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Export Potential of Indian Jute Industry



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Jute is classified into traditional products and diversified products. Traditional products essentially comprise of hessian, carpet-backing cloth and sacking while diversified products include blankets, decorative fabrics, gift articles, shopping handbags and wall hangings.

Importance of Jute

Traditional jute products occupy a dominant share in both production and exports. Jute has a lot of inherent qualities relative to its synthetic counterpart.

- The *biodegradable* and low priced jute products merge with the soil after sustained use providing *nourishment to the soil*. Being made of cellulose, on *combustion, jute does not generate toxic gases*.
- Jute has *high tensile strength, low extensibility, high frictional resistance and good dimensional stability* that makes it a natural choice for packaging. Jute Reinforced Plastic bags, are widely used to pack tea and fruits for its excellent '*breathing qualities*' and absence of *hydrocarbons and unpleasant odours* in them.
- Jute geotextile is *low cost eco-friendly product and is abundantly available, easy to transport and install, has superior drapability and moisture retention capacity*; it is widely being used as a natural choice for

protecting the environment, agro plant mulching and rural road pavement construction.

- Jute Reinforced Composites are being used to a large extent in place of plywood for various railway coach-building materials. This is directly a consequence of the inherent characteristics of jute such as *high-flexural rigidity, water absorption capability, fire retardancy and abrasion resistance*.
- Jute has *natural essence and earthy colour* and is hence being used in making footwear, garments, designer shopping bags, mats, rugs and other promotional accessories. These items have incorporated latest designs, and imparted qualities like *stain, shrinkage resistance and fastness*.

Another less emphasised but nonetheless important role well performed by the jute industry is that of *employment generation*. According to preliminary estimates, there are nearly four million jute farmers in the country; however, if one accounts for larger current crop size, middlemen operating as intermediaries between the farmers and the industry, workforce engaged in the jute ancillary sectors and those involved in the massive jute gunny bags reuse network, it would be easy to perceive that there are no less than eight million workers making a livelihood out of this sector, some way or the other.

Jute Scenario in India

State-wise analysis showed that, West Bengal, Bihar and Assam were the three major jute producing states accounting for around 98% of India's production in 2001-02. Of the three eastern states, namely West Bengal, Bihar and Orissa, West Bengal occupied the top spot in terms of area under jute cultivation, crop production and yield. Next in line was Bihar with area and crop production exceeding Assam for the period under study (1990-91 to 2001-02). There were 9 major 100% export oriented units, all located in West Bengal.

Trend analysis revealed that, whereas the trends in area under jute cultivation were observed to be common across the three major producer states and at the all-India level, the same could not be said about the crop and yield. This fact explained that while the decision to undertake jute cultivation is generally guided by common information set (carry over stock, current prices, seed availability, replenishment costs) and expectations (future demand, supply and prices), the outcome especially the yield is determined more so by the region specific factors (effectiveness of monsoons, prevention from pest attacks).

The Global Jute Market

The global jute production was estimated at approximately 3.13 million tonnes, in 2002-03 marginally lower by 49,000 tonnes as compared to the production in 2001-02. India topped the list of the largest producers accounting for an impressive 64% of the world production in 2002-03. India, in the same year, witnessed a record production of 1.98 million tonnes. India's share in the world production grew by nearly 2% relative to the previous year. India was followed by Bangladesh and China, in 2002-03, with a share of nearly 25% and 4% of the global production respectively. Both these nations registered a decline in production in 2002-03 as compared to the previous year. Other major producers were Myanmar, Thailand and Nepal.

India's notable performance on the production front is however diluted at the yield (ton/ha) front. China aced the list with a yield of 2.72 (ton/ha), followed by India at 1.94 (ton/ha), Bangladesh 1.89 (ton/ha), Thailand 1.60 (ton/ha) and Nepal 1.45 (ton/ha) during 2001-02

Bangladesh accounted for a staggering 88% of the world jute fibre exports, in 2002-03, its exports growing by 20% from the previous year. Myanmar, which was the second largest exporter of jute fibre accounted for a meagre 6% share in the global exports in 2002-03. As regards jute product exports, estimates for the year 2002 revealed that the world market for jute marginally increased by nearly 3% over the previous year. Although Bangladesh again topped the estimated jute products exports in the year 2002, accounting for nearly 61% of the global exports, its share in the world exports fell by nearly 2% as compared to the year 2001. On the other hand, India improved its share by 2% accounting

for 25% of the estimated global jute product exports in year 2002.

On the imports front, India and Pakistan were the two major importers of jute fibre accounting for 50% of the world import of jute fibres in the year 2001. The global imports of jute products, fell by 10% in the year 2001 relative to the year 2000. Europe remained the largest importer of jute products. Other large importers like Iran, USA, Turkey, Syria also reduced their jute product imports in 2001.

