been more than what it turned out to be. I am quite definite about that.”

(Paragraph—103)

Reply of the Government

The Ministry of Agriculture have stated that the estimates of cost of production of jute generated by the Directorate of Economics and Statistics are based on the field data collected by field staff working under the guidance mostly of the agricultural universities and these are neither manipulated nor depressed by the Directorate.

The Agricultural Prices Commission is not a primary data collecting agency. From its inception it has been in favour of obtaining cost of production data collected and analysed on a scientific and uniform basis for different agricultural commodities in different parts of the country. In its Report on Price Policy for Kharif Cereals for the 1965-66 season, the Commission observed that it “would have liked to use estimated cost of cultivation as a guiding criterion for determining the minimum price, but there are many gaps in the available farm cost data. The Commission would like to emphasise that it is essential that immediate steps are taken to collect reliable and comprehensive data so that a scientific guidance for determining the minimum prices becomes available as quickly as possible.” (Page 2). A Standing Technical Committee on Indices of Input Cost was set up in 1967 under the Chairmanship of Dr. Ashok Mitra, the then Chairman, Agricultural Prices Commission to provide necessary guidance in organising the collection of data on indices of input costs and cost of production surveys on an integrated basis.

The Standing Technical Committee on Indices of Input Cost submitted its first report in November, 1976. The Standing Technical Committee recommended *inter-alia* that a Comprehensive Scheme should be introduced for studying the cost of Cultivation of Principal Crops on an All-India basis. The Government of India decided in 1968 to launch the Comprehensive Scheme for studying the cost

of Cultivation of Principal Crops. The results from this Scheme have started becoming available to the Commission only recently. While formulating its views on the level of Administered prices for any crop—jute, in the present case—the Commission examines the estimates of cost of production as made available by the Directorate of Economics and Statistics, Ministry of Agriculture and Irrigation on the basis of Comprehensive Scheme for Studying the Cost of Governments. It may be mentioned that the Comprehensive Scheme generates estimates based on the scientifically designed surveys involving representative sampling and cost accounting method for collection of data in respect of input and output.

Since the estimates of cost generated under the Comprehensive Schemes for Studying the Cost of Cultivation of Principal Crops relate to a past year, the time lag differing from crop to crop and State to State, information on possible changes that might subsequently occurred therein is taken into account.

The cost estimates, generated under the Comprehensive Scheme, do not pertain to any particular grade or variety of the crop in question but represent the average cost of different grade and varieties produced in a State. The appropriateness of the level of the minimum support price for any particular grade/variety has, therefore, to be seen by comparing reliable estimates of cost in respect of any State with the weighted average of the corresponding minimum support prices for the different varieties/grades of the crop in that State.

Finally, it may be stated that the Commission is a recommendatory body and recommends the administered prices for agricultural commodities including jute. The actual price policy is decided upon by the Government. While formulating its recommendations on the price policy for major agricultural commodities, including jute, the Agricultural Prices Commission works within the broad framework or its terms of reference (Annexure II).

In deciding upon the price policy for any crop, the Commission takes a comprehensive 100 per cent at the entire crop economy, and considers, *inter alia*, the available estimates of average cost of production, possible changes in input prices, international aspects and changes effected in the administered prices for the competing crop. The Commission also takes into consideration the changes in the relationship between the prices of jute and paddy and the trends in the prices of raw jute and jute products and examines the effectiveness and the measures taken by the Government to stabilise prices

of jute, purchase and sale policy of the Jute Corporation of India and its impact on prices received by jute growers, progress of jute development programmes in the major jute growing States, etc. Thus, while due regard is paid to all the relevant factors in arriving at its recommendations, the Commission does not adopt any mechanical approach in this connection.

For assessing the impact of variations in the prices of raw jute on the cost of production of jute goods in a more detailed and scientific manner, Ministry of Industry has asked BICP to undertake this study. The finding of BICP would be made available to Agricultural Prices Commission.

The terms of reference of the Commission enjoin it "to advise on the price policy of agricultural commodities with a view to evolving a balance and integrated price structure in the perspective of the overall needs of the economy and with due regard to the interests of the producer and the consumer." The terms of reference of the Commission also provides that the Commission may keep in view (i). The need to provide incentive to the producer for adopting improved technology and for maximising production; (ii) The need to ensure rational utilisation of land and other production resources; (iii) The likely effect of the price policy on the rest of the economy, particularly on the cost of living, level of wages, industrial cost structure, etc.

