

# *Jute Market Report for February 2021*

-1/6-

2<sup>nd</sup> March 2021

## **Bangladesh**

**Raw Jute:** During the month under review, raw jute demand from Pakistan was on a regular level, but due to an acute shortage of fibre the suppliers were unable to supply according to demand. Pakistan placed orders of about 4.000 mtons for more or less all grades of Long Tossa Jute and Long Meshta/Kenaf as well as Tossa and Meshta/Kenaf cuttings. They mainly bought BTE BS, CS and KS as well as BTCA and BTCB cuttings.

Indian buyers were not in the market, since the market prices in India were lower than in Bangladesh. It is indeed quite uncommon that Indian buyers were no active buyers of Bangladesh Raw Jute and this situation illustrates quite well how serious the factual raw jute situation in Bangladesh is.

Purchases from international buyers like Vietnam and Russia continued to be very slow during the month under review, mainly caused by the scarce availability of raw fibre and the consequentially high market prices. Since China was celebrating Chinese New Year during the month under review, there was, as expected, not much demand from Chinese customers in February.

Demand from local jute yarn and twine spinning mills as well as composite jute mills and local raw jute processing units was on a regular level. As already stated in our previous market report, local consumers, who are able to afford it, take whatever quality of fibre is available, in view of the exiguous availability of good quality fibre.

During the month under review market prices reached another record high and were ruling around BDT 6.300 per maund (=37,33 kgs) during the month under review. During the first two weeks of February alone, Raw Jute prices increased by 35 per cent, which leads to very short validities of offers and the situation leaves no room for any bargaining, at all.

Since the beginning of the season prices are continuously on the rise and now that the stocks of raw jute are running short, one can literally sense a certain panic in the market. With almost another half a year to go until arrival of new crop fibre and only small volume of fibre left in the market, the entire industry wonders how to bridge over the coming months.

To keep the majority of the factories running, the Bangladesh Jute Spinners Association (BJSA) along with the Bangladesh Jute Mills Association (BJMA) approached the Bangladesh Government in a letter, addressed to the Bangladesh Ministry of Jute and Textiles and Jute, and urged the Bangladesh Government once more to fully ban raw jute exports and to allow imports of raw jute from other countries.

The chairman of BJMA, Mr. Mohammad Mahbubur Rahman Patwari informed the members of the Bangladesh Jute Mills Association, that "at present, it can be said that there are no raw jute in the

## *Jute Market Report for February 2021*

-2/6-

2<sup>nd</sup> March 2021

farmer's house. The current market price of raw jute has gone up from BDT 5,800 to 6,300 per maund (=37,33 kgs)."

Furthermore he stated, "Already many mills are closing down due to the shortage and higher price of raw jute and also numerous jute mills will be closing down gradually. Despite having a lot of export orders of jute goods, it is not possible to export due to lack of raw jute."..."Because of the low yield of raw jute due to the natural disaster this year (2020), the Fariya and stock holders are taking advantage of this situation by stocking up raw jute and increasing the price of raw jute abnormally in the market."...

"It is estimated that this year the production of raw jute will come down to around 55 lakh bales. The jute industry will need about 60 lakh bales of raw jute and another 5 lakh bales for household use and usually 8 lakh bales of raw jute for export. The total raw jute requirement is around 73 lakh bales for local use and export, hence there is around 18 lakh bales of raw jute shortage in this year."

Farmers said they were planning to cultivate more jute next season in hopes of getting good prices once again. This statement might sound like a silver lining, but one has to bear in mind that even though farmers are encouraged by the high prices and may be motivated to grow more jute, one has to think about where to sell the jute when all the mills are closed.

The Jute Ministry Secretary Lokman Hossain Mia mentioned that "Due to the Covid-19 pandemic, we failed to produce the desired quantity of jute. In addition, the demand for jute products is rising around the world and that's why the high demand and low production resulted in record jute prices. "I hope it's a good sign for our farmers and they will produce more jute in the future," he added. "I think this demand and supply crisis will be solved in the upcoming year; we are taking initiatives to solve it," he further said.

Even though the entire industry places their hopes in the new crop, one has to bear in mind that Bangladesh might face another natural disaster as experienced during harvest season in 2020. Past experiences taught us that in case the prediction of new crop yield might be not as good as the entire industry hopes, raw jute prices will most likely not come down to a regular level. Therefore a certain prudence is required when planning for new crop season.

