

Jute Market Report for August 2019

-1/4- 2nd September 2019

Bangladesh

Raw Jute: During the month under review the demand from both local and international market increased at the beginning of the new crop season. India was in the market for long jute BTR NB KS, BTR NB CS, BTR BS and jute cuttings BTCA. In total India placed orders for around 6.000 mtons. Pakistan was in the market for Meshta and Tossa fibre and purchased around 2.000 mtons. The demand from international markets, such as Nepal, China, Vietnam, Russia and Tunisia was on an average level. Most of the buyers were observing the market situation, but refrained from placing orders during the month under review.

The local demand from private jute yarn and twine spinning mills, as well as from composite jute mills and raw jute processing industries increased significantly during the month under review. BJMC was in the market with regular demand, but due to financial difficulties, they placed orders for small quantities, only.

Export price was showing a downward trend for both low and high quality jute. Market prices decreased by about USD 30,00 to USD 40,00 per mton compared to price level during May and June 2019.

Raw jute exports during the period July 2018 up to July 2019 were 824,52 bales against 1,299,442 bales during the same period under review in the year 2017/2018.

During the month under review the entire country received light monsoon rainfalls with good sunshine.

New Crop: The harvest of new crop White and Meshta fibre has been completed during the month under review. Whereas the harvest of Tossa fibre in some areas of Bangladesh is still going on. Due to lack of sufficient rainfall during the harvest, farmers did face an acute shortage of fresh water, which is needed for proper retting of the fibre. In consequence it is expected that the quality of the fibre, especially colour-wise might not be up to mark this season.

For certain regions in Bangladesh it is reported that local farmers are getting much higher prices for their raw jute in this harvesting season than last season, following the government's withdrawal of ban on uncut jute export from June. Besides, availability of ample water for retting jute timely also helps the farmers to get quality produce this year. However, local exporters of jute-made products are in a tough ride amid low global demand for their products as well as scarcity of quality raw materials. Raw jute of tossa variety was selling at BDT 1,700-2,400 a maund (= 37,32 kg / 100 lb) and desi variety at Tk 1,400-1,800 a maund based on quality at farm level across the country for last three weeks. The prices during this year's harvesting season are 40-50 per cent higher than those of last year, according to the Department of Agricultural Marketing (DAM).

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Furthermore it is reported that newly harvested jute was selling at BDT 1,600-2,000 a maund in Korotia Bazar of the district. A farmer from Karotia Jamidarbari area, told that the price was hardly BDT 1,000-1,500 last year. He sold his produce at BDT 75,000 (excluding price of jute sticks), and made a profit of BDT 25,000, whereas he incurred BDT 32,000 loss by cultivating jute on the same land last year. The Tangail DAE office has recorded jute cultivation on 14,280 hectares of land this year, which was below 13,500 hectares last year. Sources from Gopalganj adding that Tossa jute was selling at BDT 2,000-2,400 a maund in Kashiani Bazar under Gopalganj and Keshtopur Bazar under Faridpur for the last two and a half weeks. Desi variety was selling at BDT 1,600-1,800 a maund in the Faridpur region, the country's key jute sourcing zone. The price is the highest in three years, he added. Meanwhile a Nilphamari-based jute trader, said prices of raw jute are much higher in this harvesting season, as the government has withdrawn the ban on uncut jute export in June. He said: "We sourced 'jaat tossa' (a jute variety of Nilphamari) at BDT 1,700-1,800 a maund this year, which was hardly BDT 1,200-1,300 a maund last year."

Local farmers are benefitting much from the jute price hike. But, local traders would witness a huge loss, if the government re-imposes the ban on uncut jute export all of a sudden. Shahidul Karim, Secretary of the Bangladesh Jute Spinners' Association (BJSA), told that the jute industry always appreciates that the farmers are getting their due profit. It is the key for ensuring existence of the export-based jute industry. According to field report-based prediction, prices of raw jute will increase further, as production might decline in Faridpur, Madaripur and Shariatpur districts amid crop loss, he also said. Besides, quality Tossa jute might be exported in the names of BTR (Bangla Tossa rejection) and BWR (Bangla white rejection). "We fear that the local jute industry would not get quality jute, if the export of uncut BTR and BWR continues." He further said the jute industry is going through a tough time amid low global demand as well as imposition of various anti-dumping duties on Bangladeshi products by neighboring India. The sector witnessed a 20.5 per cent decline in shipment last fiscal year (FY), 2018-19, as export dropped to US\$ 816 million from \$ 1.025 billion in FY 2017-18.

