

Jute Market Report for October 2017

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1st November 2017

Bangladesh

Raw Jute: Due to the two big Hindu festivals “Durga puja” and the “Happy Diwali” festival, which took place during the month under review, the demand for raw jute from India was rather slow. Even though the demand from India was less compared to the previous month, there was an irregular demand for high quality fibre like BTR HD, BTE HD, BTR CS, BTR KS and BTR NB, none the less the imported quantity was quite small. The Indian raw jute importers are expected to be back in the market with huge demands after the end of the festival season. Contrary to India, Pakistan was regularly in the market for low and high grades like BTR CS, BTE KS, BTCA, BTCB, MESHTA SPECIAL, MESHTA A, BWC and BWD. Due to the fact, that this year’s crop for high qualities was not as good as in recent years, the lion share of the imports from Pakistan was for lower grades (approx. 7.000 metric tons for shipment in October and November 2017). Furthermore a regular demand from other raw jute importing countries like Nepal, China, Vietnam, Russia, UK, Brazil and Tunisia was observed.

During the month under review there was a regular domestic demand from the private sector jute yarn and twine spinning mills as well as from composite jute mills, which are regularly in the market for procurement of raw materials. Due to the bad crop of high grades, the prices increased about USD 20 per metric ton, whereas the prices for lower grade qualities remained stable. BJMC were in the market for long fibres, only. They were unable to procure other qualities due to an acute shortage of liquidity.

It is quite unfortunate, that the export volume figures for the month of August 2017 have not yet been published by the concerned organization. We hope to be able to publish the same in our next market report.

New Crop: For several reasons, like bad road conditions, caused by the heavy rainfalls in August and September, the arrival of new crop fibre was quite poor. From early to mid-October Bangladesh was enjoying good weather with a lot of sunshine and only light rainfalls. Since middle of the month under review especially the lower parts of the country as well as the capital Dhaka were hit by wind-driven-rainfalls (about 31 mm per day in Dhaka). During that period the temperature dropped down to approx. 23, 5° Celsius.

Jute Yarn/Twine: A continuous export demand for high quality jute yarns and twines was observed from the regular importing countries like China, Vietnam, Indonesia, Malaysia, Uzbekistan, Iran, Turkey, Irak and other Middle East countries. The export demand for lower qualities of jute yarns and twines was much less than expected during the month under review. Furthermore it has been observed, that the prices for high quality jute yarns and twines increased by USD 30-50 per metric ton, whereas the prices for lower grades remained stable. Due to the acute shortage of high grade fibres and the continuously strong demand for high quality jute yarns and twines, it is expected that the prices for high qualities will increase further until end of the season. Due to the continuously strong export demand most of the mills in Bangladesh are quite busy with their regular production.

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Jute Goods: There was regular demand for Hessian and Sacking, which is quantity wise on the same level as in the month of September from Africa, Europe, Australia, USA, China, Vietnam, Iran and other Middle East countries. For the same reasons as mentioned under the para raw jute, the demand from India was rather slow during the month under review. It is reported, that the export demand for Jute CBC from the traditional buyers like Europe, Australia and New Zealand was less compared to the previous month.

During the month under review, the prices for Hessians, Sackings and CBC remained unchanged.

The local demand for jute bags was very poor, due to rice shortages. According to a newspaper article, which was published by The Independent on September 21st, the seriousness of the crisis of rice forced the government to imports from foreign markets, in order to keep the rice prices at an affordable level. The Department of Disaster Management also reported that 125.885 hectares of crops, chiefly rice, were damaged. Many farmers have been forced to harvest remaining crops early, in order not to lose the lion share of the crop during the heavy flooding of the country. Unseasonal downpours in early April caused the floods leaving Boro crop fields at haors (back swamps) in Sunamganj, Kishoreganj, Netrokona, Moulvibazar, Sylhet, Habiganj, Moulvibazar and Brahmanbaria districts, which were inundated with water and destroyed the paddy crop. Flash floods in Bangladesh have hit the domestic output of rice, which led to rising prices to a record high and bringing down the governmental reserves to a 10 years low and forcing the government to import the staple. Bangladesh produces around 34 million tons of rice annually but uses almost all of its production to feed its population of 160 million.