Corresponding to the shortage of fibre Raw Jute and Meshta, export prices increased further by about USD 400,00 to 500,00 per metric ton.

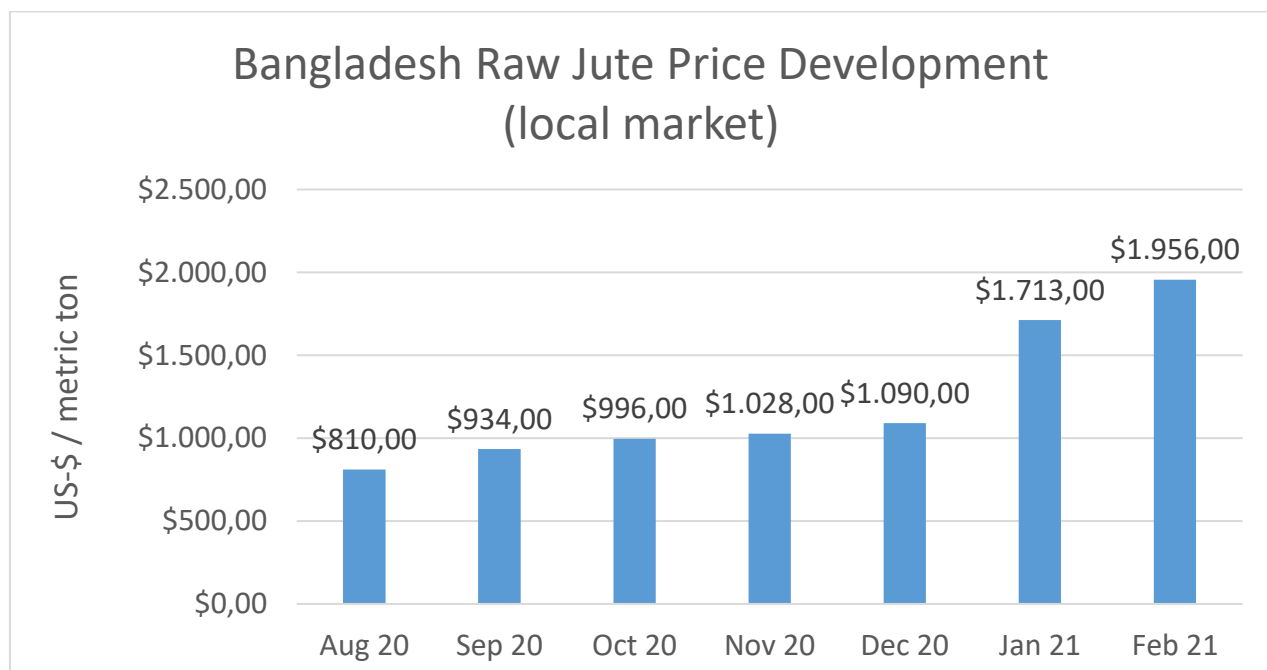
Raw jute exports during the period of July 2020 up to December 2020 amounted to 338.182 bales against 474.707 bales during the same period in 2019.

## Jute Market Report for February 2021

-3/6-

2<sup>nd</sup> March 2021

In order to illustrate and visualise the local price development of the preceding months and to underline the seriousness of the situation, please find hereafter a price development chart of the local raw jute market prices:



**Weather conditions:** From early until middle of the month under review the entire country witnessed low temperatures and foggy weather which again lead to congested highways and blocked terminals, due to low visibility on roads and highways. During the second half under review the country enjoyed bright sunshine.

**Jute Yarn and Twine:** Regular export demand for both high and low quality of Jute yarn and twine is reported from regular importing countries like Turkey, The Middle East, Uzbekistan, Indonesia and Malaysia. Same applies for demand from other international markets such as Europe and African countries, but due to the high market prices, international buyers placed less orders than usual.

Local demand for both Sacking and Hessian quality of jute yarn for packaging purposes remained stable during the month under review.

## *Jute Market Report for February 2021*

-4/6-

2<sup>nd</sup> March 2021

As already expressed above, the overall situation of the local jute yarn and twine spinning mills is very much alarming. Around 40 mills were already forced to discontinue the production and it is feared that overall 95 per cent of the local jute mills may shut down next month, due to acute shortage of fibre. The number of jute mills unable to honour contractual commitments for lack of raw materials is alarmingly increasing.

