

Jute Market Report for June 2023

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Bangladesh

Raw Jute: During the month under review, raw jute demand from major importing countries like Pakistan, India and Nepal was on a regular level. Pakistan was in the market for long Jute Tossa and long Meshta grades as well as Jute and Meshta cuttings such as BTCA, BTCB, OMC and SMC. In total, Pakistan placed orders of about 6.000 mtons. Indian buyers were in the market for long Jute Tossa grades such as BTR BS, BTR NB KS, BTR NB CS and placed orders of about 2.000 mtons.

In anticipation of new crop arrival most international buyers refrained from placing bigger orders during the month under review. Though, a couple of enquiries from importing countries like China, Nepal, Korea and Japan were circulating in the market, only a few orders were placed.

Just like international buyers, local demand from jute yarn and twine spinning mills, composite jute mills as well as raw jute processors for both high and low quality raw jute was diffident, as the mills prefer to wait for arrival of new crop fibre.

Accordingly raw Jute and Meshta export prices decreased by about USD 20,00 per mton during the month under review.

Raw jute exports from July up to January, 2023 were 555.196 bales against 440.637 bales during the same period under review in the year 2021/2022.

New Crop: First arrivals of Meshta as well as White Jute Fibre were reported, but in view of current price level, the market did not really respond. As usual, market participants prefer to wait until harvest of both Meshta and White Jute is in full swing. Same as already experienced in the past, one may expect that stockist are prepared to procure fibre in larger scale at the very beginning of the season, which will consequentially create an artificial shortage of fibre during the first couple of weeks after harvest. As an obvious implication, market prices for both Meshta and White Jute will rule on a high level during the first weeks after harvest took place.

Right now, Tossa Jute growers expect a good outcome of this years' crop, as weather conditions were so far quite favourable. This expectation, of course, to be taken with a pinch of salt, as weather conditions during the coming 6 to 8 weeks are going to be crucial when it comes to the outcome of new crop.

During the cultivation period of jute, which takes around 120 days, one hectare of jute absorbs more than 15 mtons of carbon dioxide. Around 15 Mio farmers in Bangladesh are engaged in jute cultivation with millions more involved in its processing, transportation and associated works. It is estimated that the livelihoods of around 50 Mio individuals depend on jute related activities.

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Weather: During the month under review, the entire country faced a good mix of sunshine and moderate rainfalls. During the second half of the month however, certain low land areas were flooded due to heavy rains.

Jute Yarn and Twine: Export demand for both low and high quality grade jute yarns and twines from markets such as India, China, Vietnam, Russia and countries of the Middle East was more or less on a regular level, during the month under review. Demand for low and high quality grade jute yarns and twines from other international markets such as Europe and the United States, was also observed less during the month under review.

Local demand for Sacking and Hessian quality jute yarn and twine for packaging purposes was relatively slow during the month under review.

Due to a reduced number of orders, as well as frequently increasing labour costs, several financially weak mills remained closed after Eid holidays. Most of the medium size factories struggle to keep their production running in view of the mentioned situation, too. It is only the financially solvent mills of larger size which are in position to operate production according to their capacity.

Export price: Export prices for both light and heavy count jute yarn and twine remained stable, during the month under review.

Jute Goods: During the month under review export demand for both Hessians and Sackings from buyers in Africa, China and Vietnam was less compared to previous months. Demand from Europe, USA and Australia however was observed to be on a regular level. India was regularly in the market for unstitched Binola and B-Twill fabrics.

Jute CBC demand from the regular importing countries like Europe, UK, New Zealand and Japan was on a regular level during the month under review.

Local demand for Hessians and Sackings for packaging purposes was observed less during the month under review.

During the month under review, export prices developed as follows:

Hessians:	increased by approx. 3%
Sacking:	decreased by approx. 4%
CBC:	increased by approx. 2%

Miscellaneous: The commerce ministry has asked the National Board of Revenue (NBR) to cut the existing source tax and income tax on jute, as the sector is now in a tight corner, sources

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said. The ministry has recently written to the board for taking necessary actions in this regard, confirmed a senior official of the ministry. The decision was made during a recent meeting chaired by Senior Commerce Secretary Tapan Kanti Ghosh, focusing on enhancing the capacity of jute product exports. Currently, traders concerned have to pay 2 per cent and 1 per cent as tax at source and income tax on procuring raw jute and export earnings respectively. Industry insiders said there are multiple problems involving non-availability of financial assistance, 'Mandatory Jute Packaging Act-2010' and existing anti-dumping duty by India.

