

Jute Market Report for December 2019

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3rd January 2020

Bangladesh

Raw Jute: During the month under review India and Pakistan continued to be in the market for procurement of fibres. However, India did not place bigger orders, as Indian buyers purchased larger volumes in previous months and are waiting for shipment of these orders. Pakistan procured around 3.000 to 4.000 mtons of Long Tossa and Meshta as well as Cuttings during the month under review.

A rather sluggish demand from other raw jute importing countries like Nepal, China, Vietnam, Russia and Tunisia was observed.

Regular demand was also observed from the private jute yarn and twine spinning mills. Private composite mills and raw jute processing industries were in the market but did not procure large volumes during the month under review. Even though the overall demand from international markets was slow, the availability of Raw Jute and Kenaf fibre is scarce. In accordance with the inadequate availability of the fibre, the market prices are continuously rising. One can say that Bangladesh is facing a severe crisis when it comes to raw material supplies.

During the month under review, fibre prices have increased about USD 30,00 to USD 40,00 per mton for high and low quality of fibres.

Raw jute exports during the period of July 2019 up to September 2019 were 257,560 bales against 194,295 bales during the same period under review in the year 2018.

Weather conditions especially during the last two weeks of December were marked with low temperatures and fog. The consequential low visibility caused serious difficulties in transportation. Highways and roads were congested and the Daulatdia-Paturia ferry terminal was closed during the nights, which lead to long queues of trucks and other vehicles.

As per information from local sources, BJMC were in the market but because of liquidity difficulties BJMC was unable to place larger orders. Most of the available funds had to be used to pay salaries.

Jute Yarn and Twine: A regular export demand of high quality jute yarn and twine from the major importing countries like Turkey and Iran is reported for the month under review. Both countries were in the market for high and medium quality jute yarns and twines. Regular import demand has been observed from other importing countries like India, China, Vietnam, Indonesia, Japan, Europe, USA, Uzbekistan and Middle East countries. Due to the rapidly increasing raw material prices and the scarce availability of certain qualities, most of the jute yarn and twine spinning mills are facing serious difficulties to ship their goods in time. The jute yarn and twine spinning mills, which did not cover their raw material requirements in large parts until now, may face losses wherever they agreed on long term contracts with their customers.

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Demand from local market for both Hessian and Sacking Quality was slow during the month under review. Export prices increased on the average by about USD 50,00 to USD 60,00 per mton for both low and high quality jute yarns and twines.

The local jute yarn and twine spinning mills are unable to run their production in full swing because of high raw material prices and scarcity of the same.

Jute Goods: During the month under review export demand of finished goods, both Hessians and Sackings was on a regular level. Especially buyers from Africa, placed bigger orders. The export demand from other countries like Europe, Australia, USA, Iran, China and Vietnam was on an average level. India was regularly in the market as buyer of unstitched Binola and B-twill bags.

During the month under review there was less export demand for Carpet Backing Cloth from importing countries in Europe, UK, Japan, Australia and New Zealand. Local demand for hessians and sackings decreased in comparison to the demand ruling in November 2019.

Export prices increased for the following qualities of

Hessians:	about 2 %
Sackings JBA:	about 2 - 3 %
CBC:	about 2 %

Except the solvent and renowned privately owned composite jute mills, most of the mills are suffering from scarcity of raw material and consequential high prices.

Latest news: A governmental program called BMRE (Balancing Modernization Rehabilitation Expansion) in joint venture with China which was set up to modernize the state owned jute mills under the umbrella of BJMC some three years ago. It is reported that this program has not yet started and that all BJMC mills are still using old machines. Currently 10,835 century old hand looms (hessian, sacking and CBC) are operational in 22 factories under BJMC. The yearly production capacity of these three types of handlooms are 73 mtons in theory, but these old machineries can produce half of their capacity, only. Mr. Shahidullag Chowdhury, President of Bangladesh Trade Union Kendra said: "If the government does not go for modernisation, it will not be possible to save this sector."

The country's private jute mill owners have sought exemption from source tax on cash subsidy and Advance Income Tax (AIT). In a recent letter to the Ministry of Textiles and Jute (MoTJ), Bangladesh Jute Mills Association (BJMA) also demanded reduction in the price of Jute Batching Oil (JBO) to help run their units smoothly.

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Earlier, the ministry had requested the National Board of Revenue (NBR) and Ministry of Power, Energy and Mineral Resources (MoPEMR) to take necessary measures in these regards. But there was no progress.

Being frustrated, the jute millers again requested the MOTJ to take up the issues with the authorities concerned so that they could consider their concerns and help survive the sector.

Presently, the jute goods exporters pay 10 per cent source tax on cash subsidy against their export earnings. They enjoy 12 per cent cash incentive on their export earnings. The private jute mills said they have long been demanding withdrawal of the source tax on cash incentives. Instead, the authorities have increased it this fiscal year to 10 per cent from 3.0 per cent in the previous fiscal year, they mentioned.

When contacted, Abdul Barik Khan, secretary general of BJMA, said export earnings from jute goods dropped significantly in the fiscal year 2018-19 due to lower demand in the international market. Export of jute goods to Middle East and Africa also declined drastically in the recent years. On the other hand, India has imposed anti-dumping duty, he added.

He also said the MoTJ also requested the Ministry of Power, Energy and Mineral Resources (MoPEMR) to reduce the price of JBO to Tk 68 from existing Tk 90 per litre. But the MoPEMR is yet to reduce the price, he added.

Export earnings from jute sacks and bags dropped by more than 32 per cent and jute yarn and twine by 20 per cent in the last fiscal year than that of the previous fiscal year, the Export Promotion Bureau (EPB) data showed.

The sector earned US\$ 816.27 million in the fiscal year (FY) 2018-19 as compared to US\$ 1.025 billion in FY 2017-18, according to the EPB statistics.

India

Raw Jute: JBA quotations increased during the month under review up to TD-4 IRs 5.250,00 and TD-5 IRs 4.850,00 per 100 kg.

Jute Yarn: During the month under review there were not much activities on the jute yarn market in India.

Jute Goods: Prices of Hessians increased during the month under review by around 3%. Selective jute mills demanded premiums of about 6 %. Prices of Sackings also increased by about 3%. New Government orders during the month under review were for 300.000 bales with some backlog

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reported at the end of the month under review. As far as Jute CBC is concerned, not much demand of CBC is reported.

The Central Government has directed jute mills to step up supply for execution of govt. orders or face dilution of the mandatory packaging order. The jute industry has been struggling to meet its commitment of delivering gunny bags in December. The mandatory use for jute sacks and bags in 2020 will continue to be 100% for grains and 20% for sugar.

Jute goods production of IJMA jute mills and jute mills reporting to IJMA in November 2019 amounted to 89,400 mtons of which 5,000 mtons were jute yarns/twines.

Latest News: A campaign to promote jute bags against the use of plastic carry bags was held in Kolkata by mid of December, 2019. "MMIC Parks and Gardens Debashis Kumar, West Bengal Pollution Control Board (WBPCB) secretary Rajesh Kumar and other officials were present during the public awareness campaign against use of plastic carry bag held in front of Laket Market at Parasar Road crossing. The bag had message "Use eco-friendly bag and stop carrying plastic bags written on it", said Naba Dutta general secretary of Nagark Mancha, the organizer of the campaign.

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