

Jute Market Report for August 2017

-1/4- 1st September 2017

Bangladesh

Raw Jute: During the month under review both Pakistan and India were buyers of New Crop raw jute. Pakistan purchased around 8.000 – 10.000 mtons of different qualities (Meshta Special, Meshta A, BTR KS, BTR CS, BTR HD and BTCB) for shipment in August/September 2017 in total. Indian jute mills bought about 7.000 – 8.000 mtons for shipment in August/September 2017, especially higher qualities like BTR KS, BTR NB and BTR HD were of interest. Furthermore the traditional export customers for raw jute, like Nepal, China, Vietnam and Russia were actively in the market.

Additionally to the export market, the local jute yarn and twine spinning mills as well as the composite jute mills were buyers of New Crop raw jute during the month under review. During the month under review, the prices for low and higher qualities increased between 15,00 – 20,00 USD per mton.

Exports of long jute and jute cuttings between July 2016 and June 2017 added up to 1.216.101 bales whereas the exports of long jute and jute cuttings were 1.146.715 bales during the period of July 2015 and June 2016.

New Crop: The harvesting of White Jute and Meshta has been completed meantime. When it comes to Tossa Jute, one expects another 10-15% of the total crop to be outstanding for harvest. Due to the current flood situation it is expected that approx. 10-15% of the crop is damaged by the flood water.

Sowings according to Ministry of Textiles and Jute:

White Jute:

Estimated land: 110.534 acres

Estimated production in bales: 432.883 approx.

Meshta:

Estimated land: 93.112 acres

Estimated production in bales: 374.092 approx.

Tossa Fibre:

Estimated land: 1.726.809 acres

Estimated production in bales: 8.392.687 approx.

Due to heavy monsoon rains during the month under review one third of the whole country is flooded (see our report 17.08.2017) and the arrivals of New Crop raw jute and Meshta are delayed.

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As a result of the continuing rainfalls Bangladesh is facing the most severe flood disaster since 1988. Due to that, the local transport is seriously disturbed. A lot of streets are flooded and heavily damaged by the water, a couple of bridges got swept away and the traffic jam on the streets to Chittagong port is getting worse each and every hour. This situation might lead to delays of shipment. Market observers are expecting a continuous increase of market prices during the coming months. One reason for the further price hike is the increased local demand for jute goods which is a result of extension of the mandatory packing act end of 2016.

Jute Yarns / Twines: During the month under review, there was a regular demand from the traditional buyers like India, China, Vietnam, Indonesia, Malaysia, Uzbekistan, Iran, Turkey, Europe, USA and the Middle East for lower and higher grade jute yarns and twines. When it comes to the local market, one could observe a regular demand for light count hessian yarns and twines, which are mainly used for the production of rice bags. Furthermore it was observed that the prices for lower and higher qualities increased by 30-40 USD/mton. As already mentioned before, due to the current weather conditions and the fact, that one third of the country is flooded, it is expected that the arrivals of the raw fibre to the jute yarn and twine spinning mills and composite jute mills will be delayed. This is causing a lower output of production of the local jute industry and is likely to lead to a further increase of prices. Because of the lower production and the well-stocked order books of the mills, most of the mills are fully booked until September 2017.

Jute Goods: Even though the traditional buyers of Hessians and Sackings from Africa, Europe, Australia, USA, China and Vietnam were in the market during the month under review, the expected export figures of last year could not be reached. India however was in the market for Binola and B-Twill Cloth with the expected demand.

The demand for carpet backing cloth from the traditional markets like Europa, Australia and New Zealand was quite slow during the month under review. The local market was suffering from the consequences of the flood situation all over the country. Nonetheless most of the private mills were quite busy in executing their existing orders. Since the state owned BJMC is still using their old crop stocks for production of jute goods, BJMC was purchasing New Crop only in smaller portions. Due to the fact, that the export demand was rather slow during the month under review there were only slight changes in prices.

Other: The Government of Bangladesh brought some major changes to the incentive structure for exports, in order to support the local jute mills. The Bangladesh central bank announced an incentive structure for 2017-18, granting stimulus to five sectors and increasing existing rates for four sectors. They increased the export benefit for finished jute goods from 7,5 % to 10 %.

Luckily the flood situation (see our report dated 17.08.2017) has improved across the country, as the water level of the major rivers in the northern and central districts has significantly dropped in the meantime. Same applies for the Brahmaputra-Jamuna river and going by Md. Sazzad Hossain (Executive Engineer of FFWC) the water level should be back to normal within 4-5 days. However the water level of the Ganges river instead is still inflated.

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Whereas the whole media world is looking at the tropical storm in Texas, USA, one can hardly find any reports about the terrible situation in South Asia. The main reason for that is that the world got used to flood catastrophes in that part of the world as each and every year, South Asia is facing floods, which are leading to strong devastation in Bangladesh, India and Nepal. Even though Bangladesh is facing the biggest flood since 1988, when two thirds of the country was inundated, over 1.000 people died and 30 million were affected, the government has not yet asked for international help and it is not expected, that they will do so. In view of remarkable improvements in poverty reduction and civil protection, the government of Bangladesh is trying hard to get rid of the reputation as a country of catastrophes. Especially in view of the forthcoming elections in 2018, the government wants to prove that they are not depending on help from third parties.

As a result of the huge damage of agricultural land, approx. one third of the entire country is flooded, and as it is already the second time in 2017, that something similar happened to the country, Bangladesh expects the rice price to increase further. Over 6.000 square kilometers of standing crops have been damaged, and farmers in the north of the country will not be able to replant their paddies. At the moment it is expected that around 1,5 million people will need to receive food aid from the authorities. Normally Bangladesh is self-sustaining when it comes to staple food.

India

Raw Jute: Due to the ongoing rainfalls and the flood in the northern part of India (see our report dated 17.08.2017) the arrivals of New Crop fibre are delayed. Some mills are scared, because they were out of stock for old crop fibre. This situation led to a strong increase of market prices. The price for TD-4 for example increased during the month under review from IRs. 3.550 to 4.000 per quintal. Nonetheless market observers are under the impression that the price level will decrease as soon as the weather situation improves and as soon as the arrivals of new crop in Kolkata will increase. Certain highways, which are not under water anymore, are showing heavy damages. Even though one does not expect a total damage of the fibre, it is believed that the fibre, which got in wet condition into the warehouses, is seriously affected. At this very moment, one cannot foresee the total extent of damaged fibre, but market observers are expecting approx. 1 million bales to be quality wise affected by the flood. Even though the weather forecast announced another couple of weeks of continuous rainfall, a change for the better is already observed by now. So far, there are no official figures regarding the area under jute cultivation. The season started with rather low prices (end July price for TD-5 IRs. 3.700 and TD-4 at IRs. 3.350 per quintal), but due to the mentioned reason, the prices increased by around 10 % within one month. It is expected that the price level will be stable for some time, but will slightly increase further during the year.

Jute Goods: During the month under review the local as well as the export demand for jute goods was quite slow. There are no reports about major changes of market prices, only a few mills (mainly producers of high quality hessians) are trying to keep their price level about 10% above the market prices. When it comes to lower quality jute goods, one expects the prices to decrease, whereas it is expected that the price level for higher grades will increase, as there is a shortage of high quality raw jute, due to the a.m. reasons.



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Jute goods production of IJMA jute mills and jute mills reporting to IJMA during July 2017 amounted to 96.000 mtons of which 3.400 mtons were jute yarns/twines.

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