In consequence export market prices for light and heavy count jute yarns and twines increased heavily, i.e. by about USD 600,00 per metric ton for lower grades and by about USD 1.000,00 per metric ton for higher grades.

**Jute Goods:** Export demands for both Hessians and Sackings from countries such as Europe, USA, Iran and Vietnam were on an average level. Demand for Sackings from African countries increased during the month under review. India was regularly in the market for unstitched Binola and B-Twill fabrics.

Jute CBC demand from the regular importing countries like Europe, Australia and New Zealand increased during the month under review.

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

Hessians:	approx. 18 to 20 %
Sackings:	approx. 14 to 16 %
CBC:	approx. 16 %

The Bangladesh Government decided to lease out all 25 state-run jute mills, which were closed in July 2020, to the private sector despite initial plans of reopening them either through joint venture, public-private partnership, or a government-to-government (G2G) agreement.

The terms and conditions of the lease contracts are nearly finalised and international tenders for this purpose might be issued within a week or two, said sources at the Bangladesh Jute Mills Corporation (BJMC). According to BJMC and ministry sources, it has been decided to lease out the mills for a period of five to 20 years through an open bidding system.

**Maritime transport:** A combination of rebounding demand for goods in the second half of 2020, supply chain disruptions -such as container box shortages and port congestion- and more strategic capacity management drove container freight rates up, especially on the routes from China to Europe and the US. Shipping one 40ft container from China to Europe or the US West Coast now costs over USD 8,000 and US\$ 4,000, respectively, from well below USD 2,000 a year ago.

# *Jute Market Report for February 2021*

-5/6-

2<sup>nd</sup> March 2021

Ocean carriers are determined to keep container spot rates at their highly elevated levels for as long as possible, as they look to lock in annual contract customers with rate increases of 100% or more with no sign of a spot rate decline following Chinese New Year.

## **India**

**Raw Jute:** During the month under review the market firmed up with following quotations of the Jute Balers Association (JBA): Grade TD-4 IRs 7.600,00 and Grade TD-5 IRs 7.100 per 100 kg. During the month under review mills were getting raw jute from the mukams, but in view of the acute shortage of fibre, the suppliers were unable to supply as per their demand.

According to local weather services, India should experience normal monsoon season in 2021.

First forecast are indicating that for 2021 around 5,88 lakh hectares are planned for jute sowings, compared to 6,66 lakh hectares in 2020.

**Jute Yarn and Twine:** During the month under review demand increased and led to a price hike of about 15 per cent.

**Jute Goods:** Prices of Hessians increased by about 10 per cent due to rising raw jute prices during the month under review. Selective mills asking for premium of 5 per cent against prices quoted by „standard“mills. Prices for Sackings increased by about 2 per cent and selective mills asking for premium of about 2 per cent.

Availability of Jute Carpet Backing Cloth continuous to be rather poor, as most overseas customers placed long term orders with the manufacturers. Anyhow, some availability for August is reported, but at very high prices, only.

The Indian Government ordered approx. 200,000 bales of B-Twill bags during the month under review. The backlog is now around 150,000 bales. In consequence to the continuous backlog from the mills, second hand jute bags as well as PP bags are now allowed to be used, as well.

Waiverly and Nuddea Jute Mills continued to suspend their production due to acute shortage of raw jute. Other mills resumed production either with low or full capacity depending on their financial abilities.

The announced stock monitoring by the Indian Jute Commissioner is in force, but it appears to difficult to fully enforce the same. Accordingly and in view of the acute shortage of raw jute in India, a regulatory production cut is under consideration, as well.

## *Jute Market Report for February 2021*

-6/6-

2<sup>nd</sup> March 2021

In order to increase new crop quantity as well as quality, the Indian Textile Ministry will hold 70 camps for certified seed distribution and awareness on jute farming practices in eleven districts of Bengal, during the month of March.

**Maritime transport:** Similar to the situation in Bangladesh, Indian suppliers continue to struggle with the ongoing space crisis, an acute shortage of containers and incredibly high sea freight rates.

Jute goods production of IJMA jute mills and jute mills reporting to IJMA in December 2020 amounted to 56.000 mtons of which 5.200 mtons were jute yarns/twines.

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