



Bangladesh Investment  
Development Authority



# Diversified Jute Products



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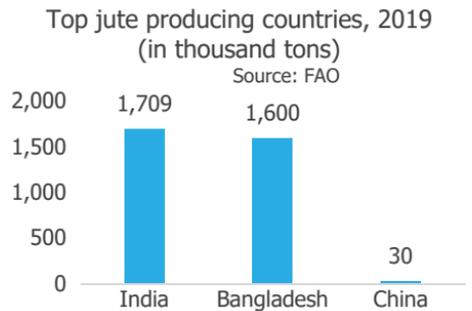
June 2021



## Industry Overview

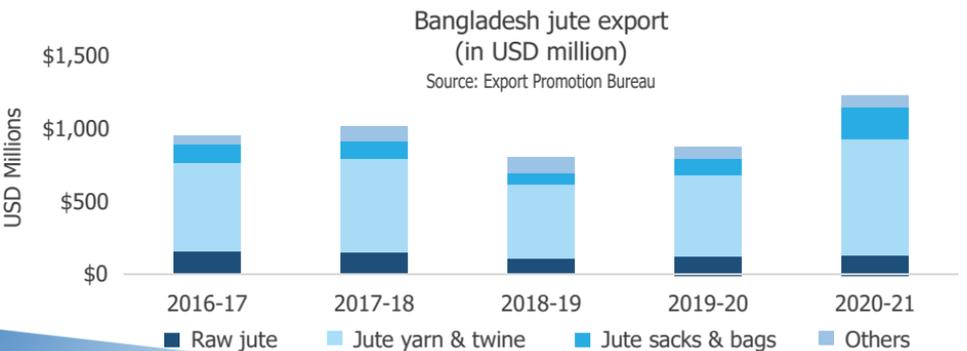
Jute, known as the golden fibre, is a natural fibre extracted from jute plant. It is one of the major cash crops in Bangladesh and an important contributor to the economy. Bangladesh is the second largest producer of jute in the world with an estimated annual production of 1.6 million tons in 2019 (FAO). Average domestic consumption of raw jute amounts to 1.16 million tons per year (BJSA). In addition, Bangladesh is also the top exporter of jute and jute based products in the world with average exports of around USD 1 billion per annum.

Raw jute is primarily processed into yarn, fabric, twine, hessian, sacks, carpet backing cloth (CBC). Although jute is mainly used as packing material in the form of gunny bag, jute fiber is applied in a variety of purposes, ranging from industrial application such as automotive, construction, medical, agricultural to a variety of home décor products (like carpet, curtain, mat, outdoor furniture).



The Jute Act 2017 of Bangladesh defines diversified jute products as those which use at least 50% jute as raw material, excluding traditional jute goods such as hessian, sacking, CBC, and jute yarn. With the closure of 25 public jute mills in 2020, there are about 220 private mills operational in Bangladesh, belonging to the spinners association (BJSA) and mills association (BJMA). In addition, there are three fair trade organizations who contract local artisans to produce jute-based items and 700 diversified jute producers which employ almost 100,000 people in the country. Overall, over 40 million people are directly or indirectly involved in this sector ranging from cultivation to goods production, sales/ trade (according to the World Bank Group).

**Growing demand for eco-friendly products:** Bangladesh exports jute products to over a hundred countries annually with major destinations being Turkey, China, Pakistan, India, EU and USA. In FY 2020-21, export earnings from jute and jute products grew to USD 1.2 billion, a growth of 41 percent compared to the previous year. While jute yarn remains the dominant export item (accounting for over 64%), sacks/ hessian export has been growing at an annual rate of over 15% since July 2016 indicating increasing global demand for alternative packaging material to plastic. Export of value-added products (i.e. diversified goods) amounted to USD 82.6 million in FY2019-20.





A study conducted by the National Jute Board of India found that 50% of buyers from the top jute importing countries expect the demand for jute products to increase in the future due to rising concerns for environment and climate change. The study forecasts the demand for diversified products such as shopping/ sacking bags, geotextile, floor covers to grow rapidly. This provides producers in Bangladesh the opportunity to expand

export of jute based products and benefit from the preferential overseas market access that Bangladesh currently receives from 52 countries as a LDC country.

**Industry Competitiveness and location advantage:** Owing to a young and competitive labour force coupled with the government's generous incentive regime for this sector, the cost of jute goods production in Bangladesh is one of the lowest in the world. In addition to benefitting from the availability of the finest quality of raw jute, jute goods manufacturers can avail of the advantageous location with access to abundant water resources for jute processing and inexpensive water/ road transport in Bangladesh.