BJMC: It is reported, that the Bangladesh Jute Mills Corporation (BJMC) plans to develop so called jute industrial villages on its unused sites, in order to bring forward the diversification of products made from the natural fibre. The Jute and Textiles Ministry confirmed their acceptance of such plans to BJMC to establish the villages. "We will take steps. We will try to complete all the procedures as soon as possible to develop such villages," said Mahmudul Hassan, chairman of BJMC, which has 25 state-run mills in operation. The ministry gave its consent based on a feasibility report submitted by a panel headed by Md Rezaul Quader, joint secretary (jute) of the ministry. The panel found that 16 districts account for the majority of jute production, each producing more than 200.000 bales of the natural fibre in 2016-17. The highest amount of jute is grown in Faridpur, followed by Rajbari, Magura, Jamalpur and Kushtia, according to the report that analyzed data of the Department of Agricultural Extension. The committee suggested establishment of such villages in top jute producing districts and on unutilized land of mills under the umbrella of BJMC. The committee also recommended to set up of such parks on sites belonging to private jute mills that have violated contracts with the government. Some 34 mills under the BJMC were privatized on several occasions in the past.

Rezaul Quader, the convener of the committee, said there is a high demand abroad for diversified jute goods. "We have mills to make primary products. And here we suggest establishment of small industries to make diversified jute goods to cater to the export market and create jobs," there are specialized areas, such as weaving villages, in the country and the idea of developing jute industrial villages will help to promote small and medium enterprises. "Products such as jute bags and sandals will be made in the small scale factories in the villages. We will produce diversified products."



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BJMC has 100 acres of land adjoining its mills while there is quite a good amount of land that belonged to the former Bangladesh Jute Corporation, which was closed in 1993. Roughly, 25 units can be established on 50 acres. Bangladesh is the second largest producer of the eco-friendly fibre after India, and two-thirds of Bangladesh's domestic production is shipped abroad. Out of the total annual domestic production of over 7.5 Mio bales, state and privately-run jute mills consume over 60 percent to produce yarn and jute sacks, bags and other items, mainly for exports, according to industry statistics. Another 1.1 – 1.2 Mio bales are exported as raw jute and the rest is used by growers to meet their requirement for ropes and other items. The jute industry, which employs nearly 200.000 workers, is Bangladesh's third largest export earning sector after garment and leather.

India

Raw Jute: Due to festival season during the month under review operations were slower than normal. JBA quotations at the end of the month were TD-4 IRs 3,940 and TD-5 IRs 3,540 per quintal. Premiums for higher grades remain.

New Crop: The arrivals of new crop slowed down, as the prices in mukams are currently below support prices. Seller are not keen to supply at these levels and waiting for their turn to sell to JCI. JCI has widened support operations still the jute supply linked to purchase of Govt. order for bags is 15% or so. It is reported that low grade jute is being traded nearly 20% below support prices.

Jute Goods: The domestic demand for Hessian was still quite weak with easy availability. Same applies for the export demand. Nonetheless selected mills maintain their high price level, which is approx. 10% higher compared to the current market prices. During the month under review prices for hessians increased by 2% and the prices for sacking are likely to follow. The West Bengal Government has announced to implement regulations for packing rice for exports, mainly to Bangladesh, into jute bags. It is reported, that the bags for rice packaging may be with higher weight (current weight per bag is 580 grams), enabling the mills to use a low grade jute. The governmental order projection for the period between November 2017 and March 2018 is 1, 35 Mio bales. The demand for sacking is flat, but likely to get firm for reasons stated above. Selected mill's price are higher by 5-6%. The current general production is reported as normal, but should increase somewhat by now.

Jute goods production of IJMA jute mills and jute mills reporting to IJMA during September 2017 amounted to 86.800 mtons of which 3.600 mtons were jute yarns/twines

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