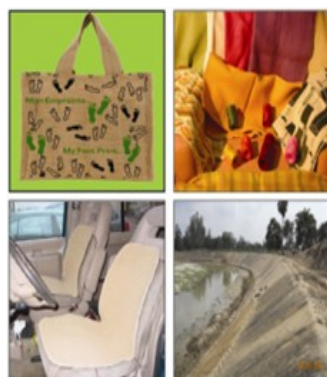




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Contract Farming in Jute Fiber Sector

Contract farming (CF) is an institutional arrangement that promotes linkage of farmers to the market when operation costs of direct engagement with the market are high for producers and traders. The prominent prerequisites of a successful CF depends on (i) a good number of farmers agreeing to operate in a particular locality in order to hold the contracting farm's interested to invest steadily; (ii) good infrastructures viz. roads, transports, electricity supplies, etc; and (iii) a legal system to protect the rights and bargain power of the small producers. The effectiveness of CF practice is also subjected by the change in the input cost, increase in income, better marketing facilities and technology transfer and so on. Besides, the relative dependencies of the contractors and the farmers are extremely important in deciding how contracts are administered.

Contract farming schemes are exceptionally diverse not only with regard to the products grown but also in which they can be structured and managed. The contracts could be of various types, such as: (i) Procurement contracts under which only sale and purchase conditions are specified. (ii) Partial contracts wherein only some of the inputs are supplied by the contracting agencies. (iii) Full contracts under which the contracting

agencies supplies and manages the entire inputs and production are bought at pre-agreed prices.

Tobacco Contract Farming in Bangladesh:

In Bangladesh tobacco contract farming has been operating from many years where the contracting agencies provide credit to the farmers in the form of seed, fertilizer, pesticide together with technical supports. In return, the farmers sell tobacco leaves to the firms at a set price. The firms maintain complete database of the farmer's profile. The producers enjoy benefits in the form of getting necessitated and timely input materials together with a guaranty to sell dried tobacco leaves without any hazard of storage and damage. They also get higher net income than they could from alternative farming. The schemes are operated successfully due to years of oversupply, which gave the contracting firms confidence in maintaining support from medium to long run. With existing knowledge of crop yields and production costs, the firms calculate a realistic pricing structure that is mutually profitable for both sides. Each year firms usually increase the purchasing prices of the produce than previous year, which encourages the farmers to be engaged with

them in the successive years.

Jute Seed Contract farming in Bangladesh:

Contract farming in jute seed production is already practicing in leading jute producing countries. Bangladesh Agricultural Development Corporation (BADC) is the largest public institution for production and distribution of jute seeds in the country. BADC has about 30,000 contract growers on jute seed. An agreement is signed between farmers and BADC before starting the season. Under the scheme, BADC provide seed and technical expertise / supervision to the farmers. Price fixation normally practiced after harvesting the seed crop through a committee. It is normally higher than the market price of local jute seed. BADC distributes about 15-20% of the total jute seed requirement of the country through contract growers. (Table-2)

Possibilities of Jute contract farming:

Like successful tobacco contract farming practices, jute fiber contract farming is feasible in Bangladesh. The importance of jute got global momentum due to sharply growing consciousness with environment; the demand for jute is increasing. The jute producing countries especially Bangladesh having harmonized at-

Table-1: Benefits of Contract Farming

Farmer	Contractor /Business firm
<ul style="list-style-type: none"> Improved access to credit for purchase of inputs or direct provision of inputs by the contractor. Assured access to new and high value markets of the produce. Improved access to extension services and post harvest technical assistances. Better access to technical and management skills required to satisfy market requirements. Improved access to information and enhanced market transparency. Reduce fixed and variable costs of equipments and inputs. Higher income due to increased yields and quality associated price payment mechanism. Potential for higher prices via direct linkages to buyers. 	<ul style="list-style-type: none"> Potential for improved product quality and greater flexibility in better responding to market signals. Enhanced flexibility to market segments with specific qualitative specifications. Enhanced control over sourcing (e.g. – variety, quality control, timing, etc) for processors and manufacturers. Better scope to diversify location specific production risks through shuffling production areas. Potentials for enhanced relations with government and other agencies. Potentials for enhanced transactional efficiencies and reduced procurement costs via direct-sourcing linkages. Reduced capital investment in centralized production viz. land, infrastructure, equipment etc.



