Handicrafts/Jute Products and Home Furnishing

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Handicrafts/Jute Products and Home-Furnishing situation in Thailand

Market Overview

The handicrafts and home-furnishing products of Thailand currently caters to the high-end market. According to Thai Lifestyle Products Federation, the key importers of handicraft and home-furnishing products from Thailand include USA, Japan and European nations[1]. The trade value is currently US$ 3,000 million[2].

The handicraft industry of Thailand consists of 5 clusters. The Thailand Export-Import Yellow Pages[3] classifies these to cover 1) Toys & Games 2) Stationery goods 3) Household Products 4) Gift / Decorative Items 5) Furniture / Building Materials / Hardware Items.

Based on the product classification of Harmonized System Code (HS Code), the handicraft industry in Thailand is classified into 12 main sectors[4]: 1) Pottery and Ceramic 2) Wicker Ware 3) Lacquer Ware 4) Woodwork 5) Niello Ware 6) Gold Ornaments 7) Silver Ware 8) Metal Ware 9) Paper Craft 10) Fabric/Silk 11) Lighting articles 12) Jute-made Product.

Among the 12 types of items above, jute-made products are not popular in Thailand[5]. That is mainly due to production processes in Thailand that cannot produce the soft and smooth jute fabric necessary for furniture, or home furnishings[6].

[1] President of Thai Liftstyle Products Federation. (2011), Interview with the author on 3rd March 2011. Bangkok

[2] Manager Online. (2010). “Lifestyle Association discloses its value of export nearly to 100 billion Thai Baht” (ไลฟ์สไตล์โชว์ตัวเลขส่งออกปี 53 เฉียดแสนล้านบาท). Source is written in Thai language. 21 January 2011Retrieved from http://www.manager.co.th/SMEs/ViewNews.aspx?NewsID=9540000008086 [Accessed 5th March 2011]

[3] EXIMYP. (2010). Thailand Export-Import Yellow Pages. Retrieved from http://www.eximyp.com/ eximguru.php [Accessed 5th March 2011]

[4] Frost & Sullivan. (2005). *A Frost & Sullivan Report: Market Feasibility Study and Business Development Plan for the Handicrafts Sector*. Frost&Sullivan: Chennai, India, pp. 11-12.

[5] President of Thai Liftstyle Products Federation. (2011), Ibid.

[6] President of Thai Liftstyle Products Federation. (2011), Ibid.

Currently, rice sacks[7] are the only jute-made products in Thailand. In other words, the market of jute products in Thailand is still traditional or classical market[8]. In fact, jute and kenaf are one of the economic plants, which are grown in the central region of Thailand[9].

In contrast to the lack of market development on jute products in Thailand, the strength of Thai handicraft market is the design[10]. Therefore, it may be a great opportunity for Thai companies to access the technology necessary to process the jute fibers in order to produce quality home-furnishing products, or handicrafts.

But, still, the opportunity in jute industry is the trend of green products is emerged in everywhere across this world, including Thailand[11]. Therefore, the jute-made products still have a bright future in Thai market, but the advanced development of jute market is needed.

Production

Handicrafts are characterized by their variety. The well-known handicraft products of Thailand are made of textile to produce home furnishing products, woodwork products, and gifts and toy products. Jute has excellent prospects to produce Thai handicrafts by as stand-alone products or blended with other raw materials to add the value and variety leading to product differentiation. In this research, the focus is on the potential of jute products. In the context of Thailand, there is a lack of jute availability in Thailand. This creates the opportunity to import from other countries.

[7] M. Elton Thigpen and Takamasa Akiyama, 1986. *Prospects for the World Jute Industry*. World Bank Staff Commodity Working Papers No. 14. the World Bank: Washington D.C., pp. 45-46.
[8] IJSG and ITC, 2006, *Common Fund for Commodities: A Road Map for Jute*. Technical Paper No. 44. Common Fund for Commodities: Amsterdam, the Netherlands, pp 39-41; Roy, S. (c.2010). Global Situation of Jute Industries and Future Road Map. Retrieved from http://www.jute.org/Global Situation of Jute Industries and Future Road Map.doc [Accessed 5th March 2011]
[9] Kaewsaen, C. , Hengtragoon, K. and Pantachi, T. (2010). "Gurjun-Oil Tree: Buddhist Way and the Conservation and Revitalization of Gurjun-Oil Trees in Isan Cultural Forests". *Journal of Social Sciences* 6 (3), pp. 383-385.
[10] EXIMYP. (2010). *Thailand Export-Import Yellow Pages*. Retrieved from http://www.eximyp.com/ eximguru.php [Accessed 5th March 2011]
[11] TAT News. (c.2011). "Thai Tourism Going Green". *News Room of Tourism Authority of Thailand*. Retrieved from http://www.tatnews.org/tat_news/3852.asp [Accessed 5th March 2011]

There are three types of factory relevant to Handicrafts/Jute Products and Home Furnishings:

Type 1: The factory that has total machine power ranging between 5 – 20 HP (horse power) and/or has workers numbering 7 - 20 workers. They can be tooled up to commence operations immediately. They comply with the government regulations. If the factory causes pollution, it is classified into Type 3.

Type 2: The factory that has total machine capacity of 20 - 50 HP and/or has the number of workers between 20 - 50. They too can be operational immediately. If the factory causes pollution, it is classified into Type 3.

Type 3: In case the factory has potential to cause pollution and have machines over 50 HP and/or employs more than 50 workers, they must seek permission from authorities to operate the business.

Table 1: The Production of Textile industry

Category of Factories	Total Factories	Small Size (7-20 Employees)	Medium Size (20-50 Employees)	Large Size (Over 50 Employees)
Preparation and spinning of textile fibers	1,231	43	69	1,119
Finishing of textiles	431	-	2	429
Manufacture of made-up textile articles, except apparel	168	22	51	95
Other textiles	256	46	81	129
The fabrics and articles from the knitted and crocheted.	715	45	196	474
Total	2801	156	399	2246

Source: http://www.diw.go.th/diw/dataısearch.asp

About 2,801 factories of Textile industry (Table 1) are registered with the Department of Industrial Works as of February, 2011. Among these factories, about 80% were large sized enterprises. Their operations can be categorized as follows:

- 1,231 factories were engaged in Preparation and spinning of textile fibers
- 431 factories were engaged in Finishing of textiles
- 168 factories were engaged in Manufacture of made-up textile articles, except apparel
- 431 factories were engaged in Finishing of textiles
- 256 factories were engaged in Other textiles
- 715 factories were engaged in The fabrics and articles from the knitted and crocheted

Table 2: The Production of Woodwork industry

Category of Factories	**Total Factories**	**Small Size (7-20 Employees)**	**Medium Size (20-50 Employees)**	**Large Size (Over 50 Employees)**
Other products of wood, cork, straw and plaiting materials, except furniture	1,330	182	77	1,071
Manufacture of home appliances are made of wood and cork.	1,004	91	16	897
Products made from plaiting materials.	197	91	61	45
Wood and cork, except in a different category	174	45		129
Manufacture of furniture	4,173	47	184	3942
Total	6,878	456	338	6,084

Source: http://www.diw.go.th/diw/dataısearch.asp

Approximately 6,878 factories of Woodwork (Table 2) industry were registered with the Department of Industrial Works as of February, 2011. Among these factories, about 88% were large sized enterprises. Operations can be categorized as follows:

- 1,330 factories were engaged in other products of wood, cork, straw and plaiting materials, except furniture
- 1,004 factories were engaged in Manufacture of home appliances are made of wood and cork.
- 197 factories were engaged in Products made from plaiting materials.
- 174 factories were engaged in Wood and cork, except in a different category
- 4,173 factories were engaged in Manufacture of furniture

Table 3: The Production of Toy industry

Category of Factories	Total Factories	Small Size (7-20 Employees)	Medium Size (20-50 Employees)	Large Size (Over 50 Employees)
Manufacture of toys.	228	71	40	117

Source: http://www.diw.go.th/diw/dataısearch.asp

Approximately 228 factories of Toy industry (Table 3) were registered with the Department of Industrial Works as of February, 2011. Out of these, 51% were large sized enterprises.

