

Jute Market Report for October 2021

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Bangladesh

Raw Jute: During the month under review, raw jute demand from Pakistan, India and Nepal altogether was on a regular level. Pakistan was in the market for long Jute Tossa and long Meshta as well as Tossa cuttings, such as BTCA and BTCB. In total, Pakistan placed orders for about 8.000 mtons. Due to various religious holidays, Indian buyers were in the market with less demand than usual, but placed orders for long jute Tossa varieties such as BTR NB KS, BTR NB CS and BTR BS as well as jute cuttings for BTCA and BTCB.

Other foreign buyers from countries like Vietnam, Russia and Tunisia were in the market as well, but since the upward market price trend continued they have decided to cover their short-term demand, only.

As already described in our previous report, the market price situation is caused by an artificial crisis of jute fibres in the local market. It is expected that the increase of market prices is likely to continue unabatedly throughout the season.

The local jute yarn and twine spinning mills as well as composite jute mills, continued to procure as much fibre as possible, being well aware about the raw jute / meshta market situation.

Raw jute and meshta prices increased further by about US\$ 20,00 to US\$ 30,00 per mton during the month under review and it seems as if the upward price tendency is likely to continue until end of the season. This confirms past experience, that when prices are ruling high at the beginning of the season, market is likely to remain for the rest of the season.

Raw jute exports during the period of July 2020 up to June 2021 amounted to 586.570 bales against 864.864 bales during the same period in 2020. Figures for July 2021 were unfortunately not published when this report was prepared.

Weather conditions: Until mid of the month under review the entire country witnessed moderate rainfalls combined with good sunshine, but since mid of October areas in North Bengal like Rangpur were hit by severe flooding as the Teesta river swelled all over sudden, due to onrush of water from the surrounding mountains as well as heavy rainfalls upstream in India. At least 15 villages were directly affected.

Bizarrely 'erratic behaviour' of the weather for the global climate change is impacting Bangladesh's agriculture adversely as the country begins to reap low crop yields from costlier farming. Meteorologists observed a rise in temperatures, untimely or prolonged floods, heavy downpours or droughts, short-lived winter etc., form new phenomena in Bangladesh -- a country ranked 6th most vulnerable to climate change in the world. In addition to the consequences of the adverse weather conditions, the country is losing agricultural land by approximately 80,000 hectare annually, on average, due to urbanisation, the building of new infrastructures such as roads and



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implementation of other development projects. The agricultural sector plays a vital role in the economy of Bangladesh in terms of its contribution to the GDP, employment generation, livelihoods and poverty alleviation. It has approximately 12-per cent share in the country's over BDT 30 trillion economy, though its full potential has yet to be tapped through modernization mechanisation. It employs nearly 50 per cent of the workforce.

Jute Yarn and Twine: Export demand for both high and low quality of Jute yarn and twine from regular importing countries like Turkey and Iran increased during the month under review. Same applies for demand from other international markets such as India, China, Vietnam, Indonesia, Malaysia, Uzbekistan, the Middle East, Europe and USA. Prices increased again during the month under review. Local demand for both Sacking and Hessian quality jute yarns and twines for packaging purposes was on a regular level during the month under review.

Export price: Export prices for light and heavy count of jute yarns and twines increased further by around US\$ 30,00 to US\$ 50,00 per mton during the month under review. Due to shortage of fibre respectively slow arrivals of raw jute, many small and medium size jute mills are forced to reduce their capacities and to operate with two instead of three shifts per day.

High market prices in combination with extraordinary high freight rates, which shot up nearly ten times to US\$ 18,000 to US\$ 19,000 per 40ft container, the Bangladesh jute industry is facing a downfall of exports by 31 per cent in the first quarter of this fiscal year in comparison to same period last year. According to the Bangladesh Export Promotion Bureau (EPB), the Bangladesh jute industry exported goods with a value of US\$ 212 Mio.

Due to continuous high market prices, certain international buyers were forced to switch to alternate materials. The carpet industry for example is using recycled cotton yarns as a replacement for jute yarns and twines. The carpet sector in Turkey is the main consumer of jute yarns and twines from Bangladesh and since jute yarn and twines exports are responsible for around two third of the overall exports of jute goods from Bangladesh, jute yarn and twine spinning mills are hit the hardest by the recent development. Their exports plummeted by around 40 per cent during the first quarter of the fiscal year. However growing demand and a tightening supply indicate that cotton could be entering a bull market. Strengthening world cotton demand, an expected imbalance in cotton supply and demand and tighter ending stocks indicate such a market situation in the near future.

Jute Goods: Export demand for Hessians and Sackings from Africa, Europe, Australia and USA were on an average level during the month under review. Same applies for exports of unstitched Binola and B-Twill fabrics to Indian buyers. Jute CBC demand from the regular importing countries like Europe, UK and Japan was on a regular level during the month under review, too. An increased demand for Sacking and Hessian Jute Bags was observed from the local market.