The following observation of the Jha Committee on Foodgrain Prices on whose suggestion the Agricultural Prices Commission was set up would clarify the term "overall needs of the economy".

"...Thus, while our terms of reference pertained only to important foodgrains, we feel that as the Agricultural Prices Commission would be advising on a long-term basis, it is necessary that it should be concerned with the price policy of all important agricultural commodities and not merely foodgrains ... It is desirable that the price policy of all agricultural commodities should come within the purview of the Agricultural Prices Commission, so that a balanced and integrated price structure can be evolved and the claims of the competing crops on limited resources can be resolved in the perspective of the overall needs of the economy....." (Page 17).

[Department of Industrial Development, O.M. No. 20/16/78-
Jute(ii) dt. 15-12-1978].

Recommendation (No. 7)

The figures relating to international prices of jute manufactures, which form the basis of the viability of the jute industry as put forward by the Agricultural Prices Commission, are supplied to the Commission by the Jute Commissioner. The Jute Commissioner has himself admitted during evidence that in the jute industry.—

“There is considerable amount of malpractice”.

This leaves no doubt that the figures collected by the Jute Commissioner and furnished to the Agricultural Prices Commission are not the true figures and might not, therefore, be relied upon in the matter of determination of viability of the industry.

(Paragraph—104)

Reply of the Government

While it is true that there are certain malpractices prevailing in the marketing of raw jute and jute goods, but this is true of all trade in general. However, all available evidence collected from Jute Commissioner's own sources, like the Indian Jute Industries, New York, State Trading Corporation's office in New York, and our Consulate office as also the study reports of the World Bank, FAO etc., indicate that jute goods are facing stiff competition in the international market from synthetic substitutes in terms of price. The figures furnished to the Commission by the Jute Commissioner about the comparative market prices of jute and equivalent synthetic products in US market were based, according to the Jute Commissioner, on reports received from thoroughly reliable sources. It is a well known fact that jute industry depends to a large extent on the external markets for its sustenance. The rapid erosion in export demand in the recent years as a result of acute competition from synthetics as borne out by the statistics has adversely affected the viability of the industry in general. This has manifested itself in frequent closure of mills due to uneconomic operation for a prolonged period, unremunerative market prices of jute goods etc.

[Department of Industrial Development O.M. No. 20(16)78-Jute
(II) dated 15-12-1978.]

Recommendation (No. 8)

Regarding the examination of the recommendations of the Agricultural Prices Commission by the Ministry of Industry (Previously

the Ministry of Commerce), the Committee regret to observe that in spite of pointed notes at junior levels on the files of the Ministry, that in various forums including the Parliament it has been represented that the minimum price fixed is unrealistic inasmuch as cost of production had gone up and the price fixed had no relevance to the price of paddy, no serious effort appears to have been made at any higher level in the Ministry to take their decisions on the reality of the situation. On the other hand, the Committee find that though the Ministry of Commerce had, in a note dated 14-5-74 relating to the 1974-75 seasons come to the conclusion that on the basis of a set of circumstances provided during that year, a pricing level of Rs. 167.50 per quintal for raw jute was reasonable, the position was altered in the very next sentence by stating that once a level of that nature was statutorily fixed it might be difficult to lower the figure if a different set of circumstances so warranted.

(Paragraph No. 105).

Reply of the Government

In the note dated 14-5-1974 recorded in the Ministry of Commerce, a price of Rs. 167.50 per quintal for raw jute was considered reasonable for the Assam Bottom variety landed at Calcutta. On this basis, the price of Assam Bottom in the primary markets in Assam worked out to about Rs. 135 per quintal. However, taking into account various policy considerations, the Government of India finally decided to accept the recommendation of the Agricultural Prices Commission and the price of Rs. 125 per quintal for Assam Bottom in Assam was fixed for 1974-75 season.

[Department of Industrial Development O.M. No. 20(16)78-jute dated 15-12-1978].