It was thus observed that, India despite being the largest producer of raw jute in 2002-03, was also one of the largest importers of raw jute and the second largest exporter of jute products. Thus, even though the raw jute production is massive, it failed to meet the domestic demand. Also, as India's exports accounted for around 8-9% of its total jute production, the domestic consumption of jute was hence colossal. Furthermore, India did not export raw jute, but it exported jute products, which essentially showed that only value added jute products were being exported.

Value-wise, global Indian jute exports jumped from US\$130.28 million to US\$ 190.25 million during 2001-02 to 2002-03 thereby registering a growth of 46%. In the year 2002-03, Europe had a share of 35% in India's total jute exports followed by America (28%) and Middle East (14%).

The analysis of Indian jute exports, product-wise, revealed that the total traditional exports, as compared to the year 2001-02, rose by 37% reaching US\$ 130.29 million in the year 2002-03. The top five traditional exports, namely, hessian cloth, jute yarn (multiple), hessian bags, jute yarn (single) and jute sacking bags collectively formed 93% of the total traditional exports in 2002-03. The top traditional items, except for jute yarn (single), witnessed an impressive growth, with carpet backing cloth and

hessian cloth exports doing particularly well.

A closer look at the Indian diversified jute exports showed a very welcome trend. Diversified jute exports as compared to 2001-02 grew by 71% reaching US\$ 59.93 million. The top products, namely jute handbags, carpets, mats, and jute clothing bags formed majority of the diversified jute earnings. Also, all these major products experienced a positive growth. The share of diversified jute exports in total jute exports in the year 2002-03 was over 25%.

Market analysis shows that, India's top export destinations (country-wise), in the year 2001 were, Belgium followed by USA and United Kingdom. Exports to majority of these nations had increased during 2000 as compared to 2001. However, Indian jute exports to all countries, except for Japan declined during 2001 as compared to 2000. In 2001, exports to USA and Turkey declined by more than 30%. Belgium primarily imported single jute yarn where India accounted for 55% of its jute yarn imports followed by Bangladesh with a close 44%. India was the largest exporter to USA, mainly exporting woven jute fabrics, but India was ousted in the single jute yarn USA market by Bangladesh and Thailand. India was the largest exporter of woven jute fabrics to Japan accounting for 59% of its total woven jute imports. Netherlands and Bangladesh replaced India in the woven jute fabric exports to Germany and Australia (2001).

The imports (value-wise) on the whole for the year 2002-03 stood stable at US\$ 38.46 million close to its previous year levels. India imported almost entire quantity of its jute fibre requirements from Asia (98.7%). Other exporting regions like America and Europe were thus nowhere close, each accounting for a meagre 0.4% share in Indian jute imports. An analysis of the nature of Indian jute imports highlights that, traditional jute imports stood at US\$ 35.91 million in 2002-03.

The most important item of jute import was raw jute, accounting for nearly 77% of the total traditional imports. Raw jute imports rose by nearly 40% in 2002-03 as compared to 2001-02. Other major traditional items of imports included cordage, sacking bags and hessian cloth. Diversified jute imports of India, although increased, were low in absolute terms. Value of diversified jute imports stood at US\$ 2.55 million. Impregnated or coated jute fabrics were the prime imports followed by jute decorative plants and jute swim cloth.

India's Jute Trade with Select Asian Countries

Indian jute exports to eleven Asian countries, analyzed in this study, formed nearly 81% of its exports to Asia and nearly 6% of its total exports in the year 2002-03. In the year 2002-03, India's top three Asian export destinations were Japan with a share of 52% followed by Indonesia (8%) and South Korea (7%). Singapore, which was a prime export target in 1999-00 slipped to sixth position in 2002-03. Exports to Japan mainly consisted of jute bag, hessian cloth and other woven fabrics. Exports to Indonesia increased in 2002-03 as compared to 2001-02, where traditional products such as hessian cloth and bags dominated the exports.

The *competitiveness of Indian jute exports* was measured through Revealed Comparative Advantage (RCA) that indicates the relative export performance by a country and industry, defined as a country's share of world exports of an item divided by its share of total world exports. If RCA value of a product is more than 1, the product is considered to be having comparative advantage in world markets. In 2001, jute yarn, woven fabrics and sacks and bags had the highest revealed

comparative advantage in the world markets amongst the products analysed. The price competitiveness analysis for the Asia region revealed that Indian prices were found to be competitive in exports of yarn of jute (multiple) and woven jute fabrics to Asia, while India faced a stiff price competition in exports of twine, cordage, ropes and cables of jute to Asia in the year 2001.

Advantages, Problems & Recommended Strategies

India has a natural *advantage* in jute production. Geographical location and the fertile Ganga-Brahmaputra delta, is conducive to grow and nurture the golden fibre, jute. The jute industry in India is by and large more sophisticated and productive than elsewhere. The country provides the basic infrastructure for growth of jute cultivation and upgrading fibre quality and also for developing extensive range of jute goods.

