

# **Jute Industry of Bangladesh: An Overview of Production and Export**



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## Executive Summary

This study analyzed the jute production in Bangladesh and its demand, price, and export, using the data of Bangladesh Bank. This study found that Bangladesh holds the second position in jute production in the global market, second in jute goods export, and fourth in raw jute export. Bangladesh produces, on average, 1 million tons of jute annually. In FY22, Bangladesh produced 1,518 thousand metric tons using 1,783 thousand acres of land, which is over 10% of the country's agricultural land. This study also revealed that the price of jute, both Bangla White and White Middle, has increased significantly from FY21. At the same time, it was also observed that Bangladesh mainly exports jute items to Turkey, Iran, Belgium, Syria, and Egypt. In FY22, Bangladesh's export earnings were Tk.1,570 crore. Finally, this study mentions some problems and solutions.

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## Introduction

Jute, the golden fiber, is one of the main cash crops in Bangladesh and holds a second global position in jute production, next to India. Bangladesh now operates approximately 220-245 private jute mills and 22 Government-owned jute mills in the three zones: Dhaka, Chittagong, and Khulna ( Bangladesh Jute Mills Corporation, 2021). Recently, the Government is being leased twenty-five jute mills from the government-owned to the private sector (BIDA, 2022). However, the jute industry produces around 700 products and has employed 50,000-100,000 people (BIDA, 2022). All the products produced by jute are eco-friendly. Because of this, the world market has significant demand for jute and jute goods, especially in the western world. So, jute production and export have increased significantly in recent years. Now, the export of jute goods holds the second position in total export (average exports around USD1 billion per annum), after RMG, and the export of raw jute in the fourth position (Bangladesh Bank, Aug 2022). Besides, the average domestic consumption of raw jute is 1.16 million tons per year. However, the jute's contributed 3% of total exports and 1% of total GDP (BIDA, 2022). Although, in recent times, the price of jute has increased, which might

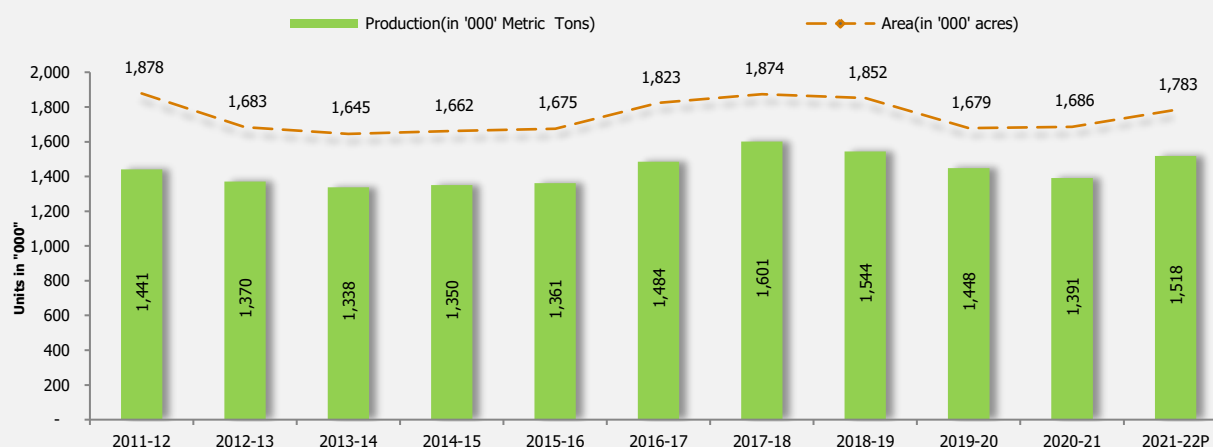
positively influence production and export (BIDA, 2022). The present price increase in the global market might happen due to the increasing demand for eco-friendly products, and the world economy is open after the Covid-19 pandemic.

## Production of Jute

The flooded land of Bangladesh is suitable for planting jute. So, the country can produce, on average, one million tons of jute annually, which helps Bangladesh to be the second largest producer of jute globally, and the second export earning sector. According to the Bangladesh Jute Spinners Association (BJSAs), the country has 291 jute mills, and 54 are closed. These active mills produce around 78 lakh bales of jute annually (The Business Standard, 2021). However, Figure 1 shows the yearly jute production and total land area. In FY12, Bangladesh produced 1,441 thousand metric tons of jute using 1,878 thousand acres of land; per acre production was 0.77 metric tons.

On the other hand, in FY22, the total annual production was 1,518 thousand metric tons using 1,783 thousand acres of land, which indicates that per acre produced 0.85 metric tons of jute. The total production and per acre production increased in FY22 compared to FY12 and declined the total acres of land use. The

**Figure 1. Jute Production and Production Area**



Source: Bangladesh Bureau of Statistics (Collection from Bangladesh Bank, 2022)

Year

Governments of Bangladesh should focus on this sector robustly because the whole world is turning to using eco-friendly products, which is why the jute market is expanding daily, and the demand for Bangladeshi jute is high in the global market.

