

Jute Market Report for September 2023

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Bangladesh

Raw Jute: During the month under review, raw jute demand from India as well as from Pakistan was ruling on a relatively low level, even though the overall quantity which was ordered was less compared to the previous month. Indian buyers were observing the market without placing any larger orders during the month under review. Even though Pakistan was in the market for long Jute Tossa grades BTR BS, BTR CS, BTR KS, BTD CS, Pakistan buyers placed orders of about 2.000 mtons, in total only.

What applied for India and Pakistan applied for other international buyers from importing countries like China, Nepal, Vietnam and Tunisia, as well.

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 were actively in the market and placed orders according to their current demand on a more or less regular level.

In view of the retained demand from international markets, export prices for lower quality grades of raw jute fibre decreased by USD 30,00 to USD 40,00 per mton during the month under review. Due to scarcity of higher quality grades, prices for same remained stable in September.

Raw jute exports from July up to April, 2023 were 883.940 bales against 563.829 bales during the period from July to March in the year 2021/2022.

New Crop: As reported in our previous market reports for the month of July and August, especially White Jute and Meshta but also Tossa fibres were badly affected by lack of rainfalls when sowings took place as well as the insufficient availability of water to execute the retting of plants during harvest time. The lack of proper retting water badly affected the quality of both Meshta and Tossa during first stage harvest. However, at the time of second stage harvest, sufficient water for retting was available and accordingly quality of fibre improved.

The first estimates on the overall crop yield of this year's crop present itself as follows:

Meshta/Kenaf:	approx. 300.000 bales (of 180 kgs each)
White Jute:	approx. 100.000 bales (of 180 kgs each)
Tossa Jute:	approx. 6.500.000 bales (of 180 kgs each)

The latest estimates, especially in regards to White Jute and Meshta/Kenaf, unfortunately confirm the downwards trend in crop yield of the last couple of years. This is certainly also a consequence of the fact that a large part of the seeds continues to be imported from India. Changes in this situation through appropriate measures by Bangladesh to reduce its dependence on India as a supplier of jute seeds are not yet apparent.

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The carry-over stock to amount to a total of approx. 1.700.000 bales of 180 kgs each. The bigger part of the carry-over stocks consists of low grade quality fibre.

During the months under review various sources as well as plenty of newspaper articles highlighted the fact, that farmers are frustrated about the quite low raw jute prices. All over the country in more or less every jute cultivating district, farmers were unable to sell their produce at their target. This situation is of course very much alarming for all parties involved in the jute industry, especially when looking at the future crops. Farmers may end up cultivating other crops, which may be more profitable.

Jute farmers in Kurigram for example are facing a bleak situation as prices continue to decline despite a good harvest this year and many of them are thinking of leaving jute cultivation for good from the next season. Farmers said although the prices were good at the beginning of the season, they have significantly dropped. The dire situation faced by jute farmers has raised concerns about the sustainability of jute cultivation in the region, as many are questioning the economic viability of continuing to grow this important cash crop.

The current market price of jute is between BDT 1800 to BDT 2000 per maund (37,32 kgs). Farmers are very much concerned about whether they will be able to regain their investment. Some jute farmers already mentioned that they may have to give up jute cultivation in the next season due to such a slump in the prices.

In view of increasing labour costs as well as higher costs for transportation, farmers are counting losses, as they are not even getting back their production costs when selling at current market prices. The slow demand from export markets, especially from India, which has not been in the market to the regular extent yet, as well as the lower demand from the local jute yarn and twine spinning mills, composite jute mills as well as raw jute processors for both high and low quality raw jute, caused by less demand for jute goods from the global market, are the major reasons for the current situation.

Weather: During the month under review, the entire country witnessed a good mixture of light to heavy rainfalls and sufficient sunshine.

Jute Yarn and Twine: Export demand for both low and high quality grade jute yarns and twines from markets such as Turkey and Iran increased during the month under review. Same applies for demand for low and high quality grade jute yarns and twines from other international markets such as India, China, Vietnam, Indonesia, Malaysia, Uzbekistan, USA, Europe and countries of the Middle East.

