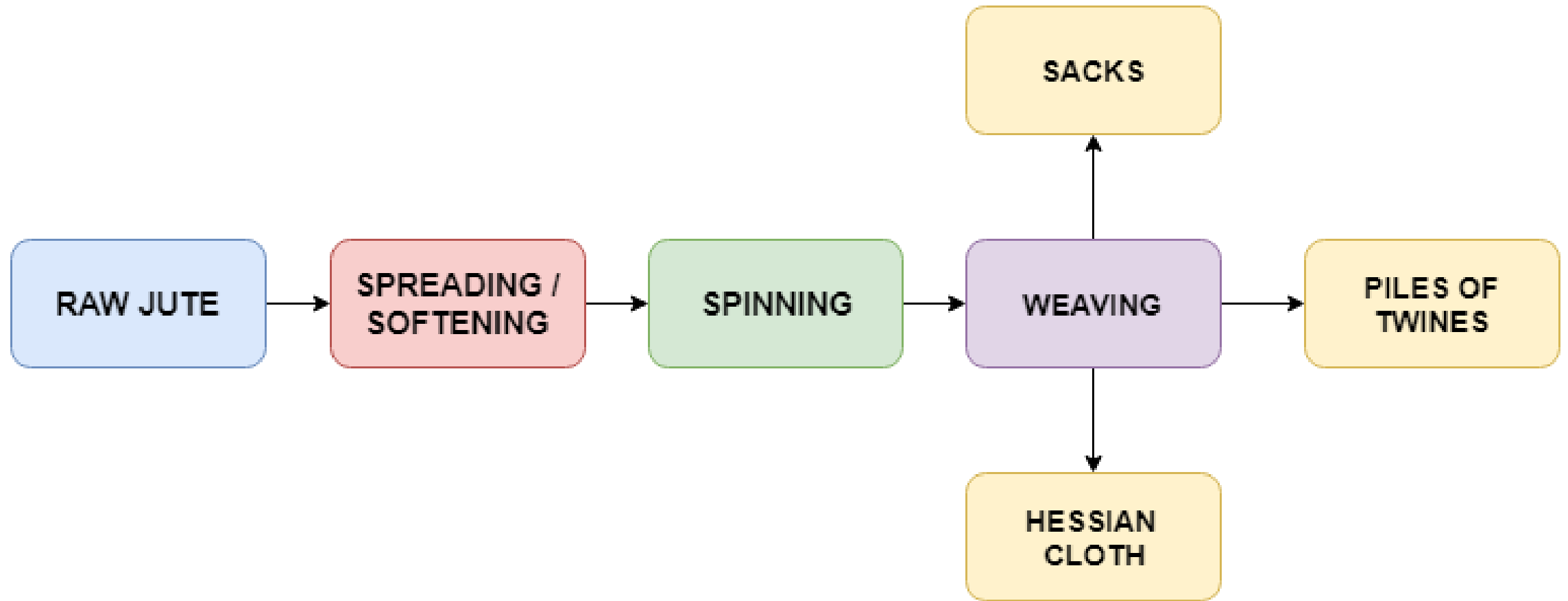


JUTE SECTOR - OVERVIEW

- Value Chain
- Products
- World Production
- Local Producers and Demand
- Key Challenges



Jute | Value Chain



Jute Dynamics | World Production

Jute Production						
Area Harvested (Ha)						
Country	2012	2013	2014	2015	2016	2017
India	800,000	800,000	741,000	773,000	767,549	769,928
Bangladesh	760,427	681,000	665,699	677,575	677,678	737,770
China	12,290	11,970	10,094	9,408	8,554	8,000
Nepal	10,540	11,300	11,350	8,641	8,011	8,007
Zimbabwe	4,200	4,200	4,111	4,136	4,099	4,127
Others	8,750	5,093	4,941	4,537	3,909	3,744
Total	1,596,207	1,513,563	1,437,195	1,477,297	1,469,800	1,531,576

