



Jute Market Report for August 2020

-1/5- 2nd September 2020

Bangladesh

Raw Jute: During the month under review, raw jute demand from Pakistan, India and China increased at the beginning of the new crop season.

Pakistan was in the market for long jute Tossa and long Meshta fibre as well as jute cuttings like BTCA and BTCB and purchased about 5000 mtons of cuttings, long jute Tossa and long Meshta fibre. Indian buyers were in the market for long jute Tossa varieties such as BTR NB KS, BTR NB CS and BTR BC as well as jute cuttings and placed orders of around 2000 mtons in total.

Other international raw jute customers from countries like Nepal, Vietnam, Russia and Tunisia were in the market as well and this with an increased demand compared to previous months. However due to the rather bad outcome of this years' crop and the consequential high market prices, buying activities were rather slow compared to last year.

Especially the local jute yarn and twine spinning mills as well as composite jute mills were actively in the market, in order to secure as much quantity as possible in view of the quantity and quality wise quite poor raw jute harvest. But same as international buyers, local buyers were unable to cover their entire demand, mainly because of meagre arrivals of new crop fibre.

Due to bad outcome of this years' crop and the poor arrivals as well as the strong demand, caused by insufficient carry-over stocks, export prices for low quality of long jute as well as jute cuttings were showing an upward trend, which is likely to continue, and prices increased by about USD 80,00 per metric ton.

Raw jute exports figures during the period of July 2019 up to July 2020 have not been published, yet.

New Crop: According to local sources about 26000 hectares of acreage got severely damaged by cyclone Amphan and repeated floods and caused a loss of about 25 Mio US-\$ to farmers and it is assumed that around 25 to 30 per cent of the total crop is severely damaged.

In consequence farmers are getting higher prices for raw jute at the beginning of the season. Naturally jute mill owners are not happy with the price spiral, which will push up production costs significantly and affect demand from international buyers and might have a lasting effect on their buying behaviour. In face of speculation of huge crop losses and low yield this year, the prices of high-quality raw jute soared to as high as BDT 2600 each maund (=37,33 kgs) in the middle of the month under review. The price of jute has already been rising steadily in anticipation of a one-third drop in jute production owing to the effects of Covid19 coupled with countrywide floods.

It is projected that this year's jute output will be around 55 lakh bales (=5.5 Mio bales), only, whereas it was 84 lakh bales (8,4 Mio bales) in 2019 and 73 lakh bales (=7,3 Mio bales) in 2018.

WILHELM G. CLASEN GmbH & Co. KG
Burchardstraße 17
20095 Hamburg
Deutschland

Tel. +49 40 323295-0 · Fax +49 40 321916
info@wgc.de · www.wgc.de
Amtsgericht Hamburg
HRA 120531

USt-ID-Nr. DE307976040

Deutsche Bank AG (BIC DEUTDEHH)
IBAN DE10 2007 0000 0010 9520 00



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For a better classification of the stated figures, around 60 lakh bales (=6 Mio bales) of raw jute are consumed by public and private jute mills and around 14 lakh (1,4 Mio bales) of raw jute are exported annually.

In this situation the Bangladesh Government is going to control the export of raw jute this year and focus on the export of finished jute products such as jute yarn and jute goods considering their high value addition. According to local private jute mills, this year's production cannot meet the demand for materials from the jute yarn and twine spinning mills, jute composite mills and jute processing units. It is feared that in case raw jute exports continue uncontrolled, local jute mills are forced to stop their production early next year in the absence of adequate raw materials. The Bangladesh Jute Mills Association (BJMA) as well as the Bangladesh Jute Spinners Association (BJSA) said they are not in favour of banning the export of raw jute, but that the Government should take measures to create a win-win situation for all. In view of this year's crop situation jute mills demanded for an inauguration of an export duty of US-\$ 250,00 per mton on raw jute exports.

Contrary to the point of view of the BJMA and BJSA members, jute growers and raw jute exporters are saying that the Bangladesh Government should not put any bar on the export of raw jute, in order to protect the interests of growers and exporters. Both parties suffered for the ban on exports of raw jute already in the past.

A decision about a possible export duty is yet to be reached by the Bangladesh Government.

Weather conditions: During the month under review the entire country witnessed monsoon rainfalls with occasional heavy rains combined with good sunshine.

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 India, China, Vietnam, Indonesia, Malaysia, Uzbekistan, The Middle East, Europe and USA were active in the market purchased as per their requirements. To avoid dumping on jute yarn and twine exports, the Bangladesh Jute Spinners Association (BJSA) imposed a Minimum Indicative Export Price (MEP) with immediate effect on August 18th. Accordingly no mill can sell their goods at lower prices than MEP, but mills are naturally allowed to sell at higher prices.