Local demand for Sacking and Hessian quality jute yarn and twine for packaging purposes was ruling on a regular level during the month under review.



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Export price: Export prices for light count jute yarn and twine remained stable, during the month under review. However, prices for heavy count yarns and twines went down by USD 20,00 to USD 30,00 per mton in September.

Jute Goods: During the month under review export demand for both Hessians and Sackings from buyers in African countries, Europe, Australia and USA increased again compared to previous months. Furthermore 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.

An increase of local demand for Hessians and Sackings for packaging purposes was observed on during the month under review.

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

Hessians:	increased by approx. 2 %
Sacking:	decreased by approx. 2 to 2,5%
CBC:	remained stable

Miscellaneous: To protect the country's jute market, the Bangladesh Jute Growers and Traders Association urged the government on Monday to reopen at least 10 jute mills among the production units that were closed around three years ago due to recurring losses.

"Nearly three and a half years have passed [since the closure], but no mill has resumed operation so far," said Abdul Aziz, the organizing secretary of the association, during a press conference at the Jatiya Press Club in Dhaka. On July 1, 2020, the government, in a notification, shut down 26 state-owned jute mills operated by the Bangladesh Jute Mills Corporation (BJMC). Subsequently, authorities announced that all closed jute mills under the BJMC would be reopened in phases.

There have also been discussions about leasing out the mills to private ventures. Regarding the privatisation bid, Abdul Aziz said various attempts were made to run the mills under private ownership arrangements, but the government has not succeeded. "Even several mills, which are now running under the lease arrangement, are not producing," he said. Aziz said many mills have not been able to reach lease agreements so far. As a result, the machinery in those mills is rusting and becoming useless.

He said the officers and employees of those mills are still in their positions. Around 300 officers and employees from 26 jute mills, including the head office of the BJMC, have been receiving salaries every month for three and a half years without performing any work. He said the

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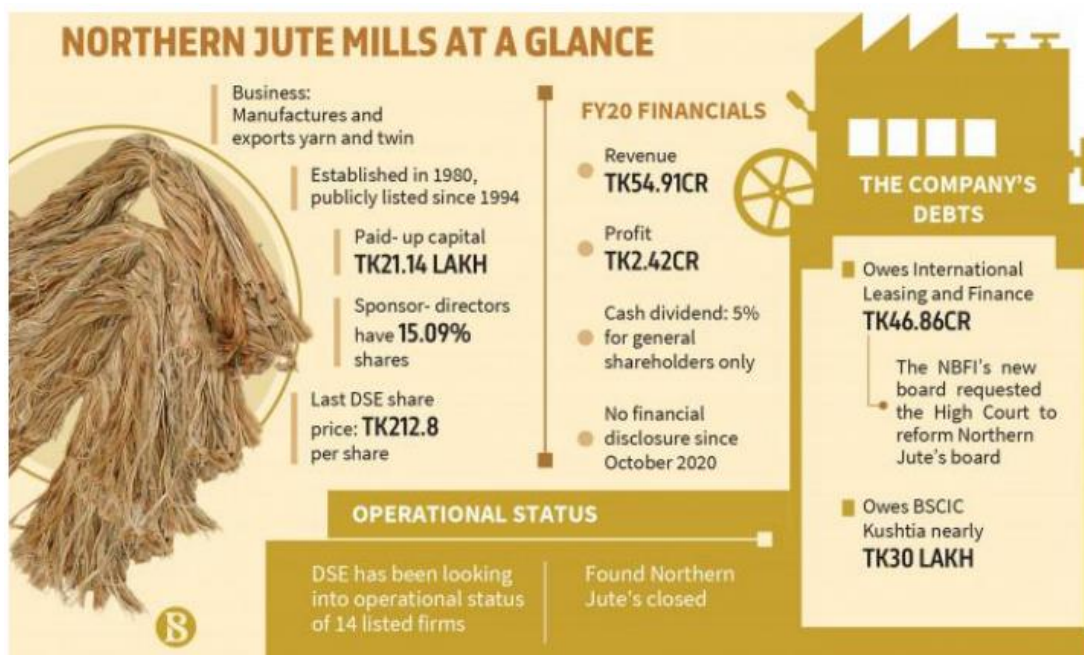
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government would not incur losses from those mills in the current situation, as there are currently no permanent workers. The trade union also has no activity, and he mentioned that the officials and employees of the mills remain highly alert. Consequently, the mill's environment is very calm, safe and productive.

