

Jute Market Report for May 2020

-1/4-

2nd June 2020

Bangladesh

COVID19 Update: The Bangladesh Government decided to gradually soften the strict lockdown which was valid until May 30th. In order to support the local economy it has been decided to open most of the commercial operations and factories on a trial basis. The Government is going to get granular on the situation and will decide on June 15th whether or not the withdrawal of the strict lockdown can continue. In order to ensure a smooth transition back to normality the Government set up 15 rules in respect to specific fields, offices and business entities. The Government reserves its right to retract the lockdown slackening in case the situation in the country might deteriorate.

Raw Jute: During the month under review Pakistan was in the market for both high and low quality Tossa and Meshta fibre and cuttings such as BTE BS, BTE KS, BTE CS as well as BTCA and BTCB cuttings and purchased around 5.000 mtons for shipment in May. India however continued not to be in the market with significant volumes, due to the COVID19 related lockdown in India.

Same as in April 2020, international buyers from countries like Vietnam, Russia and Brazil were not in the market with noteworthy quantities during the month under review. Obviously the worldwide COVID19 pandemic is the main reason for international buyers to refrain from placing larger orders. In contrast to the described situation, Chinese customers placed orders at a more or less regular level during the month under review. Since the end of the season is drawing nearer, only the big raw jute traders with sufficient quantities in stock are in position to supply at the moment.

The demand deriving from local private jute yarn and twine spinning mills was at a marginal level. Same applies for private composite mills and raw jute processing industries, as well. The main reason is the strict lockdown during the month under review as well as the manageable export demand of international customers.

The market prices for both high and low quality of fibres decreased by about USD 20,00 / mtons during the month under review, this mainly because of the exiguous demand from the international markets.

Raw jute exporters have urged the Bangladesh Government to include the raw jute export sector into its fiscal stimulus package, as the raw jute exporters are facing severe financial difficulties caused by the COVID19 crisis. The Bangladesh Jute Association (BJA) brought this request to the attention of Bangladesh Finance Ministry during the month under review.

BJMC mills stopped purchasing activities, because of the countrywide lockdown. During the month under review around nine of the state-owned factories slowly resumed their production, but of course with a limited number of workers and reduced shifts, in order to obey the social distancing rules of the Bangladesh Government.

Jute Market Report for May 2020

-2/4-

2nd June 2020

According to statistics export earnings from jute and jute products have increased by 14 per cent in the first ten months (July 2019 to April 2020) of the current fiscal year 2019/2020 compared to the same period of the previous fiscal year. In total Bangladesh earned USD 791,3 Mio from the export of jute and jute products and for the first time occupied the second top position in the export trade by beating the leather sector.

New Crop: Since Bangladesh is enjoying ideal weather conditions with moderate rainfalls and good sunshine, the growth of Tossa, White and Meshta/Kenaf plants is quite promising. Luckily worst apprehensions that Cyclone Amphan might destroy a significant number of plants have not been confirmed. Only two per cent of the plants got seriously damaged when Cyclone Amphan hit the the major affected districts such as Satkhira, Chuadanga, Khulna, Jessore and others on May 20th.

Quite concerning in regards to new crop is a leaf and hairy caterpillar pest attack which threatens the jute plants in Faridpur district, where around 82,976 hectares (compared to 82,695 hectares in 2019) of land have been brought under jute cultivation this year. Additionally a significant labour shortage worries the farmers in Faridpur. At this particular time it would be necessary to weed out the jute fields but due to the countrywide lockdown many labourers cannot reach the growing areas. In addition a good number of workers is required to rescue the plants from the caterpillar pest attack.

Notwithstanding the described difficulties the farmers are expecting a bumper crop this year. According to first estimations the outcome of new crop Jute and Kenaf will be around 20 per cent higher than last year, which would be around 70 to 75 lakh bales (7-7,5 Mio bales). It is self-evident that it is still too early to judge about the final outcome of this year's crop, but the local assessments are at least quite promising. In any case past years taught us that a final evaluation can only be properly executed during harvest season. All forecasts concerning this years' crop yield to be taken with a pinch of salt.