Local demand for both Sacking and Hessian quality of jute yarn for packaging purposes was on a regular level during the month under review.

The export prices for light and heavy count jute yarns and twines increased by around USD 60 to 80 per metric ton during the month under review.

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20095 Hamburg
Deutschland

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info@wgc.de · www.wgc.de
Amtsgericht Hamburg
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Most of the privately owned jute yarn and twine spinning mills of A-rank are fully booked with regular orders, whereas smaller and medium size mills are in crisis in view of the acute shortage of raw jute and the continuous increase of market prices. It is furthermore reported that due to the Covid19 related situation and long lasting floods all mills are facing an acute shortage of labour which consequentially forces the mills to reduce their capacities.

According to Ministry of Textiles and Jute Secretary Lokman Hossain Miah, the Bangladesh Government is working to diversify the use of jute and boost its production by taking effective steps to reform and to modernise the sector.

Jute Goods: Export demand for Hessians and Sackings from Africa, Europe, Australia and USA was on a regular 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.

An increased 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 - 6 %
CBC:	approx. 5 %

BJMC: Since the closure of the 25 state owned jute mills, that employed 24,886 permanent workers as well as a large number of casual workers, on July 1st, a lively discussion about the future of the factories is taking place in the industry. The Bangladesh Government is considering giving priority to leasing out state-owned jute mills to the private sector, in order to resume production within short, after the ministry found a greater response from private jute mill owners in taking on the 25 mills instead of the other options it had floated, including public-private partnerships (PPP).

The Bangladesh Jute Mills Association (BJMA) recommended to hand over the BJMC's mills as fresh ones to the private sector and to declare the machinery to be scrap and to provide low-cost fund for import of new machineries. According to the BJMA the mills should be leased out for 99 years, enabling stakeholders to avail loans from banks to restart the mills properly. Priority should be given to skilled staffs and workers, who worked in the BJMC mills, while recruiting and forming new trade unions for workers, the BJMA furthermore suggested.

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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 5750,00 and Grade TD-5 Irs 5350 per 100 kg.

New Crop: Contrary to earlier estimations, new crop quantity is likely to reduce from earlier assumed 5 to 6 Mio bales to 5 Mio bales, only. 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.

Same as Bangladesh, India is facing crop failure and is struggling with high market prices and slow arrival of fibers. Because of the difficult situation in the raw jute market, the Indian Jute Mills Association (IJMA) requested the Indian Government to allow usage of imported raw jute from Bangladesh in the manufacture of packaging material for packing commodities against governmental orders. It has been mandated by the Jute Packaging Material Act that jute bags to be purchased by the Union Government agencies for the packaging of food grains, such as rice, wheat and sugar, must be made of Indian raw jute. The provision was intended to protect the interests of the Indian farmers engaged with jute cultivation. Hence, the mill owners' plea to the Centre for permission to import jute from Bangladesh is unprecedented.

During the month under review, rainfalls in India were about 27 per cent more than regularly and caused floods and disruption of inland transportation. Especially jute growing areas like Assam, Bihar, Orissa and Bengal were hit severely and in consequence plant growth ended with heights ranging between 4,5 to 7,5 feet. Since a couple of days the weather situation seems to improve and in case of sufficient sunshine, one will be able to get a better overview about arrivals and overall crop yield. Local sources assume that farmers, local middlemen and traders are holding stocks, but in view of rising prices, the arrivals of new crop raw jute are not being reported.

Jute Yarn: During the month under review there was quite good demand for jute yarns and twines for local consumption. However there are no reports about exports worth to mention.

Jute Goods: Prices of Hessians increased by about 3 per cent since last month. Selective mills asking for premium of 2 per cent against prices quoted by „standard“ mills. Prices of Sackings increased by about 3 per cent as well and selective mills asking for premium of about 4 per cent. B-Twill bag Government August 2020 orders: 325.000 bales with backlog now about 350.000 bales.

Almost all relevant mills have started to operate with three shifts again and reached almost 80 % of the pre-lockdown production output.



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Jute goods production of IJMA jute mills and jute mills reporting to IJMA in July 2020 amounted to 83.900 mtons of which 5.000 mtons were jute yarns/twines.

COVID19: Case numbers in India mounting up to more than 3,76 Mio with a more or less continuous upward trend. Unemployment rates increased significantly and the International Monetary Fund (IMF) expects a retracement of the economic growth of about 4,5 per cent. At least one ray of hope seems to be the Indian stock index, as the index of leading shares commutes around the highest status since six months and the Indian Rupee is firm at 73,00 toward the US-Dollar.

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