

A Seminar Paper

ON

Study on Marketing Channel of Jute in Bangladesh

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Study of Marketing Channel of Jute in Bangladesh

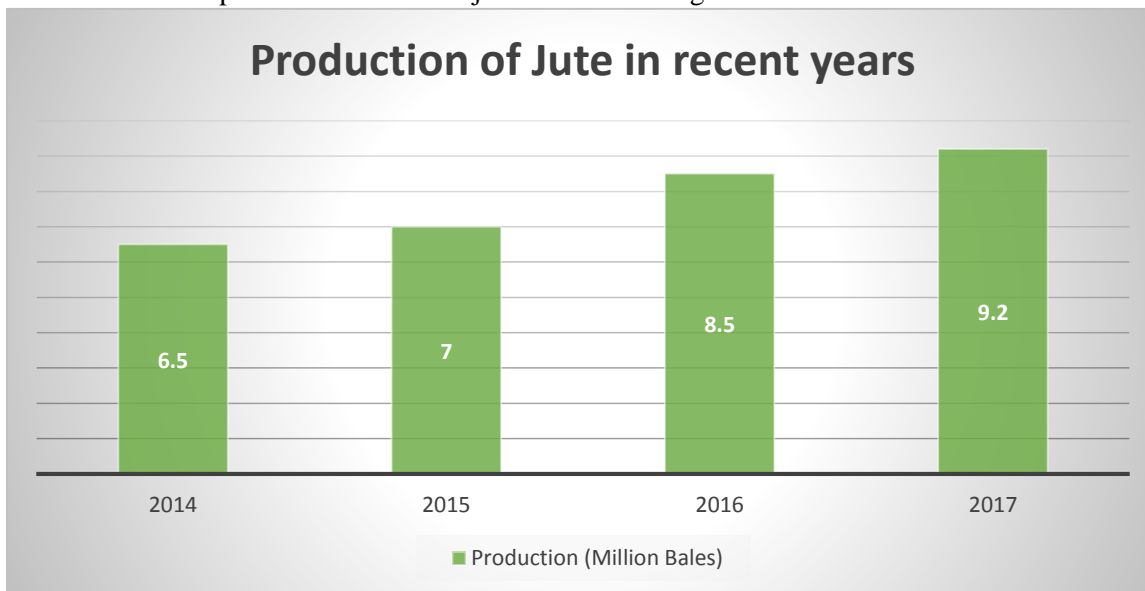
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Chapter 1

Introduction

The importance of the jute sector to the Bangladesh economy, in particular, cannot be overstated, it is a major cash crop for over three million small farm households. Also, it's the largest industry, producing about one-third of manufacturing output, and is the largest agricultural export commodity in Bangladesh. The livelihood of about 40 million people is dependent on jute - related activities (Roy, 2017). It is one of the few crops which can be grown in the monsoon season and can be rotated with rice to restore the soil fertility and structure. The leaves of jute plants enrich the fertility of the soil for sustained agriculture and have good nutrition value as vegetables. Jute fibre is 100 percent bio-degradable and recyclable and thus environmentally friendly (Moazzem , 2010).

Jute is not only our past glory but also our golden future. Jute is the new growth driver of Bangladesh's economy. Bangladesh earned \$962.42 million from jute exports in the 2016-17 fiscal year, as compared to \$918 million in FY2015-16 (BBS 2017). The world market for jute bags will reach \$2.6 billion in 2022, and Bangladesh can use this opportunity. Bangladesh is currently producing 33% of the total jute in the world, and exports 90% of the raw jute produced(Hossain et al, 2015). The country spent \$701 million on the import of jute pulp in 2017 (Bangladesh Economic Review, 2018). Millions of people in Bangladesh are directly or indirectly involved in the jute sector. The government has enacted the mandatory 'Jute Packaging Act,' and production of raw jute in the country is increasing every year.The following figure shows the production of jute in Bangladesh in the last four years.



(Source: Bangladesh Jute Mills Corporation).

This increased production have come mostly from better breeds and farm management rather than acreage expansion. While jute acreage increased only marginally over the past four decades, it's yield experienced a remarkably significant rise due mainly to better crop management, inputs, better breeds, and quality seeds. Bangladeshi scientists in recent years have decoded the genetic mapping of both tossa and deshi (local) jute opening up the opportunity to develop better quality fibers. Bangladesh now exports jute and jute goods worth \$1 billion, yet this could be raised to \$5-7 billion with proper policy guidelines. (Islam, 2017)

The study on the marketing channel of jute is useful for all persons involved in performing marketing functions. It has a great significance because referring to the marketing channel, one can judge whether or not the services of the intermediaries are provided efficiently and how they affect the raw jute market. However, raw jute is not the only jute product. In recent years, due to its environment-friendly nature, natural and diversified jute products have emerged as an immensely promising sector for Bangladesh economy. A total of 636 small and medium entrepreneurs are now producing 235 types of the diversified jute products (Ministry of textile and jute). These products include different types of bags, shoes, gardening products and a wide range of household and everyday items such as cushion and pillow, basket, floor cover, table stationeries, ornaments, show-pieces, share, ladies and gents dress and table mat. Jute fiber is also used in producing some unorthodox products like the boxes inside, body and other materials of the latest types of cars of World-renowned brands like BMW, Mercedes etc. Jute fiber of Bangladesh is now being used for producing suits, shirts, pants, and even jeans and denim.

Different countries in the world are now using ashes of jute sticks to produce carbon paper, ink of photocopier, mobile batteries, cosmetics, air-cooler, water filter, medicines, and fertilizers etc.

In the context of the recent trends in national and global jute markets, this study will be useful for the following reasons :

- This study will give insights into the current market situation of jute in relation to the changing trends in the jute market.
- This study will help the farmers or exporters to identify the best marketing channel for their jute and jute products.
- This study will try to identify problems that the actors of the market face and also suggest some solutions as well.