Recommendation (No. 9)

As a result of detailed discussion with representatives of the Directorate of Economics and Statistics, the Agricultural Prices Commission and the Ministry of Industry and on the basis of notings in the Ministry's file, the Committee have come to the definite conclusion that all those whose opinions matter in the formulation and announcement of minimum statutory price of raw jute are solely concerned with looking after the interests of the jute industrialists and jute tycoons, and it is no body's concern to bother about the interests of the poor grower so as to ensure him a remunerative price for his survival. In this situation, the Committee see a serious danger of the cultivator of jute being forced to switch over to other crops, with resultant fall in production of raw jute in the years to come

leading to a devastating effect on the jute industry, the survival and development of which are so essential not only from the point of view of earning of foreign exchange but also for maintaining continuity of employment for over two lakh workers, who are also in a miserable state directly engaged by the industry. The Committee are astonished to note that even at the level of the Cabinet Committee on Food and Agriculture, which takes a final decision in regard to the minimum statutory price for raw jute, importance has been attached only to the interests of the jute industry, with the result that even the legitimate interests of the poor growers have not been cared for. For example, in the matter of fixation of minimum statutory price for the 1976-77 season, the said Cabinet Committee reduced Rs. 5 per quintal even from the price recommended by the Agricultural Prices Commission and supported by the Ministry of Commerce.

(Paragraph No. 106)

Recommendation (No. 11)

The Committee need hardly stress that fixation of minimum statutory price of jute and other agricultural commodities without taking into full consideration the actual cost of production and ensuring a fair return on investment has resulted in continued depression of prices of agricultural products over the years. This has led to fast impoverishment of the rural areas in the jute growing States most of which are in Eastern Zone, and worsening of living conditions in the villages as also the drift of population to the urban areas. The Committee feel that if the rural economy is to be strengthened and the peasants are to be prevented from getting perished, it is imperative that the price of jute and other agricultural products is fixed realistically in such a manner as would ensure the cultivator a fair and remunerative return.

(Paragraph—108)

Recommendation (No. 12)

The Committee consider that the Agricultural Prices Commission has no business, unless they had a motive behind this, to go in for verification of viability of the jute industry, whilst their assignment is to acquaint the Government about the fair remunerative price of the commodity. It is quite clear to the Committee that the Agricultural Prices Commission (headed by Dr. Dharam Narain) and the Economic and Statistics Directorate (headed by Shri Ram Saran) were more concerned about the profits of the 'Industry' rather than ensuring a remunerative price for the agriculturists. In the opinion

of the Committee the industry should, in the first instance, be made to pay fair and remunerative price for raw jute to the cultivator which, as already recommended by the Committee, should not be less than Rs. 447.64 per quintal (1977-78) for the bottom grade. Thereafter if the Government after thorough verification find that it is not really possible for the Industry to compete in the foreign market, the Government of India may, after fully satisfying themselves about the genuineness of the industry's claim, subsidise them suitably, if necessary, to make their products competitive in the interests of export earnings for the country.

(Paragraph No. 109)

Reply of the Government

The minimum support price provides a floor below which, in the event of a glut in the market, prices of the crop in question should not be allowed to fall and the producer should be assured that any quantity of the produce offered by him would be purchased by the Price Support Agency at that price. The actual price realised by the grower is determined by the Market prices the level of which could be regulated through operation of a public sector agency charged with the responsibility of lending support to the prices and also for making commercial purchases in the market. The Commission has been emphasising on the need for the extension of ambit of the operation of the Jute Corporation of India, that would enable the farmer to realise a fair share of the final price paid by the manufacturers. For instance, in its Report on Price Policy for Raw Jute for the 1974-75 season, the Commission observed that:

"...a mere increase in the minimum support price for—jute would not be of much avail unless inadequacies in the existing machinery for rendering support to the grower—highlighted once again by the experience in the current year—are expeditiously overcome. In view of the localised consumption of jute in an around Calcutta and in the absence of a geographical dispersal of the processing facilities for jute, the physical bottlenecks of transport and storage in respect of the upcountry markets become acute particularly in a year of good crop. In fact, as already mentioned, in so far as the jute mills in the Calcutta tend to concentrate their purchases in the nearer markets, it is the distant upcountry markets that feel the brunt of the excessive jute supplies of a good crop year. In order therefore to render effective support to the grower, the Jute Corporation of India should extend the ambit of its

operations and make sizeable purchase in the upcountry markets where the need for support is felt most".