### Investment Potential and Opportunity

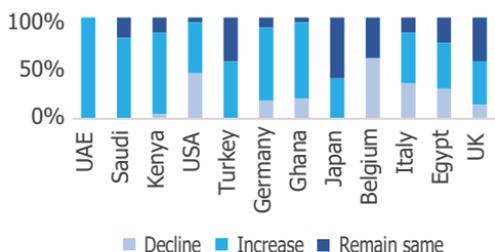
**Packaging material:** Along with the increase in disposable income, the demand for packaging items is expected to continuously grow in the coming years. On top of this, growing environmental concerns among the consumers is leading to increased demand for biodegradable materials. The advantages offered by jute fiber such as their biodegradability and durability coupled with low cost and high strength are key factors in driving the demand for jute bags and other forms of packaging. Additionally, other benefits such as insulation properties and low thermal conductivity make jute suitable for conveying a variety of products.



According to Research and Markets, global jute bag market reached a value of USD 1.9 billion in 2019, recording a CAGR of 11.5% between 2011 and 2018. Growing at a projected CAGR of 10%, the market is expected to reach USD 3.1 billion by 2024, providing potential investors with a prospective market to explore. The growing number of countries taking action to reduce plastic consumption is projected to further boost the demand for biodegradable bags. In fact, the government of Bangladesh is facilitating the usage of jute by making it compulsory to use jute bags for packaging of 19 products including food grains in domestic market (Jute Packaging Act 2010).

**Home décor/ furnishing:** Bangladesh produces many jute-based home décor/ furnishing goods such as rug, mat, outdoor furniture, sofa cover, cushion, lamp shade and many other items albeit at a smaller scale. Investors can avail the finest quality of locally produced raw jute for producing diversified jute goods for the domestic as well as the export market. The market for home décor/ furnishing products has been on the rise worldwide, especially in the EU countries.

Market growth forecast by importing country (buyers)



Source: Jute board India



**Technical Textiles:** Although Bangladesh produces the finest quality of raw jute and enjoys plentiful skilled labor force, investment in technology is still required to localize high quality technical textiles using jute fiber. Foreign investors in possession of the required technology can contribute by successfully materializing jute-based textile products in the country. With the global demand for technical textile projected to grow at a CAGR of 4.5% between the period 2018 and 2025, and reach USD 335 billion by 2025 (according to Allied Market Research), Bangladesh expects foreign investors in particular to establish manufacturing base for the following technical textile segments in the country.

**Geotextiles:** Jute is the most popular natural fibre used for geotextile production owing to its abundant availability, renewable nature, flexibility and high moisture absorption capacity. Growing demand for functional textiles in use for agriculture, road construction and soil erosion control combined with increased preference for natural fiber rather than synthetics is expected to augment the demand for jute-based geotextiles. Global Market Insights expects jute-based geotextile market to grow at a CAGR of 9.5% and exceed USD 200 million by 2024. While Bangladesh produces geotextiles, the scale still remains minimal and has ample room for expansion.

**Automotive textiles:** With global trends supporting the lighter and lower emission vehicles, jute application in automobiles has been expanding. Nearly two thirds of the automobile textiles are for interior trim, i.e. seat cover, carpets and roof and door liners. Global brands such as BMW, Mercedes, Volvo, Audi, Daimler Chrysler and Ford have been using jute-based composites for door panels and dashboards.

**Jute stick charcoal products** are a byproduct of jute stick. At present, Bangladesh produces around 3 million jute sticks annually. According to the Bangladesh Enterprise Institute, the country has the potential to export jute stick based charcoal worth USD 3.0 to 3.5 billion if it can produce high quality charcoal, citing that the demand for high-quality charcoal is huge in China where charcoal is used among many industries. Besides, activated charcoal is used in cosmetics, medicines, battery, photocopier (dried ink), water purification filter, etc.

### **Jute products awaiting commercial production:**

**Pulp:** The government is examining the feasibility of pulp production from the jute plant. Currently around USD 500 million worth of pulp is imported for paper production, which could be substituted with jute-based one. Besides satisfying domestic demand, jute-based pulp manufacturers can explore the export opportunity as well.

**Biodegradable jute-tin:** Jute-tin is a result of R&D by Bangladeshi scientist and is deemed as more durable (withstanding rust and saline) and stronger than metallic-tin. Foreign investors are welcome to help Bangladesh with the commercialization and mechanization of such innovative products.

**Public tender for leasing-out of state-owned jute mills:** On April 2021, Bangladesh Jute Mills Corporation announced international tender whereby recently closed public mills (25) are be leased out to private investors. The government intends to employ technology, knowhow, fund of private parties for reviving the public jute mills through efficient operation and innovative product development.

## Policies related to Healthcare/ Medical Equipment Industries

- Jute Act 2017
  - National Jute Policy 2018
  - Jute Packaging Act 2010
- \* Jute/ its product industry is designated as one of high priority industries in the existing National Industry Policy 2016 and Export Policy 2018-2021.