Table-2: Marketing of jute seeds through contract growers by

Year	Amount (Ton)
2010-2011	1608
2009-2010	1229
2008-2009	902
2007-2008	322
2006-2007	1022

Table-3: Jute sector in Bangladesh

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Cultivation Area (in hectare)	533.4	500	408.1	485.8	587	620.2
Production (in '000 tonnes)	990	990	931	1080	990	1323.1
Export and consumption (in '000 tonnes)	990.3	1010	999	1086.3	990.3	1513

Source: FAO and IJSG Website

mosphere for quality fiber production and export oriented industries could utilize this opportunity by expanding existing jute cultivation through contract farming. This will enhance growing more jute fibres by tapping the non-traditional production areas, such as char, haor, saline-prone and other fallow areas. It is evident that when multinational business firms are involved, contract farming may also potentially increase access to lucrative export markets. Thus, CF is beneficial for development of the overall employment and physical facilities of the larger community.

Again, CF in jute fibre may ensure the steady supply of jute to meet up the demand. It will also help in significant dearth in jute producing country's supply scarcity. For instance, in Bangladesh jute mills of the country experienced a radical dearth in the supply of raw jute in year 2010 and this had posed a serious problem to ongoing production in many jute mills. Distress over these insufficient supplies of raw

jute pushed the government to intervene for subsistence of the domestic jute industry. Contract farming schemes are possibly the suitable solution for industry to overcome these obstacles.

As the raw jute market has frequent ups and downs in nature, it creates burden to the farmer's overall production expenses. Thus, factors that limit the ability of smallholder jute farmers to improve their productivity have brought contract farming necessities. Most of these farmers don't have their own land that commonly lack security of tenure over the land they farm. This sort of insecurity is restricting them to invest in improving the land. They also typically lack of access to productivity-enhancing inputs such as improved seed, fertilizers, water and information or to the credit needed to finance investment in these inputs. As a result, smallholder farmers are unable to deliver the volume and quality of produce that commercial buyers, retailers, processors and other agribusiness firms require,

which in turn limits the development of markets for jute produce. Contract farming schemes are one possible way to overcome these obstacles while securing mutual benefit for all stakeholders involved.

Field experiences revealed that farmers have jute cultivation experiences by generations. The cropping seasonal patterns of tobacco and jute found compatible. Tobacco cultivation starts during the winter season, usually after harvesting jute. Therefore, existing tobacco farmers can easily grow jute along with tobacco in the same land through contract farming. Moreover, contract farming in jute seed is practicing in jute producing countries over year.

Like tobacco farming practices, jute farmers are keen to get loan facilities for input material support and other post harvest management practices viz. seed, fertilizer, weeding, retting, fibre extraction, drying etc. All these may encourage them to invest more lands under jute cultivation. A number of jute farmers found in greater Faridpur districts organized under a donor funded project with an aim to improve livelihoods of the jute growers and jute craft producers as well as to improve their organizational and individual capacity to ensure rights and terms of trade. Besides, jute farmers get local government official's support along with extension services from local agriculture offices. Regional jute research institute stations are maintaining close collaborations with jute farmers. They provide HYV seeds to them along with improved production knowledge and practices.

As the largest public sector, Bangladesh Jute Mills Corporation (BJMC) may take some initiatives, at least on test basis, to implement contract farming for jute in the country to ensure supply of jute to the industries also to help the farmer to get fair price of their product. Table-4 showing BJMC's annual requirement of jute fiber, which they are purchasing from the open market through 174 purchase centers located in the jute growing areas of the country.

As they have field level purchasing centers, which is growing every year, and more than 1500 staffs working in that centers it will be easier for them to initiate contract farming in Bangladesh.