(Pages 4 and 6)

The Commission has been laying stress on the need for providing adequate funds to the Jute Corporation of India not only for making support purchases but also for commercial purchases. In addition, the Commission has also recommended that growers should be brought into direct contact with the institutional apparatus designed for undertaking support operations.

In addition to laying emphasis on the extension of the ambit of the operation of the Jute Corporation of India, the Commission has been making recommendations in regard to the improvement in the marketing infrastructure, elimination of various intermediaries, reduction in the margins of the intermediaries, increase in the per hectare productivity of the fibre through developmental programmes thereby resulting in the reduction in the unit cost of production and improvement in the quality of jute, all directed towards increasing the actual price realised by the growers and thereby improving his share in the final price paid by the ultimate consumer for his produce.

While the Commission has been keeping in view the major objectives of providing an incentive price to the farmer and has, therefore, been recommending such changes in administered prices as are warranted by the aforesaid economic considerations, it has been of the opinion that the profitability for the farmer can be increased not only through increases in the prices of his produce but also through increases in per hectare yields and reductions in the unit cost of production of the agricultural commodities. In fact, the need for exploring the possibilities for reducing the unit cost of production either through a reduction in the prices of crucial inputs or through measures that aim at a better use of modern inputs or through the development and adoption of a better technology, assumes particular importance, given the over-riding imperative for maintaining general price stability. The Commission has thus been stressing from time to time on measures that would help reduce the per quintal cost of production and enable the farmer to derive higher real incomes per hectare. At its Report on Price Policy for Raw Jute for the 1973-74 season, the Commission has observed that "for a sustained betterment of the jute economy, the unit cost of production has to be reduced through a technological advance in the cultivation of the fibre. Since, when the need is for increasing the

production of jute as well as rice, an excessive reliance can obviously not be placed on a reshuffling of acreage between the crops, price policy can at best be a necessary adjunct to, rather than a substitute of, a well-conceived programme for raising productivity per hectare across the board".

That apart, the terms of reference of the Commission, enjoin it to study, *inter alia*, the likely effect of the price policy on the rest of the economy, particularly on the cost of living, level of wages, industrial cost structure, etc. Also, the demand for raw jute is a derived demand depending upon the demand for jute goods in the domestic as well as in the international markets.

The assence of Committee's recommendation is subsidising raw jute. Besides other considerations, the financial implications of this suggestion make it difficult for the Government to accept. However, both the scale and the scope of the operations of the JCI is being gradually widened so that the impact of its operations and full benefits thereof reach the growers. For the current season, JCI's plan of operations had envisaged procurement of a minimum of 15 lakh bales out of which at least 20 per cent was to have been made direct from the primary markets so that the presence of the JCI is felt in the rural areas among the farmers. This percentage was to be progressively increased in the coming years. The Government of all the jute growing States have been requested to strengthen and expand the coverage of the cooperative sector which is expected to help JCI not only in its procurement operations but in extending its primary markets coverage to the maximum extent possible. The JCI's operations would not be limited to price support only but would extend to commercial purchases as well.

Against a procurement of 68,000 bales in 1977-78, procurement of the JCI as on 13-12-1978 was over 6 lakh 60,000 bales. As a result of Corporation's intervention in the market as a part of its commercial operations, the prices of raw jute have ruled well above the statutory minimum levels this year.

[Department of Industrial Development, O.M. No. 20/16/78-
Jute (II) dt. 15-12-1978]

Recommendation No. 10

It is a matter of deep regret that the Ministry of Agriculture & Irrigation especially the Directorate of Economics & Statistics (Adviser Shri Ram Saran—till recently also Member secretary, Agricultural Prices Commission), and the Agricultural Prices Commission (Chairman Dr. Dharam Narain) who are supposed to further the cause of agriculturists have acted as the bitterest enemies of the

jute growers in that they completely sided with the jute tycoons and opened flood-gate of exploitation by the latter. The Committee also are positive that the Commerce Ministry too was wholly an abettor in this wfarious game.

(Paragraph No. 107).

Reply of the Government

The observation made in the paragraph that the Directorate of Economics & Statistics and the Agricultural Prices Commission have acted as the bitterest enemeies of the jute growers in that they completely sided with jute tycoons, is not shared by the Ministry of Agriculture in view of the replies given by them to earlier recommendations.