Jute Industry[12]

[12] Source: http://it.doa.go.th/vichakan/news.php?newsid=29 and student encyclopedia issue number 17

About 97 percent of the Jute produce in Thailand are for agricultural sector usage. Of this, 40 percent go for jute bags and 60 percent for jute products such as ropes, thread, and burlap. There are seven jute bag factories in Thailand which use 60,000 tons to produce paper in year 2001. The major export markets are Japan, United State, European Union, and Saudi Arabia.

The trend of the production of jute bags for use in Thailand is decreasing. These are substituted by plastics and related innovations.

Table 4: Jute area planted, actual and projected

AREA	ACTUAL		PROJECTED	GROWTH RATES	
	1988-1990 Average	1998-2000 Average	2010	1988-90 to 1998-2000	1998-2000 to 2010
	000 hectares			Percent per year	
WORLD	**2066**	**1607**	**1155**	**-2.8**	**-3**
Developing	**2066**	**1601**	**1155**	**-2.8**	**-3**
Africa	8	8	6	-0.1	-2.2
Latin America	56	23	12	-6.3	-3.9
Near East	3			-28.3	-9.1
Far East	2000	1570	1 137	-2.8	-3
Bangladesh	549	447	397	-2	-2.3
China	288	70	3	-17.2	-30
India	947	969	702	-0.1	-2.8
Nepal	14	13	16	0.1	0.6
Thailand	139	22	10	-20.2	-6.7
Viet Nam	15	10	9	-4.1	-0.7

Source: http://www.fao.org/docrep/006/y5143e/y5143e1g.htm

Table 5: Jute fiber production, actual and projected

PRODUCTION	ACTUAL		PROJECTED	GROWTH RATES	
	1988-1990	1998-2000	2010	1988-90 to	1998-2000

	Average	Average		1998-2000	to 2010
	000 tons			Percent per year	
WORLD	**3311**	**2644**	**2342**	**-1.9**	**-1.6**
Developing	**3309**	**2637**	**2342**	**-1.9**	**-1.6**
Africa	10	13	11	3.7	-1.2
Latin America	58	26	18	-5.6	-3.2
Near East	8	4		-6.2	-6.3
Far East	3233	2595	2255	-1.9	-1.6
Bangladesh	850	768	721	-0.9	-1.3
China	642	179	9	-14.8	-28.2
India	1472	1548	1494	1.4	-0.8
Nepal	16	15	18	0.7	0.3
Thailand	172	36	20	-17.7	-5.1
Viet Nam	32	12	12	-9.8	0.1

Source: http://www.fao.org/docrep/006/y5143e/y5143e1g.htm

The information form Food and Agriculture Organization of United Nations (FAO) stated that the world plantation area for jute since 1988 – 1990 had an average of two million hectares with the production upto 3.3 million tons. During 1998 – 2000 the agricultural land area dedicated to jute decreased to 1.6 million hectares which is about 2.8 percent decrease, with jute production of 2.6 million tons. It is projected that 1.5 million hectares land (a decrease of 3 percent from the previous period) would produce an estimated 2.3 million tons).

In Thailand, most plantations of Jute areas are located in the North East provinces of the country such as Sakonnakorn, Chaiyapoom, Nakornratchasima, Surin, Srisaket, and Ubonratchathani. They cover approximately 139,000 hectares during the period of 1988 – 1990 with a production of 172,000 tons. The plantation area during 1998 – 2000 decreased to 22,000 hectares and projected to be 10,000 hectares. This amounts to a decrease 20.2 and 6.7 percent with production of 36,000 and 20,000 tons respectively. This decrease in plantation area and production is expected to result from the declining global demand for jute fiber due to the substitute products such as synthetic plastic bags as well as weakening price incentives.

Consumption

According to a portfolio from Bangladesh Jute Mills Corporation (2007), it seems that jute fibers can be processed in order to produce hand bags, shopping bags, jewelry box, mats, canvas, floor covering, scrim cloth, carpet, tapestries, and wall covering[13]. Jute-made products are restricted to sacks for packaging rice, maize, sugar, tapioca and related agricultural produce.[14]. Therefore, the jute industry is still a traditional market[15] with niche market potential.

Substitute for jute bags, such as polypropylene bags or synthetic bags are mainly causing the decline of jute-made products in Thailand. Such substitutes are widely used in agricultural sectors, particularly as a packaging bag for rice[16]. In Thailand, rice wrapped by polypropylene bag can be sold cheaper than rice wrapped

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[13] Bangladesh Jute Mills Corporation. (2007). *Portfolio of Jute Products in Bangladesh*. Retrieved from http://www.bjmc.gov.bd/bjmc_pres/01_files/frame.htm [Accessed 5th March 2011]

[14] M. Elton Thigpen and Takamasa Akiyama, 1986. *Prospects for the World Jute Industry*. World Bank Staff Commodity Working Papers No. 14. the World Bank: Washington D.C., pp. 45-46.

[15] M. Elton Thigpen and Takamasa Akiyama, 1986. *Prospects for the World Jute Industry*. World Bank Staff Commodity Working Papers No. 14. the World Bank: Washington D.C., pp. 45-46.; IJSG and ITC, 2006, *Common Fund for Commodities: A Road Map for Jute*. Technical Paper No. 44. Common Fund for Commodities: Amsterdam, the Netherlands, pp 39-41

[16] M. Elton Thigpen and Takamasa Akiyama, 1986. *Prospects for the World Jute Industry*. World Bank Staff Commodity Working Papers No. 14. the World Bank: Washington D.C., pp. 45-46

by hessian bags[17]. Table 6 compares the price of rice with the difference of packaging.

Table 6: Comparing the Different Pricing of Rice wrapped by the Different Packaging

Items	Date of Pricing (US$)				
	2 Mar 2011	23 Feb 2011	16 Feb 2011	8 Feb 2011	26 Jan 2011
Double Hessian Jute Bag for 50 kg.	19	19	19	19	19
Double Polypropylene Bag for 50kg.	5	5	5	5	5

Source: http://www.thairiceexporters.or.th/price.htm

These cost advantages in comparative packaging price of rice may indirectly encourage Thai farmers to use polypropylene bags. The rice buyers prefers the lower price of rice. In comparison to the other countries, the jute production in Thailand is declining. Thus, consumption of jute products in Thailand declined from 80,000 tons in 1980s to 35,000 tons in 1990s[18]. This caused the decline of prices of jute-made products in Thailand. Table 7 and 8 below indicates this declining trend of consumption of jute products and the resultant decline of the export price of jute products from Thailand.