Objectives of the study

1. To identify the existing marketing channels for raw jute as well as jute products for both local and export markets.
2. To define the roles of different market intermediaries.
3. To identify the problems in the marketing of jute and recommend some solutions

Chapter 2

Materials and Methods

This seminar paper is extensively a review paper. So, naturally, all of the information is collected from different secondary sources. The researcher has gone through several secondary sources like national and international journals, research papers published in different websites on the internet, different books written on Marketing by renowned professors and scholars. Library facilities of Bangabandhu Sheikh Mujibur Rahman Agricultural University have been utilized by the researcher. Faculty of Agricultural Economics, BSMRAU has also been of great help. Articles on national and international newspapers have been viewed and reviewed to gather necessary information. The researcher has also gone through government databases like BBS(Bangladesh Bureau of Statistics) statistical yearbook, Yearbook of Agricultural Statistics, Jatiya Tathya Batayan, Government, and other national and international websites for accumulating updated information for the seminar paper. Last but not the least, the honorable course instructors and the Major Professor have provided their valuable advice and insights to help the researcher in preparing this Seminar paper.

Chapter 3

Review of Findings

3.1 Market Intermediaries in The Jute Market

The market participants or market intermediaries are those who take part in the process of marketing of jute. Marketing is the whole process of transferring a product from producer to consumer. It starts right after the harvesting of the product and ends when the buyer buys raw jute or jute products. These market intermediaries include *Faria*, *bepari*, *katcha balers*, *pucca baler*, exporters and millers. On the other hand, commission agents, internal and international brokers also participate as middlemen between the sellers and local/foreign buyers.

Most of the jute farmers have an inadequate holding capacity, which propels them to offload their produce by the earliest opportunity. The farmers sell their raw jute at their farmyards or in the nearest village markets to the *faria* and *bepari*. Besides, some large farmers also sell jute to *katcha balers* and millers. Most of the farmers sell their loose jute just after harvest for an immediate need for cash. It may be mentioned here that none of the selected farmers sold any jute to the government purchase centers of BJMC.

3.1.1 Producer

Producers are mainly jute farmers in this study. The producers not getting a fair price and their reduction of jute cultivation is the main reason that the study is being conducted. Jute farmers bear all costs of production and in most cases, they sell their products at farm gate or in nearest village Bazars to *faria* or *Bepari*. They don't have enough financial resources or land to have storage or proper transportation facilities.

3.1.2 Faria

The *faria* are the middlemen who purchase comparatively small quantities of loose jute directly from the farmers either at the farmyards or in the primary markets. They are mostly seasonal traders. Some may have other occupation such as operating small sized farms; sometimes pursue petty business or similar activities. They sell the unsorted jute to the *bepari*, *katcha balers* and millers. Their volumes of

business are generally small in comparison to other intermediaries and possess little capital. Usually, they do not have adequate storage facilities. They store loose jute for a short period (max. 15 days) at their dwelling houses.

3.1.3 Bepari

Generally the *bepari* purchase jute either from the farmers or from the *faria* and sell to *katcha balers*, *pucca balers* cum exporters and millers. Sometimes they sell jute to the government purchase centres directly or through *dalals*. The *bepari* can be divided into two categories – small and large *bepari*. The small *bepari* have a license on jute trading but they are not professional jute traders. Not only jute, they also trade in other crops like pulses, oilseeds, wheat, etc. They store all of the products in a common storehouse for a short period. They make their purchase mainly from the farmers and *faria* at the primary markets. They sell it either to the large *bepari* at primary markets or to the *katcha balers* and different commission agents at secondary markets. On the other hand, there are some large *bepari* both in primary and secondary markets who are professional jute traders and have owned or hired separate godown facilities. They purchase raw jute from farmers, *faria*, small *bepari* and sell it to the *katcha balers*, government purchase centers of BJMC, *pucca balers* cum exporters and millers either directly or through commission agents. They are independently organized and have salaried and casual labor. Generally, *faria* and *bepari* are licensed traders and together called ‘dealers of jute’ in Bangladesh. During 2015-16, the number of licensed dealers of jute was recorded 23103, whereas it was 22609 in 1990-91 (Podder, 1992).

3.1.4 Katcha Baler

The *katcha balers* collect loose jute mainly from the *faria* and small *bepari* and process it into *katcha bale*. Generally, they operate in the secondary markets and practice recognized commercial grades (*katcha bale*) and trade standards. They have storage facilities and ability to employ necessary staff. They sell processed jute (*katcha bale*) to the *pucca balers* cum exporters and *millers* either directly or through commission agents. Three categories of *katcha balers* maybe found namely: i) *katcha balers* with small turnover and local establishment; ii) *katcha balers* as the branch houses of the local firms with head office at terminal markets, and iii) *katcha balers* who serve as purchasing centres of different jute mills. During 2015-16, the number of licensed *katcha balers* was found 297, whereas it was recorded 868 in 1990-91 (Podder, 1992).

3.1.5 Pucca Baler

The *pucca balers* cum exporters generally operate in the terminal markets and process jute into *pucca bale* (182.25 kg) according to export grades for export or local sale. They prepare *pucca bale* either from loose jute or from *katcha bales* in their own presses or in other's presses on payment of baling charges. Currently, there are 57 *pucca presses* in Bangladesh during 2015-16 and it was found 49 in 1990-91 (Podder, 1992). While packing the bales, the *pucca balers* cum exporters put their bale marks. Each Exporter has a number of distinctive marks by which different grades of jute baled by him are recognized. These *pucca bales* are mostly exported, mills buy only a small portion. They are highly organized intermediaries in the raw jute marketing system and most of them have selected commission agents in the primary and secondary markets. Podder, (1992) found 113 *pucca balers* in Bangladesh during 1990-91 those are engaged only in pressed and packed of raw jute according to export grade. He also mentioned 140 raw jute exporters who exported raw jute after processing and baling it in their own or in others' presses on payment of baling charges. But the present study found that there was no difference between *pucca balers* and exporters. Generally, exporters are operated their business in the terminal market and before exporting, they converted their raw jute into *pucca bale* through a baling process either in their own presses or in others' presses. However, Molla, (2013) recorded 512 licensed *pucca balers* cum exporters in 2015-16.

