

# Jute Market Report for September 2020

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## Bangladesh

**Raw Jute:** Throughout the month under review, raw jute demand increased from Pakistan, India and China. Pakistan was in the market for long jute Tossa and long Meshta fibre but due to an acute shortage of Meshta fibre, Pakistan buyers mainly placed orders for BTR Tossa fibre as well as Tossa cuttings, such as BTCA and BTCB. In total Pakistan placed orders for about 8000 mtons. Indian buyers were in the market for long jute Tossa varieties such as BTR NB KS, BTR NB CS and BTR BS as well as jute cuttings and placed orders of around 5000 mtons in total.

Other international raw jute customers from countries like Nepal, Vietnam, Russia and Tunisia were in the market as well, but most buyers were quite surprised about the continuously increasing market prices and procured less fibre than regular. The market price situation is caused by an acute shortage of fibre, since the outcome of this year's crop was very disappointing. It is expected that the increase of market prices is likely to continue throughout the season.

The local jute yarn and twine spinning mills as well as composite jute mills, being well aware about the raw jute / meshta market situation, procured as much quantity as possible and were even prepared to provide advance payments to the raw jute balers. Nonetheless most of the local buyers were unable to cover their entire requirements, because of the acute shortage of fibre.

Corresponding to the shortage of fibre and the rather strong demand from local as well as international buyers, raw jute and meshta prices increased further by about USD 100,00 per metric ton. It is unpredictable how much the market prices may still to increase during the coming months, but it seems as if the price tendency is likely to continue until arrival of new crop in 2021.

Raw jute exports during the period of July 2019 up to June 2020 amounted to 864.864 bales against 824.999 bales during the same period in 2019.

**New Crop:** During the month under review, discussions between Bangladesh Jute Mills Association (BJMA) as well as Bangladesh Jute Spinners Association members and the Bangladesh Ministry of Textiles and Jute regarding an export ban of raw jute respectively an embossment of an export duty of US-\$ 250,00 per metric ton on raw jute exports continued. The BJMA and BJSA representatives urged the government to discourage raw jute exports in order to protect the interests of the local jute mills.

However, The Bangladesh Jute Association (BJA) opposed the BJMA and BJSA and urged the Bangladesh Government not to impose any duty respectively an export ban on raw jute exports, as the requirement of the local industry tends to be less than in previous years, because of the closure of the 25 stated owned BJMC jute mills in July. In succession of the closure of BJMC mills, unused raw jute was returned to the suppliers, as well.

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Furthermore the BJA argues that raw jute exports came down from 2,8 to 3,0 Mio bales to 0,8 to 0,9 Mio bales and in case of an embossment of an export ban respectively export duties, the entire sector to be faced with ruin.

Throughout the ongoing discussion between the a.m. parties and the Bangladesh Ministry of Textile and Jute about discouraging raw jute exports, raw jute prices soared to a record high of around BDT 3000 per maund (=37,33 kgs) during the month under review. Supply in the markets of producing regions declined, since middlemen are hoarding fibre in their warehouses and farmers releasing the fibre slower than normally.

Both parties, middlemen as well as farmers, are benefitting from the high prices, but the overall industry is seriously suffering from record high market prices. In order to protect the industry, BJMA and BJSA representatives urged the Bangladesh Government to stop unlicensed traders and to ensure that authorised stockists do not hold more than 1000 maunds (37,33 metric tons) of raw jute for over one month.

**Weather conditions:** During the month under review the entire country witnessed moderate rainfalls 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. Demand from other international markets such as India, China, Vietnam, Indonesia, Malaysia, Uzbekistan, The Middle East, Europe and USA increased during the month under review.

As already mentioned in our jute market report for the month of August, the Bangladesh Jute Spinners Association (BJSA) imposed a Minimum Indicative Export Price (MEP) on August 18<sup>th</sup>, in order to avoid dumping on jute yarn and twine exports. As per local sources, only few mills are following the MEP so far.

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 50 to 60 per metric ton during the month under review.

In view of the acute shortage of fibre, most mills were forced to reduce their production capacity significantly. A few mills were even forced to shut down, as they were lacking sufficient quantity of raw jute. Because of the very volatile raw jute market situation with prices increasing on a daily basis, certain mills are not ready to keep their commitments and either delay shipments or even ask for higher prices than contractually agreed earlier. These deceptive business acts is of course causing huge difficulties to the buyers and casts a damning light on the industry.

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**Jute Goods:** Export demand for Hessians and Sackings from Africa, Europe, Australia and USA increased during the month under review. Exports of unstitched Binola and B-Twill fabrics to Indian buyers were on a regular level.

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. 8 %
Sackings:	approx. 6 %
CBC:	approx. 4 %

**BJMC:** In order to protest against the closure of the state owned jute mills under the umbrella of the Bangladesh Jute Mills Corporation, a coalition of eight leftist parties (The Left Democratic Alliance (LDA)) announced to blockade the Prime Minister's office early October. The LDA demands a re-opening of the stated-owned mills after modernisation, an ending of corruption as well as an implementation of a minimum wage structure for the entire sector.

## 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 6025,00 and Grade TD-5 Irs 5525 per 100 kg.

**New Crop:** New crop quantity estimates are 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. Continuous rainfalls throughout the month seriously disturbed arrivals of new crop fibre and consequentially deliveries of new crop fibre to the mills were delayed.

As already stated in our previous jute market report, India, same as Bangladesh, is facing a severe crop failure and if crop estimates proves to be only 5 Mio bales, local sources expect a mad rush on raw jute available in the market. It is furthermore expected that high price level will not hold the mills off of purchasing whatever is available. The possibility of some factories closing operations cannot be ruled out, which may change the market situation.

**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.



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**Jute Goods:** Prices of Hessians slightly decreased during the month under review. Selective mills asking for premium of 5 per cent against prices quoted by „standard“ mills. Prices of Sackings increased by about 1,5 per cent as well and selective mills asking for premium of about 4 per cent. Due to a backlog of some 350,000 bales of B-Twill bags designated for the Indian Government, the Indian Government did not place any additional orders and insisted to complete the production of the already ordered quantity first. In view of arriving food crops, it is expected that the Government will place new orders sometime in October.

Jute goods production of IJMA jute mills and jute mills reporting to IJMA in August 2020 amounted to 82.800 mtons of which 5.200 mtons were jute yarns/twines.

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