Table 7: Consumption of Jute Products

	Actual (Tonnes)		Projected (Predicted in 2003)	Growth Rate (%)	
	1988 -1990 (Average)	1998 – 2000 (Average)	2010	1988-90 to 1998-2000	1998-2000 to 2010
Developed Countries	668,000	395,000	322,000	-5.2	-1.8

[17] Thai Rice Exporters Association, 2011, http://www.thairiceexporters.or.th/price.htm
[18] FAO Corporate Document Repository. (c.2010). Jute, Kenaf and Allied Fibres. Retrieved from http://www.fao.org/docrep/006/y5143e/y5143e1h.htm [Accessed 5th March 2011]

United States	108,000	72,000	46,000	-4.4	-4.3
European Union (15 Nations)	224,000	178,000	145,000	-3.6	-1.6
Developing Countries	2,786,000	2,499,000	2,328,000	-0.8	-1
Bangladesh	131,000	152,000	162,000	1.9	1
China	537,000,000	218,000	4,000	-10.9	-12.7
India	1,341,000	1,602	1,608	2.7	-0.5
Pakistan	121,000	85,000	65,000	-2.5	-2.2
Thailand	80,000	35,000	28,000	-12.1	-2.5

Source: http://www.fao.org/docrep/006/y5143e/y5143e1h.htm

Table 8: Export Price of Jute from Thailand

Year	**Yarn (Per tone)**		**Twine (Per tone)**		**Fabrics (Per tone)**		**Gunny Bags of Jute (Per tone)**		**Gunny Bags of Kenaf (Per tone)**	
	Baht	US$	Baht	US$	Baht	US$	Baht	US$	Baht	US$
2000-2001	40,489	936	N/A	N/A	47,784	1104	41,648	965	92,410	2,039
2001-2002	33,782	769	N/A	N/A	47,023	1065	37,672	859	69,287	1,577
2002-2003	33,158	778	N/A	N/A	35,108	824	34,207	801	74,995	1,771

Source: http://www.jute.org/statistics_09.htm

International Trade and Investment

Table 9: World Import of Products of Jute, Kenaf and Allied Fibers from 2003-2009

in '000 tons (1 tons = 1000 Kg)

Year	2003	2004	2005	2006	2007	2008	2009
World	**608.7**	**587.6**	**589.7**	**574.2**	**590.8**	**596.5**	**528.1**
Developing	**313.1**	**310.5**	**317.1**	**328.4**	**350.6**	**366**	**365.6**
Africa	**34.5**	**44.2**	**35.1**	**50.7**	**49.9**	**44.2**	**37.5**
Algeria	5.4	8.7	5.7	5.1	7.2	5.9	5.8
Cameroon	2.4	2.3	1.1	1.6	1.6	1.2	1
Ghana	10.3	14.6	4.7	19.8	14.2	12.8	12
Kenya	3.5	2.9	2.6	4.8	4.3	2.7	2
Morocco	2.6	2.6	3.9	3.6	5.8	5.2	3.2
Tanzania	2.5	4.1	4.5	3.4	2.7	3.8	2.3
Zimbabwe	1.6	1.6	4.7	4.8	6	3.5	2.2
Latin America	**10.5**	**9.2**	**9.8**	**11.9**	**12.3**	**12.8**	**9.9**
Argentina	2.5	2.6	2.8	2.8	3.2	1.5	1.2
Brazil	2	2.4	2.7	3.9	4.1	5.6	3.1
Costa Rica	1.3	1	1.1	1.2	1.2	1.4	1
Mexico	0.5	0.6	1.5	1.2	1.3	1.3	1.3
Uruguay	0.9	0.8	1	1.2	1.2	1.3	1.2
Near East	**248.1**	**235.8**	**249.2**	**240**	**258.1**	**273.3**	**266.3**
Egypt	4	3.8	5.5	5.4	4.6	12.3	12
Iran	63.1	68.2	75.1	30	65	60	60
Saudi Arabia	15.2	16.5	18.7	18.9	19.3	16	17.5
Sudan	3.7	3.9	3	3.2	2.1	1	1
Syria	80	30.8	42.3	53.7	39.7	33.4	35
Turkey	78.1	108.5	101.2	127.9	125.1	148.3	137.5
Far East	**20**	**21.3**	**23**	**25.8**	**30.3**	**35.7**	**51.9**
China	4.3	3.5	4	4.5	4.7	5.4	5
Indonesia	4.5	6	7.1	8.8	11.1	13	10.7
Korea Republic	3.4	3	4.8	5	5.7	5.5	5.5
Malaysia	1.1	1.7	1.4	1.8	2	2.7	3.7
Pakistan	0.2	0.2	0.2	0.4	1.3	1	1
Sri Lanka	2.3	2.2	3.2	2.5	2.1	2.6	2.6
Thailand	0.9	1.7	0.4	0.6	0.5	2.9	21.2
Developed	**295.6**	**277.1**	**272.6**	**245.8**	**240.2**	**230.5**	**162.5**
North america	**56.7**	**60.1**	**59.3**	**49.9**	**46.3**	**40.8**	**28.4**
United States	51.9	55.4	54.7	46.5	42.4	37.2	25.1
Europe	**175.6**	**155.2**	**149.2**	**137.1**	**132.5**	**126.7**	**79.2**
EU(27)	173.9	154.3	147.9	135.4	131.1	125.1	77.5

EU(15)	168.9	149.9	142.2	128.5	123	119.1	75.7
Belgium-Lux	70.8	67.2	62.7	60.7	56.5	50.7	35.9
Germany	15.9	14.8	14.1	13.5	14.7	11.9	9.3
Netherlands	25	15.2	16.3	12.1	14.1	15.9	9.3
Spain	6.7	6.9	8.4	7.9	5.3	4.9	2.9
United Kingdom	26.2	23.1	18	14	12	10.2	6.7
Other EU	5	4.4	5.7	6.9	8.1	6	1.8
Poland	2.4	2.3	3.2	3.5	3.6	2.6	0.9
Former USSR	**5.6**	**8.3**	**8.5**	**12.5**	**17.1**	**19.2**	**12**
Russian Federation	4.1	5.9	6.3	10.8	15	17.4	10.5
Oceania	**34.4**	**31.1**	**34.5**	**28.3**	**27.4**	**27.2**	**27**
Australia	28	25.4	28.7	23.3	23.6	23.2	23
Other Developed	**23.3**	**22.4**	**21.1**	**18**	**16.9**	**16.6**	**15.9**
Japan	19.1	17.8	17.3	14.5	13.6	14.3	14.2
South Africa	4.2	4.6	3.7	3.5	3.3	2.3	1.7

Source: http://www.jute.org

The world import of jute, kenaf and allied fiber products suffered a slight drop from 608.7 thousand metric tons to 528.1 thousand metric tons from 2003 to 2009. This is equivalent to 13.24 percent decrease. This is mainly due to reduction of imports by developed countries in North America and Europe. They imported only 162.5 thousand tons in 2009 from 295.6 thousand tons in 2003 or 45.02 percent decrease. The import of jute products of Thailand increased by 2,255 percent from 0.9 thousand tons to be 21.2 thousand tons from 2003 and 2009 respectively.

Table 10: World Import of Jute, Kenaf and Allied Fibers from 2003 to 2009

in '000 tons (1 tons = 1000 Kg)

Year	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
World	**385.5**	**331.3**	**380.1**	**343**	**512.7**	**440.3**	**416.2**
Developing	**357.1**	**306.7**	**354.2**	**320.4**	**474.3**	**399**	**393.6**
Africa	**22.6**	**13.4**	**19.5**	**18.6**	**15**	**20.2**	**17.8**
Cote d'Ivoire	15.2	6.9	12.9	12	7.5	12.7	10
Ethiopia	5.4	5	5	5	5	5.6	3.7