The jute industry presently faces the following *drawbacks*. Indian jute sector is characterized by an output of a varied group of products belonging to the same category with complete disregard to standardization. Indifference of the industry to the desired standards and specifications has led to stagnation of the market. Greater emphasis on production and lack of professional marketing has caused deeper erosion of markets by synthetics.

High labour costs, accounting for nearly 35% of the cost of the production, made the jute cultivation less lucrative to other crops. Absence of major technological breakthrough, both in processing and new product development and archaic technology have also led to high labour cost at value addition level. The outdated technology also made the industry energy inefficient.

Excessive dependence on packaging industry has made jute synonymous with "gunny bags", thus leading to a perception problem. As a result, Jute has lost its position of attracting new investment. Besides, due to this perception there is also another common view that the industry provides low financial return. Limited global production base and absence of interest by transnational companies in this sector, have led to waning international interest in jute. Insufficient allocation of funds for Research and Development is another reason that has led the industry with low focus on product development.

As availability of raw jute depends on the vagaries of nature, there is instability in supply and price of jute. Deficient attention to consumer preferences has resulted into mismatch between predicting consumer's needs with respect to quality of fabric, bleaching, printing and designs.

However, jute industry can be rejuvenated through coveted efforts of its stakeholders and the government; for this, the study enlists a set of *strategies*. Production and marketing of diversified jute products, which are in the higher up of the value chain, will prove to be beneficial. While research and development leading to high yielding varieties, can reduce the raw material cost, investment in better stripping and retting facilities will enhance quality of products. The technology would reduce the labour intensity in this industry and thereby achieve competitive pricing. This along with supply of cheap fibres would ensure competent and cost-effective jute industry, thereby enabling competitive prices of jute and jute products.

As the industry is mainly concentrated in South Asia, financially feasible technology needs to be developed indigenously in India, as there does not exist an international demand for such equipment. Tentative outcome and long gestation period discourage any

individual firm to invest funds in research and development in this sector. Hence, it may be appropriate to get involved under this activity with public-private partnership to finance and supervise such R & D.

It is imperative to satiate customer requirements, by way of ensuring quality, timely delivery and optimum price. These would stimulate the demand in international markets. Blended fabrics, yarn and other fabrics for the use in textile application need to be selectively developed. Recent projects in this area include softening of fabric; resistance to abrasion, crease, rot; water repellence and fire retardancy.

Consumer base needs to be expanded by finding potential markets and innovating new products as per their requirements. Indian Jute Industry has shown keen interest in a bid to promote the usage of jute geotextiles. Jute geotextile can be gainfully used in arresting soil erosion, landscaping, and vegetative propagation. The world market for geotextiles, mostly synthetic is over 40 million sq. meters. Immense potential also exists in USA and Europe.

Government has adopted a multi pronged strategy for promoting this industry. It has set up promotional institutions, provides exemption from excise duty, imposed antidumping duties against Bangladesh and Nepal, setting up of Jute Promotional Zone in Purnia and floating of National Jute Technology Mission.

Ideas are being floated for international co-operation in this sector, with joint marketing efforts that could be taken by India and Bangladesh. If the modalities of this cooperation can be worked out, it

would not be difficult to influence smaller producers like Nepal, Thailand and Myanmar. Joining hands on the lines of OPEC shall prove beneficial to the countries engaged in this sector.

Focus: Asia

Jute possesses excellent properties for packaging of commodities like rice, pulses, potatoes and cotton. Here potential markets would thus be countries producing these items, hence generating packaging needs. It is in effect here that the Asian markets can be targeted. However, with the development of high-density polyethylene, demand for jute especially in Japan has been significantly battered. But despite this impediment some foodstuff are fated to belong to jute packaging and it is precisely these markets need to be carefully besieged. Also, Thailand is one of the primary importers of raw jute; a detailed analysis of its market can lead to materializing of raw jute or diversified exports deals.

On the diversified jute products front, as pointed out earlier, exports of items such as shopping bags, and food grade jute clothing bags to Asia have been on the rise. Even though our major export markets continue to remain as Europe and America, untapped potential exists in East Asia as well. Price competitiveness of some of the Indian jute exports to East Asian market was found to be quite favourable. India must maintain this competitiveness at all cost, through reductions in cost of cultivation as well as at value addition stage. India also needs to improve its price competitiveness in the Indonesian jute sacks and bags market.

The contents of the book are based on information available with Export-Import Bank of India and primary desk research through published information of various agencies covered in the book. Due care has been taken to ensure that the information provided in the book is correct. However, Export-Import Bank of India accepts no responsibility for the authenticity, accuracy or completeness of such information.

Note: Indian Rupees are referred in crore and lakhs:
1 crore : 10 million
1 lakh : 100 thousand

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