

# Jute Market Report for September 2019

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4<sup>th</sup> October 2019

## Bangladesh

**Raw Jute:** During the month under review India as well as Pakistan and Nepal were in the market with regular demand. India placed orders for 20,000 mtons of long jute BTR and jute cuttings BTCA and BTCB for shipment in October and November. Pakistan, who was in the market for all grades of Meshta/Kenaf and Tossa long jute as well as jute cuttings BTCA, BTCB, OMC and SMC, purchased around 10,000 mtons. Nepal was in the market for long jute BTE KS and BTE CS. Major raw jute importing countries such as China, Vietnam and Russia observed the market but did not place bigger orders.

The local demand from private jute yarn and twine spinning mills, as well as from composite jute mills and raw jute processing industries increased again significantly during the month under review. As per local sources BJMC recently received a bigger order of rice bags from the Bangladesh government. Accordingly BJMC was in the market but purchased only small quantities of raw jute during the month under review. Furthermore it is reported that BJMC is getting funds from the government little by little. Once these funds have reached BJMC they will place bigger orders.

Export prices were showing an upward trend for both low and high quality jute. Market prices increased by about USD 30,00 to USD 40,00 per mton.

Raw jute exports during the period July 2018 up to June 2019 were 908,691 bales against 1,355,563 bales during the same period under review in the year 2017/2018.

During the month under review the weather in Bangladesh was hot and humid with occasional heavy rainfalls throughout the country.

**New Crop:** The availability of fibre in the local market was not adequate during the month under review. During the last couple of years availability of fibre in September was never a question, but due to late harvest the farmers were unable to bring new crop fibre to the market. As already mentioned in our market report for August, we expect an acute shortage for high quality jute and meshta fibre. Furthermore it is expected that the quality of the fibre will not be up to mark, due to lack of good quality of retting water. In consequence it is assumed that the market prices for both low and high quality raw jute will show an upward trend throughout the season. Farmers in the districts Jashore, Narail, Jhenidah, Kushtia, Chuadanga and Meherpur are being forced to rot jute in unsuitable water condition resulting in degradation of colour and quality of the fibre. Many farmers are also using shallow machines to fill ditches and large holes to rot jute plant. Thus the quality and colour of jute fibre are getting worse. A good number of farmers said due to shortage of water fibre colour has become low grade. Presently the farmers are in trouble as it has become difficult for them to process raw jute by rotting owing to inadequate water in water bodies caused by scanty rainfall during the month under review. As a result a large quantity of jute plants is yet to be processed.

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**Jute Yarn and Twine:** Export demand from major importing countries such as Turkey, Iran, Indonesia, Uzbekistan and Middle East countries increased for high and medium quality jute yarns and twines during the month under review.

Regular demand was also observed from India, China, Vietnam. An increased export demand from other markets such as African countries, Europe and USA has been reported for the month under review.

Local demand for Sacking and Hessian quality yarn for packaging increased during the month under review. Export prices went up about USD 30,00 to USD 40,00 per mton for both light and heavy count jute yarns and twines. Most of the solvent mills are busy with their regular production.

**Jute Goods:** During the month under review, the export demand for Hessians and Sackings from the regular importing countries like Africa, Europe, Australia, China, Vietnam, The Middle East and USA was on a regular level. India was also regularly in the market for unstitched jute cloth as well as B-Twill and L-Twill bags.

Local demand increased for Sacking and Hessian quality of jute bags for packaging purpose during the month under review. Regular export demand for Jute CBC from the regular importing countries like Europe, UK and Japan is reported for the month under review.

Export prices during the month under review increased as follows:

Sackings:	Increased approx. 2-3%
Hessians:	Increased approx. 3%
CBC:	Increased approx. 3%

The Ministry for Jute and Textiles has requested the Finance Ministry to create an initial low-cost fund of Tk 5.0 billion out of the proposed Jute Sector Development Fund (JSDF) of Tk 100 billion. It also recommended increasing the cash incentive for jute yarn from existing 7.0 % to 12 % while for jute finished products (hessian, sacking, CBC) from 12 % to 17 % and for diversified jute goods from 20 % to 25 %.

The Ministry of Textiles and Jute made the requests separately in two letters on September 17<sup>th</sup>, signed by the minister Golam Dastagir Gazi. The jute ministry sent the letters to the finance ministry following a meeting with Prime Minister regarding development of the jute sector.

The meeting directed creating primarily a fund of Tk 5.0 billion with 2.0 % interest rate. It also suggested increasing the JSDF gradually to Tk 100 billion. According to a letter, many jute mills were closed due to becoming loan defaulters because of serious financial problems.

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There are a total of 285 jute mills in the country. Of those, 42 private composite jute mills, 12 spinning mills and one state-run composite jute mills were closed despite different steps taken by the government to avoid closures.

Except the jute sector, different industries get loans from Bangladesh Bank's 'Export Development Fund' to import raw materials. But the jute sector is not eligible for getting the fund as they source their raw materials from the local market. So, it is necessary to build such fund for the sector, according to the letter.

Bangladesh earns about Tk 4.45 billion annually from export of jute goods. But the earnings from the sector declined by about 21 per cent in the fiscal year 2018-19 compared to that of the previous fiscal, it also said.

It said that the jute sector is passing through a crucial time due to different reasons like anti-dumping duty by India and political conflicts in the important markets of Middle East. Besides, Bangladeshi exporters also lost their market share in Africa. So the overseas sales of jute goods shrunk significantly, the letter mentioned.

Bangladesh exports jute goods to 135 countries. About 7.0 to 8.0 million bales of raw jute are produced in the country each year. Nearly 40 million people are engaged in this sector.

## India

**Raw Jute:** JBA quotations at the end of the month under review: TD-4 IRs 4.775 and TD-5 IRs 4.575,00 per 100 kg. The estimated carry forward is 1,8 Mio bales at the moment. This year's estimation for jute growing areas is 494,150 hectares compared to 653,740 hectares in 2018. For 2019/20 we have still not received any reports. The estimated crop for 2019/20 is 7 Mio bales compared to around 6,4 Mio bales in 2018/19.

**New Crop:** Since last week of September heavy rainfalls are reported and sufficient sun is badly needed. This type of weather conditions is creating problems in North Bengal and may effect quality of new crop raw jute. Overall monsoon this year is higher than in previous years.

**Jute Yarn and Twine:** There was a certain demand for 9 lbs / 9,5 lbs hessian quality yarn, but besides that, there is not much more to report.

**Jute Goods:** Hessian prices went up by 2 % during the month under review. Selective mills now asking for a higher premium which is about 4 %. Sacking prices also went up by 2 %.



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Indian Government ordered last month about 315.000 B-Twill bags. The backlog in deliveries is likely to be 100.000 bales. For October 60,000 bales are so far ordered but additional 250,000 bales are expected to be ordered soon.

Jute goods production of IJMA jute mills and jute mills reporting to IJMA in July 2019 amounted to 101.00 mtons of which 5.200 mtons were jute yarns/twines.

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