

Jute Market Report for July 2022

-1/5-

2nd August 2022

Bangladesh

Raw Jute: During the month under review, raw jute demand from Pakistan as well as from India was on a negligible level. Especially as new crop fibre was about to be available in the market from end July / early August onwards, buyers were less interested in placing larger orders. In addition the biggest Muslim festival Eid Ul Adha took place in early July and offices as well as factories remained closed during that time.

What applied for buyers from Pakistan and India applied also for other international buyers who preferred to wait until arrival of new crop fibre, instead of placing bigger orders during the month under review.

In consequence of the restrained buying activities of both local and international raw jute customers, local market prices for old crop fibre continued to decrease by about US\$ 40,00 - 50,00 per mton during the month under review. New crop Meshta and White Jute fibre started to be available during the month under review and in view of a quite strong demand from certain local parties, prices for same were on a rather high level. Tossa fibre from some areas were also available by end of the month under review, however still at a rather small scale. Market prices for new crop Tossa Jute were quoted on a tolerable level, so far.

Raw jute exports during the period from July 2021 to February 2022 amounted to 503.082 bales against 440.510 bales during the same period in 2021.

New crop: Contrary to expectation, there was not sufficient rainfall observed from the beginning of the month under review, which would have supported a proper retting process and in consequence would have lead to a better quality of the fibre.

In fact the country had to deal with a rather unexpected but significant increase of temperatures and excessive heat, which damaged a considerable amount of jute plants. According to local sources, the heavy flood which took place in June, damaged around 25 to 30 per cent of the plants. Another 10 per cent of already cut plants got damaged on the fields before farmers were able to process the same, due to lack of retting water.

Jute farmers were facing huge difficulties to harvest and to ret the plants, as most of the canals and rivers were not carrying a sufficient amount of water, due to lack of rainfalls, even though monsoon season had already begun. Accordingly most of the local experts apprehend that this year's jute crop is not going to match their earlier expectations when it comes to quantity and quality.

In the district of Pabna for example, this year's season has seen the largest amount of jute plantation in recent years. The crop yield has also been good so far, however due to the lack of water, most of the jute plants are drying up and dying in the farmers' land. According to local

Jute Market Report for July 2022

-2/5-

2nd August 2022

sources around 40,500 hectares of jute has been planted in 9 upazilas of the district this year, which is the highest in recent years. A crop yield of more than 100,000 tonnes of jute is expected to be produced from there, but there are huge concerns about getting the desired production in case the lack of rainfall continues.

Same applies, more or less, for Faridpur, where a high crop yield of jute fails to make farmers happy as they are facing huge trouble to ret and process raw jute in absence of sufficient water in local water canals and ponds. According to Faridpur Department of Agriculture Extension (DAE), jute was cultivated on 85.865 hectares of land in nine upazila of the district compared to 85.201 hectares last year.

Tossa Jute harvest started in a part of the jute growing areas in small scale and fibres are reaching the market slowly. However, it is expected that the arrival of Tossa Jute fibre is going to be in full swing by mid / end of August.

Weather: As already mentioned above, since the beginning of the month under review, the entire country suffered from excessive heat and lack of rainfall. Actually there was no rainfall at all during the entire month under review, which lead to dried up canals and ponds. Only by end of the last week in July light to medium rainfall took place in Faridpur, Matheripur, Magura and Jashore. In certain areas, such as Jamalpur, Srisa Bari, Tangail and Mymensingh, heavy rainfall was observed. According to weather forecast light to medium rainfall is expected pretty much all over Bangladesh, for the first week of August.

Jute Yarn and Twine: During the month under review export demand for both high and low quality of Jute yarn and twine from importing countries such as Turkey, China and Europe was on a regular level. Furthermore a certain demand from other importing countries like Vietnam, Russia, Indonesia, Malaysia, Uzbekistan, countries of the Middle East and the United States, was observed during the month under review.

Local demand for sacking and hessian quality jute yarns and twines increased during the month under review.

Export price: In view of the increased demand from both local and international markets, export prices for light and heavy count jute yarns and twines increased by about USD 25,00 - 30,00 per mton during the month under review.

Jute Goods: Export demand for Hessians and Sackings from Europe, Australia and USA increased during the month under review. Furthermore demand for Sackings was observed from African countries. Demand from countries such as Iran, China and Vietnam was on a more or less regular level during the month under review.

Jute Market Report for July 2022

-3/5-

2nd August 2022

Local demand for Hessians and Sackings for packaging purposes was observed as well.

Jute CBC demand from the regular importing countries like Europe, UK, and Japan slightly increased during the month under review.

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

Hessians:	increased by approx. 2 %
Sacking:	increased by approx. 2 %
CBC:	increased by approx. 2 %

According to a newspaper article, published by the Daily Star, „Exports of jute and jute goods from Bangladesh declined in the last fiscal year due to the unprecedented surge in shipping costs and the higher price of raw fibres. Jute mills fetched US-\$1.13 billion by selling jute and jute-made products in the fiscal year that ended on June 30, down 2.91 per cent year-on-year, data from the Export Promotion Bureau (EPB) showed. Earnings from the main exportable yarn and twine dipped 12.67 per cent to US-\$ 697.80 million.

Mohammed Mahbubur Rahman Patwari, a former chairman of the Bangladesh Jute Mills Association (BJMA), blamed the spiralling freight costs for the decline in the exports of jute and jute goods. The container freight cost rocketed nearly 10 times to US-\$10,000 - 15,000 from US-\$1,000 - 1,500 since the pandemic struck the world.