Nigeria	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Tunisia	1.2	0.8	0.9	0.9	1.7	1.4	3.5
Latin America	**17.8**	**5.9**	**4.2**	**6.1**	**4.1**	**5.8**	**5.8**
Brazil	13.8	1.9	0.2	2.1	0.2	1.7	1.8
El Salvador	1	0.7	0.8	0.8	0.7	0.9	0.8
Cuba	3	3	3	3	3	3	3
Nicaragua	0	0.2	0.2	0.2	0.2	0.2	0.2
Near East	**4.7**	**5**	**4.7**	**3.6**	**2.4**	**6.1**	**5.5**
Egypt	1	1.7	1.5	1.6	0.3	0.8	0.8
Iran	1.8	1.3	1	1	1.1	1	1
Saudi Arabia	1.8	1.9	1.9	0.8	1	4.1	3.5
Turkey	0.1	0.1	0.2	0.2	0	0.1	0
Far East	**312**	**282.4**	**325.9**	**292.2**	**452.8**	**366.8**	**364.5**
China	34.3	65.1	82.2	88.6	125.7	114.2	95.7
India	144.2	62.3	97.5	60.3	162.7	68.7	102.9
Indonesia	2.2	2.4	2.2	2.2	2.6	5.5	2.2
Pakistan	89.2	129.4	128.5	115.8	126.4	143.6	113.7
Thailand	36.7	17.6	6.3	15.6	23.3	11	17.5
Developed	**28.4**	**24.5**	**25.9**	**22.6**	**38.4**	**41.3**	**22.6**
North America	**0.4**	**1**	**2.6**	**1.6**	**3.7**	**3.7**	**1.8**
United States	0.3	0.9	2.5	1.6	3.6	3.5	1.7
Europe	**19.1**	**16.6**	**17**	**15.3**	**23.2**	**23.5**	**15.9**
EU(27)	17.6	15.1	14.9	13	20.7	21	13.7
EC(15)	16.6	14.2	14.1	12.4	18.4	19.2	11.8
Belgium-Lux	4	3.8	2.9	1.1	2.4	1.1	1
Germany	1.3	1.9	2	1.3	3.3	1.7	1.9
Netherlands	0.4	0.7	1.4	1.3	0.3	0.1	0.1
Spain	5.4	3.3	1.5	1.3	1.4	1.3	0.8
UK	2.8	0.3	2.4	2.5	6.3	11.3	4.5
Other EU	1	0.8	0.8	0.6	2.3	1.8	1.8
Other Europe	1.5	1.5	2.1	2.3	2.5	2.5	2.2
Former USSR	**5.6**	**4.2**	**3.4**	**3.2**	**9**	**11.7**	**2.6**
Oceania	**2.1**	**1.5**	**2.3**	**1.5**	**1.5**	**1.4**	**1.5**
Australia	2.1	1.5	2.3	1.5	1.5	1.4	1.5
Other Developed	**1.2**	**1.3**	**0.7**	**0.9**	**1**	**0.9**	**0.8**
Japan	1	1.2	0.7	0.9	0.7	0.5	0.5

Source: http://www.jute.org

The total world import of raw jute, kenaf and allied fibers increased from 385.5 thousand metric tons to 416.2 thousand metric tons or 7.96 percent during 2003 to 2009 with the number of increased because the increasing import of raw jute, kenaf and allied fibers of Far East countries especially in China and Pakistan. For Thailand, the importing of raw jute, kenaf, and allied fibers was decreased by 52.3 percent from year 2003 to 2009 (36.7 thousand tons to 17.5 thousand tons respectively).

Table 11: World Export of Product of Jute, Kenaf and Allied Fibres from 2005 to 2009

in '000 tons (1 tons = 1000 Kg)

	2005	2006	2007	2008	2009
World	**800.3**	**774.1**	**832.7**	**773**	**767.7**
Developing	**740.8**	**729.3**	**787.4**	**747.6**	**744.3**
Africa	**2.6**	**3**	**3**	**3**	**3**
Latin America	**0.5**	**0.5**	**0.5**	**0.5**	**1.1**
El Salvador	0.3	0.3	0.3	0.3	0.1
Guatemala	0	0	0	0.1	0.2
Mexico	0.1	0.1	0.1	0.1	0.7
Near East	**7.7**	**5.3**	**6.5**	**11.7**	**10.1**

Egypt	0	0	0	0.2	0.1
Saudi Arabia	1	0.4	0.2	0.2	0.2
Syria	0.1	0.1	0.1	5.9	5
Turkey	6.4	4.3	5.7	5.1	4.4
Far East	**729.9**	**720.5**	**777.4**	**732.4**	**730.1**
Bangladesh	476	478.9	549.7	491.5	508.7
China	7.6	18.5	21.1	12.6	16.8
India	208.1	189.5	175.6	207.6	135
Nepal	13	13	13	13	17.4
Pakistan	18.9	17.1	15.1	6.1	10
Thailand	6.3	3.4	2.8	1.5	0.9
Developed	**59.5**	**44.8**	**45.3**	**25.4**	**23.4**
North America	**1.8**	**1.2**	**2**	**2.1**	**3.6**
USA	1.6	1.2	1.9	1.8	3.4
Europe	**55.6**	**42.2**	**41.4**	**21.1**	**17.6**
EU(27)	**55.6**	**42.2**	**41.4**	**21.1**	**17.6**
EU(15)	53.2	41.2	40.7	20.5	17.1
Belgium-Lux	27.2	19.6	22.2	11.1	10.3
France	1.3	0.5	0.5	0.2	0.3
Germany	6	6.4	4.9	3.7	1.9
Netherlands	5.6	4.3	4.1	2	1
UK	6.6	4.3	3	1.7	1.4
Other EU	2.4	1	0.8	0.6	0.5
Former USSR	**0.2**	**0.2**	**0.7**	**1.1**	**1**
Oceania	**0.2**	**0.2**	**0.1**	**0.1**	**0.1**
Australia	0.2	0.2	0.1	0.1	0.1
Other Developed	**1.8**	**1**	**1**	**0.5**	**0.5**
Japan	1.8	1	1	0.5	0.5

Source: http://www.jute.org

Globally, exports of jute kenaf and allied fibers product, declined by a small margin during year 2005 to 2009 by about 4.07 percent, that is it reduced from 800.3 thousand tons to 767.7 thousand tons. In the case of Thailand, exports of jute kenaf and allied fiber products declined by 85.71 percent or from 6.3 thousand tons to 0.9 thousand tons.

Table 12: World Export of Jute, Kenaf and Allied Fibers from 2003/2004 to 2009/2010

in '000 tons (1 tons = 1000 Kg)

	2003/ 2004	2004/ 2005	2005/ 2006	2006/ 2007	2007/ 2008	2008/ 2009	2009/ 2010
Jute Fibre:							
World	**370.9**	**340.3**	**466.1**	**465.7**	**521.7**	**325**	**324**
Developing Countries	**360**	**323.5**	**449.9**	**451.1**	**498.3**	**316.8**	**318.4**
Far East	360	323.5	449.7	450.9	498.3	316.8	318.4
Bangladesh	342.9	306.7	440.5	439.7	495	314.9	315
Myanmar	16.9	13.7	5.6	9	0	0	0
Nepal	0	0	0	0	0		
Other Developing	0.2	3	3.7	2.2	3.3	1.9	3.4
Developed Countries	**10.9**	**16.8**	16.1	**14.6**	**23.4**	**8.2**	**5.6**
Kenaf & Allied Fibres:							
World	**3.3**	**3**	**2.6**	**1.4**	**1.5**	**1.7**	**1.5**
Developing Countries	**3.3**	**3**	**2.6**	**1.4**	**1.5**	**1.7**	**1.5**
Far East	3.3	3	2.6	1.4	1.5	1.7	1.5
China	1	0.6	0.3	0.1	0.2	0.6	0.1
Thailand	1.1	1	1.1	0	0	0.1	0
Other	1.2	1.4	1.2	1.3	1.3	1	1.4
Other Developing	0	0	0	0	0	0	0
Developed Countries	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total Jute, Kenaf And Allied Fibres:							
World	**374.2**	**343.3**	**468.7**	**467.1**	**523.2**	**326.7**	**325.5**
Developing Countries	**363.3**	**326.5**	**452.5**	**452.5**	**499.8**	**318.5**	**319.9**
Far East	363.3	326.5	452.3	452.3	499.8	318.5	319.9
Bangladesh	342.9	306.7	440.5	439.7	495	314.9	315
China	1	0.6	0.3	0.1	0.2	0.6	0.1
Myanmar	16.9	13.7	5.6	9	0	0	0
Thailand	1.1	1	1.1	0	0	0.1	0
Nepal	0	0	0		0		
Other	1.4	4.4	4.9	3.5	4.6	2.9	4.8
Other Developing	0	0	0.2	0.2	0	0	0
Developed Countries	**10.9**	**16.8**	**16.1**	**14.6**	**23.4**	**8.2**	**5.6**

Source: http://www.jute.org

Table 12 shows the world export of raw jute, kenaf and allied fibers from 2003/2004 to 2009/2010. There is a minor reduction from 370.9 thousand tons to 324 thousand tons which is about 12.64 percent. There was no exports of raw jute, kenaf and allied fibers during the period of 2009/2010, as there was insufficient raw jute in Thailand which catered to domestic consumption.