In this case, he argued that once 10 mills resume their operation, a vibrant atmosphere will return to the mill areas. General Secretary of the association Md Harunur Rashid said if the government does not immediately reopen 10 jute mills, the country's jute market will collapse.

Source: The Financial Express, September 12th, 2023

Financial Sector: DSE (Dhaka Stock Exchange) was unaware of Northern Jute closure for years International Leasing and Financial Services stated that it was unable to recover its loan from Northern Jute due to the sponsor-directors going into hiding.



“Northern Jute Manufacturing Company has been out of production for years, but the Dhaka Stock Exchange (DSE), the primary stock market regulator, has recently become aware of the dire condition of this publicly listed yarn and twin producer. During an inspection, the DSE found that the factory premises were completely closed, the country's premier bourse said in a disclosure on its website on Tuesday.

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According to officials at the Bangladesh Small and Cottage Industries Corporation (BSCIC) in Kushtia, where the factory is located, it had been closed prior to the Covid pandemic because the board of directors had gone into hiding.

They added that it operated partially during the pandemic before eventually shutting down entirely. International Leasing and Financial Services stated that it was unable to recover its loan from Northern Jute due to the sponsor-directors going into hiding. Md Ashanuzzaman, deputy general manager (in charge) of the BSCIC district office in Kushtia, told The Business Standard, "Only an official is working in the company, and board members are not available at this moment. So that we cannot communicate with its high officials." "The BSCIC has outstanding dues of around Tk27-30 lakh in service charges and land fees," he added.

According to the latest available annual report for 2019-20, the board of Northern Jute included Uzzal Kumar Nandi as chairman, Ananga Mohan Roy as managing director, and Avitav Adhikary as the nominee director from Earthscope. The trio, who collectively held 28.12% of the company's shares, were also partners with the much-discussed PK Halder.

Northern Jute owes Tk46cr loan to International Leasing.

Northern Jute Manufacturing took a Tk30 crore loan from the scam-hit nonbank financial institution in 2015. The loan, including interest, swelled to Tk46.84 crore as of December 2022.

Officials of International Leasing stated that the new management, reconstituted by the High Court, is making efforts to recover the loan, but they have been unsuccessful so far as the management of the company cannot be communicated.

They said now that International Leasing's present board is trying to resume the factory by injecting fresh funds, they also requested the High Court reconstruct its board.

Share and financial information

Listed in 1994, the company's paid-up capital is Tk21.14 crore. Out of the total shares, existing public shareholders held 84.9% and sponsor directors held 15.09% of the company.

Northern Jute has kept its shareholders in the dark since October 2020, when it failed to publish any financials. According to its website, the company posted Tk2.42 crore in net profit. After that, the company published the first quarter financials of fiscal 2020-21.

During the July-September quarter, its revenue dropped by 49% to Tk8.96 crore, and the company incurred a loss of Tk1.33 crore. At the same time of the previous fiscal year, its revenue was Tk17 crore and its profit was Tk1.53 crore.

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According to its website, Northern Jute has set up a modern jute yarn and twine manufacturing plant with 2,433 spindles on 5.5 acres of land at BSCIC Industrial Estate, Kushtia. The production capacity of 7,500 tonnes based on three shifts per day. The machinery and equipment for the project have been imported from the United Kingdom, Germany, India, and China. The company has two units for producing heavy and light-count yarn. It was used to export its products to European countries, including Turkey, Japan, Hong Kong, Poland, Russia, Bulgaria, India, China, and Australia.”