Major challenges, as per discussion with various stakeholders, revealed that successful jute fiber contract farming is not grounded due to various reasons. Among them lack of mindset between the stakeholders is one of the major cause. The industries and traders don't show optimism due to higher operational cost involvement. They commonly sense that farmers are neither organized to be contracted nor the tenancy pattern of individual jute farmer is big enough for CF. The private and government owned jute mills purchase jute fibers, in most of the cases, not on spot payment basis. As a result, huge middle man involvements in the raw jute supply chain making hurdle towards successful implementation of the CF. There also have lacking in timely and adequate flow of credit to most of the state owned jute mills, which also retarding the situation even for piloting successful jute contract farming on board. It is to be noted that successful CF schemes are founded on good economic principles, transparency and a mutual commitment by the stakeholders to share the market's risks and rewards, which are clearly not up to the mark in the jute sector especially in Bangladesh.

The prospect for growth in jute agriculture necessitates improved market conditions that help encouraging investors to take a more aggressive approach on the jute fiber production. If jute CF can be initiated, it will help the sector to (i) enhance the capacity and resources to systematize farmer-to-farmer exchanges on farming technology, development alternatives and quality of produce; (ii) improve the capacity to lobby national governments and international institutions on new marketing possibilities and jute policy issues; (iii) enhance the capacity to develop & manage trade operations and other income generating activities; (iv) improve the capacity to follow-up and monitor agricultural markets of jute - prices, trading, quality standards etc.

Author: Khaled Golam Mortuza, Senior Research Assistant, IJSG

Table 4: Annual jute purchase status of BJMC

Year	Number of Purchasing center	Targeted amount ('000 ton)	Purchased amount ('000 ton)	Cost (Cror Taka)
2011-12	137	236.0	209.5	828.96
2010-11	123	206.4	201.5	914.58
2009-10	103	198.2	167.3	634.86
2008-09	78	193.3	106.5	289.95

Source: BJMC

Table-5: Steps to initiate successful jute contract farming

Phase 1 Initiate and Plan	Phase 2 Implementation and Learning	Phase 3 Sustainability
Clarifying business contractor or firm's interest and capacities	Preparing the draft agreement	Continuous feedback for sustainability
Screening potential production areas	Accepting the contract and negotiations	Scaling up plan
Map the value chain - actors, economics and upgrading needs	Set up infrastructure and management logistics	
Selecting farmers group for start-up	Develop contract farming capacities of the stakeholders – farmers, management staffs etc	
Assess the capacity development of farmers and contractors / buyers and other service needs	Develop the business information system	
Outlining the structure and management plan	Routines feed back to farmers' field staffs and management.	
Outlining the contract details		



14th Meeting of the Private Sector Consultative Board (PSCB) of IJSG Held in Zhoushan City, China



The Fourteenth Meeting of the Private Sector Consultative Board (PSCB) was held in Zhoushan City, Zhejiang Province, China from November 18 - 20th, 2013. The Secretary General of IJSG Mr. Bhubendra Singh and Executive Secretary Mr. Mahbub Ullah participated in the meeting. The event was participated among others by Mr. Humayun Khaled, Chairman of PSCB of IJSG and Bangladesh Jute Mills Corporation (BJMC), H.E. Muhammad Azizul Haque, Ambassador of Bangladesh Embassy to Beijing, China, Mrs. Shameema Sultana, Additional Secretary, Ministry of Textiles & Jute, Bangladesh, Jute Commissioner of India Mr. Subrata Gupta, Representative of China Bast and Leaf Fibers Textile Association (CBLFTA) Mr. Yang Liming, Chairman of Zhejiang Golden Eagle Mr. Fu Guoding, Chairman of Akij Group Mr. S.K. Nasir Uddin and Associate Members of IJSG from Bangladesh, India, Malaysia and China. The event was followed by a buyer-sellers meet and factory visit. One of the IJSG Associate Members, M/s. Zhejiang Golden Eagle Co., Ltd., China was the local host for the meet.

The program was inaugurated on November 18, 2013 at International

Meeting Hall of Golden Eagle Hotel. Representatives from different industries and business organizations in China were present in the inauguration session. The session was marked by the resolve to have increased trade between China and jute producing countries.

