

Jute Market Report for June 2019

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3rd July 2019

Bangladesh

Raw Jute: Export demand of Raw Jute was sluggish compared with the previous month, this applying for both international market and local market. Though there were regular inquiries from Pakistan and India, orders actually placed by buyers in both countries were comparatively small. India was in the market for high quality long jute like BTE HD, BTE CS BTE KS and jute cuttings BTCA and BTCB. India reportedly bought about 2000 mtons. Pakistan was in the market for both high and low quality of Meshta and Tossa jute. Pakistan reportedly purchased some 2500 mtons.

Export demand from other raw jute importing countries like China, Vietnam, Russia, and others was sluggish.

There was local demand from jute yarn and twine spinning mills as well as from composite jute mills. However, compared with existing demand, fibre availability in local market was rather poor. BJMC was in the local market but their purchasing activities were slow due to shortage of liquidity.

Export price remained stable for high quality jute. Price for low quality long jute and jute cuttings was showing downward trend in view of upcoming new crop.

Raw jute exports during the period July 2018 up to May 2019 were 652,314 bales against 954,266 bales during the same period under review in the year 2017/2018.

Scorching heat with occasional rainfall was observed throughout this month. Actually heavy rainfall was badly needed to get the plants grow healthy and which has not been the case so far.

New Crop: This year the jute cultivation was completed using 15 to 20 % land approx. compared with last year in all jute growing areas of Bangladesh. Thus, it is being expected about 15 to 20 % crop may be increased in this year if there will be favorable weather and sufficient rainfall up to the harvesting period. It is also apprehended that in view of the ruling unfavourable weather conditions, quality of the fibre may suffer and may not be up to the mark due to insufficient rainfalls.

As per current observation, the length of the fibre is good but due to insufficient rainfall, thickness of the fibres is less. In comparison to last few years, monsoon is much late this year.

Now it is time for harvesting time for Meshta and White but it is also been delayed due to lack of sufficient rainfalls. What is now urgently needed for better harvesting are heavy rainfalls to take place very soon. Only after harvesting is one able to obtain a better, more precise idea of availability of fibres and of their quality.

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Jute Yarn and Twine: There was regular export demand during the month under review from the major importing countries like Turkey, Iran, Uzbekistan and India for both high and low quality yarn. Demand was observed slow from Europe, USA, China, Japan, Korea and other North & South Asian countries. Regular local demand was observed for Sacking and Hessian quality yarn for packaging requirements. Due to upcoming new crop, export price ruled stable both for light and heavy count of jute yarn and twine. The production capacity of many local mills was reduced due to shortage of labour and scarcity of the fibres. Only few solvent mills are busy with their regular production up to July, 2019.

Jute Goods: The month under review, the export demand for Hessians and Sacking increased from the regular importing countries like in Africa, in Europe, Australia, USA and Iran. India was in the market for unstitched jute cloth.

Local demand increased for sacking and hessian quality of jute bags for packaging purpose. Demand for Jute CBC from the regular importing countries like Europe, UK and Japan was slow during the month under review.

Export prices during the month under review increased as follows:

Sackings: Increased approx. 2% - 3%
Hessians: Increased approx. 2% - 3%
CBC: unchanged

India has slapped an anti-dumping duty on jute sacking cloth from Bangladesh triggered by a spike in its import following the imposition of similar duty on sacks and products in 2017.

Earlier on 5th January 2017 India had imposed anti-dumping duty ranging from USD 19,00 and USD 352,00 per mton on jute yarn / twine, Hessian fabrics and jute sacking bags from Bangladesh and Nepal. Jute Sacking cloth was left out which prompted wily Indian importers to bring it instead to get around the anti-dumping duty. The escalating imports of the item compelled the Indian authorities to investigate the matter.

The tariff comes as the value-addition in converting jute cloth into sacks is insufficient, said the gazette notification from the neighbouring country's finance ministry on Tuesday.

India has imposed anti-dumping duty of \$125.21 per tonne on jute sacking cloth from 15 Bangladeshi exporters and \$138.97 on others. Some 11 exporters escaped the fine as the Indian finance ministry's investigations found their shipment quantities of jute cloth to not be excessive.

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The development is a big blow to jute goods exporters, who are progressively seeing their export market shrink for a host of reasons including competition from the lower priced polypropylene and synthetic goods and falling demand from traditional markets.

India was one of the largest export destinations for Bangladesh's jute and jute goods but after the imposition of the anti-dumping duty in 2017 shipments shrank. The latest round of levy would exacerbate matters.

Export of jute and jute goods dipped 20 percent year-on-year to \$773 million in the first 11 months of fiscal year 2018-19 according to data from the Export Promotion Bureau. And shipment of jute sacks and bags suffered a 33 percent slump.

Both BJMA and BJSA have expressed their serious concern about the latest anti-dumping measures taken by India.

It seems that financial misery of BJMC gets from worse to worse with the state owned Bangladesh Jute Mills Corporation having become a barrel without pit and causing growing headaches to Bangladesh Government how to finance this loss-making operation with losses, already being gigantic, becoming higher and higher. The given situation has received substantial coverage by the local press from which some excerpts are quoted here below.