Source: The Business Standard, September 10th, 2023

Maritime Transport: In our report covering the month of August we referred to the severe drought in Panama which lead to long delays and tough restrictions along one of the world’s most vital trade routes. According to latest reports published by the Panama Canal authorities, the queue of vessels waiting for passing the Canal decreased by 20 per cent to now 108 vessels. Queue time for vessels without advance booking, mainly bulk carrier and crude oil vessels, may be up to 11 days, at the moment.

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 5.325 and TD-5 IRs 4.925 per 100 kgs, which represents again lower figures as the ones ruling in July and August.

New crop: Harvest of new crop fibre almost completed in all jute growing areas. In view of continuous rainfalls during the month under review, overall crop deficit is likely to reduce. These late rainfalls shall support improvement of the overall quality level. According to latest estimates, the crop yield of 2023/24 is expected to be about 8,0 Mio. bales compared to 9,3 Mio. bales in 2022/23. The carryover is still estimated with around 2,2 Mio. bales.

Local supplies of raw jute to Indian jute mills were ruling round 664,000 bales during the month under review (against 510,000 bales in August).

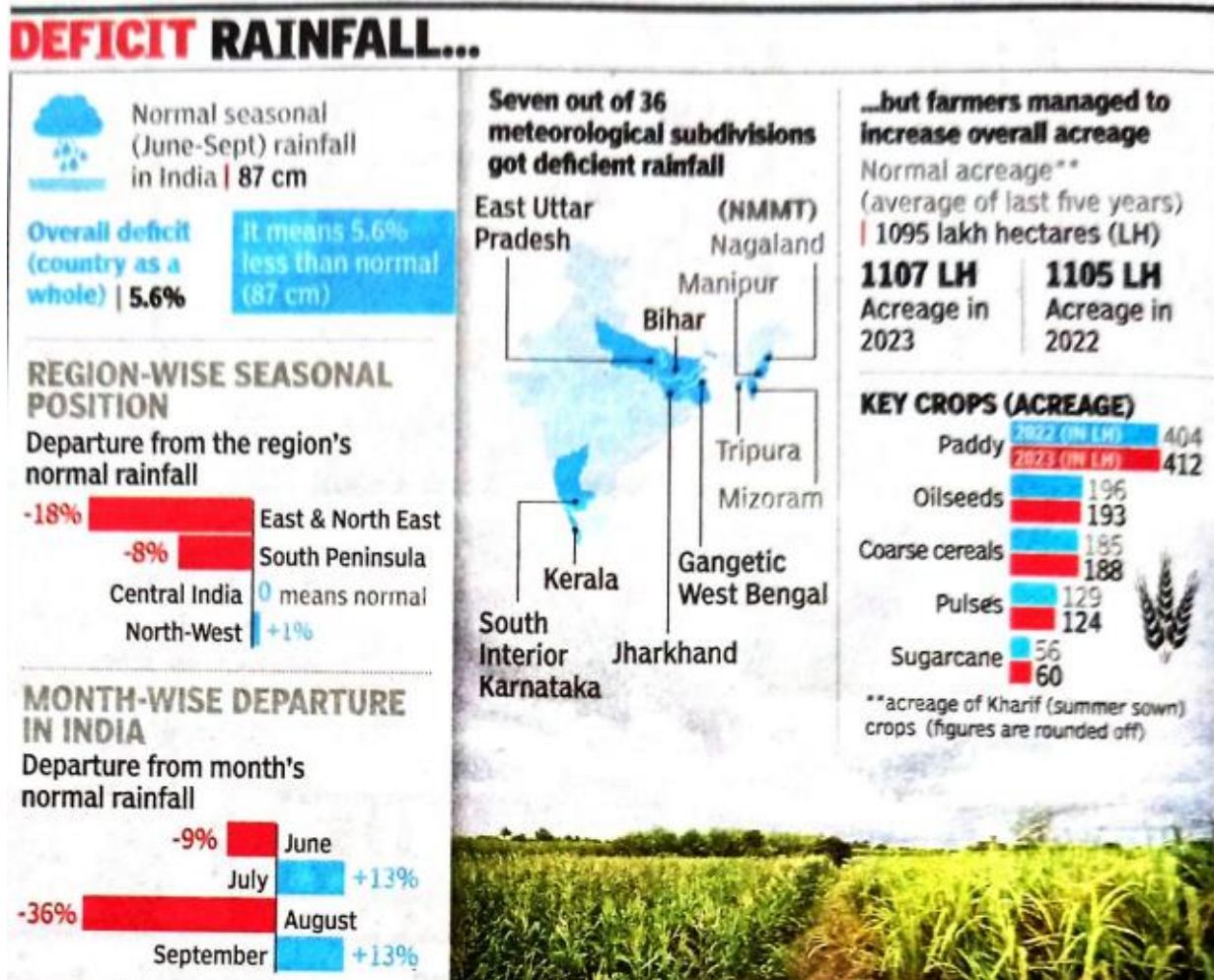
Weather: The month of September made up 42 per cent of monsoon’s total rainfall, in Kolkata September rain was even 52,6 per cent above normal. Since last four years September rainfall has been more than that of peak monsoon in July.

