

Jute Market Report for February 2022

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1st March 2022

Bangladesh

Raw Jute: During the month under review, raw jute demand from Pakistan and India declined even further. Pakistan was in the market for long Jute Tossa and long Meshta as well as Tossa cuttings, such as BTCA and BTCB. In total, Pakistan placed orders for about 2.000 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 for BTCA and BTCB. However, same as during January, the purchased quantity was fractional.

What applied in previous months, continued during the month under review: foreign buyers from countries like China, Nepal, Vietnam, Russia and Tunisia decided to cover their short-term demand, only. Only the ones, who had no other option but to buy, did so, other parties decided to wait, due to the high market price level.

In view of the reluctance of local as well as international buyers to accept the high market prices, local market prices slightly reacted during the month under review and Raw Jute export prices decreased by about US\$ 20,00 to 30,00 per mton. However the artificial shortage of fibre supplies remained same as observed during previous months, already.

As already mentioned in our jute market report covering the month of January, The Bangladesh Jute Mills Association (BJMA), Bangladesh Jute Spinners Association (BJSA), and Bangladesh Jute Association (BJA) decided not to purchase raw jute for more than BDT 3.000 a maund (37,32 kg) at a joint meeting on January 16th.

This decision, along with the governmental monitoring of the market and the decision to limit the allowed inventory of raw jute of January 30th, has helped to calm down the market. Even though the market is not fully stable yet, the price hike of raw jute came, at least to a halt. The fact that the demand for jute goods and yarn in Turkey declined due to the depreciation of Turkish lira, had an impact on the demand of raw jute as well, as Turkey is one of the main markets for jute yarn which is responsible for nearly 70 per cent of export earnings from jute and jute goods.

Despite the aforesaid measures of the BJMA, BJSA and BJA in cooperation with the Bangladesh Government there are still some middlemen which still carry out illegal stockpiling of a major portion of raw jute which causes an artificial supply crisis in the market.

Raw jute exports during the period from July to October 2021 amounted to 180.525 bales against 217.903 bales during the same period in 2020.

Weather conditions: During the first half of the month under review the entire country faced low temperatures and, foggy weather with low visibility, which lead to congested highways and ferry terminals and results in delayed export shipments. Fortunately weather conditions during the

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second half of the month under review improved significantly and the country enjoyed bright and sunny weather.

Jute Yarn and Twine: As already mentioned above, export demand for both high and low quality of Jute yarn and twine from Turkey decreased significantly. More or less same applied for other international markets such as Iran, Uzbekistan, Indonesia, Malaysia, countries of the Middle East, Europe and Africa.

Due to the ruling raw jute market situation, many of small and medium size jute yarn and twine spinning mills are closed. It is only the financially solvent mills, which are in position to continue their production. However most of the latter are quite busy with existing orders and not in position to accept bigger orders for prompt shipment.

Export price: Even though the market continued to suffer from the artificial shortage of raw jute, export prices for light and heavy count of jute yarns and twines remained stable during the month under review. The main reason for the stability of market prices is the drop of demand from major importing countries.

Jute Goods: Export demand for Hessians and Sackings from Europe, Australia, Iran and USA declined during the month under review. Exports of unstitched Binola and B-Twill fabrics to Indian buyers was on a regular level, though. Jute CBC demand from the regular importing countries like Europe, UK, Australia and New Zealand slightly decreased during the month under review. A increased demand for Sacking and Hessian Jute Bags was observed from the local market.

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

Hessians:	stable
Sacking:	stable
CBC:	stable

In view of the ailing situation of the entire jute sector, the Bangladesh Jute Mills Association (BJMA) asked for a source tax waiver on subsidies for the upcoming fiscal year 2022-2023. At the moment, 10 per cent source tax is imposed on cash subsidies. According to BJMA, the percentage is not rational in view of the current ailing situation of the industry. Hence they proposed to reduce the source tax on export earning of jute goods from 0,6 per cent to 0,25 per cent. Furthermore they sought exemption of all kinds of VAT and source tax on the machinery and services related to production of exportable jute goods.

According to the Export Promotion Bureau, export earnings from jute and jute products dropped by 11.68% to \$590.05% million in the first half of the FY2021-2022, which is quite remarkable in view of the bullish tendency of the market.