Opinions expressed in the quoted comments may not always reflect the writer's views.

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It seems that the present crisis in the state-owned jute mills will hardly be over with the equivalent in local currency of USD 19.988 mio. allocated by the government to the Bangladesh Jute Mills Corporation (BJMC) to pay the workers their dues. This may placate the workers for the time being, but as their other demands, including implementing the new wage scale, cannot be met with this money, there are chances of further unrest. Unless steps are taken to completely restructure the sector, the problems the sector is currently facing will persist.

Apart from the above mentioned amount, the BJMC needs the equivalent in local currency of another USD 189 Mio. for the implementation of the new wage scale. Currently, the average jute worker's salary is the equivalent in local currency of USD 48,20 and if the new pay scale is implemented, the amount would rise to the equivalent of USD 96,38. How will the BJMC pay the workers this increased amount if the mills run at a loss?

The government cannot just continuously inject money into the sector without having a proper plan to revive the sector. Reportedly, during the last decade, the government handed the equivalent in local currency of USD 884 mio. to BJMC to bail it out of financial troubles. But sadly, the public

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sector could not stand on its own feet because of mismanagement, outdated technology, poor planning and a lack of government initiatives.

Reportedly, the efficiency of the BJMC mills is now below 50 percent. This is because the mills are being run with old machinery bought before the liberation of Bangladesh. Replacing the old machinery with modern ones is the need of the time, but it needs a lot of investment. How will the BJMC manage this money?

So now the question is: Where will the BJMC get the funds to do all the things necessary to make this sector profitable again?

As a first step, the organisation can address the issue of mismanagement. Mismanagement in buying raw jute have been major reasons for higher production cost of jute products. Reportedly, the corporation does not buy raw jute during the peak harvesting season in July when one maund of jute sells at Tk 1,000 to Tk 12,000. It buys raw jute in the off-season during October-November, when the same amount of jute sells at Tk 2,000 to Tk 2,200. Also, they buy from the shippers and hoarders, not directly from the farmers. This means that hundreds of crores of taka are wasted in simply purchasing raw jute. Needless to say, this happens because of inefficiency by a section of BJMC officials. Also, it doesn't make sense as to why the government would release the funds for buying jute when the season is over. In addition, the government's allocation of funds for buying raw jute has never been sufficient.

Since the government has provided Tk 169 crore (USD 19.988 mio.) to pay the workers as loan, the BJMC will have to repay the money in the next 20 years. If the BJMC cannot make profit, how will they repay this loan? So, there is simply no alternative to reviving this once profitable sector. And the government has a big role to play here. The Prime Minister on several occasions has called upon all concerned to make this sector profitable again. That's a positive sign.

But a recent recommendation of a leading World Bank economist was just the opposite of the conventional way of thinking about our ailing jute sector. While we are talking about reviving the sector—around four crore people are dependent on it for their livelihoods—he recommended that we should find other sustainable ways to support the livelihood needs of jute workers by creating jobs and self-employment opportunities. He also said: "Keeping terminally sick enterprises on life support is not a viable way of protecting the jobs." Does this mean that the jute sector will cease to exist? Economist Anu Muhammad recently told *The Daily Star* that many of the state-owned jute mills were closed upon the recommendations of the World Bank in the past. "The once-thriving jute industry has turned into one on the verge of extinction thanks to the continuation of that policy."

No matter how one construes the recommendations of the World Bank, one thing is for certain: millions are dependent on this sector and breathing life into it is the need of the hour.
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It should be recalled that the former Bangladesh Finance Minister Mr Muhith, member of the Government before last general election took place, pleaded more than once for winding up BJMC since the losses made by that state owned enterprise had become unsustainable.

India

Raw Jute: During the month under review raw jute prices have eased marginally and may now further ease after good rainfalls. Monsoon rains in Bengal since 25th June which means a delay of about a fortnight.

New Crop: Rains now expected to continue for some time and then there may be a gap. Temperatures presently 34 to 38 centigrades. Rains in July expected 80/85 %. If there happens to be a water shortage this may have an impact on quality of jute fibre. Good growth is reported. Assam area plants height is 8 to 10 feet, in North Bengal 8 feet and in South Bengal abt. 7 feet. Growth in Bengal should pick up further after recent monsoon rains. New crop arrivals are now expected second half of July.

Jute Yarn and Twine: Market continued to be absolutely dull during the month under review.

Jute Goods: Hessian prices softer by about 2 percent. Orders for Hessians during the month under review were very, very slow. Even enquiries have been very few. Selective mills now asking for a higher premium which is about 8 percent. Sacking prices have eased further by about 4 percent due to fall in raw jute prices.

Indian Government ordered last month about 225.000 B-Twill bags and July order expected to be about 300.000 bales.

Jute goods production of IJMA jute mills and jute mills reporting to IJMA in May 2019 amounted to 77.900 mtons of which 3.500 mtons were jute yarns/twines.

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