The PSCB meeting was held on November 19, 2013. The meeting was opened to all Associate Members of the IJSG & was chaired by the Chairman PSCB Mr. Humayun Khaled. On November 20, 2013, the participants also visited Hangzhou Zhongxing Cotton & Jute Co. Ltd. Located at Hangzhou City



CCEA Approved Mandatory Use of Jute in Packaging

In pursuance of the Jute Packaging Material Act, the Cabinet Committee on Economic Affairs has approved mandatory packaging of 90% of the production of food grains and 20% of the production of sugar in the jute packaging material for the jute year 2013-14, with the following exemptions:

i) Sugar packed for export, but which could not be exported may be exempted from the operation of the order on the basis of an assessment by and request of the Department of Food and Public Distribution.

(ii) The following will be out of the purview of the reservation:

- a. Sugar fortified with Vitamins.
- b. Packaging for export of the commodities.
- c. Small consumer packs of 25 kgs

and below.
d. Bulk packaging of more than 100 kgs.

(iii) In case of any shortage/disruption in supply of jute packaging material or in other contingency/exigency, the Ministry of Textiles will, in consultation with user ministries concerned, relax these provisions further, up to a maximum of 30% of the production of food grains over and above the provisions mentioned above.

[Source: DishaDiary, Nov 28, 2013]



Import of Raw Jute Rises in Nepal

Jute factories in eastern Nepal have been sourcing raw jute from countries like India and Bangladesh as local production of this cash crop is decreasing with each passing year. According to Nepal Jute Mills Association (NJMA), local production can meet only around 20 percent of the demand. If jute mills in the country are to operate to their full capacity, they consume around 100,000 tons of jute a year. Annual production of raw jute hovers around 18,000 tons. "Jute mills in Sunsari-Morang industrial corridor are not operating to their full capacity because of the shortage of raw materials. Rajkumar Golchha, president of the NJMA, told "Most of the mills in the corridor are importing

raw jute from India." The demand for raw jute increased further after Biratnagar Jute Mill recently resumed operation after a hiatus of five years. Shyam Paudel, general manager of Biratnagar Jute Mills, said the government should come up with fresh incentives to encourage more farmers toward jute farming. "Earlier, Nepal used to export raw jute to India and Bangladesh. The situation has become opposite now," According to Trade and Export Promotion Center, Nepal imported raw jute worth Rs 2.3 billion in fiscal year 2012/13.

[Source: Nepal Republic Media, Nov 11, 2013]

JUTE NEWS

Bangladesh May Lose Market in Jute Exports



Bangladesh exported raw jute worth Tk 53.83 crore in the first two months of the current financial year (July-August 2013-14). The country fetched the said amount of foreign exchange by exporting 73,997 bales of

raw jute to different countries, mostly to Pakistan and China. During the period, the country exported raw jute worth Tk 13.83 crore to Pakistan, Tk 6.13 crore to India, Tk 22.55 crore to China, Tk 1.24 crore to Vietnam, Tk 6.33 crore to Cuba, Tk 3.12 crore to Russia, Tk 0.63 crore to Nepal. Bangladesh Jute Association (BJA) has set a target for exporting 7.0 million bales of raw jute during this fiscal year (2013-2014). But the association cannot achieve their desired goal from the sector because of slow pace of export this year.

[Source: The Daily Star, Nov 26, 2013]

Sri Lanka Offers Land for Jute Cultivation

Bangladesh has received a request from Sri Lanka for cultivation of jute in its northwestern province Puttalam where Colombo assured of giving long-term lease of lands. The request came in a meeting between Sri Lankan President. Mohinda Rajapaksa and Bangladesh Prime Minister Sheikh Hasina in Colombo in Nov, 2013

The Prime Minister Sheikh Hasina expressed Bangladesh's interest in extending cooperation in cultivating unused lands in the down-south and east and producing diversified agri-

products like jute, rice, vegetables, etc. She said considering the shortage of agriculture workers and high costs of agricultural inputs in Sri Lanka, the private sector of Bangladesh may find it attractive to invest in Sri Lanka's agricultural sector. [Source: The Daily Star, Nov 15, 2013]



Natural Fibre News

Coir Board Road Show to Showcase New Products



Chairman of Coir Board, India said, "It is as part of the idea that the statutory board has just embarked on a cross-country road show. The aim is to create awareness about various types of coir products". The three-month journey of the Coir Kranti Express, which was flagged off from Kanyakumari on November 05, displays varied coir products, including geo-textiles and handicrafts. It also features an audio-visual show and art exhibition that explain the history, current projects, activities and future perspectives of the Coir Board in India.

