

Jute Market Report for July 2020

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3rd August 2020

Bangladesh

Raw Jute: During the month under review, raw jute demand from international markets, such as China, Russia and Vietnam among others was on a regular level, but since the end of the season is drawing nearer, the available old crop stocks could not satisfy the demand.

Pakistan was in the market for long jute Tossa varieties like BTR KS and BTR CS as well as jute cuttings like BTCA and BTCB and purchased about 4000 mtons including long jute and jute cuttings for July shipment. Indian buyers were in the market for long jute as well as jute cuttings and placed order of around 2500 mtons in total.

The local jute yarn and twine spinning mills as well as composite jute mills were actively in the market, especially after the news about the closure of BJMC mills spread.

Due to the late arrival of new crop fibre, caused by heavy rainfalls and flooding of various jute cultivating areas in Bangladesh as well as the rather bad outcome of last year's crop, export prices for low quality of long jute as well as jute cuttings were showing an upward trend and prices increased by about USD 30,00 per metric ton.

Raw jute exports during the period of July 2019 up to May, 2020 were 801.368 bales against 740.670 bales during the same period under review in the year 2019.

New Crop: Since end of June more than one third (around 37 per cent) of Bangladesh's total area is suffering from heavy rainfalls and floods and it is expected that this year's flood may turn out to be longest in two decades. More than 1,4 Mio people are directly affected and around 56.000 people were evacuated and brought to flood shelters. Experts predict that the floods will continue until mid of August.

The country is affected by floods every year and normally La Nina develops by May-June and reaches its peak by July-August, but this year La Nina is developing in July and will take more time to reach its peak. Furthermore flash floods hit Bangladesh three times this season, causing huge losses of crops and properties.

Jute growing areas in northern and north-eastern parts of the country went under water and jute fields got seriously damaged in these areas. The farmers are afraid that the quality of the fibre and the expected quantity of the crop will suffer significantly. The farmers will also be forced to do the retting with muddy water, which again will have a negative impact on the quality of the fibre. It is too early to judge about the total amount of damaged fibre and one needs to temporise to receive concrete figures until end of August. In certain jute cultivating areas the harvest started in small scales and arrival of Meshta, White and Tossa Jute in larger quantities is expected by end of August.

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Weather conditions: Since end of June heavy rainfalls and consequential floodings are taking place in 24 districts such as Kurigram, Lalmonirhat, Rangpur, Nilphamari and Gaibandha (northern part of the country), Natore, Naogaon, Bogura, Sirajganj and Rajshahi (north-western part), Jamalpur and Tangail (north-central), Manikgonj, Rajbari, Faridpur, Madaripur, Shariatpur and Munshiganj (central). Furthermore the south-eastern part of Chandpur in the Ganges-Padma basin and the north-eastern part of Netrokona, Sylhet Sunamganj and Kishoreganj are affected.

Jute Yarn and Twine: There was regular export demand for both high and low quality of Jute yarn and twine from regular importing countries like Turkey and Iran. Also buyers from other international markets such as China, Vietnam, Russia, Indonesia, Malaysia, Uzbekistan, Europe and USA were active in the market purchased as per their requirements.

Local demand continuously increased for both Sacking and Hessian quality of jute yarn for packaging purposes.

The export prices for light and heavy count jute yarns and twines increased by around USD 50 per metric ton during the month under review.

Jute Goods: Export demand for Hessians and Sackings from Europe, Australia and USA increased during the month under review. Furthermore African buyers were in the market for Sackings and customers from countries like Iran, Vietnam and China were in the market with regular demand during the month under review, as well.

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

A continuous demand for Sacking and Hessian Jute Bags was observed from the local market.

Export prices during the month under review have increased as follows:

Hessians:	approx. 6 %
Sackings:	approx. 5 to 6 %
CBC:	approx. 4 %

BJMC: After having decided the closure of state owned jute mills under operation of Bangladesh Jute Mills Corporation, the Government of Bangladesh provided over BDT 800 Mio as loan for payment of wages. Around BDT 700 Mio was given for payment of wages to the workers during the sixty day notice period and nearly BDT 108 Mio for payment of arrears in the last week of June 2020. End June the government formally announced that it would stop operating the state-owned jute mills and its more than 25,000 workers would leave their workplace with “golden handshake”.

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The Jute and Textile Minister mentioned during a press conference, that the mills would re-open under a public-private partnership (PPP) agreement within the next months. But the government's plans to revitalise the flagging jute sector through public-private partnerships have been met with scepticism from stakeholders in the industry. The state owned factories are dilapidated and equipped with machinery that is up to 60 years old and the past experiences of privately-run jute mills are also not very promising, with many having closed down due to heavy financial losses.

COVID19: Despite enormous efforts by the government to contract the spread of the virus, this did not prove to be possible so far. This gives rise to great concern, also with regard to the effects on production and transport in the country, because of people scared to risk infections.

India

Raw Jute: During the month under review the market appreciated which was reflected by higher quotations of the Jute Balers Association (JBA): Grade TD-4 Irs 5125,00 and Grade TD-5 Irs 4.725 per 100 kg.

New Crop: Even though there are no official quotations for new crop fibre available so far, one expects new crop prices likely to be lower by Irs. 100,00 per 100 kg. It is furthermore estimated that new crop quantity will range between 5 to 6 Mio bales. Carry-over stocks are expected to be around 2.6 Mio bales. Jute sowings this year covering a cultivation area of 588.000 Hectares (provisional estimate) compared 666.000 Hectares last year.

The monsoon is rather weak and rainfalls were less in July. However flooding in Bihar are alarming. Due to sufficient sunshine the growth of the plants in South Bengal is expected to improve. The height of the plants is ranging between six feet in North Bengal to twelve feet in South Bengal. In North Bengal harvesting is at peak as farmers are apprehensive of stem growth of weak plants, because of lack of sunshine at required time. Farmers are also tempted to harvest early with easy availability of flowing water and presently high selling prices. The overall good quality of fibre might also help the farmers to compensate the loss in growth. However due to cyclone Amphan (May 20th) and continuous rainfall it is expected that at least 25 per cent of the crop is damaged. More concrete figures shall be available by mid-August.

Due to rainfalls and floods as well as lack of sunshine the arrival of new crop fibre is delayed.

Jute Yarn: Business activities not worth to mention.

Jute Goods: Prices of Hessians increased by about 10 per cent since last month. Selective mills asking for premium of 2 per cent against prices quoted by „standard“ mills. Prices of Sackings remained almost unchanged. B-Twill bag Government July 2020 orders: 325.000 bales with backlog now about 175.000 bales.

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The production is reduced to about 60 per cent of the pre-lockdown period. Certain mills started to operate with three shifts again, but with an operation grade of some 40 to 50 per cent, only. Unless new crop estimates will improve and arrival of new crop fibre accelerates, it is expected that the ruling jute goods price level may continue.

Jute goods production of IJMA jute mills and jute mills reporting to IJMA in April 2020 amounted to 300 mtons of which 100 mtons were jute yarns/twines.

COVID19: Despite enormous efforts by the government to contract the spread of the virus, this did not prove to be possible so far. This gives rise to great concern, also with regard to the effects on production and transport in the country, because of people scared to risk infections.

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