Jute Production						
Jute Production (Tonnes)						
Country	2012	2013	2014	2015	2016	2017
India	1,912,000	1,944,000	1,968,000	1,789,200	1,897,570	1,966,339
Bangladesh	1,452,044	1,391,000	1,349,000	1,399,000	1,344,000	1,496,216
China	39,400	35,500	32,480	30,740	30,750	30,000
Nepal	14,424	15,500	14,890	12,547	11,633	11,624
Uzbekistan	20,000	21,000	20,000	17,246	16,367	16,091
Others	15,732	11,366	11,781	11,552	10,833	10,546
Total	3,453,600	3,418,366	3,396,151	3,260,285	3,311,153	3,530,816

Jute Dynamics | Import

Jute Sector				
Imports of Raw Jute by Top 10 Countries (US Dollar Thousand)				
Importers	2015	2016	2017	2018
World	187,921	253,830	207,482	215,869
Nigeria	2,399	5,609	13,338	58,789
Pakistan	40,763	33,688	49,602	48,414
India	47,589	104,904	44,676	37,426
China	15,156	16,914	19,239	18,380
United Kingdom	3,924	3,896	6,227	6,588
Nepal	21,596	32,264	22,269	5,378
Brazil	5,895	5,235	2,845	4,115
Germany	3,986	4,552	4,929	3,494
Korea, Republic of	3,916	4,259	3,388	3,359
United States of America	2,450	2,930	3,098	2,764
Total (Top 10 Countries)	147,674	214,251	169,611	188,707
Pakistan's Share in World Imports	27.60%	15.72%	29.24%	25.66%
Top 10 Countries' Share in World Imports	78.58%	84.41%	81.75%	87.42%

Jute Dynamics | Export

Jute Sector				
Exports of Raw Jute by Top 10 Countries (US Dollar Thousand)				
Exporters	2015	2016	2017	2018
World	205,381	269,790	203,986	180,946
Bangladesh	123,473	203,570	152,206	130,680
Tanzania, United Republic of	45,672	25,398	20,658	18,432
Kenya	15,401	17,366	11,805	13,810
India	10,558	11,660	8,166	5,563
Belgium	3,515	4,347	4,302	4,722
United States of America	542	797	533	1,162
Korea, Republic of	164	180	373	942
Indonesia	20	4	161	748
Germany	838	942	570	729
United Kingdom	144	195	168	458
Total (Top 10 Countries)	200,327	264,459	198,942	177,246
Bangladesh's Share in World Exports	61.64%	76.98%	76.51%	73.73%
Top 10 Countries' Share in World Exports	97.54%	98.02%	97.53%	97.96%

Jute | Key Products

Yarn: Raw Jute is spun into Yarn and used for further processing and for sale. Jute Yarn is used in different industries but mainly in carpet industry.

Twines : Jute yarns are plied together to make twines as per requirement and use. Twines are used for making ropes etc.

Hessian Cloth : Jute yarn is woven into cloth named Hessian Cloth

Sacks : Jute Yarn is weaved differently and then stitched to make sacks. Sacks are used for storing Cotton, Potatoes, Fertilizer and other Agriculture related products.

Value Added products : Bags, Rugs, Carpets etc.



