# Jute Market Report



December 30th, 2011

## Bangladesh

**Raw Jute:** Since end September raw jute prices have steadily fallen. During the period under review raw jute prices remained under pressure. Contrary to general belief that India would re-enter the market after DIWALI holidays she stayed away from same apart from a number of smaller Jute Cuttings purchases. India preferred to carefully watch the price development in Bangladesh. The weakening Indian Rupee against the US Dollar which in November 2011 alone declined by more than 6 percent, reaching an all time low, no doubt, contributed to hesitations of Indian buyers too. It was only during the first half of December that India purchased 12.000 mtons long jute and jute cuttings. Thereafter the local market in Bangladesh stabilized somehow. Yet, Chinese buyers continued exercising pressure on sellers in Bangladesh for further price concessions but were only partly successful. The desperate financial situation of raw jute exporters was already highlighted in the last market report. Their financial situation deteriorated further during the period under review. Shippers came under considerable pressure since most of their raw jute purchases made months ago were financed with bank credits. The price ideas, especially those of Chinese buyers, are still below the current extremely low raw jute market prices. There is every possibility that quite a few balers/shippers lacking financial strength will not survive the current jute season. When this report goes to print Pakistan is in the market as buyer. Presently only 5 out of 12 Pakistani jute mills are operating.

During the period under review raw jute arrivals at terminal markets Daulatpur and Narayanganj came practically to a standstill. The local composite jute mills are living from hand to mouth and are only buyers when they have acute raw material requirements in connection with new jute goods orders received by them. Contrary to the still prevailing wide belief held by foreign buyers that the jute crop 2011/2012 was a bumper crop and the market still suffered from oversupply of fibres market, opinion in Bangladesh will have it that the crop 2012/2013 is expected to be much smaller because of lack of price incentive for the jute cultivator. Jute balers and jute consuming industry in Bangladesh are likely to dispose on the average of stocks meeting requirements during 4 to 5 months. It is believed that availabilities of raw jute, especially of higher quality, are mostly committed. Market observers on the spot strongly feel that it is just a matter of time until raw jute prices will start to go up again, latest when it is generally realized that next year’s raw jute production is likely to be appreciably smaller compared with this year’s crop, and perhaps does not suffice to satisfy world requirements.

Raw jute exports during the period July/November 2011 were 817.718 bales against 658.650 bales during the same period under review 2010. Major buyers during the period July/November 2011 were:

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| India | 320.970 bales |
| China | 295.845 bales |
| Pakistan | 205.845 bales |

The strong decline of exports witnessed in the case of Pakistan is due to the slowing economy of the country and lack of finance accompanied by sharply fallen raw jute consumption.

**Jute Yarns:** During the second half of December demand from USA, Europe, Turkey and African countries improved. During the period under review prices increased by USD 100,00/150,00 per mton depending on yarn count and spinning mill. Notwithstanding the unsatisfactory price and demand situation during past months there have been reportedly no spinning mill closures in Bangladesh. When export demand slackens, spinning mills tend to spin jute yarns/twines for stocking. The jute yarn and twine spinning mills are abundantly supplied with raw jute and apprehending a possible shortage of raw jute this year financially strong spinning mills made raw jute purchases far in excess to their expected requirements so as to be on the safe side. The spinning mills suffered particularly because Indian buyers had stayed off the market during the past months. The Indian Government decided in summer this year to levy customs duty of 4 % ad valorem on imports of Indian jute yarns and jute products which, as time went on, led to a standstill of exports of these items from Bangladesh to India. Exports of jute yarns and twines by Bangladesh to India significantly increased. Exports reached 2009/2010 25.000 mtons and 2010/2011 35.000 mtons. In response to interventions by the Bangladesh Government the Indian Government decided end of this month to abolish the import duty of 4 %. Prices reacted in sympathy.

**Jute Goods:** Towards end of December there was a revival in demand for sackings from Sudan and India was buying Binola Bags. However, export demand for Hessians and Jute CBC left much to be desired. The composite jute mills belonging to BJMC were lacking orders and were underemployed. The Food and Agriculture Department has become an important customer of BJMC. Prospects that BJMC might benefit again from financial aid of the Bangladesh Government are zero because of the budgetary constraints of the country. Now as before the political problems in North Africa, Near and Middle East and absence of demand from markets so important for BJMC make themselves negatively felt. In view of unsatisfactory export demand BJMC decided to lower its list prices. The private composite jute mills pursue their own price policy and prefer to restrict their sales to early shipment. They dispose of unsold stocks of standard fabrics. Price ideas of private composite jute mills for Hessians were about 10 % above the list price quoted by BJMC and in the case of Sackings 3 to 5 %. Serious thoughts are being given in Bangladesh as to the possibility of introducing a mandatory packaging act for jute bags for use in agriculture and in other sectors. If introduced this would result in a huge increase of local demand for jute bags.

## India

**Raw Jute**: Until middle of December one could say that raw jute was offered in abundance on the Indian market and the price for the grade TD4 came to a level being as low as IRs 2.000,00 per quintal. Jute growers could even cover their productions at such price. Stockists too suffered sharp losses. However, towards end of this month the situation changed since jute growers were no more willing to part from their stocks at loss making prices. Jute cultivators believe that raw jute demand will soon improve and that by holding their stocks for another few weeks they are likely to eventually gain. After failure of efforts made by the Government of West Bengal to let jute growers benefit from subsidies there is little chance that growers will increase jute sowings next year. It is rather likely that the acreage under jute cultivation will become less. Future development of prices will not only depend on demand but also on the size of carry-over from the current crop.

**Jute Yarns:** Export demand during the period under review remained weak and this is possibly the reason why one of the major jute mills decided to close down its fine yarn spinning unit.

**Jute Goods:** The strong fall of the Indian Rupee against the US-Dollar last month was already dealt with in this report. Not surprisingly exporters of jute goods but also of jute yarns/twines have benefitted from this development. Demand for Hessians and Sackings during the period under review was quite good. The jute mills made good profits. The relationship between the current depressed raw jute prices and the current jute product prices is totally unbalanced. The jute mills are making good profits. More and more cause for mounting concern to the Indian jute industry are the growing problems of finding workers for employment by the jute mills, and this especially in West Bengal. The shortage of labour has reached a critical dimension and many jute mills are compelled to operate with 2 shifts instead of normally 3 shifts. Training of workers has been woefully neglected by the Indian jute industry in the past. Also the foundations for determining the wage structure urgently require over hauling. Incentives must be created for working in jute mills and one of them is accommodation near the working place of which there is an acute lack. Under the present circumstances labour is looking for better paid jobs in other industries with less work to do. The gaps in production caused by lack of needed, trained labour become wider and wider. Shortage of labour is causing frequently delays in shipment of contracts sometimes of up to 2 months in the extreme case. The Central Government in New Delhi approved the mandatory packaging act of 90 percent of the production of food grain and sugar bags to be made of natural fibre during the current jute year (2011/2012).

The state procurement agency ordered during the period under review 105.000 bales of B-Twill Bags for December 2011 delivery which covers the total packaging requirements for the winter crop.

The production of IJMA jute mills and those reporting to IJMA was in October 2011:

111.600 mtons of which 7.300 mtons jute yarns and jute twines.

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