3.1.6 Miller

The public and private jute millers purchase loose jute from the farmers and traders of jute either at the mill gates or through their purchased centers or commission agents in different parts of the country. BJMC functions through more than 125 purchase centers situated in different jute growing regions. All these centers are located in the operational premises hired from private sources/agents. The operational premises used by millers consist of import shed, assortment shed, bale press shed, bale storage go-down, office, and other establishments. In addition, the private jute millers also procure jute in bale form from *katcha balers* and *pucca balers* cum exporters. According to BJMC, the number of public and private jute millers in the country in 2015-16 stood at 27 and 192, respectively. But, the number of jute mills in the country in 1990-91 stood at 102 (Podder, 1992).

3.1.7 Commission Agent / Aratdar

Commission agents, also known as *aratdars*, have a fixed establishment in the market and operate as middlemen between any two jute traders. Commission agents can sometimes also be treated as *dalal* and the number of licensed *dalal* was 32 in 1990-91, who received a commission Tk. 6 per *pucca bale* (180 kg). Generally, they operate between large *bepari* and *katcha balers* or *pucca baler* cum exporters or

millers. The present study found 164 licensed commission agents (*aratdar*) in raw jute marketing system in Bangladesh during 2013-14. They do not invest a big amount of capital for operating the business. The appointing traders serve as a source of financing to purchase required raw jute for them. They are usually recognized by the government and have a license for operating the business. It can be noted that the variation in the number of all types of intermediaries over the years occur due to the obligatory annual licensing system in raw jute trading in the country. Some jute traders do not renew their trade license due to an unstable market condition of raw jute. Moreover, most of the large traders have more than one licenses of different categories of jute traders.

3.1.8 International Brokers

The International brokers help in negotiating sales of Pucca bales between exporters and foreign buyers. They received a fixed rate of commission of Tk 12.00 per Pucca bales from the exporters. In the sales and export process of *Pucca Bales*, these brokers play a pivotal role.

3.1.9 National and International Buyers

When *Pucca Balers* act as exporters, they sell the *pucca bales* directly to the *foreign buyers* through *international brokers*. However, the *foreign buyers* also buy processed jute fiber from *millers*. In this case, *millers* buy the jute from the *pucca balers* and sell them to *international buyers*.

3.2 Marketing activities performed by the Intermediaries

The activities that are performed by the market intermediaries are called marketing activities. They include buying and selling, transportation, storage, processing, pricing, brokering, financing, market information and so on. These activities are discussed in the following.

3.2.1 Buying and selling

Intermediaries	Purchased from (%)						
	Farmer	<i>Faria</i>	<i>Bepari</i>	<i>Katcha baler</i>	<i>Pucca baler</i>	Exporters	Mills
<i>Faria</i>	100.00	-	-	-	-	-	-
<i>Bepari</i>	77.25	22.75	-	-	-	-	-

Table 1.
Purchasing of
jute by
different
intermediaries

<i>Katcha</i> baler	9.05	18.32	60.46	12.17	-	-	-
<i>Pucca</i> baler/Exporter	-	5.46	76.94	12.33	5.27	-	-
Mills	-	-	24.12	34.69	41.19	-	-
Foreign buyer	-	-	-	-	29.97	52.32	17.71

(Source: Moniruzzaman *et al*, 2014)

The above table, which is taken from a survey conducted previously, shows that most of the intermediaries buy some form of jute from more than one other intermediary, such as, The *Farias* purchase their entire volume of jute from farmers. The *Beparis* on the other hand purchase 77.25 percent of jute from farmers and the rest 22.75 percent from *Farias*. The millers purchase 24.12 percent jute from *Beparis* through *Aratdars*, 34.69 percent, and 41.19 percent from *Katcha* balers and *Pucca* balers respectively. Foreign buyers purchase baled jute and jute goods from mills and *Pucca* balers through the intermediation of international brokers.

Table 2. Selling of jute by different intermediaries.

Farmers and Intermediaries	Sold to (%)						
	<i>Faria</i>	<i>Bepari</i>	<i>Katcha</i> baler	<i>Pucca</i> baler	Exporters	Mills	Foreign buyers
Farmers	58.40	29.74	10.16	-	-	-	-
<i>Farias</i>	-	36.23	47.55	16.22	-	-	-
<i>Beparis</i>	-	-	42.72	34.63	-	22.65	-
<i>Katcha</i> baler	-	-	2.56	58.59	9.07	29.78	-
<i>Pucca</i> baler/Exporter	-	-	-	1.53	23.52	35.12	39.83
Mills	-	-	-	-	-	-	91.48

(Source: Moniruzzaman *et al*, 2014)

The selling of different forms of jute is done by every intermediary as well as the farmer. The above table shows as such. The farmers sell 58.40 percent, 29.74 percent and 10.16 percent of their jute to the *Farias*, *Beparis* and *Katcha* balers respectively. The table also shows that *Farias* under survey sell their jute 36.23 percent, 47.55 percent and 16.22 percent of jute *Beparis*, *Katcha* balers and *Pucca* balers respectively. The *Pucca* balers who are also exporters sell a major portion of their jute to the foreign buyers (39.83 percent). They also sell 23.52 percent to the exporters and 35.12 percent to the mills. Jute mills sell their processed jute to the foreign buyers.

3.2.2 Transportation

Table 3. Modes of transportation used by farmers and jute traders (Source: Moniruzzaman *et al*, 2014)

Mode of Transportation	Farmers and Traders				
	Farmers (%)	Farias (%)	Beparis (%)	Katcha baler (%)	<i>Pucca</i> balers (%)
Head load	85.72	-	-	-	-
Carts/push carts	35.71	20	40	20	-
Rickshaw/van	28.57	70	40	-	10
Boats/mechanical boats	42.86	90	80	100	100
Truck	-	20	40	30	30
Rail	-	-	10	30	40
Vessel	-	-	-	-	20

The above table shows different modes of transportation used by the farmers as well as different intermediaries to move raw or processed jute from one place to another. As jute is a perishable commodity, it has to be moved very quickly when there are not enough storage facilities. It can be seen from the table that farmers and local intermediaries like *faria* and *beparis* use traditional transportation methods, while *katcha balers* and *pucca balers* use at least some sort of mechanical transports. It shows different percentages of vehicle use by different actors of the marketing system of jute.