## Sector-specific Investment Incentives and Restriction

Incentive	Reduced income tax rate of 10 percent for companies engaged in jute production. (SRO-104-AIN/Income Tax/2020 ) Jute product exporter can avail the following; <ul style="list-style-type: none"> <li>- 50% tax exemption for income derived from export.</li> <li>- No VAT imposition on export goods.</li> <li>- 20% cash incentive on export of diversified jute product.</li> <li>- 20% cash incentive on jute stick carbon export value.</li> <li>- 12% cash incentive on export of jute made final goods (hessian, sacking, CBC )</li> <li>- 7% cash incentive on exporting jute fibers (yarn and twine)</li> </ul>
Restriction	No specific restriction exist upon the entry of foreign investors.

## Regulatory Agencies and Supporting Institutions

Ministry of Textile and Jute	Responsible for formulation and implementation of policies and regulations for appropriate development and promotion of jute industries, as well as supervision of the supporting institutions related to jute industries.
Jute Diversification Promotion Centre (JDPC)	Founded to develop and promote diversified jute products and assist with marketing of the these products. JDPC renders technical assistance and organizes promotion and human resources development activities for the industries. In addition, JDPC functions as raw material bank, which serves cottage, micro, small scale producers with reasonable priced jute.
Jute Research Institute (BJRI)	Founded to promote R&D concerning applications of jute materials and development of quality jute seeds.

## Industry Associations

Jute Goods Exporter Association (BJGE)	Represents exporters of jute goods, facilitates marketing and communication with importers, and authorizes certificate issuance for exporters to avail the Generalized System of Preferences (GSP) facility.
Jute Spinners Association (BJSA)	Represents exporters of jute goods, facilitates marketing and communication with importers, and authorizes certificate issuance for exporters to avail the Generalized System of Preferences (GSP) facility.
Jute Mills Association (BJMA)	Represents around 120 private jute mills, lobbies for policy advocacy for the interests of industries and facilitates accessibility to finance and settlement of labor disputes.

## Notable players in the jute sector



\* Disclaimer: This document has been prepared for informational purpose only and does not intend to promote any product.

BIDA undertakes the functions of investment promotion and facilitation, and policy advocacy in accordance to the Industry Policy and provides inquiry/ consultation/ licensing facilitation services to the investors outside the jurisdiction of other investment authorities (BEZA, BEPZA, High-tech Park Authority). Those investors registering with BIDA for their investment projects are able to benefit from the following key incentives and privileges:

Category	Notes
Tax holiday	<ul style="list-style-type: none"> <li>- Phased Corporate Income Tax (CIT) exemption for 32 designated sectors/ products (as per the Finance Act 2020), depending on location of factories</li> <li>- Phased CIT exemption for private IPPs (which construct powerhouse after June 2016) and full CIT/ capital gain tax exemption for PPP projects</li> <li>- Full CIT exemption for ICT/ software industry</li> </ul>
Tax rebate	Applicable for manufacturing industries of which factories i) are located, ii) move, iii) have already operated, outside Dhaka City
Import duty exemp.	<ul style="list-style-type: none"> <li>- On capital machinery/ spares</li> <li>- VAT exemption for imported capital machinery/ spares</li> </ul>
Other tax exemption	<ul style="list-style-type: none"> <li>- On interest payable on foreign loans</li> <li>- On royalty/ technical license fees obtained from foreign company/ expert</li> <li>- On personal income tax for foreign technician</li> <li>- One capital gain from the transfer of shares of listed public companies</li> </ul>
Non-tax incentives	- Accelerated depreciation for newly established industries in lieu of tax holiday on their factory, machinery and plant

\* The above may be subject to revision upon annually enacted Finance Act and individual regulations. Export-oriented industries regardless of their locations can benefit from additional privileges and facilities.

### Bangladesh Economic Zones Authority "BEZA is a smart way for business in Bangladesh"



BEZA develops and manages economic zones (EZs) in view of generating more spillover effects of investment for industrialization. Currently a number of EZs are being developed throughout nation to cater for investment needs of both foreign and local investors, utilizing a variety of development schemes including BEZA's own initiative, private initiative, public-private-partnership and bilateral agreement with foreign government. The investors tenanted in EZs are able to benefit from the following key incentives/ privileges:

Fiscal incentive	<ul style="list-style-type: none"> <li>- Phased Corporate Income Tax (CIT) exemption for 10 years</li> <li>- VAT exemption for imported machinery/ const. material, utility expense</li> <li>- Duty exemption for imported vehicle</li> <li>- Duty exemption for import/ export of goods/ materials with bonded warehouse facility</li> <li>- Personal Income Tax exemption for expatriate salary</li> <li>- Tax exemption for dividend/ royalty and technical license fees, etc.</li> <li>- Exemption of local government tax/ land development tax</li> <li>- Exemption from registration fee on land transfer/ loan document, stamp duty on loan document/ lease of land and space</li> </ul>
Non-fiscal incentive	A variety of privileges and facilities are available. (see the website of BEZA: <a href="http://www.beza.gov.bd/">http://www.beza.gov.bd/</a> )

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