Table 13: Export of Jute Products by type from Thailand

in '000 tons (1 tons = 1000 Kg)

Year	Manufactures			
	Yarn & Twine	**Fabrics**	**Gunny Bags**	**Total**
2003-2004	3.19	0.18	1.79	**7.03**
2002-2003	3.95	0.32	1.69	**8.26**
2001-2002	2.96	0.23	1.93	**7.33**
2000-2001	3.86	0.17	2.77	**7.46**
1999-2000	5.67	0.32	2.23	**8.22**
1998-1999	5.06	0.57	3.3	**8.9**
1997-1998	6.21	0.41	3.19	**9.81**
1996-1997	8.57	0.64	2.52	**11.73**
1995-1996	20.64	1	3.06	**24.7**
1994-1995	37.55	1.56	4.6	**44.24**
1993-1994	51.04	0.91	2.84	**54.79**
1992-1993	47.77	1.39	6.11	**55.27**
1991-1992	59.51	0.91	8.58	**69**

Source: http://www.jute.org

Table 13 shows the type of jute products of Thailand that export to other countries. Yarn and Twine products steadily decreased from 59.51 thousand tons to 3.19 thousand tons during the period 1991 to 2004. For fabrics, export volume remained unchanged from 0.91 thousand tons to 0.18 thousand tons from 1991 to 2004 respectively. The peak export volume was in 1994-1995 with 1.56 thousand tons. For gunny bags, the export volumes dropped from 8.58 thousand tons to 1.79 thousand tons from 1991 to 2004.

Trends and Developments

Currently, the global market is concerned about sustainability issues to cope with the climate change and global warming[19]. Consumers' preferences switch to eco-friendly products[20] and services. This change in consumer orientation synergizes with the ecological advantages of jute products. The benefits of jute-made products are durable, recyclable, termite resistant, and ultraviolet resistant. These eco-friendly[21] characteristics are key for the future jute market. These inherent attributes of jute can fulfill the demand of green products. In the ambience of climate change threats with corresponding demand for green and recyclable products, jute-made bags, jute handbags, jute home decorative, footwear and jute coverings provide sustainability solutions and open new opportunities for the jute market[22].

In terms of development, three main strategic tracks need to be applied into jute processes. These are textile technology, agribusiness management and designing[23]. Textile technology will improve the fiber quality of jute to be softer for industrial processes, while the designing will improve the marketing strategy of jute products[24]. This is relevant as the Thai jute market is currently a traditional market[25]. Therefore, if the jute-made products are entering to the Thai market, it will need the sustainable marketing strategies to reshape the perception of Thai consumers.

Besides technology and designing, agribusiness management is important to the jute farmers. The research related agribusiness management will support farmers to learn about the cost reduction of jute farming, the efficient productivity and the

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[19] Spaulding, H. (2007). "Green Product Trends". *Qualified Remodeler*. (December 2007) Retrieved from http://www.qualifiedremodeler.com/print/Qualified-Remodeler/Green-Product-Trends/1$708 [Accessed 5th March 2011]
[20] Spaulding, 2007, Ibid.
[21] IJSG, 2010, Ibid.
[22] International Jute Study Group (IJSG). (2010). *A Seminar on Jute Production, Industry, Marketing and Farmers' Interaction*.5-6 February 2010. Central Research Institute for Jute & Allied Fibres (CRIJAF), India.
[23] IJSG, 2010, Ibid.
[24] IJSG, 2010, Ibid.
[25] M. Elton Thigpen and Takamasa Akiyama, 1986. *Prospects for the World Jute Industry*. World Bank Staff Commodity Working Papers No. 14. the World Bank: Washington D.C., pp. 45-46.; IJSG and ITC, 2006, *Common Fund for Commodities: A Road Map for Jute*. Technical Paper No. 44. Common Fund for Commodities: Amsterdam, the Netherlands, pp 39-41; Roy, c.2010

increase of fiber yield[26]. If jute farmers learn how to make profits from efficient farming, the price of jute will be more reasonable. Thus, this market will have a sustainable future.

Market Entry Mode

Forms of Corporate Structuring

As prevalent in any industrial country, Thailand has many forms of corporate structuring that have different consequences from both a legal and tax perspective. These corporate forms including:

Sole Proprietorship

Sole proprietorship is an enterprise owned by a single natural person. This type of structure has unlimited liability for the proprietor. Generally, a sole proprietorship can engage in any business not prohibited by law. There are some tax advantages to Thai sole proprietorship because the proprietor can choose to either be taxed as a natural person based upon the gross receipts of the business. The Thai sole proprietorship is generally restricted to foreign nationals living in Thailand.

Partnership which can be separated into 2 categories as follows:

(1) Unregistered ordinary partnership

Unregistered ordinary partnership refers to all the partners in the company that are jointly liable without any limitation on the partnership's total obligations. If a new partner joins the unregistered partnership, he immediately becomes liable for all the obligations incurred even prior to him joining the partnership. A partnership like this is not considered a legal entity under Thailand investment law and it is subjected to tax as if it were an individual

(2) A limited partnership

A limited partnership means a partnership where the partners' individual liabilities are limited to their respective contributions to the partnership, and one or more partners are jointly liable without any limitation on all the obligations of the partnership. This type of partnership is treated as a corporate entity for income tax purpose.

[26] IJSG, 2010, Ibid.

Private Limited Company

A private limited company in Thailand can be owned wholly by foreigners. However, in business activities reserved for Thai nationals, foreigners can participate up to 49 percent. In a private limited company the liability of the shareholders is limited to value of the authorized capital. However, the liability of the directors may be unlimited if the same is provided in the company's memorandum of association or in the articles of incorporation. Usually a limited company is managed by a board of directors according to the company's charter and by-laws.

Public Limited Company

The provisions of the Limited Public Company Act of 1992 allow a private company to become a public company. A private company cannot offer shares to the public while a public company can. If the public company was incorporated in a foreign country then it can establish a branch office in Thailand to do business and this branch office is required to maintain only those accounts which are related to its activities in Thailand. In order to open a branch office for a foreign corporation, it must bring a minimum capital of 3 million baht into Thailand.

Representative Office

A foreign company (i.e. a company not formed under the laws of the Kingdom of Thailand and/or not more than 50% owned by a Thai National) may setup a Representative Office in the Kingdom of Thailand provided its activities remain limited to non-income producing activities. Thai Representative Offices are designed and useful for a specific purpose and are usually not valuable to most clients doing business in the Kingdom, (/) email or call Integrity Legal now for more information about Representative Offices in Thailand(?).

Regional Offices

According to List 3 section 21 of the Foreign Business Act of Thailand, the activities of Thai Regional Offices are considered service oriented. Thai Regional Offices may be created by multi-jurisdictional companies in those nations in which the Corporate Head Office is not incorporated. The law regarding Thai Regional Offices does not require that the Non-Thai Corporate Head Office have recognition as a legal entity in the foreign country in which they are also doing business. Like Thai Representative Offices, Thai Regional Offices are generally barred from engaging in revenue producing endeavors within the Kingdom.

Thai Regional Offices are suited to certain clients with special needs and are generally not meant for those wishing to set up a small to medium sized business in Thailand. Also, Thai Regional Offices are generally not valuable to those that do not wish to engage in a large amount of cross-border transactions and international business.

Joint Venture

In the general sense, Joint venture basically covers any task undertaken by two or more natural or legal entities for the purpose of creating a profit thereby. The law treats most joint ventures as a contract matter and with the exception of filing for licenses and/or tax certificates. The parties in the joint venture remain separate entities in the eyes of the law. Another way of creating a joint venture is to have two companies or individuals engage in business as either a different legal Thai company or limited partnership respectively.