"Jute yarn sector also witnessed a 20 per cent export decline in FY 19, which maintained a 10-20 per cent growth for the previous five years," he added. Meanwhile, the government has lowered the country's jute export target to \$824 million for the current FY, which was \$1.085 billion for FY 19. It has targeted to produce 8.5 million bales (one bale=180 kg) of jute this year on 0.7 million hectares of land.

In contrast to what has been reported above, a good number of jute growers in Sirajganj and Jhenaidah said they got good prices for their yield last year, but are quite unsatisfied with this year's market price. The farmers are complaining that a syndicate is controlling the market of Sirajganj, a north-central district in Bangladesh. Most of the cultivators completed the harvest during the month under review and are willing to sell their quantities as early as possible, in order to be able to start paddy rice cultivation. The newly harvested jute was sold at BDT 1,900 to BDT 2,000 per maund (= 37,32 kg / 100 lb) before EID holidays.

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Now new crop jute is sold at BDT 1,700 to BDT 1,800 per maund in the local markets of the Sirajganj district. Also in Jhenaidah, a district in central Bangladesh, farmers are unhappy and quite disappointed with the market prices. With the current market prices of BDT 1,200 to BDT 1,500 per maund, depending on quality and color of the fibre, the farmers are unable to recoup their production costs. As per the local farmers, the prices would decrease even further by the time jute harvest is completed.

Jute Yarn and Twine: Export demand from the major importing countries such as Turkey and Iran increased for high, medium and low quality jute yarns and twines during the month under review. Regular demand was also observed from India, China, Vietnam, Indonesia, Malaysia, Uzbekistan, The Middle East, Europe, Australia and USA. The Bangladesh Jute Spinners Association (BJSA) has imposed a minimum indicative export price (MEP) for all jute yarn and twine spinning mills, entered into force as from August 1st, 2019. According to BJSA, no mills are allowed to sell below MEP, but can sell at higher prices.

Local demand for Sacking and Hessian quality yarn for packaging requirements remained stable during the month under review. Export prices went up about USD 40,00 to USD 50,00 per mton for both light and heavy count jute yarns and twines. Most of the solvent mills are busy with their regular production.

Jute Goods: During the month under review, the export demand for Hessian and Sacking from the regular importing countries like Africa, Europe, Australia, USA and other countries was on a regular level. India was also regular in the market for unstitched jute cloth.

Local demand increased for Sacking and Hessian quality of jute bags for packaging purpose during the month under review. A slight increase of demand for Jute CBC from the regular importing countries like Europe, UK and Japan is reported for the month under review.

Export prices during the month under review increased as follows:

Sackings:	Increased approx. 2%
Hessians:	Increased approx. 2% - 3%
CBC:	unchanged

India

Raw Jute: JBA quotations at the end of the month under review: TD-4 IRs 4.550 and TD-5 IRs 4.350,00 per 100 kg. The estimated carry forward is 1,8 Mio bales at the moment. This year's estimation for jute growing areas is 494,150 hectares compared to 653,740 hectares in 2018. For 2019/20 we have not yet received any reports. The estimated crop for 2019/20 is 7 Mio bales compared to around 6,4 Mio bales in 2018/19.

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New Crop: The growth of the standing plants is most satisfactory and harvest is in full swing now. During the second half of the month under review sufficient rainfall is reported but it needs continuous rainfall for the retting process of the fibre.

Jute Yarn and Twine: Due to an acute shortage of workers, there was a certain demand for Hessian yarn during the month under review. Besides that, there is not much more to report.

Jute Goods: Hessian prices went marginally up during the month under review. Selective mills now asking for a higher premium which is about 7 percent. Sacking prices have been a bit firm with increase in raw jute prices. Due to scarce availability, the open market prices are higher than governmental price due to scarce availability of sackings.

Indian Government ordered last month about 300.000 B-Twill bags. The backlog is likely to increase by about 170.000 bales. For the next six months an average purchase volume of 350.000 bales is expected, but current mills production for supplies to government is only about 250.000 bales.

The minimum support price (MSP) for coming season increased up to IRs 3950 per 100 kg compared to IRs 3700 per 100 kgs in 2018/19.

Jute goods production of IJMA jute mills and jute mills reporting to IJMA in July 2019 amounted to 101.00 mtons of which 5.200 mtons were jute yarns/twines.

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