They claimed that jute producers have to provide the source tax, hindering the growth of the country's potential sector. Besides, Russia-Ukraine war, Covid pandemic and the higher price of raw jute have contributed to the fall in jute export, they mentioned.

The rampant breach of the 'Mandatory Jute Packaging Act-2010' is the main reason behind not ensuring and increasing the use of eco-friendly jute sacks and bags nationwide, according to a source. Private jute mills in the country have repeatedly urged the government to enforce the Act nationwide, according to sector insiders. They argue that instead of using jute made sacks and bags as required by law, artificial alternatives are being used for selling, transporting, importing and exporting commodities.

Three years after the closure of state-run jute mills, Bangladesh Jute Mills Corporation (BJMC) is still failing to attract investors to re-open its jute mills. In consequence BJMC is leasing out the mills to textile mills and RMG factories. Worker leaders and industry experts are seeing this move as the dead end of state-run jute industries from which reopening of the jute mills may never be possible. BJMC took the initiative to lease out 19 of its jute mills in 2021. So far, only five jute mills went into production under private management.

According to data from the Export Promotion Bureau, the jute industry in Bangladesh earned \$548 million selling jute and jute items in the first seven months of the outgoing fiscal year of 2022-2023 – a decrease of 21.22 percent year-on-year. The export proceeds for the same period in 2021-2022 were \$696 million, a decrease of nine percent from the previous year.

Anti-dumping taxes implemented by the Indian Government are increasingly reducing Bangladesh's exports to India. The Bangladeshi government is persistent in its demands that the anti-dumping measure be lifted or that the import tax on jute be raised.

India levied an anti-dumping charge on Bangladeshi jute exports in January 2017 that ranged from \$19 to \$252 per mton and was in effect for five years. Jute yarn, hessian fabric, sacking, and CBC and jute bags exported from Bangladesh and Nepal were subject to anti-dumping duties per an order from the Department of Commerce of India's Ministry of Commerce and Industries. In order to safeguard their jute sector and boost exports, Indian traders have urged that this tariff be kept in place.

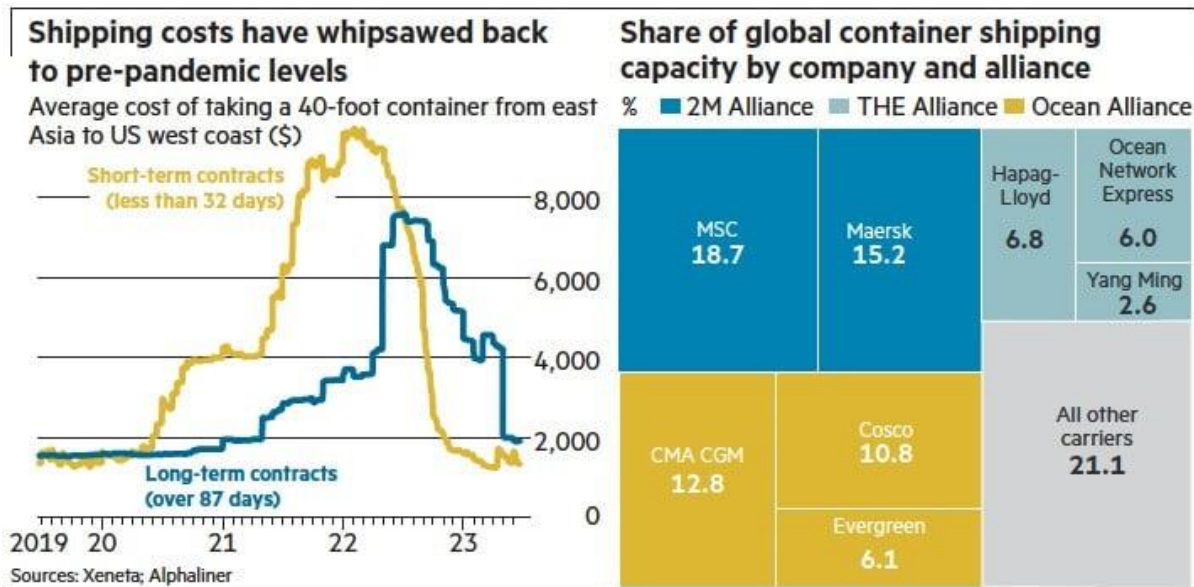
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Bangladesh may consider asking India to remove its anti-dumping measures on jute. The Comprehensive Economic Partnership Agreement (CEPA) that has been suggested may turn out to be a useful framework for these kind of negotiations. CEPA will serve as the comprehensive economic framework between Bangladesh and India, thereby boosting trade between the two nations.