[Source: Kerala Biz News, Nov 07, 2013]

Faced with keen competition in the global market, Coir Board is bracing up to boost its domestic sales by launching a clutch of major initiatives to lend increased popularity to the use of the natural fibre. G Balachandran,

Upcoming International Events

- Heimtextil Frankfurt, Germany show for the textile industry, 08 - 11 January 2014
- 8th International Conference on Polymer and Fiber Biotechnology, May 25-27, 2014, Braga, Portugal

Upcoming IJSG Events

- 17th Meeting of the Council of IJSG, January 2014, Dhaka, Bangladesh
- Training of JDP manufacturer in Guwahati, India, January 02-08, 2014

New Associate Member
November, 2013

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Strong Global Demand for Canada's Flax Stabilizes Prices



Western Canadian flax prices are seen to have stabilized post-harvest amid continued

holding relatively well," said Will Hill, president of the Flax Council of Canada. "We have good demand and we've had good yields." According to Agriculture and Agri-Food Canada's Outlook for Principal Field Crops on Thursday, flax exports are pegged 575,000 tonnes, up from 481,000 in 2012-13. The Black Sea region, which competes with Canada in the European marketplace, has a disappointing crop this year, meaning Canada is expected to export a fair share of flax to Europe this year. "Europe used to be the biggest importer of Canadian flax, Hill said, noting that the goal is to once again be its dominant supplier. [Source: Grains News, Nov 22, 2013]

strong export demand from the U.S. and China, with a poor Black Sea-region crop likely leading to increased exports to Europe. As of Thursday (Nov. 21), Prairie Ag Hotwire had FOB farm flax priced at C\$13.25 to C\$13.75 per bushel, up from C\$12.50 to C\$13.00 per bushel a month earlier. "Given what's happened with the other commodities that have been under some pressure since harvest, I think flax has been

EU Wants Plastic out of Marine Stomachs

Plastic News



No one can say how much plastic is in the oceans, he told - only that it's more than nature can handle. For more than ten years, marine biologists have been trying to assess marine pollution by examining dead birds. On average, they find 31 plastic particles in the stomachs of the birds and the number of particles is rising. Estimates based on these numbers show that there are 18,000 plastic particles floating on each square kilometer of water surface. Some of them are microscopically small, others intact plastic bags. 80% of all bags come from land, not from the sea. The EU wants to pull the brake and press member states to reduce the usage of plastic bags. [Source: Deutsche Welle, Nov 05, 2013]

Marine biologists are finding more plastic particles in the stomachs of dead birds and fish. The EU plans to help by reducing plastic bag use by 80 percent. A few member states have already provided the blueprint. "The problem so big that we can't even measure it," said Benjamin Bongardt, an expert in waste at the Nature and Biodiversity Conservation Union Germany (NABU).

Environment

Kiribati Island: The Poster Child for Climate Change

Lying just two meters above sea level at its highest points, the island nation of Kiribati is the poster child for climate change, with predictions that many of the 32 islands in the group could be lost to the sea in the next 50 years. The stereotypical image of Kiribati is of classic Pacific atolls, palm trees, coral reefs and people living a simple lifestyle, able to fish in abundant seas. But it is threatened by rising sea levels and

facing the full force of climate change. In addition this island nation is one of the most populated places on earth. Current estimates suggest around 110,000 people live here, and half of these in South Tarawa - a chain of small islands, sharing a lagoon and coral reefs now linked by concrete causeways topped with a dusty road. The causeways themselves can be considered the greatest environmental



disaster, as they block the flow of water between the island's lagoon and the ocean. Without the ocean's

washing effect the lagoon has become heavily polluted. There are serious problems with domestic rubbish human and animal excrement entering the waters. President Tong says that, given these immediate problems of overpopulation and environmental degradation, it's hard for people trying to survive here to get a perspective on the wider threat of climate change. [Source: BBC News, Nov 25, 2013]

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