

Jute Market Report for October 2018

-1/4- 6th November 2018

Bangladesh

Raw Jute: Since the beginning of the month, Pakistan and India were in the market on regular basis. Pakistan was in the market for Meshta and Tossa Jute, but due to the rather scarce availability of Meshta and the quite high market prices, Pakistan mainly purchased low-grade Tossa jute, such as BTE BS, BTE KS as well as BTCA and BTCA cuttings. In total Pakistan was in the market for about 7,000 mtons for October and November shipment. India bought around 2,500 mtons of high quality Tossa jute, such as BTE HD, BTE KS and BTE CS, also for shipment in October and November. Regular inquiries were received from the other raw jute importing countries, among others China, Vietnam, Nepal, Russia and Tunisia. However only little business actually materialized.

The domestic demand from the private jute yarn and twine spinning mills was quite slow during the month under review, whereas composite mills and other raw jute processing industries were actively in the market. Nonetheless, the fact remains that as per requirements, fibre availability in the local market was not adequate to meet existing demand.

Prices for high quality fibre have increased by about USD 10,00 per mton but prices of low quality fibre remained more or less unchanged during the month under review.

It was expected that the state-run Bangladesh Jute Mills Corporation (BJMC) would receive funds from the government during the month under review, but as per local sources, that was not the case. BJMC were in the market but the purchased quantities were hardly worth mention.

The raw jute export volume for the period from July 2018 to September 2018 was 83,112 bales whereas the volume during the same period in the year 2017 was 35,640 bales.

Weather conditions during the month under review were quite favourable with scattered rainfalls during the last week of the month under review.

Jute Yarn and Twine: During the month under review the export demand for jute yarns and twines from Turkey and Middle Eastern countries was very sluggish, which most certainly was caused by the current economic and political situation in these countries. The export demand from Europa, USA, India and African countries was on a regular level during September.

Demand from local market for jute yarns of both Hessian and Sacking Quality was less than expected. During the month under review export prices remained stable, which is applying for both high and low quality of jute yarn/ twine.

It is assumed, that quite likely the prices for jute yarns and twines will increase as soon as countries like Turkey and China will be in the market with bigger volumes again.

Due to the current quite difficult market situation and the small number of orders, a lot of jute yarn and twine spinning mills are reportedly in a critical financial situation.



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Jute Goods: Even though a regular number of enquiries for Hessian and Sacking from Africa, Europe, Australia and USA were circulating in the market, a rather small number of orders were placed. In addition, China, Vietnam and Middle Eastern countries were in the market for Hessian and Sacking, but decided not to place orders during the month under review. At least India was regularly in the market for importing unstitched cloth. Local demand for Hessians and Sackings was less than expected during the preceding month.

Only a few enquiries for CBC were received from the importing countries like Europe, Australia and New Zealand and the purchased quantities were on a quite low level, too.

Local prices during October remained at the same level as in September. Mainly because of lack of orders.

On Sunday, October 28th, a transport strike disrupted communications across the country, taking a heavy toll on trade and economic activity. According to business circles, overall commodity supply chain, export and import activities were severely halted. Export and import of goods to and from Dhaka, Chittagong and Mongla ports also got hampered. However, the supply of food and other consumables was halted for unavailability of transport. The Bangladesh Transport Workers Federation called the 48-hour nationwide strike, in order to realise their eight-point demand. One of their key-demands is an amendment to some sections in the Road Transportation Act (RTA), passed in parliament on September 19th.

During the 48-hour lasting strike, all intercity busses and goods vehicles, except state-run Bangladesh Road Transport Corporation (BRTC) busses, stayed off the roads. According to commissioner Belal Hossain Chowdhury, not a single transaction was made at Benapole port on October 28th, as no truck from Bangladesh side crossed the border. In consequence, Benapole land port has lost its daily revenue of around 310 Mio Bangladesh Thaka.

The Chittagong Port Authority apprehended congestion as goods transportation from the port was not possible.

