Jute Market Report for January 2021

4th February 2021

Bangladesh

Raw Jute: During the month under review, raw jute demand from Pakistan, India and Nepal was less compared to previous months, mainly because of increased market prices and scarce availability of fibre. Pakistan placed orders of about 2.000 to 3.000 mtons for more or less all grades of Long Tossa Jute and Meshta/Kenaf as well as Tossa and Meshta/Kenaf cuttings, such as BTCA, BTCB and OMC. Indian buyers were in the market for Long Jute Tossa varieties such as BTR NB KS, BTR NB CS and BTR BS as well as BTCA cuttings and placed orders of around 2.000 to 3.000 mtons in total.

Demand from international buyers like China, Vietnam, Nepal and Russia continued to be very slow during the month under review. The scarce availability of raw fibre and the consequentially high market prices are the main reason for the restraint position of most of the buyers.

Demand from local jute yarn and twine spinning mills as well as jute composite mills and local raw jute processing units was on a regular level. In view of the exiguous availability of good quality fibre, the local consumers take whatever quality of fibre is available. This, of course, only applies for the financially solvent mills, whereas the financially weak mills are forced to operate from hand to mouth.

During the month under review market prices reached another record high and were ruling around BDT 5.500 per maund (=37,33 kgs) during the month under review. This season is characterised by continuously increasing prices and month after month new market price records had been set. As already expressed in our previous market reports, one has to reckon with a situation where no fibre is left in the market, which will automatically lead to a situation where factories are forced to suspend the production until arrival of new crop.

Corresponding to the shortage of fibre Raw Jute and Meshta export prices increased further by about USD 35,00 to 40,00 per metric ton.

Raw jute exports during the period of July 2020 up to November 2020 amounted to 217.903 bales against 389.166 bales during the same period in 2019. Records for December and January are yet to be published.

Weather conditions: From early until middle of the month under review the entire country witnessed low temperatures and foggy weather which lead to congested highways and blocked terminals, due to low visibility on roads and highways. Ferry-services from Paturia and Daulatdia which route to two major southern ports were suspended during morning and evening, causing severe gridlocks on both sides of the river.

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Jute Yarn and Twine: Regular export demand for both high and low quality of Jute yarn and twine is reported from regular importing countries like Turkey, The Middle East and Iran during the month under review. Same applies for demand from other international markets such as India, Europe, USA and African countries. In view of Chinese New Year celebrations, demand from Chinese customers was quite slow during the month under review.

Local demand for both Sacking and Hessian quality of jute yarn for packaging purposes remained stable during the month under review.

The overall situation of the local jute yarn and twine spinning mills is very much alarming. Even financially solvent mills are struggling to keep their production running. Except 8 to 10 major players, no factory in Bangladesh keeps stocks which lasts for more than a month. Some factories keep stocks, which lasts for another 15 to 20 days and most other mills have stocks for another 7 to 10 days of production, only.

Consequentially export market prices for for light and heavy count jute yarns and twines increased further by about USD 500,00 per metric ton during the month under review and this trend is likely to continue. Without the intention to blackmail, one has to be prepared that it is either going to be very costly to purchase jute yarns and twines or maybe even impossible to do so, during the coming months. This is a situation which is unique in the history of the jute industry and is going to be a huge challenge for all parties involved.

Jute Goods: Export demands for both Hessians and Sackings from countries such as Europe, USA, Iran and Australia were on an average level. India was regularly in the market for unstitched Binola and B-Twill fabrics.

Jute CBC demand from the regular importing countries like Europe, Australia and New Zealand increased during the month under review.

Export prices during the month under review have increased as follows:

Hessians:	approx. 8 to 10 %
Sackings:	approx. 8 %
CBC:	approx. 8 to 10 %

During the month under review the Bangladesh Government restricted quantities allowed to be stored to ensure smooth supply of the raw jute in the local market and speed up export. Government advised dealers or warehouse owners that they ca store a maximum of 1,000 maunds of raw jute for only one month. This decision has been made, in order to regulate the market situation and to ensure that unlicensed traders are barred from getting involved in sales, purchase or store of raw jute.