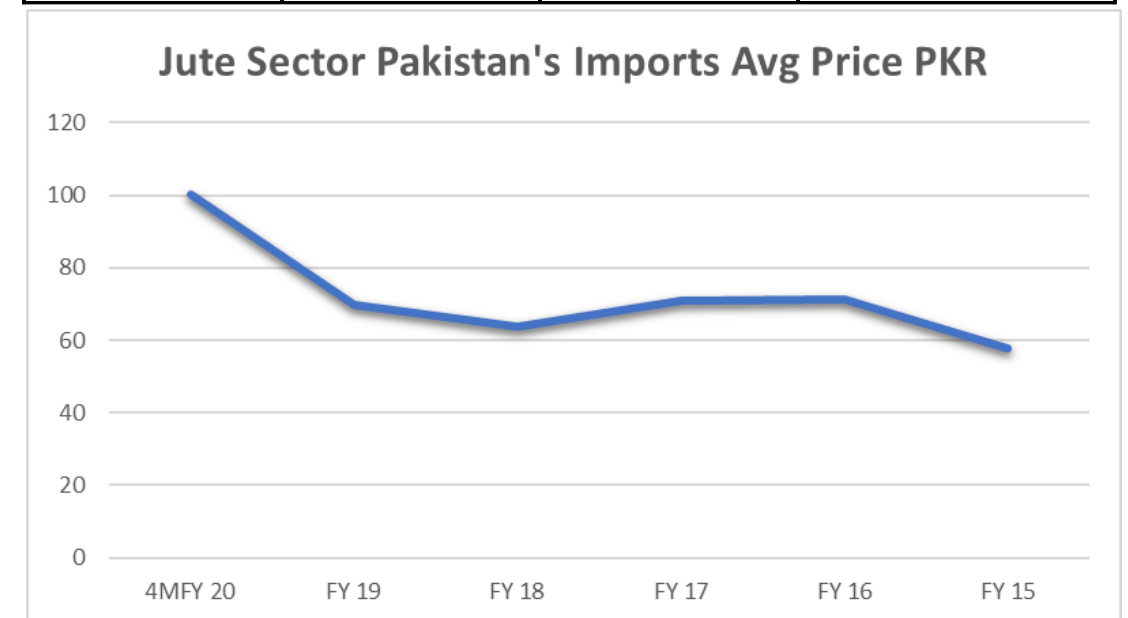
Jute | Imports By Pakistan

Pakistan relies on imported jute for its requirements from Bangladesh.

Import price in international market largely fluctuates on the basis of Jute crop in Bangladesh.

Import price increased substantially due to currency devaluation.

Jute Sector			
Pakistan's Imports			
Year	Quantity	Avg Price	Total(PKR)
FY	MT	PKR	PKR Million
4MFY 20	6,889	100	691
FY 19	67,918	70	4,730
FY 18	87,991	64	5,600
FY 17	66,886	71	4,745
FY 16	46,706	71	3,321
FY 15	74,109	58	4,275





Jute | Local Players

Pakistan Jute Mills Association has 10 members.

Only 5 Jute Mills are operational.

Thal Limited and Sargodha Jute are Market Leaders.

On the basis of actual capacity utilization, Sargodha Jute is the largest producer of jute products.

Local Players cater local demand.

Major Jute Mills in Pakistan	
Name	Capacity
Thal Limited	33,000
Sarghoda Jute Mills	30,500
Indus Jute Mills	20,000
White Pearl Jute Mills	15,000
Madina Jute Mills	15,000



Jute | Local Demand

Usually, Jute Sacks is being used to procure food grains (wheat, rice etc.) for long term.

The Government Agencies and Public Sector Corporations, responsible for grains procurement and storage, are the primary buyers of Jute Products.