Trade Barriers

Trade Barrier between Thailand and India

The issue of trade barriers between Thailand and India can be divided into two categories: (i) Problems of Certification (ii) Legal Barrier, elaborated as follows:

Problems of Certification

Saqib and Taneja (2005) summarizes that the jute-made products from India may face difficulties about certification and testing procedure, when the products were exported to ASEAN market. Most of the importers require the certificate or the tests of products, although the test does not cost the high expense for Indian exporters (Saqib and Taneja, 2005).

The jute-made products certified by IJIRA (Indian Jute Industries Research Association) is accredited and accepted globally (Saqib and Taneja, 2005). The IJIRA tests jute characteristics such as strength, twist, imperfection, grist and knots / 100 yards.

Legal Barrier

The Foreign Business Act 1999 of Thailand does not allow the foreign investors to get any business involvement with any industry related to Thai culture (Thailand Law Forum, 2011). Due to the law, the handicraft industry in Thailand falls into this category (Thailand Law Forum, 2011). Thus, the possible investment in jute products in Thailand should be in the form of joint venture.

Competitive Analysis

Five Forces Analysis

from "The Five Competitive Forces That Shape Strategy" by Michael E. Porter, *Harvard Business Review*, January 2008

Table 14: Jute/Kenaf Estimated Supplies, Domestic Requirements, Exports and Imports in Major Producing Countries in '000 tons (1 ton = 1000 Kg)

Thailand	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010

Opening Stocks	245.3	268.8	270.4	266.3	206.5	182.7	152.7
Production	57	35.7	36	36	2.2	2.9	1.8
Imports	10	15	5	12	18	11	17.5
Total Supply	312.3	319.5	311.4	314.3	226.7	196.7	171.9
Mill Consumption	44	44	44	44	44	44	44
Village Consumption	0	0	0	0	0	0	0
Loss/Damage	0	0	0	0	0	0	0
Closing Stocks	268.3	274.4	266.3	269.3	182.7	152.7	127.9
Total Domestic Requirements	312.3	318.4	310.3	313.3	226.7	196.7	171.9
Exports	0	1	1.1	1.1	0	0	0

Source: www.jute.org

- ***Threat of New Entrances (Low)***

The investment environment is enabling and there are hardly any barriers for new comers. Characteristically the quantum of investment in jute products is not too high and the profitability is low. There is space for new entrants to the business. The key barrier in this business is with respect to the labor. It is rather difficult to find and maintain productive skilled labor. Furthermore, raw jute is insufficient for the intended scale of production in Thailand as the growers switch to grow other crops.

Even though, it is not difficult to conduct the business in jute products but it's also not easy to run the business smoothly due to the overall decline of the market. Moreover, the production in Thailand is for domestic consumption only and not for export to other countries since 2007 onwards (details in table 14).

- ***Bargaining Power of Buyers (High)***

The buyers' power is collectively significant. Mostly the price of jute is set depending on the demand. As the consumption rate of jute products in Thailand has progressively declined (Table 14) along with the influx of substitute products in the market therefore, the buyers have limited ability to maneuver with the price charged to the customers. There is no switching cost to consumers for changing their consumption behavior to consume more in substitute products such as plastic. Therefore, the bargaining power of buyers is high.

- ***Bargaining Power of Suppliers (High)***

The bargaining power of suppliers in term of middlemen is high because mostly suppliers of raw jute are middlemen. They play a major role of being a link between the grower and the manufacturing mills. In addition to purchasing and selling the raw jute, these middlemen often perform such essential functions as assembling and storing the crop, transporting it to the secondary market, and financing the various transactions.

The bargaining power of suppliers in term of growers/farmers of jute raw is low in comparison to the manufacturing mills but high with respect to the middlemen. This is due to the fact that they can switch to other crops which give them more productivity substituting jute at no switching cost. It might result in a drop in productivity if the growers/farmers turned to other alternative crops.

- ***Threat of Substitute Products (High)***

The threat of substitute products is high because there are numerous substitute products such as synthetic plastic, nylon, and other man made fibers. They have preference due to the durability and lower cost. For example for jute bags, the substitute products are plastic bags, leather bags, and cloth bags. Amongst them plastic is cheaper and more economical. The latter two are more durable even though the cost is high. In case of packaging products, the substitute products are boxes, and aluminum which are more waterproof suits grain product better than jute.

- ***Rivalry Among Existing Competitors (Low)***

The competition in domestic is low because there is little competition in Thailand. There are only three key players[27] in jute mill industry which are as follow:

1. Park Chong Jute Mill Co. Ltd.

[27] Source: http://www.jute.org

2. Oriental Jute Mill Co. Ltd.

3. Pathumthani Jute Mill Co. Ltd.

On the other hand, the competition in the international market is high as there are many countries competing through production and supply for domestic as well as for exports for global consumption. The big key players in international market are Bangladesh, India and China (Table 15).

Bangladesh is the largest exporter of raw jute, and India is the largest producer as well as largest consumer of jute products in the world. Therefore, the local price of raw jute in Bangladesh is defacto the international price. Also, the local price of jute products in India is deemed to be the international price.

Table 15: World production of Jute, Kenaf, and Allied Fibres from 2005/2006 to 2009/2010

in '000 Ton (1 ton = 1000 Kg)

Total Jute, Kenaf & Allied Fibres:	**2005/ 2006**	**2006/ 2007**	**2007/ 2008**	**2008/ 2009**	**2009/ 2010**
World	**2724.13**	**3021.1**	**2997.32**	**2596.6**	**2883.9**
Developing Countries	**2717.13**	**3014.1**	**2990.32**	**2589.6**	**2876.9**
Far East	2660.87	2957.21	2934.26	2534.2	2821.4
Bangladesh	965	990	990	931	1080
China	82.82	86.8	86.8	80	80
India	1530	1800	1782	1476	1620
Cambodia	0.8	0.6	0.3	0.3	0.3
Indonesia	7	3.1	4	3.8	3.8
Myanmar	36.89	43.6	19.1	12.9	8
Nepal	17.66	17.1	16.8	2.9	1.8
Thailand	4.6	3.6	2.2	2.9	1.8
Vietnam	15	10.6	31	8.8	9
Other	2.41	2.36	1.8	1.8	1.8
Latin America and Caribbean	39.37	39.91	39.07	38.5	**38.5**
Africa	13.19	13.29	13.29	13.3	**13.3**
Near East	3.7	3.7	3.7	3.7	**3.7**
Developed Countries	**7**	**7**	**7**	**7**	**7**

Source: http://www.jute.org

Environmental Scanning (PEST Analysis)

Political Factors

Jute is normally a part of the agro-economic policy of Thailand and features in the export list. A recent report stated that farmers in Thailand grew jute in the non-irrigated areas between 1990 and 1997. At the same period of time, jute farming was costly and not profitable to jute farmers[28]. Thus, the production of jute started declining. Before 1997, in the crop year 1995/1996, Thai government launched two regulations[29]. The first regulation was the price floor of bleached jute at the price of 6.30 Thai Baht per kilogram. The second regulation was that Thai government allowed the sack manufacturers to import jute from international market[30].

Therefore, Thai government mentioned its mission to support jute farmers in the 7th Social and Economic Development Plan of Thailand (1992-1996)[31]. It stated that Thai government should provide irrigation to the planted areas of jute[32]. Also, Thai government would distribute the new breeding of jutes to jute framers for free of charge[33].

Mainly, Thai jute farmers have retted and bleached jutes in the natural sources of water[34]. However, it was also hard for them to find a sufficient amount of water to ret and bleach jute, particularly the farmers in the northeast of Thailand[35]. Therefore, Thai government decided to encourage jute farmers to use a method of tank retting[36]. Also, the size of retting tank should be extended. That will help the farmers to save water.