Furthermore The Bangladesh Government is working on a project to ensure a stable supply of jute seeds to help the country reach its jute production targets for the coming season.

The Ministry of Agriculture ministry and Ministry of Textiles and Jute have jointly prepared a five-year plan to make Bangladesh self-sufficient in production of quality jute seeds. This development plan will be implemented from this season and it is planned to distribute modern jute seeds is now to 230 upazilas of 46 districts. In total it is planned to produce 4,500 tonnes of jute seed in the next five years and therefore a total of 8,780 hectares of land will be purchased for jute seed farming. In total local farmers need around 5,215 tonnes of jute seed annually, of which 775 tonnes are supplied by Bangladesh Agricultural Development Corporation (BADC), the balance of 85 per cent of Tossa Jute seeds is imported from India.

Maritime transport: The ongoing space and shortage of container crisis continuous to be very alarming and ocean carriers are to cancel several headhaul sailings to North Europe around the Chinese New Year holiday in February. This is indeed a blow for beleaguered shippers that have managed, at great expense, to secure space on sailings that won't happen. Maersk and MSC for example intend to blank three advertised sailings from Asia to North Europe in weeks 5-7, including one vessel that will be allowed to 'slide' into the following week, maintaining existing bookings. CMA CGM will also skip three loops during the same period. Prior to the announcement of the blankings, Asia-North Europe shippers had been encouraged by news of new and additional services and tentative signs that the equipment shortage crisis was at last beginning to improve. In addition to blankings, sea freight rates continue to increase and reached astronomic heights. They quadrupled and even more since November 2020. In view of the very uncertain situation at the freight market, most sellers are very reluctant to offer forward and furthermore prefer to offer on FOB basis, only.

India

Raw Jute: During the month under review the market firmed up with following quotations of the Jute Balers Association (JBA): Grade TD-4 IRs 6.625,00 and Grade TD-5 IRs 6.125 per 100 kg. During the month under review deliveries from mukams to Jute sharply dropped once more.

According to local weather services, India should experience a more or less normal monsoon season, which is a good sign as the monsoon season is critical for agriculture as it not only irrigates fields directly, but also fills reservoirs for crops sown in winter.

First forecast are indicating that for 2021 around 5,88 lakh hectares are planned for jute sowings, compared to 6,66 lakh hectares in 2020.

Jute Yarn and Twine: During the month under review local demand improved and same applied for export demand, mainly because of poor supplies from Bangladesh.

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Jute Goods: Prices of Hessians increased by about 3 per cent due to rising raw jute prices during the month under review. Selective mills asking for premium of 5 per cent against prices quoted by „standard"mills. Prices for Sackings increased by about 5 per cent and selective mills asking for premium of about 2 per cent.

Availability of Jute Carpet Backing Cloth continuous to be rather poor, as most overseas customers placed long term orders with the manufacturers. Certain mills are reportedly booked until end of the year 2021, already.

The Indian Government ordered approx. 250,000 bales of B-Twill bags during the month under review. The backlog is now around 150,000 bales and so far no orders are placed for February.

North Brook, Samnuggar, Waiverly, Champdany and Nuddea Jute Mills continued to suspend their production due to acute shortage of raw jute. Reliance likely to resume production by early February.

Due to strict stock monitoring by the Jute Commissioner around 10 mills stopped raw jute procurement.

Same as in Bangladesh, the Indian Jute Mills are forced to regulate their productions, but in view of forthcoming elections the Indian Government will not allow any mill to suspend operations.

Maritime transport: Similar to the situation in Bangladesh, Indian suppliers are struggling with the ongoing space crisis and an acute shortage of container. The incredibly high sea freight rates are a major concern of the exporters, as well. Same as in Bangladesh most sellers are very reluctant to offer forward, due to the very uncertain situation at the freight market,

Jute goods production of IJMA jute mills and jute mills reporting to IJMA in November 2020 amounted to 83.200 mtons of which 5.100 mtons were jute yarns/twines. Jute goods production of IJMA jute mills and jute mills reporting to IJMA in December 2020 amounted to 56.000 mtons of which 1.800 mtons were jute yarns/twines.

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