[Department of Industrial Development, O.M. No. 20/16/78-Jute (II) dt. 15-12-1978]

Recommendation No. 13

The Committee, however, very strongly feel that one of the real solutions to the problem lies in the nationalisation of the entire jute and jute goods export trade.

(Paragraph No. 110)

Reply of the Government

It is true that the jute industry has not been managed in an ideal manner during the last decade. The profits, which accrued to the industry, were not ploughed back for the purpose of renovation and modernisation of the industry which could have brought about cost reduction to a substantial extent and made the industry competitive vis-a-vis synthetics in the overseas markets. Because of apprehension of large scale manipulation in the purchase of raw jute by the mills as also over/under invoicing, representations have been voiced from time to time for nationalisation of jute industry.

Nationalisation of such a huge industry like jute industry, whose problems are admittedly diverse and complex, requires considerable preparatory action. A heavy investment would be immediately necessary from the side of the Government to give effect to such a programme. In the present state of our economy, it is doubtful whether investment of such an order would be forthcoming. Secondly, huge organisational infrastructure would have to be built up to meet the various problems inter-linked with such nationalisation of the industry. Government does not have the machinery to take over and run an industry of this size nor would the resourcs position permit nationalisation at present. The capital base of the industry has been eroded substantially and our immediate concern is to maintain exports at the existing levels in order to keep the industry going. It is, therefore, felt that any disturbance of the status

quo at this stage will not be, perhaps, in the interest of the industry and therefore of the labour.

[Department of Industrial Development O.M. No. 20(16)78—
Jute (II) dated 15-12-1978]

Recommendation No. 17

In conclusion, the Committee cannot help expressing a feeling of utter distress over the fact that as against the true first cost of cultivation of jute of Rs. 344.34 per quintal in West Bengal, the fixation of minimum statutory price has all along been fraudulently based on a deliberately depressed figure of cost of cultivation of about Rs. 116 per quintal. As a result, the poor jute grower has every time been giving a pound of flesh with his jute. This big fraud has been played upon him by persons in authority at the national level.

From the written material received by the Committee from different sources and the tenor of evidence tendered before them by the Statistical Adviser in the Directorate of Economics and Statistics (Shri Ram Saran—till recently also the Member-Secretary of the Agricultural Prices Commission), the Chairman of the Agricultural Prices Commission (Dr. Dharam Narain), representatives of the Ministry of Agriculture and Irrigation and representatives of the Ministry of Commerce, (Industry), the Committee have no doubt that in the entire process of collection, compilation and publication of data relating to cost of cultivation of jute and of fixation and announcement of minimum statutory price for raw jute, all these agencies instead of safeguarding the cause of the impoverished agriculturists, have acted as the bitterest enemies of the poor jute growers in that they completely sided with the jute industrialists and jute tycoons and thereby opened flood-gate of exploitation of the poor jute cultivator by the jute industrialists and traders. The Committee also find that the Cabinet Committee on Food and Agriculture, at the material time was also a party. There is, therefore, no doubt that the entire machinery was positively working for the jute industry and the jute traders' lobby, and in this process many palms must have been greased.

(Paragraph No. 115)

Reply of the Government

The position has been explained earlier with reference to the recommendation in para 99 of the report.

[Department of Industrial Development O.M. No. 20(16)78—
Jute (II) dated 15-12-1978]

Recommendation No. 18

The Committee look upon this sort of arrangement as a different and dangerous category of economic offence having far reaching consequences, and it is the bounden duty of the Government to ensure that the commission of such an offence is no more allowed to be perpetuated. For this purpose, there is imperative need for immediate setting up of a special cell in the C.B.I. where a co-ordinated functioning of investigating official, economists, sociologists etc. should be organised forthwith. In the commission of this offence, the role played by the Directorate of Economics and Statistics (With Shri Ram Saran as Statistical Adviser) and the Agricultural Prices Commission (under the Chairmanship of Dr. Dharam Narain) is conspicuous and needs to be thoroughly and specially investigated, with a view to fixing of responsibility and awarding of exemplary punishment to those found guilty. Pending conduct of such investigations, the top officials of these two organisations must immediately be replaced. In making this observation, better though it may be, the Committee are mindful of the fact that 'prevention is better than cure' and if Government is able to prevent commission of this sort of offence, it will prevent many more evils which arise as an outcome thereof, including malpractices indulged in by the jute industry which generate huge amount of black money running into hundreds of millions of rupees every year.