Jute Yarn and Twine: During the month under review a slight increase of export demand for both high and low quality jute yarn and twine from the major importing countries like Turkey, The Middle East and Iran was observed. Same applies for the demand from other regular buyers of Jute Yarns and Twines from countries like USA and Europe. China however was back in the market with a regular demand.

A slight increase of demand from local market for both Hessian and Sacking Quality was observed during the month under review. Same as in March and April the export prices remained stable for both low and high quality jute yarns and twines during the month under review.

In order to obey the governmental rules to curb the spreading of COVID19 in Bangladesh, factories were closed for a period of more than two months. From early respectively mid of May the factories

Jute Market Report for May 2020

-3/4-

2nd June 2020

are allowed to resume production, but with a limited number of workers in order to meet social distancing rules. In order to comply with these rules factories had to reduce shifts and accordingly production capacity. Additionally the factories are obliged to install proper hygienic measures such as disinfection tunnels, frequent hand, feet and body sanitation facilities and to hand out surgical masks for the workers. The reduced production capacity along with the production back-log caused by the strict lockdown leads to delays in shipments and in some cases denial of orders for prompt shipments. Not all mills are equipped to follow these rules and some of them are even short of raw material to run the production and therefore decided to remain closed for the time being.

Jute Goods: During the month under review export demand from countries like Africa, China and Vietnam was on a regular level. Same as in April customer from Europe, Australia and USA were barely in the market during the month under review.

During the month under review export demand for Carpet Backing Cloth from importing countries in Europe, UK, Japan, Australia and New Zealand was rather sluggish.

Export price development Jute Goods:

Hessians:	unchanged
Sackings JBA:	unchanged
CBC:	unchanged

India

COVID19 Update: The country wide lockdown in India was extended until end of May, but with certain relaxations for gradual resumption of work. The Indian Jute Mills were allowed to resume production with 30 per cent workforce but unfortunately Cyclone Amphan hit Kolkata heavily and caused damage to a lot of jute mills in and around Kolkata. In addition to the natural catastrophe the mills are struggling with an acute shortage of labour. Many workers returned to their home districts and villages during the time of the lockdown and are yet to come back to the bigger cities. Several international newspaper reported about the misery of the migrant workers in India, who had no other chance but to leave for their home districts during lockdown as they could not earn a living in the metropolises. But since neither busses nor trains or air services were in operation in sufficient numbers a lot of migrant workers stranded in the suburbs of the Indian major cities. Now selected airlines, trains and intercity busses slowly resume operation and trains are running regularly on selected routes to take the migrant workers home.

Raw Jute: JBA quotations were not available due to the country wide lockdown in India during the month under review, but it is indicated that prices decreased by around 10 per cent at IRs 4500 for TD-5. At the same time, the Indian government increased the minimum support price for TD-5 by 7,5 per cent to IRs 4225 compared to IRs 3950 per quintal for 2020/2021 season.

Jute Market Report for May 2020

-4/4-

2nd June 2020

New Crop: Raw jute sowings almost completed and due to favorable weather conditions the growth of the plants is quite promising. Especially bright sunshine during the days after Cyclone Amphan hit India were beneficial and could appease the worries of a possible larger crop damage caused by Cyclone Amphan. However recent floods in Assam did cause some damage to jute crop in that area, but extend of the damage is yet to be ascertained. There are neither estimation of land brought under jute cultivation nor evaluation of new crop quantity available at the moment, but it is assumed that the raw jute situation will remain comfortable with sufficient carry over stock.

Jute Yarn: There were not much activities to report on the jute yarn market in India.

Jute Goods: Jute goods market will remain firm as demand will outpace supply. Export enquiries were circulating in the market, but most of the customers refrained from placing orders due to high market prices and uncertain shipments. The Indian Government did not place any fresh orders during the month under review due to significantly low production and backlog of supply from the jute mills till March. Therefore the Indian Government had no other choice but to resort to PP bags as a replacement for jute bags for the time being.

--0000OO0000--