As per the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) the estimated daily loss is more than 85 Mio Bangladesh Thaka. The BGMEA president Siddigur Rahman demanded a permanent solution to this undesirable action that disrupts business in the name of strike. In addition, the business community and other civil-society members in Bangladesh sharply reacted to the ongoing strike, urging all concerned to seek a permanent solution, too.

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India

Raw Jute: Prices at the end of the month under review were ruling at following level: TD-4 IRs 4.425,00 and TD-5 IRs 4.075,00 per 100 kg.

Crop 2017/2018: 7.43 mio bales. Crop 2018/19: estimated to be 6.2 mio bales.

With a carry-over of estimated 2.6 mio bales, no shortage of raw jute is expected during the current crop year. The land area for sowings this year was 494.150 hectares compared with 653.740 hectares last year. Arrivals of raw jute of New Crop are gradually reducing but until now, we have not received any confirmed reports about quantities.

Jute Yarn: Same as in September there were no export activities worth to mention during the month under review.

Jute Goods: Mainly because of seasonal requirements, the domestic demand for Hessians was slightly improving and the prices were marginally higher, compared to the previous month. Sackings ruled firm because of comfortable orders from Indian Government. The Government placed orders of about 300.000 bales of B-Twills during the month under review. The export demand for jute goods from India was on quite a good level in the beginning of September but slowed down again from mid-September onwards. The continuously strong competition from Bangladesh jute goods exporters might be one of the main reasons for the slow demand for jute goods from India. For the month of November, an order of only 150.000 bales of B-Twills is expected from government. No activity worth to mention in the case of Jute CBC.

Jute goods production of IJMA jute mills and jute mills reporting to IJMA during September 2018 amounted to 93.600 mtons of which 4.100 mtons were jute yarns/twines.

The Indian government approved the closure of loss-making PSU National Jute Manufacturers Corporation (NJMC) and its subsidiary Birds Jute & Exports Ltd. (JEL) on Wednesday 10th October 2018. The decision was taken at a meeting of the Union Cabinet chaired by Prime Minister Narendra Modi here. The decision will benefit the government exchequer in reducing recurring expenditure incurred in operating both the sick CPSEs in running their activities. "The proposal will help in closing loss-making companies and ensuring release of valuable assets for productive use, or for generating financial resources for developmental progress", an official statement said.

BJEL has no staff and as the factory is not in operation; closure does not have any adverse implications, the government said in a statement. The available land with both the CPSEs will be put up for public use / other government use for overall development of society.

NJMC has been incurring losses for several years and was under reference to BIFR since 1993. The company's primary product was hessian jute bags used for packaging of food grain used by the various state governments.

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Over the years, the demand for hessian bags has eroded and to that extent, it has been found no longer commercially viable to run the company, the statement said.

Mills of NJMC which were proposed for revival, namely Kinnison Mill at Titagarh, Kardah Mill and RBHM Mill at Katihar are under suspension since August 2016. The last mill to be closed was Kinnison Jute Mill on August 31st, 2016 because of the failure of the job contractor to execute the job efficiently and problems with local labour.

The different models of outsourcing operations which were attempted have not been successful.

Looking at its past performance, market conditions and the competition from plastics and the capacity of private jute mills, it was noted that NJMC would not be in position to recoup its negative net worth through operational profits, the statement said.

BJEL, the subsidiary of NJMC, was referred to BIFR, which had considered a Revival Scheme. The Draft Revival Scheme could not be implemented because conversion of land use was not agreed to by the West Bengal Government and the representative of the State Government to the ASC was nominated after a three year delay.

Furthermore, a notice of suspension of work order was put up by Delta Jute Mill authorities at Howrah's Sankrail on October 21st. With this, over 3000 workers, both permanent and those in contract, have become jobless. The workers had come to work in the morning shift when they saw the suspension of work notice. Sources from the jute mill said that the notice had to be issued as there was labour unrest for some time that was hampering the work.

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