This means if the price of a container full of products is US-\$ 40.000, the total costs, which include the freight charges, come at US-\$ 50.000. "When our products reach Turkey, the total costs exceed the prices of the local products in the country," said Patwari. So, Bangladeshi exporters are being compelled to sell their products by incurring the loss equivalent to the freight charges, he said. "We are in hot water."

Jute yarn accounts for two-thirds of the export earnings from the sector, EPB data showed. The product is used in carpets and Turkey is the main buyer for yarns produced in Bangladesh. But many buyers are using recyclable cotton to make carpets, Patwari said. Higher prices of the raw jute in the local market, driven largely by manipulation perpetrated by middlemen, mean exporters can't remain much competitive in the international markets when they have to buy the raw material at higher costs. "If the prices decline in the domestic market next season, we will get relief to some extent," Patwari added.

Exporters say a fresh blow for the industry comes several months after export receipts hit US-\$ 1.16 Billion in the fiscal year of 2020-21, the highest on record, driven by a higher price of raw jute and an increased demand. According to mills who produce yarn, twine, bags, sacks and other jute goods for mainly export markets, buyers reduced orders against the backdrop of spiralling prices

Jute Market Report for July 2022

-4/5-

2nd August 2022

of the natural fibre, which hit a historic high of more than BDT 5.000 per maund in February this year owing to the stockpiling by the middlemen and a decline in production of the crop last season. Usually, raw jute is sold at BDT 2.500-Tk 3.100 per maund, especially during the harvest period. Patwari says costs are still high and international buyers are switching to alternatives to jute goods.

Jute sack and bag makers were the hardest hit as their shipment fell 14 per cent year-on-year to US-\$ 119.23 Mio in fiscal year 2022.

Abdul Barik Khan, secretary general of the BJMA, says there is a lack of policy support to promote the sector, which involves about five crore people. The government formulated the Mandatory Jute Packaging Act in 2010 to cut the use of plastics and promote eco-friendly fibre. But it has not been implemented properly yet.”

Shipment: The new Patenga Container Terminal went into trial operation with a bulk carrier docking at it on 21st of July. Additional vessels will gradually be docked there, which will take the increasing cargo handling pressure off of Chattogram port to some extent. Around 92 per cent of the country's import and export goods pass through Chattogram port.

The port of Chattogram is currently in position to accommodate ships with a maximum 9.5 metres of draught and 190 metres of length. The Patenga terminal will be able to accommodate ships with 10.5 metres of draught and 200 metres of length.

Back in 2018 a dredging project of the Karnaphuli River took off, which is now close to its finalisation. So far approx. 460.000 cubic meters of waste, i.e. plastic, polythene, cloth, wood, tree bark, iron, et cetera has been removed from the river. In consequence it is expected that shipping cost at Chattogram port is going to come down significantly as a fully dredged Karnaphuli River will allow 10 metre draught vessels to berth at the port from next month, which will speed up handling of containers.

India

Raw Jute: The ruling market prices quoted by the Jute Balers Association (JBA) end of last month were fixed by the Indian Jute Commissioner as follows: TD-4 IRs 6.650 and TD-5 IRs 6.450 per 100 kgs.

New crop: As already mentioned in our market report covering the month of June, new crop sowings have been completed and harvest as well as new crop supplies started as well. Same as in Bangladesh the shortage of water badly affects retting process. Furthermore, local reports state that jute stems are quite weak and thin, due to lack of sufficient rains, which may cause a loss of weight. In consequence, the earlier estimates of this year's crop yield might not be achieved. Ironically floods in Assam will also have a negative impact on the overall crop yield. We expect to

Jute Market Report for July 2022

-5/5-

2nd August 2022

receive updated crop estimates sometime mid of August, taking into account the losses caused by draughts as well as flooding.

With arrival of new crop and a carry-over stock of around 1,9 Mio bales, market prices are unlikely to increase. However, this depends on rainfalls during next fortnight. It is most likely that prices for higher grades of raw jute might increase.

Weather conditions: As mentioned above, India was facing an acute shortage of rainfalls during the month under review. Whether conditions normalized in the meantime, but monsoon rainfalls are late and very much irregular. In some parts of the country rainfall reaches 100 per cent, causing floods in desert areas and in some parts rainfall reaches 50 per cent, only.

According to local weather reports, the city of Kolkata as well as South Bengal recorded a rain deficit of 46 per cent each between June 1st and July 16th. In North (51 per cent) and South Parganas (47 per cent) the deficit of rain is even higher. Murshidabad and Nadia have recorded the highest deficits so far with 70 resp. 63 per cent.

Jute Yarn and Twine: Local demand for jute yarns and twines continued to be poor during the month under review.

Jute Goods: Situation during the month under review presents itself as follows: Prices for Hessians remained stable. Selective mills asking for premium of 10 % against prices quoted by „standard“ mills. Export demand as well as local demand continued to remain dull during the month under review.

During the month under review market prices for sackings slightly increased and ruling around: IRs 100.000 to 108.000 per mton, with selective mills asking for premium of 5 % against prices quoted by „standard“ mills.

B-Twills: The Indian Government placed orders of 250.000 bales of B-Twill bags during the month under review. The order volume for August may be slightly higher.

Orders for Jute Carpet Backing Cloth is much below normal production and accordingly prices remained unchanged during the month under review.

Jute goods production of IJMA jute mills and jute mills reporting to IJMA in April 2022 amounted to 94.300 mtons of which 4.500 mtons were jute yarns/twines. Official figures for May and June 2022 were not available when this report was published.

--0000000000--