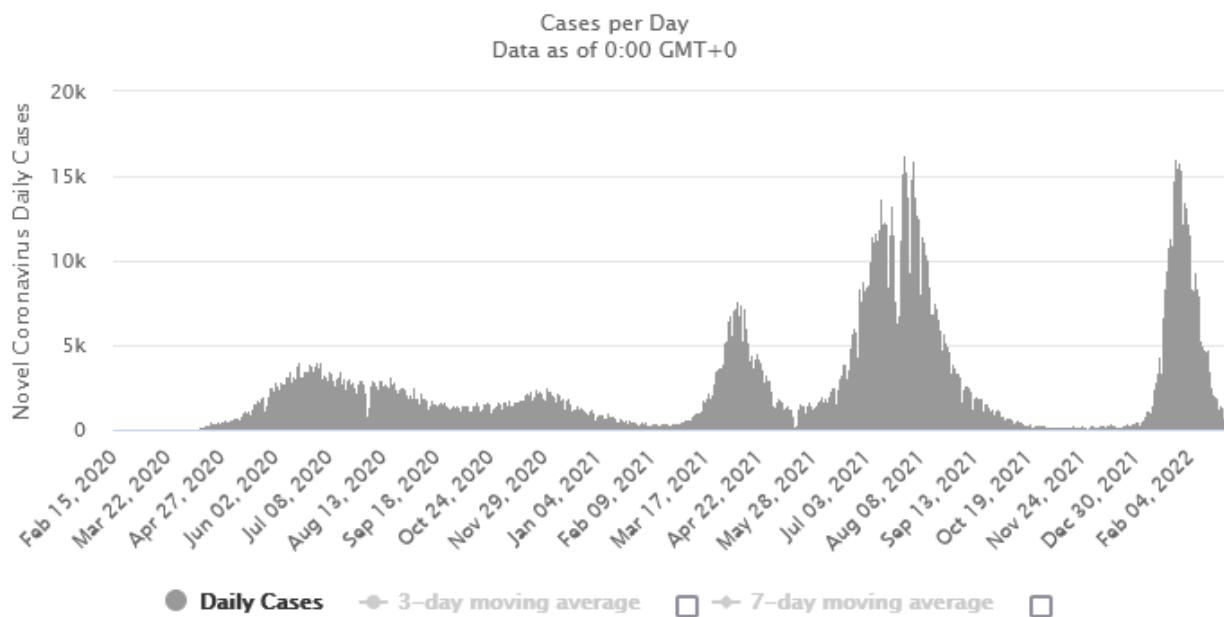
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COVID-19 update: Since early February Bangladesh witnessed a reduction of fresh cases, i.e. the number of daily new cases dropped from 13.154 on February 1st to 897 on February 28th.

Daily New Cases



Source: www.worldometers.info

Freight Market: Mongla port, the second biggest seaport of Bangladesh, has made a strong comeback as it sees an increased arrival of ships, making it a major gateway for Bangladesh's overseas trade once again. The upcoming opening of the Padma Bridge will most possibly give a further boost to the port. The monthly arrival of ships, which fell below 10 in 2008, grew several times in recent years. In 2021, 75 vessels arrived at the port every month on average, up from 46 five years ago, showing signs of steady growth in activities thanks to the completion of dredging at the outer bar of a nearly 140 kilometre channel to improve navigability and enable the movement of vessels that require a higher draft. The port has registered 17 per cent annual average growth in ship handling since 2012, while the volume of cargo handling grew 19 per cent over the past decade. It can handle 10 Mio tonnes of cargo, 100.000 twenty-foot containers, and 20.000 cars annually. In 2020-21, cargo handling figures doubled the volume of five years ago.

After an Italian shipping company launched direct services between Chattogram and Italy earlier this month, Portugal, Slovenia, the Netherlands and Denmark have shown interest to follow suit. Export cargo from Bangladesh has so far been transported to Europe, the US and other destinations through four regional transshipment ports, including Colombo and Singapore as well

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as Tanjung Pelepas and Port Klang of Malaysia and some ports in China. As both the time and cost in transporting exports from Bangladesh in this manner is high, local businesses have long been hoping for direct shipping services. As promising as this outlook is, one has to know, so far only small to medium size vessels with a capacity of around 1.100 TEU's are planned, for the time being.

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 6.800 and TD-5 IRs 6.500 per 100 kgs. However market prices fluctuating between IRs 7.000 to 7.300 for TD-5. At the day this report was prepared it was IRs 6.850, as regulating authorities are likely to take stern action.

According to local reports, jute mills received some 466.000 bales during the month of January. In view of the intervention of the authorities, the situation of artificial short supply as well as market price situation might ease up further during the coming weeks. However, a letter to the Bengal chief minister Mamata Banerjee from Indian Jute Mills Association (IJMA) dated December 29, 2021 highlights the industry concern with the IJMA estimating more than 15 jute mills to close by the end of January affecting some 50.000 workers if the situation prevails.