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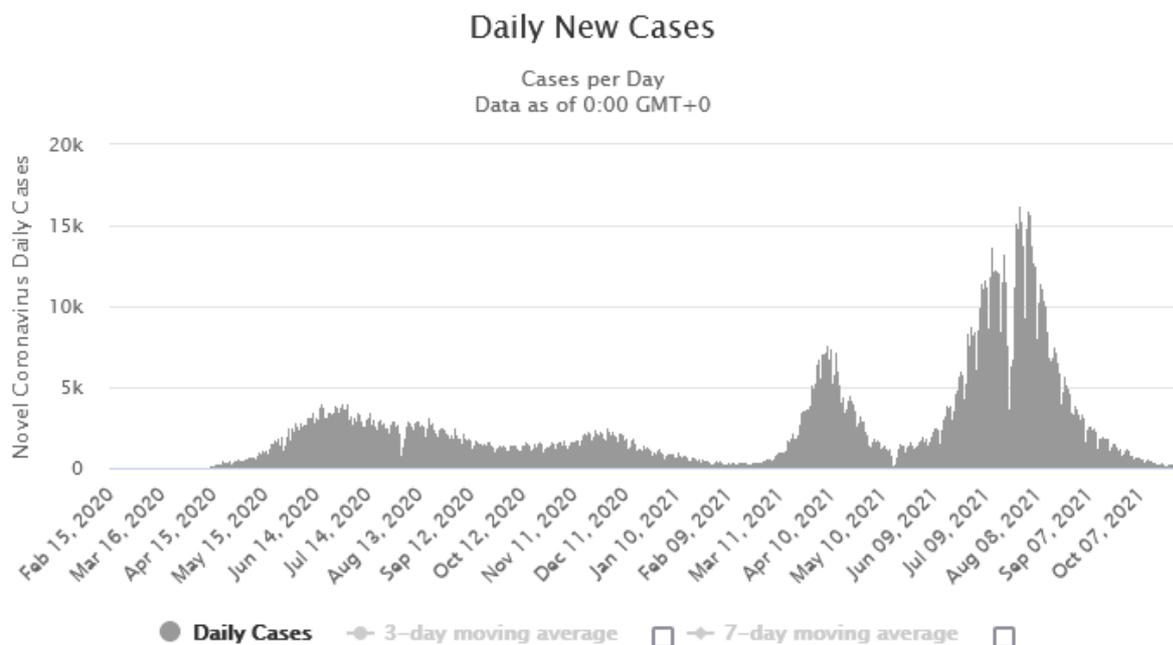
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During the month under review, export prices increased as follows:

Hessians: approx. 3%
 Sacking: approx. 2% to 3%
 CBC: approx. 3%

COVID-19 update: More than 40 Mio people in Bangladesh have received at least the first dose of the Covid-19 vaccine. Around 20 Mio people already received their second dose, according to the health directorate. The overall situation seems to improve as the number of new daily cases continues to decrease.



Source: www.worldometers.info

Miscellaneous: In order to boost jute production, the Bangladesh Government aims to bring in jute fibre threshing machines by April next year. The USAID-funded Future Bangladesh Cereal Systems Initiative for South Asia - mechanization Extension Activity (CSISA-MEA) has been working in Bogra, Jessore, Faridpur and Cox's Bazar since October 2019 to mechanize jute production.

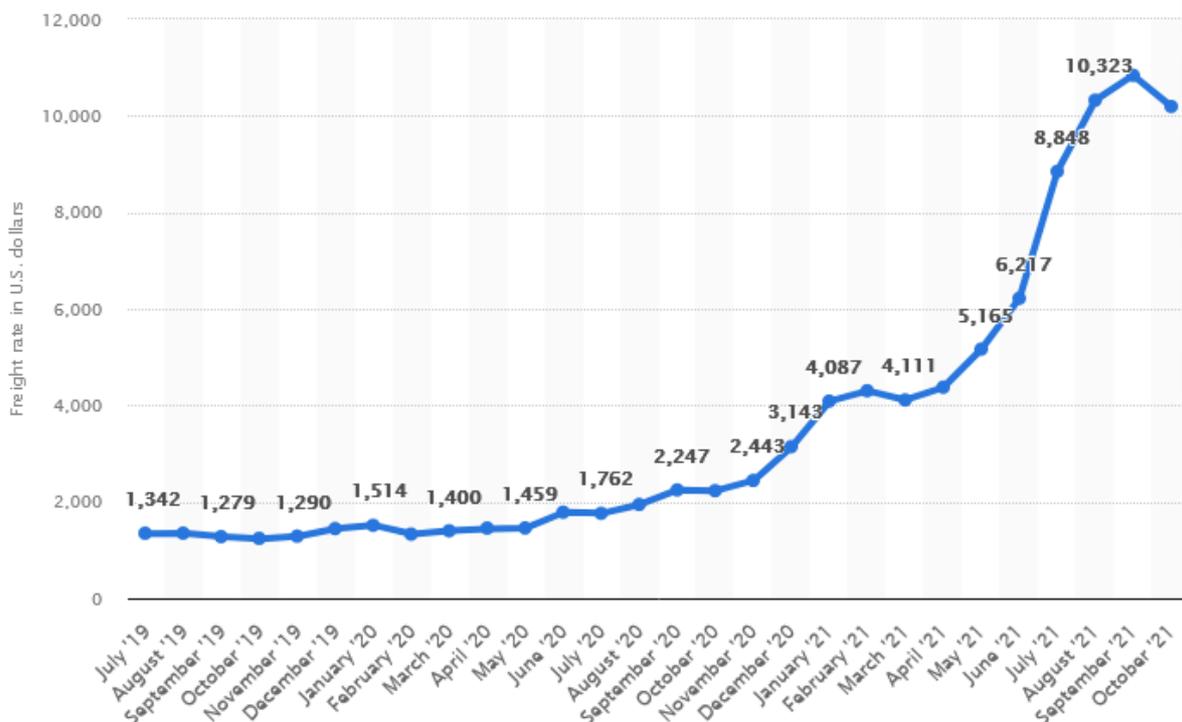
Now the authorities are thinking of introducing mechanization in the jute industry in the rest of the country as well. It is estimated that around 7,000 machines are needed to complete jute fibre