3.2.3 Storage

Storage plays an important role in the marketing of jute. Farmers don't have storage facilities in most cases due to lack of financing. Here comes the role of the middlemen. Most of the middlemen like *faria*, *bepari*, *aratdar*, *katcha* and *pucca balers* provide some sort of storage facility, be it short or long term. Storage plays a crucial role in maintaining the quality of fiber. Average storage period for farmers is 2.5 months and traders is 3.5 months.

3.2.4 Financing

The following table shows the source of financing of different intermediaries.

Table 4. Sources of finance of jute producers and traders (Source: Moniruzzaman *et al*, 2014)

Farmers and traders	Sources			
	Own (%)	Friends and relatives (%)	Banks (%)	<i>Aratdars</i> (%)

Farmers	94.72	5.28	-	-
<i>Farias</i>	81.27	7.30	3.57	7.88
<i>Beparis</i>	62.96	11.65	15.37	10.04
<i>Katcha</i> balers	45.0	3.84	51.18	-
<i>Pucca</i> balers/exporters	16.71	-	83.29	-

This study shows that the farmers are self-financed. Own money constitutes about 81.27 percent of the investment in jute trade for *Farias* and 7.30 percent, 3.57 percent, and 7.88 percent invested money is provided by friends and relatives, banks and *Aratdars* respectively (as shown in table 4). Own money and borrowed money of the *Beparis* are about 62.96 percent and 37.06 percent, respectively. Out of the borrowed money, the *Beparis* receive 11.65 percent from friends and relatives, 16.37 percent from bank and rest of the money from *Aratdars*. The table 4 also shows that for the *Katcha* balers 45 percent of investment comes from their own money, 3.84 percent comes from friends and relatives and 51.18 percent is borrowed from commercial banks. In the case of *Pucca* balers or exporters, about 83.29 percent of the business money is borrowed from banks (BRAC bank, Sonali bank etc.) and the rest of the investment is self-financed. BRAC bank provides an interest rate of 13 percent and Sonali bank provides an interest rate of 15 percent, according to data of 2015.

3.2.5 Market Information

The following table shows the sources of market information used by the intermediaries.

Table 5. Sources of market information (Source: Moniruzzaman *et al*, 2014)

Farmers and traders	Sources			
	Visit to market and personal observation (%)	Fellow trader (%)	Telephone/ Mobile (%)	BJA and BJE marketing report (%)
Farmers	43	36	58	-
<i>Farias</i>	100	60	85	-
<i>Beparis</i>	70	63	100	-
<i>Katcha</i> balers	90	70	100	30
<i>Pucca</i> balers/exporters	82	48	100	100

The farmers got their market information through market visit and personal observation (43 percent). Other sources of market information for farmers were fellow traders (36 percent) and telephone/ mobile

(58 percent). All *Farias*, 70 percent *Beparis*, 90 percent *Katcha* balers and 82 percent *Pucca* balers/exporters stated that visit to markets and personal observation were the sources of their market information. Sixty percent *Farias*, 63 percent *Beparis*, 70 percent *Katcha* balers and 48 percent *Pucca* balers/exporters also reported that they received information about jute market from their fellow traders respectively. Eighty-five percent *Farias* and all *Beparis* *Katcha balers* and *Pucca balers/exporters* got market information with the help of telephone or mobile. All *Pucca balers/exporters* and 30 percent *Katcha* balers got market information from BJA/BJEA marketing reports (Table 5).

3.2.6 Pricing

Pricing is an important marketing function. Every intermediary performs this type of function. Farmer sets the price of the raw jute considering the cost of production that he has borne for producing jute. However, as jute is perishable and he doesn't have the option or financing to store jute indefinitely, sometimes he has to sell his jute at prices that don't cover his cost or doesn't give him enough profit to maintain a proper livelihood. On the other hand, the middlemen don't face such problems in general and in most cases, they get their desired margins by pricing the product accordingly.

The following table shows the Marketing margin obtained by the intermediaries due to their pricing.

Table 6. Marketing margins of all intermediaries (Tk/quintal) (Source : Moniruzzaman *et al*, 2014)

Intermediaries	Purchase price	Sales Price	Gross margin	Marketing cost	Net margin	Return over total Investment (%)
Farias	2000	2150	150	117.37	32.63	1.54
Beparis	2055	2247.5	192	143.43	48.57	2.21
Katcha balers	2237.5	2412.5	175	155.79	19.21	0.8
Pucca balers	2412.5	2750	337.5	201.2	136.3	5.21
Exporters	2412.5	2875	462.5	222.85	239.65	9.09
Total	-	-	1317	868.55	476.36	-

Marketing margin at a particular stage of a transaction can be defined as the difference between purchase price and sales price of a commodity. Total marketing margin is calculated by deducting the price received by the producers from the price paid by the consumers. The margin has to cover the costs involved in transferring product from one stage to the next and provide a reasonable return to those doing the marketing activities. The prices are more or less the same during October to December because of matching the supply and demand during this period.

3.3 Different Marketing Channels of Jute

A marketing channel includes people, organizations, and activities necessary to transfer the ownership of goods from the point of production to the point of consumption. It is the way products and services get to the end-user, the consumer; and is also known as a distribution channel. A marketing channel is a useful tool for management and is crucial to create an effective and well-planned marketing strategy.

In other words, the marketing channel or the distribution channel refers to a set of organizational bodies, isolated from the producer, which are involved in supplying of the product to the consumer. A marketing channel can also be defined as the sum of processes, people and activities that add value to a product.