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[28] Bureau of Agricultural Economic Research, Office of Agricultural Economics, 1996, *The Situation of Jute Framing and Jute products in Crop Year 1995/1996 and Its Trend in 1996/1997*, p. 4.
[29] Bureau of Agricultural Economic Research, Office of Agricultural Economics, 1996, *The Situation of Jute Framing and Jute products in Crop Year 1995/1996 and Its Trend in 1996/1997*, p. 6.
[30] Bureau of Agricultural Economic Research, Office of Agricultural Economics, 1996, *The Situation of Jute Framing and Jute products in Crop Year 1995/1996 and Its Trend in 1996/1997*, p. 6.
[31] Bureau of Agricultural Economic Research, Office of Agricultural Economics, 1996, *Development plan for jute in the 8th Social and Economic Development Plan of Thailand (1997-2001)*, p. 3.
[32] Bureau of Agricultural Economic Research, Office of Agricultural Economics, 1996, *Development plan for jute in the 8th Social and Economic Development Plan of Thailand (1997-2001)*, p. 3-6
[33] Bureau of Agricultural Economic Research, Office of Agricultural Economics, 1996, *Development plan for jute in the 8th Social and Economic Development Plan of Thailand (1997-2001)*, p. 3-6
[34] Bureau of Agricultural Economic Research, Office of Agricultural Economics, 1996, *Development plan for jute in the 8th Social and Economic Development Plan of Thailand (1997-2001)*, p. 3-6
[35] Bureau of Agricultural Economic Research, Office of Agricultural Economics, 1999, *Survey Report of Cotton and Jute in the Crop Year 1997-1998*, p. 50-64
[36] Bureau of Agricultural Economic Research, Office of Agricultural Economics, 1996, *Development plan for jute in the 8th Social and Economic Development Plan of Thailand (1997-2001)*, p. 3-6

However, after the market needs a recyclable product to replace plastic bags, jute product may be an alternative to response to this problem of Thai government. Apparently, in 2007, Thai government declared its intention to combat against the climate change, as a key issue in the draft of Thailand's Five-Year Strategies on Climate Change (2008-2012)[37]. Thailand as a partner of Kyoto Protocol 2004, it means that Thailand needs to fight hard for the reduction of the global warming[38]. Thai government had planned to decrease the use of plastic bags in Bangkok since the midst of 2010[39].

Economic Factors

In fact, jute is one of key cash crops in Thailand. Nowadays, the demand and supply of jute are declined[40]. The decline from demand side and supply side has a negative impact of jute. Also, the farming of jute is declined. These factors push Thailand to import jute from foreign nations.

From 1990 to 1995, according to the statistics from the Bureau of Agricultural Economic Research, under the administration of the Thailand's Ministry of Agriculture and Cooperatives, it showed that the planted areas of jute had been decreasing in every crop years[41]. The planted areas of jute declined from 1.4 million square kilometer (895,079 Rai[42]) in crop year 1990/1991 to 0.85 million square kilometer (528,662 Rai) in crop year 1994/1995, equally to 39.28 percent within 5 years.

In Thailand, a key factor behind the decline of jute farming also comes from the agro-economic reason. The jute farmers found that the planting cost of jute was

[37] Anonymous, 2007, *Thai strategies to fight climate change*, http://nationmultimedia.com/2007/12/26/opinion/opinion_30060323.php
[38] Anonymous, 2007, *Thai strategies to fight climate change*, http://nationmultimedia.com/2007/12/26/opinion/opinion_30060323.php
[39] Lee, L., 2010, *Thailand fights addiction to plastic bag*, http://www.guardian.co.uk/environment/2010/jun/28/thailand-plastic-bags
[40] Thigpen, M.E., and Akiyama, T., 1986, *Prospects for the World Jute Industry*, pp. 45-46
[41] Bureau of Agricultural Economic Research, Office of Agricultural Economics, 1996, *The Situation of Jute Framing and Jute products in Crop Year 1995/1996 and Its Trend in 1996/1997*, pp. 4-5.
[42] Rai is a measurement unit of areas in Thailand. 1 Rai = 1.6 square kilometers

higher over the time[43]. Thus, this factor raised the price of jute in the domestic market as a time pass by.

In the demand side, mainly, jute becomes a raw material in woven sack industry and pulp industry in Thailand. When the domestic production of raw jute is declined, Thai government decided to import the bleached jute from the foreign market[44]. The imported jute would supply the demand from sack industry. However, over the time, jutes played a lesser important role in pulp industry. Thus, the demand of jute in Thailand declined further.

By contrast, when the demand of jute declined, the demand of polypropylene fibers (a synthetic fiber from petroleum) increased. This changed the sector of packaging industry in Thailand. At present, in Southeast Asia, Thailand was the largest producer of polyvinyl chloride (PVC), while Thailand was the third largest producer of polypropylene bags[45].

However, one weakness of polypropylene fibers is the price of oil. If the price of oil rises, the production of polypropylene fiber will be raised. Thus, this also brings a new opportunity to the diversification of jute products in Thailand, because normally, Thailand needs to import petroleum.

Social Factors

Farming behavior also causes the decline of jute production in Thailand in 1990s. Mainly, jute is grown in the central region and the northeast region of Thailand. However, the key factor brought the decline of jute in Thailand was that the jute farmers cultivated jute in the non-irrigated areas[46]. This is not an appropriate way of jute farming, because the production of jute fibers needs a certain amount of water to ret and bleach jutes.

[43] Bureau of Agricultural Economic Research, Office of Agricultural Economics, 1999, *Survey Report of Cotton and Jute in the Crop Year 1997-1998*, p. 50

[44] Bureau of Agricultural Economic Research, Office of Agricultural Economics, 1996, *The Situation of Jute Framing and Jute products in Crop Year 1995/1996 and Its Trend in 1996/1997*, p. 6.

[45] Lee, L., 2010, *Thailand fights addiction to plastic bag*, http://www.guardian.co.uk/environment/2010/jun/28/thailand-plastic-bags

[46] Bureau of Agricultural Economic Research, Office of Agricultural Economics, 1999, *Survey Report of Cotton and Jute in the Crop Year 1997-1998*, p. 64.

A survey report done in 1999 shows that 97.68 percent of planted areas of jutes was harvested from non-irrigated areas[47]. Therefore, growing jute in the non-irrigated areas will not make any benefits to the farmers, while the planting cost was climbing. Also the number of farmers was declined over the time. These factors did not motivate many jute farmers to continue their jute farming. Later, they replaced jutes with other cash crops such as tapioca, sugarcane or maize, because these cash crops can make more income[48].

Besides the problem about water supply for jute farming, the new breeding of jute also is expensive for the jute farmers who wanted to sell the higher-qualified jute[49].

In addition, the introduction of new material from petrochemical complex caused the decline of the use of jute sacks. That product was known as "polypropylene bag". This became a market trend in 1988[50]. The plastic resin chemical provided the domestic supply of for bag manufacturing.

Technological Factors

Normally, jute in Thailand is still belonged to the traditional market. In other words, it lacks the diversification of jute products. At the same time, the plastic-fiber technology was introduced to market in early 1980s[51]. That is called "polypropylene fiber", a synthetic fiber made from petroleum. After polypropylene fiber entered to Thai market, the Thai woven sack industry preferred to use polypropylene bags for fertilizers, rice, tapioca and other agricultural products.

In other words, in Thailand, technology of oil refinery brought the advancement of synthetic fiber, while the technology of jute fiber lost its technological competition. This means that Thailand needs the technology of jute fiber in order to diversify into jute-made products.