(Paragraph No. 116)

Reply of the Government

The Ministry of Agriculture have stated that the estimates of cost of cultivation/production of jute, as estimated by the Government of West Bengal and based on the Comprehensive Scheme, have been fully discussed in reply to recommendation No. 99 of the report. The replies given to the earlier recommendations would clearly show that the charge of the Committee that deliberate attempt has been made by the senior officers of the Ministry to depress the cost of production of jute so as to harm the interests of the Jute growers is unjustified. Therefore, there is no ground for instituting an inquiry into the matter or replacing the concerned senior officers.

[Department of Industrial Development O.M. No. 20(16)78—
Jute (II) dated 15-12-1978]

Recommendation No. 19

Coming now to the fixation and announcement of minimum statutory price for raw jute on the basis of realistic calculations of

the true cost of production of jute, the Committee are positive that such a price has to be remunerative to the jute grower in whose survival lies the future of the jute industry which has manifold impact on the country's economy and employment potential. From this point of view, there can be no two opinions about the fact that on the basis of the scientifically collected latest data of the Government of West Bengal, the true first cost of cultivation of jute (including reaching the primary market) is of the order of Rs. 344.34 per quintal (1977-78). To this must be added a return of 30 per cent to the grower, which has been stated to be only just and fair by the representatives of the Government of West Bengal which is by far the largest Jute growing State and where the survival of the peasantry is very much wedded to the jute prices. On this basis, the minimum price that must reach the hands of the jute grower works out of Rs. 447.64 per quintal (1977-78), which the Committee strongly recommend for adoption as the minimum statutory remunerative price. The Committee are also of the considered and confirmed view that this minimum price should apply to the bottom grade of jute in the primary markets and for better grades, incentives should be given to the growers in the form of increased prices.

(Paragraph No. 117)

Reply of the Government

The cost estimates furnished by the Government of West Bengal for jute for 1977-78 have been discussed in reply to recommendation No. 2 of the report. An addition of 30 per cent over and above this cost of production, for the fixation of minimum statutory price of jute will be altogether unrealistic as already explained in reply to recommendation No. 5 of the Committee.

[Department of Industrial Development O.M. No. 20(16)78—
Jute (II) dated 15-12-1978]

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWARDED

Recommendation No. 16

Another aspect of announcement of minimum statutory price for raw jute relates to the markets in respect of which such minimum statutory price is announced. In this connection, the Committee find that while upto and including the 1973-74 season, minimum prices of jute were announced for Calcutta, the position was changed from 1974-75 onwards when minimum prices began to be announced only for the up-country markets and not for Calcutta. This was undoubtedly done by the authorities concerned in order to help the jute industrialists and jute tycoons to extend the field of plunder at the cost of jute growers. There is ample evidence available in the material furnished to the Committee that though the Jute Commissioner has been pressing for announcement of the price for Calcutta market also, and the Ministry of Commerce have been supporting that demand, the prices continued to be announced only for up-country markets because of opposition from the Ministry of Agriculture. This has not surprised the Committee. In 1974-75, the proposal for announcement of the minimum statutory price for Calcutta market was opposed by the Chairman, Agricultural Prices Commission (Dr. Dharam Narain), and the proposal was ultimately dropped on the ground that the situation had since changed and the market prices in Calcutta Market ruled very high with the result that no need was felt to fix the minimum price for the Calcutta market. What has astonished the Committee further is the fact that in 1976-77 seasons, even when the prices of raw jute fell below the statutory minimum price, the request of the Jute Commissioner for announcement of minimum statutory price for Calcutta was not taken seriously at the Government level. The reason is not at all difficult for the Committee to understand.

Both the Managing Director of the Jute Corporation and the Jute Commissioner have, during evidence, pressed for announcement of a minimum statutory price for the Calcutta market to avoid dampening of the prices there by the Jute Mills with consequent depressing results on the prices in the up-country markets. The Ministry

have also accepted the need for the same. The Committee, therefore, see no valid reason why a minimum statutory remunerative price of jute for Calcutta market should not be announced immediately. They, therefore, require that minimum statutory remunerative price for Calcutta market should also be announced by Government immediately.