3.3.1 Distribution Channels of Raw Jute

The different channels that are involved in the movement of raw jute from producer to final consumer or buyer can be depicted in the following figure.

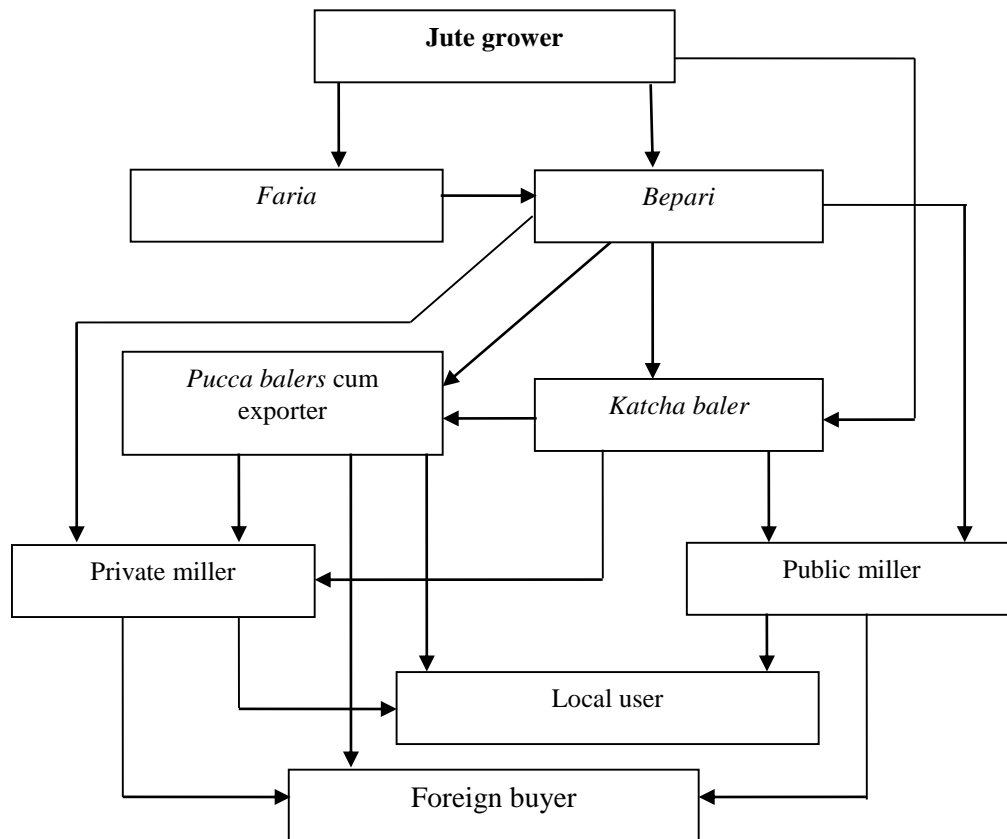


Figure 1. Marketing channels of raw jute

In the journey of raw jute from farmyards, till it reaches the mills or foreign buyers, a number of important channels can be identified. But all the channels are not equally important in most cases. According to the quantity of raw jute handled by the selected intermediaries in the channels, following major five channels can be identified.

Table 7. Raw jute flows through the following major marketing channels in the selected areas.

No.	Channels	% of product flows	Rank (I ₁)
I	Producers– <i>faria</i> – <i>bepari</i> – <i>pucca balers</i> cum exporters	34	1
II	Producers – <i>faria</i> – <i>bepari</i> – <i>katcha balers</i> – <i>pucca balers</i> cum exporters	16	3
III	Producers – <i>bepari</i> – millers	19	2
IV	Producers – <i>katcha balers</i> – <i>pucca balers</i> cum exporters	11	5
V	Producers – <i>katcha balers</i> – millers	13	4

(Source : Molla *et al*, 2015)

The above table also portrays the efficiency of these channels on the basis of percent (%) of raw jute transferred through the channels. The highest quantity of raw jute in this study can be seen to be routed through channel-I (Producer–*faria*–*bepari*–*pucca baler* cum exporter), which occupies around 34 percent of the total products followed by channel-III (19 percent), channel-II (16 percent), channel-V (14 percent) and the lowest was the channel-IV (11 percent). Therefore, channel-I is hereby identified as a prominent channel in the study areas according to the performance indicators. The channels show that apart from farmer-sellers, different categories of intermediaries participate in the marketing process of raw jute in the study areas. The market participants include *faria*, *bepari*, *katcha balers*, *pucca baler* cum exporters and millers. In addition to that, commission agents, internal and international brokers also participate as middlemen among the sellers and local/foreign buyers.

The jute farmers sell their produce at their homes or in the nearest village markets to the *Farias* and *Beparis*. *Farias* purchase loose jute in small quantities from farmers and other small dealers who may not possess any license. They sell unsorted jute to the *Beparis* who usually handle a large volume. The *Beparis* sold loose jute to the *Katcha balers*, *Pucca balers* and to the mills. *Katcha balers* purchased loose

jute from farmers, *Farias* and *Beparis* and processed it into *Katcha* bales. They mainly operate in the secondary markets. The processed jute is sold to the *Pucca* balers or exporters and jute mills through Dalals/brokers. *Aratdars* are the biggest traders in the marketing channel but are of limited number. The *Aratdars* are commission agents having fixed establishment who operate between traders of jute on the one hand and balers and mills on the other hand. They charge a fixed commission. *Pucca* balers buy jute in loose form from *Faria* and also in the form of *Katcha* bales from *Katcha* balers. They also procure loose jute from *Beparis* with the help of *Aratdars*. They sell it to the exporters and millers with the help of Dalals. Exporters operate in the terminal market and procure loose jute from dealers of jute and baled jute from *Katcha* balers and *Pucca* balers. They sell baled jute to the mills through Dalals while selling *Pucca* bales to the foreign buyers. Mills procure loose jute from *Beparis* with the help of *Aratdars*. They also buy baled jute from *Katcha* balers and *Pucca* balers through Dalals. Foreign buyers purchase *Pucca* bales of jute from exporters and purchase processed jute from mills with the help of international brokers.