The chart below summarizes this years’ monsoon seasons, which despite El Nino, ends with “near normal” rainfall:

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Source: Times of India, October 1st, 2023

Besides geopolitical factors, the global climate change may be one of the reasons for the introduction of trade restrictions on comestible goods. On July 20th, India announced an immediate embargo on exports of white non-basmati rice, which amounts to about half of the overall exports of rice from India. In view of continuous increases of rice prices, due to heavy monsoon rainfalls, the Indian Government was forced to do so, in order to protect domestic supply. India with its 40 per cent share on global rice exports, being the number one exporter of rice around the globe, may become role model for other big exporting countries like Thailand and Vietnam. However, with the export ban coming into effect, global prices increased by 20 per cent, already.

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Jute Yarn and Twine: Demand for jute yarns and twines continued to be negligible during the month under review. In consequence prices backed down by about 4 per cent.

Jute Goods: Situation during the month under review presented itself as follows: Prices for Hessians were slightly lower again, ruling at IRs 113,000 per mton. Selective mills asking for premium of 11% against prices quoted by „standard“ mills.

Market prices for Sackings were also a bit lower, fluctuating between IRs 85.000 and 97.000 per mton, with selective mills asking for premium of 12 % for exports against prices quoted by „standard“ mills. In addition to the mandatory supply of Sacking to the Indian Government, some sugar mills continued buying Atwill and Ltwill bags.

B-Twills: The Indian Government placed orders of about 205.000 bales of B-Twill bags during the month under review, which is lower than the expected 270.000 bales. Order volume for October is expected to be even less than for September and shall range somewhere to the tune of 150.000 bales.

As orders placed by the Indian Government are likely to be further lower in October, jute mills are forced to either reduce shifts or weekly working days. In consequence raw jute prices are showing a downward trend. It is expected that jute market is likely to remain under pressure at least until Puja Festival. Jute farmers are reportedly planning a demonstration, demanding either purchases of raw jute by JCI or alternate steps to boost raw jute prices.

There were some new orders for Jute Carpet Backing Cloth reported from New Zealand for the month under review.

Miscellaneous: The Calcutta High Court on Wednesday, September 20th, said that the Tariff Commission's recommendations to enhance the prices of jute bags is not binding on the Centre. The High Court furthermore said that these recommendations cannot be enforced by a judicial orders, and it can only be decided by a cabinet committee headed by the Prime Minister. The tariff commission's 2021 order could have saddled the Centre with a financial burden of an estimated IRs 20,000 crore to procure the jute bags at the higher prices.

Jute goods production of IJMA jute mills and jute mills reporting to IJMA for August 2023 were 108.400 mtons in total of which 3.700 mtons were jute yarns/twines.

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