Already, over 12.000 workers have been impacted due to closure of jute mills. Industry insiders said the current crisis stems from the order of the jute commissioner which fixed a reasonable price for raw jute at IRs 6.500 per quintal till June 30, 2022. Since the prevailing market price is significantly higher and farmers are reluctant to let go of their produce at IRs 6.500 per quintal. Operating a jute mill has become totally unviable with the pricing of jute bags for food grain packing being done by Jute Commissioner on the basis of the set ceiling price of IRs 6.500 whereas mills are forced to purchase at a level of IRs 7.200. Right now jute mills are running with an estimated 15-day inventory instead of the normal requirement of 45 days.

Weather conditions: There are early indications of another more or less normal monsoon in India, this year. First north-wester rainfall took place by end of the month under review.

Jute Yarn and Twine: Demand for Indian Jute Yarns and Twines continues to be regressive.

Jute Goods: Situation during the month under review presents itself as follows: Prices for Hessians dropped around 4 per cent higher compared to January 2022. Selective mills asking for premium of 10 % against prices quoted by „standard“ mills. Export demand continued to remain dull during the month under review. Local demand is on hold at higher levels of price. Prices for sackings noted unchanged at: IRs 106.000 to 113.000 per mton, with selective mills asking for premium of 5 % against prices quoted by „standard“ mills.

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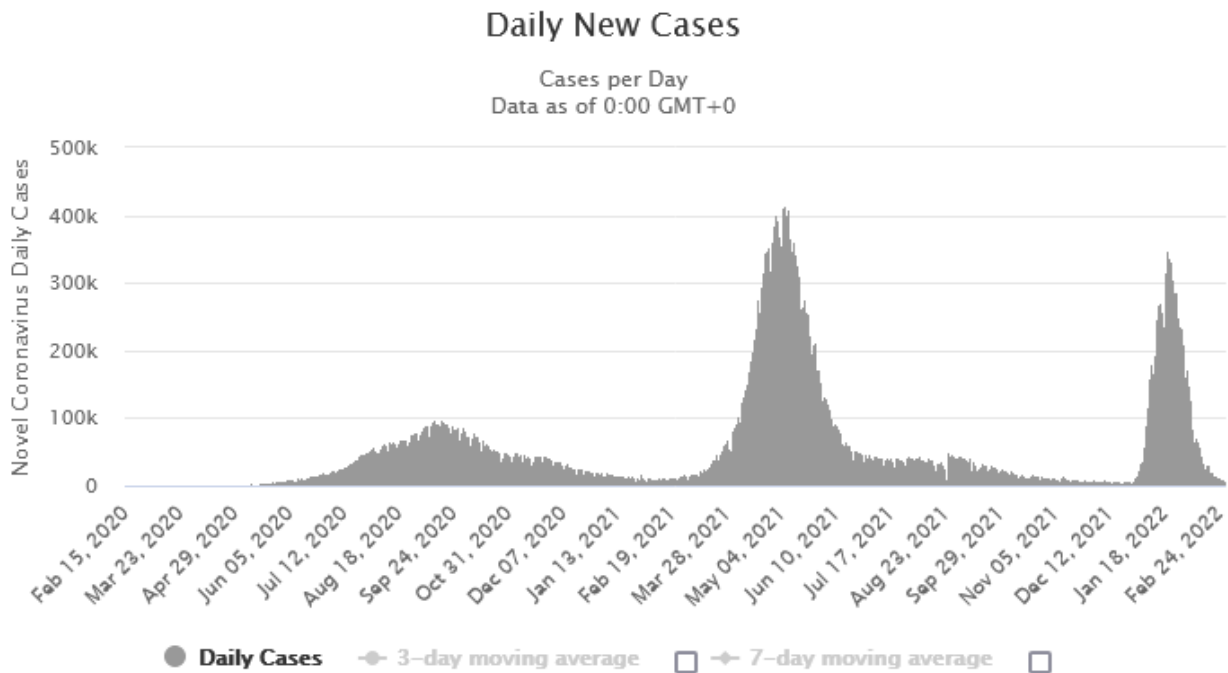
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B-Twills: The Indian Government placed orders of 200.000 bales of B-Twill bags during the month under review. The current backlog decreased further and is at a marginal level of 50.000 bales, now. Expected order volume for February is around 200.000 bales.

Availability of Jute Carpet Backing Cloth is reported from May delivery, prices seem to ease somewhat.

Jute goods production of IJMA jute mills and jute mills reporting to IJMA in December 2021 amounted to 98.400 mtons of which 1.900 mtons were jute yarns/twines. February figures were not published when this report was under preparation.

Covid-19 update: Since early February India witnessed a significant reduction of fresh cases, i.e. the number of daily new cases dropped from 161.386 on February 1st to 6.915 on February 28th.



Source: www.worldometers.info

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