(Paragraph Nos & 114)

Recommendation No. 21

The Committee also strongly recommend that Government should as well announce minimum statutory remunerative prices for the Calcutta markets by adding suitable and realistic transport and other charges involved in bringing jute to Calcutta from the areas where it is grown, including its handling and keeping.

(Paragraph No. 119)

Reply of the Government

The Agriculture Prices Commission had, till 1969-70, been recommending the minimum support price for Assam bottom white jute for delivery at Calcutta; for derivative prices for upcountry markets, it had been recommending that these might be fixed by the Jute Commissioner. Accordingly, minimum support prices were fixed for Calcutta for different varieties and grades of jute by the Jute Commissioner. For different upcountry markets, Jute Commissioner fixed the derivative prices on the basis of differentials on account of freight and incidental charges as between Calcutta and the secondary markets for one important secondary market in each of the important jute growing States.

While submitting their recommendations for fixation of statutory minimum prices of raw jute for 1970-71 season, the Agricultural Prices Commission stressed the need for rationalisation of freight and other incidental charges by the Jute Committee for fixing the price for upcountry markets. In pursuance of this recommendation, it was decided that the derivative minimum price for upcountry markets should be worked out in such a way that differential on account of freight and other incidental charges between Calcutta and upcountry markets did not exceed Rs. 17.41 per quintal.

This maximum differential of Rs. 17.14 per quintal in the prices of raw jute in Calcutta and in the upcountry markets on account of freight and other incidental charges was reduced to Rs. 15 and Rs. 12 per quintal in 1972-73 and 1973-74 season respectively on the recommendation of the Agricultural Prices Commission. These price

differentials were not related to the actual costs of freight and other incidental charges.

In their report for 1974-75 season, the Agricultural Prices Commission noted that "a narrowing, over the years, of the differential allowed in the minimum support prices fixed for Calcutta and the upcountry markets has produced a two-fold effect; on the one hand, it has presently resulted in a uniform support price for the same variety of jute in the different upcountry markets and, on the other, since the differential now falls short of the actual cost of movement between Calcutta and, the upcountry markets, it has given rise to the malpractice of the private purchaser of jute paying to the grower the minimum support price fixed for Calcutta minus the actual cost of movement, thereby depriving the grower of the benefit of the support prices fixed for these markets." Consequently, the Commission recommended that the practice of fixing a minimum price of raw jute delivered at Calcutta from which the corresponding prices for the upcountry markets were to be derived should be stopped and instead a support price at the growers' level which, for a given variety and grade, would be uniform for the different upcountry markets should be fixed. Accordingly, a uniform statutory minimum price for raw jute was fixed for all the upcountry markets, instead of for Calcutta.

For 1975-76 season also, the same principle of fixing statutory minimum price for upcountry markets rather than for Calcutta was continued. However, one important departure was made that while fixing the prices for the various upcountry markets, besides the varietal and grade differentials, differentials in freight and other incidental charges were also taken into account and consequently prices for different upcountry markets were fixed at different levels for comparable varieties and grades of jute.

For 1976-77 season, the system of fixing different minimum prices for different upcountry markets depending upon the freight and other incidental charges from Calcutta as adopted in the previous season was continued. Since then this system continues.

According to the Ministry of Agriculture, the system of fixing statutory minimum prices for upcountry markets rather than for Calcutta was adopted solely for protecting the interests of the upcountry growers who were being deprived of their rightful dues under the previous system. On the other hand, such a practice of uniform prices for comparable grades in all upcountry markets is likely to drive Jute Corporation of India increasingly to upcountry

markets for procurement operations and make it difficult for it to sell the produce in Calcutta markets till the local supplies are almost exhausted.

The Ministry of Industry has, therefore, taken up the matter with Agriculture Ministry and trying to persuade it to agree to the view that the statutory minimum prices should be fixed for Calcutta as well as for the upcountry markets.

[Department of Industrial Development, O.M. No. 20/16/78-Jute (ii), dated 17th January, 1979].

NEW DELHI;

JYOTIRMOY BOSU,

March 30, 1979.

Chairman,

Chaitra 9, 1901 (Saka).

Committee on Public Undertakings.