### Local and Global Demand

Bangladesh is self-sufficient in jute production and exports surplus jute worldwide. According to the Bangladesh Jute Spinners Association (BJSA), Bangladesh has domestic demand of about 65 lakh bales of jute, while 14 lakh bales are exported (The Business Standard, 2021). The export growth of the Compound Annual Growth Rate (CAGR) is 35% (2014-2020), indicating an increase in global and domestic demand. The demand has increased globally because of its low cost and environment-friendly nature. According to the International Jute Study Group, the annual demand for jute shopping bags in the world market is about 500 billion pieces; on the other hand, according to the estimation of Business Wire, in 2022, the Home Gardening and Vertical Gardening market will be 1.33 trillion dollars (Textile Today, 2020).

### Market Price of the Raw Jute

In recent years jute goods and raw jute demand have increased significantly due to their eco-

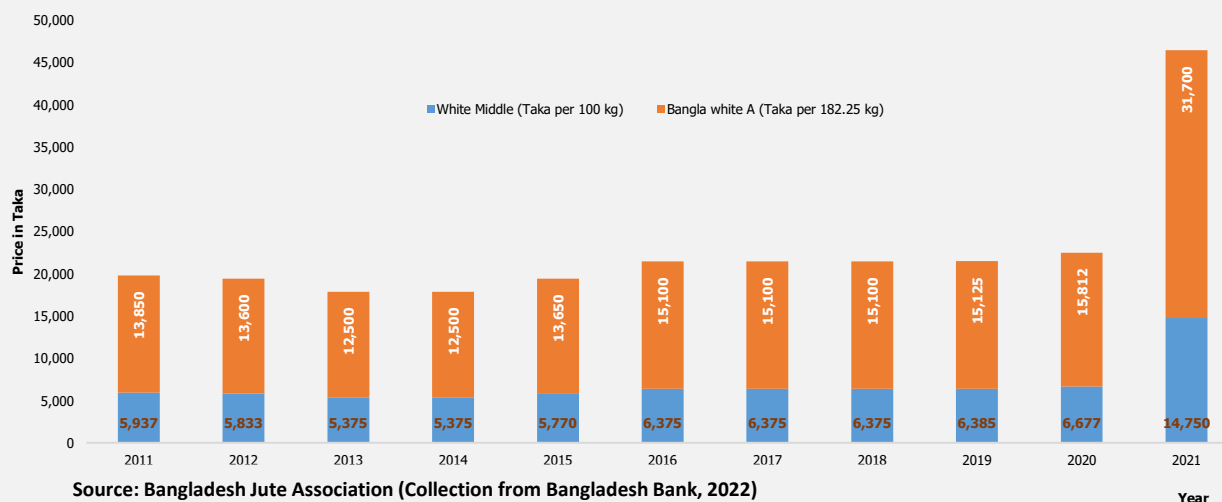
friendly nature. The governments of developed countries and policymakers are concerned about global warming; that is why they make different policies and suggest using eco-friendly products such as jute goods. They have also adopted policies to attract people to use eco-friendly products, which has created extra demand and supply. This additional demand worldwide pushes the price forward. However, Figure 2 shows the yearly historical price of raw jute, where the price in 2021 is almost double that of previous years. In 2011, the White Middle (Kutchha bales) price was Tk.5,937, which increased to 148.44% in 2021.

On the other hand, the price of Bangla white A (Pucca bales) is also increased, similarly to White Middle (Kutchha bales). Figure 2 shows that the price of Bangla white A was Tk.13,850 in 2011, which has increased to 128.88% in 2021. This sudden jump or a structural break in price might happen due to the demand-supply gap.

### Export of jute and Jute Goods

The jute industry can help reduce the over-dependent on the RMG sector when the Government will focus more on this sector. Jute is integrally involved in our national economic growth, and country's second largest export

**Figure 2. Yearly Raw Jute (White Middle and Bangla white) Price**



earning sector. Bangladesh exports raw jut and jute goods to different countries. The major exporting countries of jute and jute products are Turkey, Iran, Belgium, Syria, and Egypt. Besides, Bangladesh is currently exporting jute and jute products to Afghanistan, Algeria, Austria, Benin, Brazil, Bulgaria, Canada, Chile, China, Congo, Costa Rica, Italy, Indonesia, Ethiopia, Gambia, Germany, Guatemala, Haiti, India, Ireland, Jordan, Korea, Libya, Malaysia, Mexico, Morocco, Myanmar, Netherlands, Pakistan, Poland, Portugal, Romania, Russia, Saudi Arabia, Sudan, South Africa, Taiwan, Tajikistan, Thailand, the United States, the United Kingdom, Uganda, Uzbekistan, and Vietnam(Textile Today, 2020). However, the jute industry can help to reduce the over-dependent on the RMG export if the Government focuses more on this sector.

Figure 3 shows Bangladesh's export of jute goods Tk.8095 crore in FY21, which is the maximum in the last ten years, and Government expects the export will be Tk.7191 crore in FY22. The predicted export is significantly lower than the FY21, which may be due to the Russia-Ukraine war. On the other hand, raw jute exports started to increase from FY21, which recorded Tk.1049 crore. The Government predicts the export of raw jut will increase significantly in FY22 (Tk.1500 crore).