3.3.2 Marketing Channels of Diversified Jute Products (DJP)

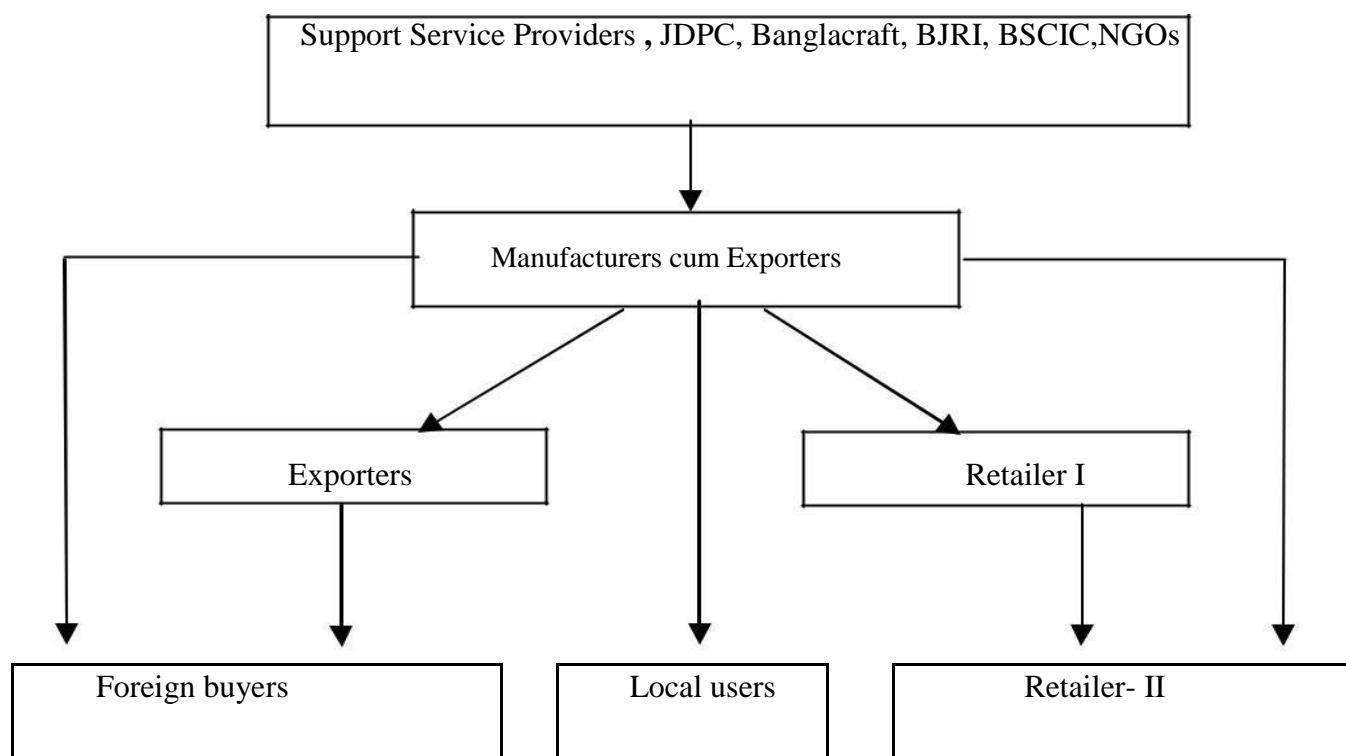


Figure 2. Channels of DJPs Marketing in Bangladesh (Source: Akhtar *et al*, 2014)

Different intermediaries participate in the DJPs marketing process in this study, who can be identified as manufacturers cum exporters, retailer-I, retailer-II, and exporters. In this study area, three major channels such as *manufacturers cum exporters–Retailer-I–Local consumers*, *Manufacturers cum Exporters–*

Retailer-II–Local consumers and Manufacturers cum Exporters–Exporters–Foreign buyers have been identified which is shown in Figure 2.

Manufacturers cum Exporters: Usually, the manufacturer cum exporters of DJPs have their own manufacturing plants where they can produce special jute fabrics as raw materials of DJPs. These fabrics are unique in the world for high-quality standard and finishing. To produce these jute fabrics, they use some machines that they buy from abroad. Each manufacturer cum exporter have some skilled weavers and artisans/craftsmen especially in the village areas that manufacture the DJPs for them. Some of the entrepreneurs sometimes participate in the trade fairs and exhibitions in different countries. There they display the sample of the products that they produced and try to collect orders of these products. They also collect brochures, magazines, and sample of the DJPs produced by other participants that helps the entrepreneurs to come up with new designs and product ideas. The manufacturers cum exporters of DJPs are found having the experience of both the direct and indirect export. For the local consumers, occasionally, they purchase jute fabrics from raw material markets/banks for manufacturing different types of DJP by required value addition. The manufacturer cum exporters sell their DJPs to end users (local consumers) through different trade fairs and own retail outlets. Except for very few NGOs or donor-funded ones, all the manufacturers cum exporters of DJPs have experience of selling their products to the local consumers through other retail stores such as retailer-I and retailer-II (Figure 2).

Retailer-I: There can be identified an increasing number of retailers (retailer-I), who have started to retail DJPs along with others crafts in recent years at renowned shopping malls/complexes through the prominent retail outlets or boutiques like Rang, Aarong, Jatra, Banglar Mela, Meena bazaar etc. They usually purchase different kinds of DJPs such as shopping bags, ladies vanity/fancy bags, handicrafts like dolls, slippers, hammocks, lunch box bags, etc. from manufacturer cum exporters and sell these mainly to the local consumers of Dhaka city. Sometimes, they act as a producer cum exporter of DJPs when they receive export order for a particular product from overseas countries. Some of the retailer-I had their own manufacturing plants where they produce some DJPs along with other crafts.

