

Jute Market Report for June 2017

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7th July 2017

Bangladesh

Raw Jute: Demand took a downward turn during the month under review. Compared with the month of May, demand during the month under review from main importing countries like India, Pakistan and China was sluggish. Nonetheless, India purchased about 3,000 to 4,000 mtons of high quality fibre like BTR KS, BTR NB and BTR HD and Pakistan purchased less than 1,000 mtons according to their requirements. Although few enquiries from other importing countries like Russia, Nepal, Vietnam and Ethiopia were reported, very little business materialized as most of foreign buyers preferred to pursue a waiting policy and monitor the development of New Crop before taking any decision. The jute yarn and twine spinning mills as well as private and public sector composite jute mills in Bangladesh were showing very limited buying interest as they, similar to foreign buyers, preferred to watch development of New Crop and New Crop prices.

Export prices for high quality Jute remained stable, but for low quality raw jute the prices declined by USD 15.00 per mton to USD 20.00 per mton due to poor demand. Exports of long jute and jute cuttings amounted to 1,025,633 bales for the period of July 2016 up to April 2017 against 700,382 bales during the same period under review 2015/2016.

It looks as if raw jute / meshta prices will rule at a level similar to the level of last year. However, the number of stockists (hoarders) has become reduced to 6 / 7. This bears the risk that these parties will consult each other of pricing and will attempt to keep raw material prices at a high level.

The carry-over stock of season 2016/2017 is currently estimated to be 500.000 to 600.000 bales.

New Crop: Harvesting has started for White Jute and Meshta. There was a trickle of arrivals of New Crop fibres at the terminal markets. By end of this month full availability of White jute and meshta is expected. At the time of writing, Tossa jute harvesting started and it is believed to be completed within the month of August. According to the market observers estimated production of raw jute and meshta this year: 5.5 million to 6 million bales. It is estimated that production of White crop this year will be about 20 % less as compared with last year. Meshta production is expected to be 5 to 10 % less than previous crop year.

The weather has been beneficial for the growth of jute and meshta plants and an overall good harvest is expected. Preconditions for the jute cultivation in north-east of Bangladesh were excellent. However, jute growers, disappointed that they did not fetch the prices which they had expected last year, produced raw jute just enough for home consumption. Quite contrary to north-east, jute cultivation in some parts of North Bengal decreased this year as growers did not get expected prices for their product last year. It is expected that some parts of south-west Bangladesh will see a bumper harvest of jute this year like in the previous year. Jute sowing target has been achieved by the jute growers in that area during the current season.

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If the jute plants benefit from favourable weather in this season jute growers will get a back-to-back bumper yield. Although this year plant growth is benefitting from regular rainfalls, sufficient sunshine is needed too and this was missing, so to say the sun was playing hide-and-seek during the month under review. Thus, it is assumed that lack of sunshine may have negative impact on the length of the fibre.

Jute Yarn/ Twines: During the month under review Turkey and Iran were in the market for both high and low quality yarn. Other Middle Eastern countries were hardly active. Demand from South Asian countries were below expectations. Chinese buyers pursued a waiting policy and preferred New Crop to arrive in the market. Compared with China, Vietnam was more active. Suffering from disappointing export demand prices decreased for both high and low quality of jute yarn and twine by at least 25.00 to 30.00 USD per mton during the month under review and thus following the trend of the preceding month.

Jute Goods: There was less foreign demand during the month under review. It is hoped that export demand will improve during coming months from July to September. Domestic demand for Jute Bags continued to rise because of harvesting season of paddy. An artificial crisis was observed in the local market, which was caused by manufacturers holding back supplies of Jute bags in apprehension of payments being withheld by local buyers, because of long Govt. holidays and due to labour shortages during the Eid festival. As a chain reaction, it is assumed that this crisis will continue this month as well. The market price was stagnant for Sacking, Hessian and Jute CBC during the month under review.

General: According to the data from Export Promotion Bureau (EPB) for July 2016 to April 2017, exports of raw jute, jute yarn and twine, sacks and bags went up by 25.22 percent, 12.91 percent and 15.17 percent respectively.

BJMC: Reportedly BJMC succeeded in making a very lucrative property sale in the centre of Gulshan, part of Dhaka. This sale made to the Government of Bangladesh was so profitable that BJMC could get rid of all their financial liabilities and thus now disposes of adequate liquid means to join other buyers of the jute industry of Bangladesh to cover a large part of their anticipated requirements in the early part of this season.

India

Raw Jute: During the month under review there were very slight upward price adjustments. However, one may assume that the higher price level cannot be maintained since now as before it is assumed that there will be a good crop this year. Prices quoted end of this month according to Jute Balers Association (JBA) were as follows: TD-4 IRs 3.915 per quintal, TD-5 IRs 3.540,00 per quintal. The introduction of the Goods and Services Tax (GST) had a negative impact on trading activities. It is reckoned that it will take a month or so until this new India value added tax system is operating smoothly. The implementation regulations are quite complicated. More clarity is needed. Several changes need to be made in the jute billing module to make these GST compliant.



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New Crop: During the month under review weather conditions continued to be beneficial for the growth of the standing jute plants. The plants in the Semi-Northern Area attained a height between 183 cm and 213 cm and in south Bengal 168 cm to 183 cm. The crop forecast which applied hitherto for 2017/2018 needs very likely an upward adjustment. There is now talk of an estimate of more than 8 million bales raw jute production this year. The estimate of the carry-over from 2016/2017 of 2.2 million bales remains unchanged.

The monsoon rainfalls were normal until end of the period under review. The growth of plants is normal and healthy. It is expected that first arrivals of raw jute will start by middle of July. There are no more recent reports available concerning market interventions by the Jute Corporation of India (JCI).

Jute Goods: In view of the countrywide introduction of the Goods and Services Tax the trade in Hessians came almost to a standstill. Trading in Sackings was also very much affected apart from Government orders. These amounted for June delivery to 200.000 bales of B-Twill bags. It was reckoned that timely deliveries would be made by the jute mills. However, the repercussions since introduction of the GST make it likely that in quite a few cases there will be delays in delivery. Some of the smaller, financially weak jute mills are still suffering from lack of labour and production losses related to these labour shortages.

For July delivery the Indian Government placed orders for 200.000 B-Twill bags and with a backlog of about 100.000 bales the total quantity for July shipment amounts to 300.000 bales.

On 12th June the Indian Road Congress has accepted jute geotextiles for using in building of roads which could be a major boost to the West Bengal's jute industry. "The Indian Road Congress identified a few types of jute based geotextiles and notification in this regard is expected soon", Joint Secretary to the Ministry of Textiles, Subrata Gupta, said on the sidelines of the Textiles India 2017 roadshow. "Now with the IRC acceptance it will be very easy to push the material in road construction", he said.

May 2017 production of IJMA jute mills and those reporting to IJMA: 84.000 mtons of which 3.200 mtons jute yarns.

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