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[47] Bureau of Agricultural Economic Research, Office of Agricultural Economics, 1999, *Survey Report of Cotton and Jute in the Crop Year 1997-1998*, p. 64.
[48] Bureau of Agricultural Economic Research, Office of Agricultural Economics, 1999, *Survey Report of Cotton and Jute in the Crop Year 1997-1998*, p.50.
[49] Bureau of Agricultural Economic Research, Office of Agricultural Economics, 1999, *Survey Report of Cotton and Jute in the Crop Year 1997-1998*, p. 50.
[50] Thigpen, M.E., and Akiyama, T., 1986, *Prospects for the World Jute Industry*, pp. 45-46
[51] Thigpen, M.E., and Akiyama, T., 1986, *Prospects for the World Jute Industry*, pp. 45-46

SWOT Analysis

Strengths	**Weaknesses**
- Advancement of jute-fiber technology and bio technology. India also has the national research center of jute and kenaf. - India is normally the largest producer of jute products - Business form of joint venture will support the cost reduction in investment in Thailand. - Jute industry of India had a turnover of 1.625 billion US dollar (65 billion Indian rupees) annually. - In case, Thailand has not a sufficient amount of jute production. Indian firms can import raw jute or bleached jute from its manufactures in India. - Easy availability of low cost of labor.	- Quality certificate for jute products from India may not be accepted in Southeast Asian nations. - The image of many Indian firms does not have a good recognition in Thai market, except automobile firms from India. - Lack of cooperation between jute-related organizations and governments in India - Environmental problems. - Low level of labor productivity due to inadequate formal training / unskilled labor - Little brand image.
Opportunities	**Threats**
- Raising demand of green products in markets across the world and Thailand. - Market in Thailand means a market for foreigners, because Thailand is one of the most attractive tourist countries. - India and Thailand have set up FTA. So, there are no barriers of the move of raw jutes.	- Market perception is still thinking that jute products are belonged to traditional market, for example sacks. - Competition from the potential rival, likely to Bangladesh, because they have a longer experience in the product diversification of jute. Also, Bangladesh is the largest exporter of jute products to the world.

- Thailand had had a great potential to produce jutes more than it does now. Also, Thailand is producing jute for domestic consuming. - Price of jute products in Thailand is cheaper over time. - Thai handicraft/furniture designers are specializing in high-ended market, particularly European market, and American market. - Thailand has a geo-strategic location, because it is located in the center of Southeast Asia. This will support logistic and product distribution.	- It may be hard to expand the area of jute farm, because jute farms are a competitor of cassava farms in Thailand. - Polypropylene woven bags (PP bags) bags are allowed to trade freely in Thailand. - Jute products in Thailand lacked of product diversification.

Analysis and Recommendations

As the handicraft industry of Thailand is consisted of 5 clusters which are 1) Toys & Games 2) Stationery goods 3) Household Products 4) Gift / Decorative Items 5) Furniture / Building Materials / Hardware Items and also jute products are one type of them.

The consumption of jute products in Thailand is decreasing and not popular due to the presence of other substitute products which are more durable such as synthetic plastic, and lack of raw materials is another problem because the grower was turned to grow other crop which gain more yield than growing jute. Another problem is the production of jute product of Thailand cannot produce the soft and smooth jute fabric therefore it is not suitable to produce the furniture or home furnishing with jute made. Moreover, the raw jute in Thailand can be produced for domestic consumption only not for exporting and Thailand still needs to import raw jute from other countries.

Even though, Thailand is not specializing in jute industry but the strength of Thailand is about the design. Thailand received the G-Mark award (Good Design Award) from Japan for 64 awards[52]. This would be guaranteed that Thai's design is more acknowledge to the worldwide.

The possibility for Indian's jute products to gain entry as finished goods to Thailand is quite difficult. This is so as the brand accepted in Thailand is not popular enough and moreover the design of the products does not match to Thai style. The best way to enter the Thai market is to export a part of raw material to be processed into finished goods in Thailand then export to the third countries such as Japan, Korea, and Australia and others.

[52] Source: http://www.ryt9.com/s/expd/1034030

Moreover, India needs to enhance Indian brand recognition and Brand India image as a precursor to exports of the finished products to Thailand. This would enable Thai consumers to know more about Indian products. This would etch with the tag of sustainability and the theme of green products in the attitude space of Thai people who are already sensitized to such eco-friendly orientations.

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Appendix

Interview Transcript

Mr.Jiraboon Withayasingha

The secretary of The Associations of Thai Lifestyle Products Federation

March 3, 2011

Conclusion:

- Thailand divided the home furnishing industry into 5 subsectors. These are Furniture / Building Materials / Hardware Items (1), Gift / Decorative Items (2), Household Products (3), Toys & Games (4), and Stationery goods (5).). This classification is done by the Department of Export Promotion of Thailand (DEP). But, in Thailand, it is called “Lifestyle Industry”.

- In Thailand, the raw materials of home furnishing industry and decorative items are mulberry paper (Washi in Japanese language), water hyacinth, vetiver grass, and screw pine of Thailand (pandanus kaida kurz). In fact, this is called value adding to the raw materials. Jute is a kind of crops, which needs the value adding.

- India is the first country who can develop the technology of jute fibers. Traditionally, it was hard to make the color screen on jute fibers. Also, to dye jute fibers was a complicated process. But, currently, India has the technology of jute fiber. The fiber technology of India can soften the jute fabrics. In other words, jute fiber from India can be smooth, when you touch it, likely to nonwoven fabric.

- Jute industry in Thailand has a very little market. Jute will bring a great business opportunity, if Thai people can do a research on this material.

- India has good technology in developing jute fiber in to small and delicate fiber unlike Thai jute which is not advance in developing the technology and lack of research and development.
- Joint venture is a future form of business cooperation between Thailand and India. India has an advancement of fiber technology, while Thailand has a reputation of designers with the design awards (G-Mark Award) from Japan for 64 awards
- Indian companies and Thai companies always focus to sell their products in the high-end market, such as European market. But, India always presents itself to be the producer of green products.
- The country brand has not been recognized to Thai people. It is not famous in Thailand even though, TATA brand tried to promote brand recognition but it's still not popular in Thailand.
- The possibility to do the business in Thailand is to provide raw materials to Thailand then production with Thai brand and export to other countries in Southeast Asia.
- India has a lot of Non-Tariff Barrier for example the education tax.
- Europe and United State appreciate Thai's products which should be match with Indian material by using FTA to support the exporting.

Relevant organizations' contacts

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The Associations of Thai Lifestyle Products Federation (TLPF) comprises of the major producers and exporters of the gifts, premiums, toys, house-ware, home decorative items, stationery, etc. of Thailand. The export value of this combined industry in the year 2010 was valued at 3 Billion USD, with the growth rate of over 16 percent.

The Associations of Thai Lifestyle Products Federation are the following

1. Thai Gifts Premiums & Decorative Association
2. Thai Toy Industry Association
3. Thai House wares Trade Association
4. Northern Handicrafts Manufacturers and Exporters Association (NOHMEX)
5. Thai Stationeries and Office Supplies Association
6. Design & Objects Association
7. Home Decorative Design Association

One of the main activities of the TLPF is to organize a trade platform for all of their exporting members. This is done by organizing two International trade fairs in every year together with the Department of Export Promotion. The fairs are called the Bangkok International Gift Fair and Bangkok International House ware Fair (BIG+BIH), which are organized in April and October.

Established in 2001, Bangkok International Gift Fair and Bangkok International House ware Fair is the platform for exporters to reveal their latest collections to affluent international buyers. It is also being the place to present a diversity and refinement of Thai gifts, premiums and decorative products to fulfill the sophisticated needs of the buyers worldwide.

Thailand is well-known about the skill of handmade and creativity. BIG+BIH is the International Trade Show which presents the group of Gift, Premium and Decorative items to the market. The Artificial Flowers Product, Ceramic Pottery, Candle Product, Decorative Product, Leather Product, Metal Product, Premium Product, and more are acceptably distributed to global market. Our Thai exotic products are very valuable enough for clients. Thai products are not only from handmade, brain but “heart” till you can feel them.

BIG + BIH have become the largest fair for the lifestyle products industry in all of South East Asia, with over 650 exhibiting companies in 1,700 booths. These multinational exhibitors attract over 90,000 visitors to every event.

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