Retailer-II: They are small-scale traders of the DJPs. Generally, they purchase a small quantity of DJPs from manufacturer cum exporters and sell them to the end users (local consumer) without any value addition or changes. They run their business through a temporary retail shop on the roadside especially at the major pockets of a city. Some retailers have very small scale manufacturing units only for some value addition of the existing products. Generally, they purchase raw jute or hessian/sacking for manufacturing DJPs like different types of bags, mats, sikka, runner, etc.

Exporters: The exporters are the intermediary bodies exporting both traditional and DJPs. When an exporter receive an order to supply a certain quality of DJPs, then they go to manufacturers cum exporters of DJPs to prepare the products for them. They also settle about the price for each item. Manufacturers cum exporters produce those products and supplied them to the exporter and finally, they exported these products to the overseas buyers as per order.

Jute Diversification Promotion centre (JDPC)

The Ministry of Jute from the Government of Bangladesh has set up the Jute Diversification Promotion Centre (JDPC) on 31st October 2000. The JDPC has been created with the vision of reviving the past glory of jute as the 'golden fibre' through expansion of the uses of jute by vertical and horizontal diversification and thereby improving the socio-economic conditions of all sections of people involved directly and indirectly in the jute sector.

The JDPC comprises of the following three sections:

- Technology transfer and project feasibility
- Market research and promotion
- Programme and project monitoring

Objectives:

- To explore and promote new technologies for production of high value added diversified jute products by maintaining in close contact with various stakeholders.
- R&D organizations and by way of conducting among others feasibility studies and surveys, and disseminate those to the prospective entrepreneurs.
- To review and formulate appropriate policies for diversification of jute goods on a continuous basis.
- To facilitate quick implementations of identified diversified projects..
- To explore market potentials for diversified products both in the home market and abroad.
- To explore possibilities of manufacturing high value added diversified products in existing jute mills and if possible, promote and provide support for these.
- To make in-depth evaluations of JDPs and of projects submitted to the JDPC.
- To arrange financing for diversified jute projects.

- To help upgrade the skills of the jute industry in producing diversified goods.
- To help build up the entrepreneurship of the jute goods manufacturers and bringing the long-term sustainability of the jute sector.

3.4 Mode of Payment

The producers and the traders in raw jute distribution system transact their products in both cash and credit. The jute growers sell 87 percent of their products in cash and the rest are being sold on credit for duration of 7-14 days pay off (Table 8). Though the *faria* purchase about 94 percent of the total products in cash but they sell about one-half of their total products on credit with an average 10-15 days pay off period. More or less similar trend of transaction can be found in the cases of the *bepari* and *katcha balers*, but the percentage of credit transaction is higher than that of the *faria*. On an average, they purchase about 40 percent and sold more than 75 percent of their total products on credit with about 15-40 days pay off period.

Table 8. Mode of payment for raw jute trading (% of total product)

	Purchased on		Sold on		Duration of pay off (days)
	Cash	Credit	Cash	Credit	
Producers	-	-	87.17	12.83	7-14
<i>Faria</i>	93.63	6.37	51.32	48.68	10-15
<i>Bepari</i>	62.11	37.89	21.13	78.87	15-45
<i>Katcha balers</i>	57.45	42.55	25.75	74.25	15-30
<i>Pucca balers</i> cum Exporters	60.25	39.75	9.90	90.10	30-45
Millers	75.35	24.65	5.45	94.55	30-45

(Source : Molla *et al*, 2015)

On the other hand, the *pucca balers* cum exporters and the millers in this above mentioned study have sold more than 90 percent of their total products on credit with higher duration of pay off (30-45 days) which was the highest among all other intermediaries in the study areas. This was mainly because of the fact that the clients of both the *pucca baler* cum exporters and the millers were mostly foreign buyers and the transaction procedure was different than all other traders in raw jute marketing system in Bangladesh.

Among all the intermediaries, *faria* are mostly affected from credit transaction system as they are the small traders in terms of capital investment. Moreover, the percentage of purchase in cash was higher compared to other traders. Findings concluded that the mode of payment for raw jute trading in the

selected study areas were mostly dependent on credit system with higher pay off period that could be made a serious obstacle in the long run for smooth transaction of raw jute in the distribution system.

3.5 Comparative Marketing Costs and Margins for Intermediaries

Table 9 portrays that total cost of the *faria*, *bepari*, *katcha balers* and *pucca balers* cum exporter for jute marketing is respectively 48 percent, 91 percent, 143 percent, and 119 percent higher than previous study (Podder, 1992). The lowest marketing cost of raw jute is found for the *faria* and their estimated profit is about 9.03 percent of the total working capital. Moniruzzaman (2007) found that the exporters received the highest profit among the all intermediaries though he did not mention millers in the raw jute marketing channels. The second highest profit is achieved by the millers, which is 8.41 percent of the total working capital, followed by the *bepari* (4.03 percent), the *katcha balers* (2.85 percent) and the *pucca balers* cum exporters (2.49 percent). A recent study that the highest profit is obtained by exporters, which was 5.46 percent of the total working capital, followed by *bepari* (4.30 percent), *faria* (0.73 percent) and *katcha balers* (0.50 percent). But, the study ignored ‘millers’ as a participant of the raw jute marketing system.

Table 9. Comparative cost and margins of raw jute for different intermediaries (Taka/quintal)

Items	<i>Faria</i>	<i>Bepari</i>	<i>Katcha balers</i>	<i>Pucca balers</i> cum Exporters	Millers
Total Cost	84.10	180.18	274.47	433.35	635.30
Purchase Price	4018.50	4250.78	5097.77	4820.00	4825.22
Sale Price	4473.05	4609.40	5525.35	5384.33	5919.55
Gross Margin	454.55	358.62	427.58	564.33	1094.33
Net Margin	370.45 (9.03)	178.44 (4.03)	153.11 (2.85)	130.98 (2.49)	459.03 (8.41)
Total working capital	4102.60	4430.96	5372.24	5253.35	5460.52

(Source : Mohiuddin, 2016)

It can be seen from the Table 9 that marketing margin varied mainly due to variation in prices and marketing costs of raw jute for the intermediaries. It can be inferred from the above findings that except millers, *faria* received higher profit in raw jute marketing system though it could not be considered as an abnormal profit. One thing is important to note that the middlemen’s profit has not increased notably over the years.

