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Jute pulls in investors

SOHEL PARVEZ

The jute industry sees a surge in investment, as nearly a dozen companies are set to spin out jute goods and value-added items, inspired by the rising global demand for green products.

Local business conglomerate Partex Holdings, battery maker Panna Group and Aftab Group, and some shrimp processing firms are likely to invest hundreds of crores of taka in the resurgent jute industry.

At least eight new players, concentrating on yarn or jute goods, signed up to associations such as Bangladesh Jute Mills Association and Bangladesh Jute Spinners Association. Some are modernising their factories to increase production.

The new entrepreneurs are likely to create thousands of jobs and increase production capacity.

But a sudden increase in production capacity might spark a price war for exports, warned the industry insiders. Manufacturing more diverse products from jute is the need of the moment, they added.

At the same time, crop output has to be increased to meet the requirements of an increasing number of factories emerging to exploit demand on the international market.

Officials of Partex, Panna and Aftab said they would initially make yarn to exploit demand for carpets and jute-fabrics. But Partex and Aftab want to diversify production to make denim fabrics and home textiles.

"We see a new window of opportunity for exporting jute goods. The world market is excited about jute as people look for eco-friendly products," said Rubel Aziz, managing director of Partex Jute Mills. "We want to enter the market with our golden fibre," he said.

With a daily production capacity of 80 tonnes of yarn, Partex Jute Mills in Faridpur is likely to begin operation around mid-year. Partex will invest about Tk 140 crore for its yarn and twine factory.

"Our goal is to make value-added jute goods. We aim to make denim fabrics from jute and ladies handbags to market globally," said Aziz.

He urged the government to ban raw jute exports to help Bangladeshi manufacturers increase their value-added jute goods volume for international markets.

The latest investment frenzy in the jute sector occurs at a time when the sector beat its longstanding competitor frozen foods in export earnings.

The local jute industry, employing about 150,000 workers, is now the second largest export earner after clothing, thanks to sustained demand.

In fiscal 2009-10, the sector logged 76 percent higher earnings at $736 million (Tk 5,225 crore) than the previous year, which remains buoyant in the current fiscal year.

The sector where 40 lakh farmers are involved is also set to reap the benefits of the packing law passed last year. The law made it mandatory to pack certain percentage of food items and fertilisers with jute to boost the industry and cut the use of environmentally-harmful polypropylene bags.

Such prospects on local and international markets also lured investors like Panna Group, according to its Deputy Managing Director Ramendra Nath Basak.

Panna Group took a Tk 160 crore project to set up its concern Altu Khan Jute Mills at Madhukhali in Faridpur, a major jute-growing belt. The mill will produce 60 tonnes of yarn a day and Hessian sacks. It is likely to start production in April, creating jobs for nearly 3,000 people, said Basak.

Kamrul Hasan, operative director of Aftab Jute Mills, said it is a pity that jute did not receive due attention in the past, despite immense prospects.

"Petrochemicals will be exhausted over time. But the demand for jute will continue as long as we can grow it. Many European countries are discouraging use of synthetic bags to protect the environment," he said.

"Everything about jute is positive. It is a versatile product. If we can showcase it properly, we will be able to tap the global market," said Hasan of Aftab Jute Mills, which aims to kick off operations this year to spin out 15 tonnes of yarn a day.

"We will begin with yarn. But our goal is to make diverse products from jute including shopping bags and home textiles," he said.

"It will not be wise to stay content with yarn making only, because the market for yarn is almost saturated and prices will fall as soon as supplies surpass demands," Hasan warned.

Kazi Shahnewaz, owner of a frozen fish processing plant in Khulna, has recently signed up to make twines and sacks from jute. The factory, Shahnewaz said, is likely to begin production about mid-year with 2,000 people working each shift.

sohel@thedailystar.net

Real estate on the mend

SAYEDA AKTER

Real estate sales rebounded through the year 2010, despite challenges in getting new gas and electricity connections that compelled the realtors to delay asset handover to customers.

The sector is likely to face serious challenges this year. The problems are known: a lack of gas and electricity connections and soaring prices of raw materials, including MS rod.

Developers said the government's decision not to allowing gas and electricity connections to new residential and commercial buildings is the main hurdle to the sector in 2011.

Sales of land and apartments grew by 20 percent last year, compared to a year ago, the industry insiders said. The realtors handed nearly 20,000 apartments in 2010.

LOOKING BACK 2010

"The overall performance of the sector was quite satisfactory in 2010, mainly due to political and economic stability," said MA Baten Khan, managing director of BDDL Properties Ltd.

Along with industrialists, expatriate Bangladeshis, garment makers and a number of middle-income people invested in real estate last year because of a better economic situation, he said.

But the sales growth alone could not make the sector happy.

"The embargo on new gas and electricity connections is the main challenge," Khan said. "If these problems linger, sales growth may not sustain for long."

Meanwhile, the government is trying to make it mandatory for an apartment to meet 3 percent of its energy need from solar power.

"We don't have necessary infrastructure to set up solar panels for every apartment," said Tanveerul Haque Probal, managing director of Building for Future Ltd.

"Solar panels and other equipment are pricey," he said.

HURDLES TO THE SECTOR

The government issued a statutory regulatory order in January last year restricting any breakable ship's entry into Bangladesh without a pre-cleaning certificate.

The ship breakers and MS rod makers have opposed the decision and argued that the move will eventually fuel the already soaring apartment prices.

The government should relax the rules to help the industries flourish, said M Ali Hossain, president of Bangladesh Re-rolling Mills Association.

If the deadlock in the ship-breaking industry prevails, around 400 steel and re-rolling mills will suffer, he said.

"Also, we now meet almost 98 percent of our total demands for MS rod, and the new law will hinder self-sufficiency."

The total investment in the re-rolling mills is over Tk 5,000 crore, Hossain added.

In line with the Real Estate Development and Management Bill passed last year, if a developer fails to provide utility facilities as per the prospectus concerned, he will be fined Tk 5 lakh or will face a one-year jail term.

If a developer does not comply with the contract or keeps construction works unfinished and does not pay compensation, it will be considered cheating under law.

The Real Estate and Housing Association of Bangladesh opposed the provisions of imprisonment.

REGISTRATION FEES

The government increased the land registration fees to Tk 2,000 from Tk 250 per square metre in 2010.

This created a deadlock in the registration process, as people tend to take more time hoping that the government will revise and lower the rate.

Rice OMS fails to contain Ctg prices

OUR CORRESPONDENT, *Ctg*

The open market sales (OMS) of rice have failed to contain the soaring prices in Chittagong although the drive began seven days back.

The government offers Burma atop variety at Tk 24 per kg at its shops, whereas the same quality of Pakistani atop sells at Tk 32-Tk 34 at retail level.

The prices of different categories of rice rose by Tk 2 to Tk 5 per kg in a span of two days.

The Jirashile variety was selling at Tk 48 per kg yesterday against Tk 44 two days back, while Minicate atop was at Tk 40, up by Tk 3 from Thursday.

The prices of Minicate boiled and Najirshile also went up by Tk 2 to Tk 5 within two days.

The retailers blamed the price hike on the wholesalers who said a supply shortage has fueled the prices.