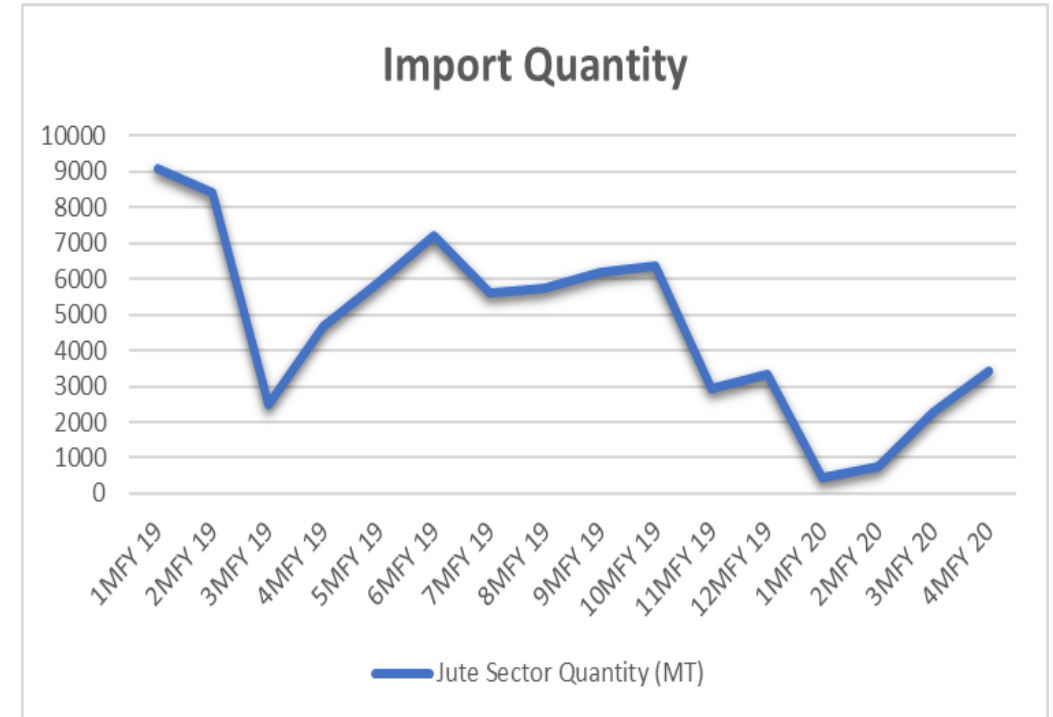
Currently, Jute Mills are unable to utilize its capacity as the Local Demand is under pressure.

Imposition of sales tax on textile products and significant devaluation of Pak rupee has increased the prices of finished jute products, making them less competitive compare to other substitutes.

Further, imposition of CNIC condition on buyers further from July 01, 2019 has further hampered the demand as most of the buyers are unregistered.

Jute is harvested during the first quarter of the financial year.

The price of raw jute is highest during first and second quarter due to peak season.



Jute | Industry Seasonality

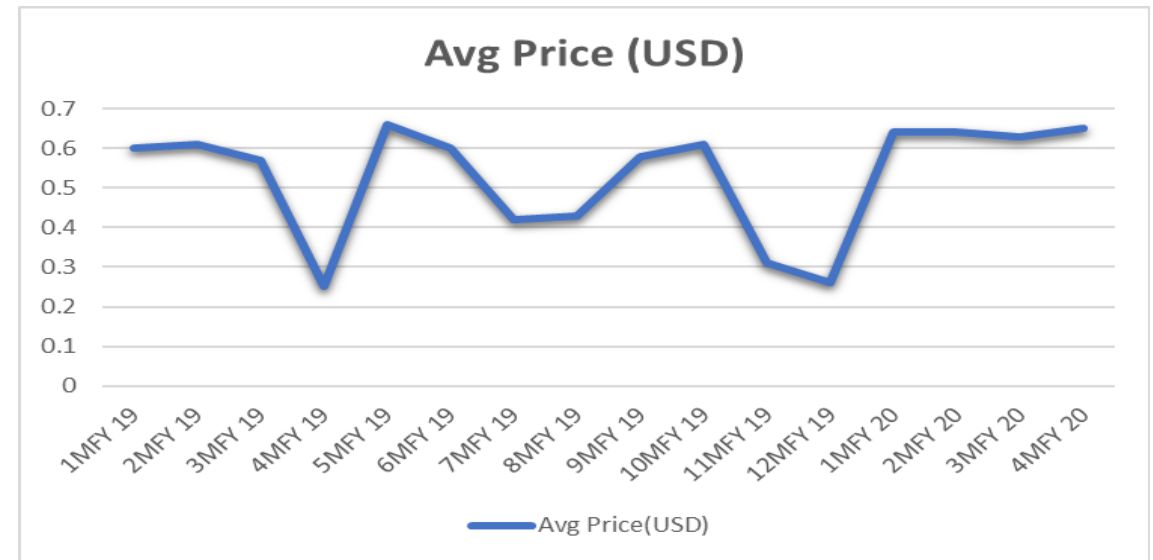
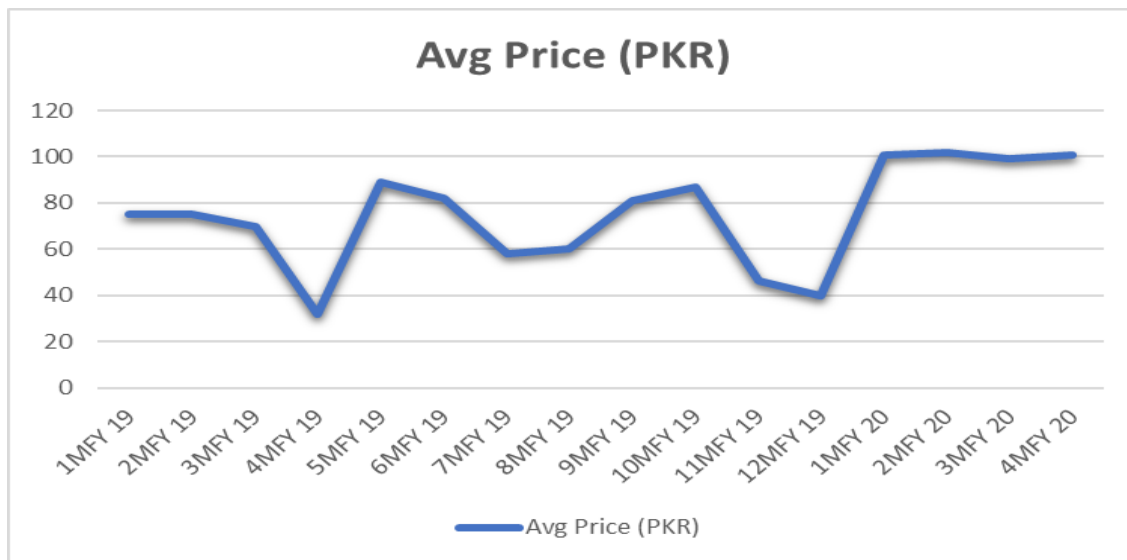
The industry is seasonal in nature.