APPENDIX 1

(Vide reply to recommendation at Serial No. 2)

Comparative statement showing the Cost of Cultivation/Production of Jute in West Bengal based on the data collected under the Comprehensive Scheme & the estimates generated by the Government of West Bengal.

Items	Based on Comprehensive Scheme			Govt. of West Bengal estimates	
	1974-75	1975-76	1976-77	1975-76	1977-78
Human Labour :					
Family	451.71	428.22	390.29	709.06	710.09
Hired	405.24	505.37	515.48	1195.23	1236.63
TOTAL	856.95	933.59	905.87	1904.29	1946.72
Bullock Labour (Owned & Hired)	317.16	357.47	442.32	398.06	312.97
Seed	50.78	49.18	81.63	52.29	47.04
Fertilizer and Manure .	147.07	289.91	334.86	142.25	157.62
Plant Protection .	3.90	0.71	17.84	25.61	31.80
Irrigation	1.13	2.90	..	37.30	28.49
Interest on Working Capital .	28.92	37.67	43.50	372.57	1541.50
Interest on Fixed Capital .	64.14	82.59	87.47		
Rental Value of Owned Land	587.40	636.52	575.72		
Rent paid for leased-in-land	20.34	33.00	77.10	73.75	
Land Revenue, Cesses etc. .	15.51	13.09	12.74	13.86	14.05
Depreciation	7.42	7.56	6.80	54.54	128.44
Marketing Charges . . .	..	..	..	9.21	220.59
Miscellaneous . . . .	..	..	..	12.79	53.72
Management Charges . .	..	..	..	301.39	1186.08
Total Cost per hectare .	2100.76	2444.19	2591.85	3397.91	5874.23
Yield per hectare (quintals) .	16.87	16.77	16.45	17.9	15.56
Value of by-product per hectare (Rs.)	135.85	219.95	315.70	178.73	207.90
Cost per quintal (Excluding by-product)	116.47	132.63	138.37	179.74	344.34

APPENDIX II

(*vide* reply to recommendation at Serial No. 6)

AGRICULTURAL PRICES COMMISSION

(Ministry of Food and Agriculture, Department of Agriculture, Resolution No. 6-2/65-C(E), dated the 8th January, 1965).

The terms of reference of the Commission are as follows:

1. To advise on the price policy of agricultural commodities, particularly paddy, rice, wheat, jowar, bajra, maize, gram and other pulses, sugarcane, oilseeds, cotton and jute with a view to evolving a balanced and integrated price structure in the perspective of the overall needs of the economy and with due regard to the interests of the producer and the consumer.

1.1. While recommending the price policy and the relative price structure, the Commission may keep in view the following:—

- (i) The need to provide incentive to the producer for adopting improved technology and for maximising production;
- (ii) The need to ensure rational utilisation of land and other production resources;
- (iii) The likely effect of the price policy on the rest of the economy, particularly on the cost of living, level of wages, industrial cost structure, etc.

1.2. The Commission may also suggest such non-price measures as would facilitate the achievement of the objectives set out in 1 above.

2. To recommend from time to time, in respect of different commodities, measures necessary to make the price policy effective.

3. To examine, where necessary, the prevailing methods and costs of marketing of agricultural commodities in different regions, suggest measures to reduce costs of marketing and recommend fair price margins for different stages of marketing.

4. To keep under review the developing price situation and to make appropriate recommendations, as and when necessary, within the framework of the overall price policy.

5. To keep under review studies relating to the price policy and arrangements for collection of information regarding agricultural prices and other related data and suggest improvements in the same.

6. To advise on any problems relating to agricultural prices and production that may be referred to it by Government from time to time.

7.* To undertake studies in respect of plantation crops in the manner prescribed by Government from time to time.

8. The Commission will maintain close touch with other agencies dealing with matters having a bearing on prices and production, including the Steering Group on Wages, Incomes and Savings Policy and the Food Corporation of India.

The Commission will determine its own procedures. It will be free to call for notes, memoranda, results of studies, data and any other material relevant to its work from official and non-official bodies, and hold discussions with them.

The Commission will submit reports to Government as and when necessary in respect of different commodities or groups thereof.

*Amended by Government of India Resolution No. 6-32/69-Econ. Py. dated May 26, 1970.