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extraction across the country. Local sources mentioned, that it would be difficult to procure such a large number of machineries, as it takes three years to launch 200 machines in the five districts of North Bengal. The prices of these machines will range between BDT 1.5-2.5 lakhs, depending on the features of the machine. A single machine can produce as much as 144 labourers do in an eight-hour day, according to the CSISA-MEA. However, strong concerns regarding possible breakages of the jute stems during the threshing process were expressed by Jute industry stakeholders.

Ocean Freight Rates: The global container shortage, port congestions and the continuously rising sea freight rates, especially for shipments from Asia, continue to push supply chains to a breaking point. Globally there are 584 container vessels stuck outside ports, which is nearly double the number at the beginning of the year. High demand for consumer products, Covid-19 induced disruption to container ship schedules and a shortage of port workers and truck drivers have all combined to extend waiting times at ports. The snarl-ups in supply chains have a surge in shipping costs. The average global price of shipping a 40ft container is close to US\$ 10,000, which is three times higher than at the start of the year and almost 10 times pre-pandemic level.



Source : Statista

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India

Raw Jute: The ruling market prices quoted by the Jute Balers Association (JBA) end of last month were as follows: TD-4 IRs 6.800 and TD-5 IRs 6.500 per 100 kgs. The final crop estimate stands now at 5.5 mio. bales for the crop year 2020-21. The carry forward from last year's crop is 295.000 bales. The crop estimate for 2021-22 has been revised to 8.5 mio. bales, but due unusual slow arrival of fibre, it is feared that crop volume is even lower. The harvest of new crop fibre is fully completed in the meantime.

Due to slow arrival of raw jute, poor availability and rising prices, the Indian Jute industry decided to cut down the production capacity by around 20 per cent. It is expected that a significant reduction of consumption leads to a reduction of prices, which will eventually leads to a better availability of fibre. In case this tactic turns out to be successful the present direction of bullish vicious circle may change to bearish circle.

Jute Yarn and Twine: Local demand is picking up and prices ruling firm. Demand is mainly coming from local mills consumption and for sewing of jute bags

Jute Goods: Situation during the month under review presents itself as follows: Hessians firmed up. Selective mills asking for premium of 7 % against prices quoted by „standard“ mills. Export demand is slowly picking up again. Local demand is on a moderate level. Prices for sackings also firmed up: Now IRs 115.000 to 125.000 per mton, with selective mills asking for premium of 8 % against prices quoted by „standard“ mills.

B-Twills: The Indian Government ordered approx. 250.000 bales of B-Twill bags during the month under review. The current backlog increased and is around 200.000 bales, now.

Availability of Jute Carpet Backing Cloth is reported from January delivery, but limited sellers are in a position to hold prices.

Jute goods production of IJMA jute mills and jute mills reporting to IJMA in August 2021 amounted to 58.000 mtons of which 800 mtons were jute yarns/twines. In September jute goods production of IJMA jute mills and jute mills reporting to IJMA amounted to 53.000 mtons of which 1.000 mtons were jute yarns/twines.

Covid-19 update: At the moment the pandemic situation in India is under control. The number of new daily infections has meantime dropped to <20.000 cases per day. Lockdown is almost withdrawn with some restrictions left, such as night curfew and capacity utilisation of entertainment and social gatherings. Local train services resumed during the month under review and flights for selected international routes continue to open up. On October 21st, India reached a milestone of 1 Bio vaccinations. However only 21 per cent of the population is thoroughly vaccinated, so far.



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Ocean Freight Rates: Same as Bangladesh and the rest of the world, India is facing sky-high container shipping rates in combination with an acute shortage of boxes. We learned, that time and again, already booked freights are cancelled by the shipping lines, due non availability of either cargo capacity or availability of containers. This leads to delays of shipments and congestion of warehouses.

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