3.6 Problems Faced By Jute Middlemen

Jute intermediaries face various problems. These problems are briefly discussed below:

High transportation cost

A good transportation system is essential for trading any product. But in the study areas, inadequate and inappropriate transportation system created problem in jute marketing. Due to inadequate transportation facilities and increased price of fuel, the transportation cost in the study areas was very high.

Irregular payment by buyers

Irregular payment is a great problem for the sellers. When *farias* and *beparis* purchase the products of farmers, they pay in cash to the farmers but in case of selling to *pucca* balers/exporters, BJMC and mills, they sell in credit.

Inadequate storage facilities

Inadequate storage facility increases marketing cost due to high preservation charge. They usually store their product in a rented warehouse which increases the cost.

Lack of technical knowledge of grading

For the purpose of export, grading according to a specific standard is sine quo non. But in our country, *farias* and *beparis* can not grade their raw jute. Grading is done by *pucca* balers but due to lack of expert hands, grading is not always done efficiently. As a result, the demand for jute in foreign markets is decreasing.

Price and demand fluctuation

Price and demand fluctuation is the major problem in jute marketing. In this situation, the traders remain uncertain about profit and the possibility of loss is a common phenomenon.

Lack of credit facilities

Non-availability of credit from institutional sources at easy terms and condition was a major problem in the study area. In the absence of insurance knowledge, the *farias* and *beparis* are afraid of taking any risk, thus causing an unbalanced fluctuation of price. Sometimes they did not get enough money for purchasing jute and the whole of the marketing system was hampered.

Lack of proper market information

Although market information is available to some extent to the intermediaries, the information is often not accurate and up to date. So, it can be said that lack of proper market information is a common problem for the traders.

Lack of government purchase center

Lack of government purchase centers is also a major problem because there is a lack of government purchase center near the jute producing areas. As a result, farmers could not sell their products at fair prices.

Mixing/adulteration and watering

Mixing/adulteration and watering problem is experienced in many areas in our country. Poor quality products are sometimes mixed with the good quality in order to make big volume and to get higher prices. On the other hand, the unscrupulous traders often mix water with loose jute to increase the weight, thereby to increase the profits. Most of the times this problem is seen to be created by the *farias* and *beparis*.

High shipment cost

It is the major problem for the exporters. Shipment cost is estimated on the basis of product weight but the weight of many jute products is higher than the value of the product. They have to pay on the basis of weight which is often high.

Chapter 4

Conclusions and Recommendations

- To conclude, it can be said based on the study that share of jute producers in retail prices was much higher in each of the channels, in which the highest was found in channel-IV and the lowest was in channel-II. The marketing cost and margins were found also the lowest in channel-IV. The results also showed that the price deviation and price variability were the lowest in the same channel. The efficiency based on six performance indicators revealed that channel-IV had the highest efficiency.
- It is also observed that except the millers, the *faria* received higher profit from lower investment though it could not be considered as an excessive profit. The highest share in total marketing cost was incurred by the millers and the lowest by the *faria*. In terms of profit (net margin) making, the performance of the millers and the *faria* was relatively better than that of other participants. Total marketing costs and margins have increased over the years, but their net margins as percentage of total investment were not much higher. However, the existing raw jute marketing system can be considered as an efficient system in terms of producers' share of the consumers' prices (74.38 percent), which was 39 percent higher over the previous study.
- The jute industry has gone through tough times for a long period of time and it has been on a downward spiral from 1990s. Although government policies (or lack of it) played a vital role in that occurrence, it cannot be denied that there has been a lack of innovation too. The marketing channels and overall marketing system of jute and DJP is still quite archaic. There is also need of active role of Government and non- government financial institutions as financing is a big problem starting from manufacturing until exporting.
- When jute started to face increasing competitive pressure from synthetic substitutes, failure to follow modern marketing procedure and international trade practices, lack of significant efforts and required investment towards product development and diversification, inability to undertake the technological transformation undermined jutes prospects as fiber. All these had adverse impact on production & marketing.

- It is the era of environmental awareness. Eco-friendly products and services are becoming popular among the people across the globe. Environmental sustainability is ensured through the use and adoption of environment friendly, renewable, biodegradable resources. As discussed in the study, the demand of jute as an environment-friendly fiber bears utmost importance for our economy and balance of trade. The demand of jute as a natural fiber is increasing day by day in developed countries. In the process of achieving environmental sustainability, it is utmost important to ensure uninterrupted fiber supply. Here, the modernization of marketing channels is of great importance.
- Diversified jute products have opened up a great window of opportunity for the jute growers of Bangladesh as well as the economy of Bangladesh as a whole. Not only raw jute and raw jute products, but also new kinds of products, products that have never been imagined to be possible to be made from jute fibers, are now being produced, thanks to modern technologies. This opportunity needs to be grabbed. As even ashes of jute sticks are now used to make different kinds of diversified products, we have a big industry waiting in front of us. Manufacturing is just the beginning. Without proper marketing channels, no industry can ever be sustainable. Thus, extensive research on marketing channel of diversified products from jute fibers and ashes of jute sticks is needed to be conducted if we want to grab that market as one of the world's largest jute grower country.
- By many, Middlemen are thought to be cutting profits off the farmers. While this line of thought is true to some extent, it cannot be denied from the context of our study that without the activities of middlemen or market intermediaries, the jute industry will surely be worse off than it already is, because the jute farmers are, to put realistically, poor, and simply don't have the financial capability or technical know-how to start cutting up the roles of middlemen and start some of their activities by themselves. However, further research on the marketing system of jute is needed to be conducted in order to increase the price received by the farmers so that they keep their interest in producing jute.

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