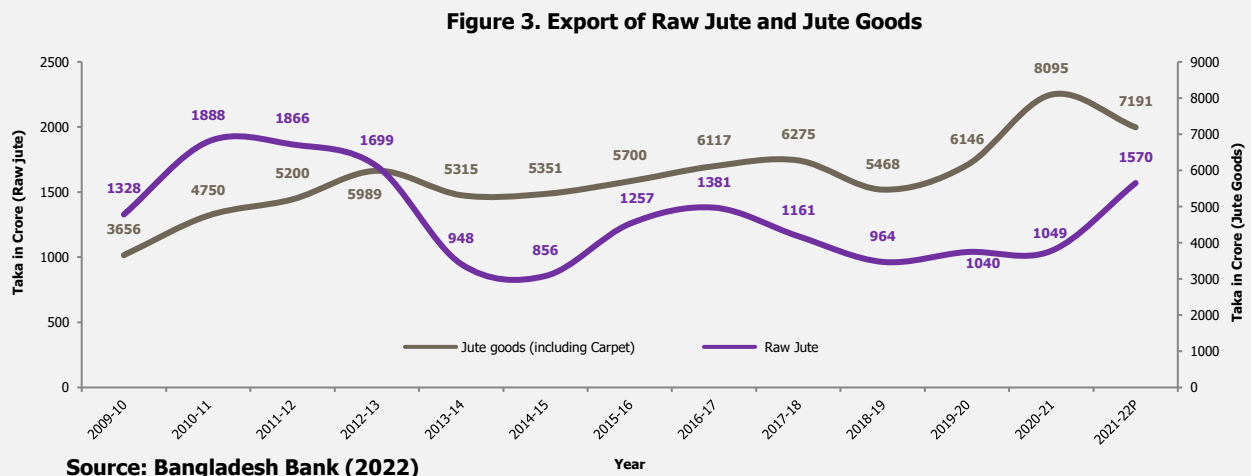
This potential export sector is vulnerable due to several reasons. One of the main reasons is Government of Bangladesh closed jute mills

frequently due to the loss. In 2020, the Government shot down 25 jute mills. It might happen due to a lack of proper management and corruption. However, suppose the Government properly privatized the jute industry like RMG; in that case, this sector will contribute significantly to export earnings next to the RMG sector because of the domestic raw materials (raw jute). The strength of the primary raw materials (raw jute) will help the profit margin be high compared to RMG and saves foreign currency for not too parched primary raw materials from abroad.

### Conclusion and Recommendation

Bangladesh holds a second global position in jute production, next to India, and this industry contributes as the second large sector in export earnings, next to RMG. This sector has employed 50,000-100,000 people. Recently, the country has 291 jute mills, and 54 are closed. These active mills produce around 78 lakh bales of jute annually. Bangladesh has domestic demand of about 65 lakh bales of jute, while 14 lakh bales are exported.

In the current global warming situation, jute goods contribute significantly to protecting our environment. The demand for jute goods is increasing due to the concern of people worldwide due to environmental issues. In this situation, Bangladesh can play a vital role because Bangladesh has an absolute advantage





in jute production and low-cost labor. The problem is that several jute mills shut down recently, and the local farmers are not interested in cultivating jute because the selling price at the field level is not profitable enough to attract the farmers to produce jute. According to Sheheli and Roy (Faculty of Agriculture, Bangladesh Agricultural University), jute farmers faced various multi-dimensional difficulties and constraints (socio-economic, technical, and market related) that affected jute cultivation and their livelihood. They mentioned lack of quality seed, high cost of jute production, lack of training facilities, inadequate credit facility, high disease infestation, high prices of inputs, unstable jute price, shortage of labor at peak period, lack of retting water, and weed problem were the main constraints in jute production and processing.

In this situation, the Government has to take proper action, such as providing maximum facilities like RMG, private sector development, tax exemption, global market creation, and brand jute-made products to grab more global attention. At the same time, the Government should solve the problem of lack of technology, skilled human resources, fiscal support, and research-based product diversification. Moreover, for proper research and development of jute, the sector should have state-of-the-art jute research institute labs and equipment. Besides, universities need to include departments for teaching extensive knowledge of jute. Recently some jute innovations have surprised jute lovers, such as jute polythene, jute-tin, and jute leaf tea are the most popular.

Undoubtedly, if these innovations are adequately cared for by the Government, they will earn a significant profit, and jute alone will transform Bangladesh's entire economic scenario.

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Emerging Credit Rating Limited (hereinafter referred to as ECRL) began its journey in the year 2009 with the motive to deliver credible superior & quality credit rating opinion in various industry segments around Bangladesh. ECRL obtained credit rating license from Bangladesh Securities and Exchange Commission (BSEC) in June 2010 as per Credit Rating Companies Rules 1996 and also received Bangladesh Bank Recognition as an External Credit Assessment Institutions (ECAI) in October 2010 to do the rating of Banks, Financial Institutions and their borrowers and also from Insurance Development & Regulatory Authority (IDRA) in 2015 to do the rating of Insurance Companies & affiliated with Malaysian Rating Corporation Berhad.

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