First quarter has lowest activity as crop is harvested in first quarter.

Second and third quarter reflects highest activity due to demand from government agencies.

Activity in fourth quarter slows down but remains adequate to cater local demand.

The seasonality is reflected in the price of raw jute, touching highest in the second quarter.



Jute Industry | Regulatory Structure

- **Jute Industry** enjoys same regulatory structure as Textile industry as it has high correlation with textile.

Custom Duty Structure		
Type	FY 20	FY 19
Raw & Processed Jute	3%	3%
Jute Yarn	11%	11%
Woven fabrics of Jute & Jute Bags	20%	20%
Sales Tax Structure		
Type	FY 20	FY 19
Raw & Processed Jute	17%	0%
Jute Yarn	17%	0%
Woven fabrics of Jute & Jute Bags	17%	0%

Jute Industry | Key Challenges

- **Polypropylene bags** being less costly are replacing Jute Bags constantly.
- **Exchange Rate** hike had lead to increase in importing cost of Jute which is major cost of Jute Industry.
- **Higher Dependency** on a single import market i.e. Bangladesh. Any deterioration in crop in Bangladesh significantly impacts Jute Price.
- **Lower Yield** in Pakistan of Jute Crop and lower rains make Pakistan unviable for Jute cultivation.

Bibliography

1. <http://www.fao.org/faostat/>
2. <http://www.pjma.com.pk/>
3. <http://www.ijma.org/>
4. <https://sargodhajute.com/>
5. <http://www.pbs.gov.pk/>
6. <https://trademap.org/Index.aspx>
7. <https://www.fbr.gov.pk/>

Analysts	Usama Zahid Sarhandi Associate Financial Analyst +92 42 3586 9504 usama.zahid@pacra.com	Ateeb Riaz Supervisory Senior +92 42 3586 9504 ateeb.riaz@pacra.com
-----------------	---	---

DISCLAIMER

PACRA has used due care in preparation of this document. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. The information in this document may be copied or otherwise reproduced, in whole or in part, provided the source is duly acknowledged. The presentation should not be relied upon as professional advice.