Freighting: Please find hereafter a self-explanatory chart which reflects the overall development on the freight markets:



India

Raw Jute: The ruling market prices quoted by the Jute Balers Association (JBA) end of last month were fixed as follows: TD-4 IRs 6.150 and TD-5 IRs 5.750 per 100 kgs, which represents slighter lower figures as the ones ruling in May.

New crop: During the month under review jute growing areas were suffering from extremely hot weather and lack of required rainfalls. Due to the lack of sufficient water, jute plants withered in some areas. Especially in Murshidabad plants are severely affected and growth of same is relatively poor. Initially the growth of plants was quite fast, but in view of insufficient rainfalls in combination with heat waves with temperatures around 45° Celsius, growth slowed down. The average plant length rules around 7 to 8 feet and varies in Bengal from 6 to 9 feet. In case weather conditions are going to improve, plants may grow further by around 2 feet during the next two

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weeks. Recent flooding in Assam, which are normal during this time of the year, did not affect jute crop this time.

As already mentioned in our previous report, the overall area, brought under jute cultivation, is more or less similar to last year's area. In some areas, such as lower Assam as well as in the area of North Bengal, harvest started slowly, during the month under review. Arrival of new crop fibre is expected to reach markets towards end of July.

Local supplies of raw jute to Indian jute mills were around 568,000 bales during the month under review (against 540,000 bales in May).

According to latest estimates considering adverse weather conditions, the crop 2023/24 is expected to be about 8,2 mio. bales compared to 9,3 mio. bales in 2022/23. Earlier estimates were ruling around 8,7 mio. bales. The carryover is estimated with around 2,2 mio. bales.

Weather: As stated above, India suffered from an extreme heat wave with temperatures of around 45° Celsius, during the month under review. Latest forecasts predict a normal monsoon rainfall over the country for the month of July. On the temperature front, July is likely to be hotter than normal in most parts of the country.

Jute Yarn and Twine: Demand for jute yarns and twines continued to be negligible during the month under review.

Jute Goods: Situation during the month under review presented itself as follows: Prices for Hessians were slightly lower, ruling at IRs 122,000 per mton. Selective mills asking for premium of 8% against prices quoted by „standard“ mills. Export demand as well as local demand continued to be on a quite low level and was even shrinking further compared to April and May.

Market prices for Sackings remained more or less unchanged, fluctuating between IRs 90.000 and 97.000 per mton, with selective mills asking for premium of 8 % for exports against prices quoted by „standard“mills.

B-Twills: The Indian Government placed orders of about 250.000 bales of B-Twill bags during the month under review, which is less than the expected 350.000 bales. Order volume for July is expected to be to the tune of 350.000 bales or more.

Orders for Jute Carpet Backing Cloth continued to be sluggish. Among the few mills producing Jute Carpet Backing Cloth, some mills were forced to suspend production. Nowadays Jute Carpet Backing Cloth with leno selvedge is gradually becoming acceptable to customers, which used to stipulate on real selvedge in the past. This shall result in more supply as more mills are equipped to produce Jute Carpet Backing Cloth on Dornier / Sulzer looms.

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Jute goods production of IJMA jute mills and jute mills reporting to IJMA for April 2023 were 101.500 mtons in total of which 3.700 mtons were jute yarns/twines. Unfortunately statistics for May and June were unavailable when this report was prepared.

Miscellaneous: The Indian Central Bank will strive to get headline inflation to its 4 per cent target but flagged El Nino as a challenge to its efforts. According to the Governor of Reserve Bank of India (RBI), Shaktikanta Das, the economy will grow at 6,5 per cent in fiscal year 2024. The central bank's rate hikes by a cumulative 2,5 per cent since May last year, coupled with supply-side measures from the Indian Government, have helped get the inflation down to 4,25 per cent in May from a peak of 7,8 per cent in April last year.

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