

Jute Market Report for November 2018

-1/4- 3rd December 2018

Bangladesh

Raw Jute: During the first half of the month under review the raw jute demand from the international markets was quite sluggish. However during the second half of November Pakistan, India and Nepal were actively in the market. Pakistan purchased both high and low quality of Tossa jute. In total Pakistan bought around 4.000 mtons of long jute and jute cuttings such as BTCA and BTCB for shipment in November and December. India was in the market for high quality Tossa fibre such as BTE HD, BTE KS, BTE CS and BTCA cuttings. Overall India placed orders for around 5.000 mtons for shipment in November and December. Nepal purchased around 3.000 mtons of long Tossa jute and BTCA cuttings, also for shipment in November and December. Even though a couple of inquiries from raw jute importing countries, like China, Vietnam, Russia and Tunisia were circulating in the market, only a small number of orders were placed. As already observed earlier this season, the availability of high quality fibres in the local market is very scarce.

The domestic demand from the private jute yarn and twine spinning mills was quite sluggish during the month under review. Anyhow raw jute processing industries were actively in the market.

Prices for high quality fibre have increased by about USD 15,00 per mton but prices of low quality fibre remained more or less unchanged during the month under review.

The state-run Bangladesh Jute Mills Corporation (BJMC) were in the market but the purchased quantities were hardly worth to mention. According to local sources, BJMC is still without funds from the government.

The raw jute export volume for the period from July 2018 to October 2018 was 147,888 bales whereas the volume during the same period in the year 2017 was 120,529 bales.

During the month under review the weather conditions were favourable with a lot of sunshine.

Jute Yarn and Twine: The export demand for jute yarns and twines from Iran increased during the month under review compared to October 2018, but the demand from other importing countries like Turkey, Middle East and China was rather sluggish. The export demand from Europe, USA, India and African countries though was at a regular level during the month under review.

Demand from local market for jute yarns of both Hessian and Sacking Quality was also sluggish. During the month under review export prices remained stable, which is applying for both high and low quality of jute yarn/ twine. As long as the demand from the major importing countries such as Turkey and China does not increase, it is expected that the market price level will remain stable. Several jute yarn and twines spinning mills are already thinking about closing their factories, since the current market prices for jute yarns and twines are far below their production costs.



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Jute Goods: During the month under review the export demand for Hessian and Sacking improved a bit. Mainly because of orders deriving from Africa, USA and Europe. Other jute goods importing countries, such as China, Vietnam, Japan, The Middle East and Australia were also in the market but with moderate demand. India was in the market for unstitched Binola and Btwill Bags.

The demand for CBC from the importing countries like Europe, Australia and New Zealand was very sluggish, actually the demand was less than in October 2018.

The local demand during the month under review remained at the same level as during October.

Export prices for Hessian slightly increased by approx. 2-3 %, whereas the prices for Sacking and CBC remained stable.

In order to improve the actual situation of BJMC mills, BJMC was in negotiations with China about an agreement to provide finance for rehabilitation of BJMC. This agreement included supply of equipment and technical help. As per local sources the negotiations over a span of several years about such an agreement were suspended.

Local newspapers are now reporting about a seminar titled "The present condition of the jute sector. Crisis and Prospect.", organised by the Bangladesh Institute of Labour Studies (BILS), which took place on November 25th.

Massive reforms of the state-run jute mills can only save them from incurring ballooning losses, sector insiders suggested during the seminar. At the same time, they recommended rationalising the existing manpower and providing necessary training to the workers and employees of the jute mills to enhance its productivity. Modernisation of the decades-old mills, run by Bangladesh Jute Mills Corporation, is necessary to overcome heavy losses being incurred by these jute mills, they added.

Reforms of jute mills, replacement of old machinery and readjustment to the number of employees are badly need to give the state-run jute mills a new lease of life, said Shahidullah Chowdury, member of the BILS advisory committee. The amount of BJMC's total liability has now stood at Tk 25,0 billion as of September this year, he said, adding that 22 mills which are no operating in the country incurred Tk 1,43 billion losses during the period of July to September, which was Tk 1,09 billion in the corresponding period of last year. State-run mills have 35.992 staff including officials, employees, workers and teachers. Of them 32,361 are workers while 20,608 workers are permanent, according to the keynote paper presented at the seminar. It said BJMC-run mills produce hessian, sacking, CBC, yarn, geo-jute, blanket, mat, jute leaf tea, sonali bag and so on. It also pointed out that privately-run mills under the Jute Spinners Association (BJSA) exported 0,183 million tonnes of products in fiscal year 2002 which has increased to 0,566 million tonnes in fiscal year 2018. The factories under Bangladesh Jute Mills Association (BJMA) made shipment of 0,179 million tonnes in fiscal year 2018 from 0,03 million tonnes in

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fiscal year 2002. But export of products by government-run mills came to 0,085 million tonnes in fiscal year 2018 from 0,215 million tonnes in fiscal year 2002. The paper mentioned that the government has taken up a project to modernise 18 BJMC-run mills at a cost of Tk 60 billion.

BILS suggested carrying out reforms of only five mills on a pilot basis. It will not be feasible to renovate all the mills at a time, it said.

Centre for Policy Dialogue (CPD) research director Dr. Khondaker Golam Moazzem said considering the continuous losses, the government should close down state-run jute mills gradually. He said jute mills have a vast land which could be used for limited scale jute mills by the private sector and the rest could be used for other industries to create job opportunities too. He said the government should raise funds for the welfare of the workers and employees who might lose their jobs. Workers should get comprehension as per the labour law, he said.

Prof. MM Akash, who teaches economics at Dhaka University, said if the private sector is doing well, then we should provide necessary policy support to them to make the jute sector more vibrant. BJSA secretary Shahidul Karim said the jute sector has been “oversaturated” with traditional products like jute yarn, CBC, sacking, hessian and so on. Newer mills should be permitted only for other diversified products, he said.

Mossharraf Hossain Khan, assistant secretary of Jatiyatabadi Paat Sramik Dal, a platform of jute workers, blamed corruption for losses being incurred by state-run jute mills. He said workers should be compensated properly if the government decides to cut jobs.

BILS vice-chairman Md. Mojibur Rahman Bhuiyan chaired the seminar while its executive director Md Zafrul Hasan also spoke on the occasion. BILS placed its five-point proposal for the country’s jute sector including cut in structural expenses of state-run jute mills by at least 30 %.

India

Raw Jute: Prices at the end of the month under review were ruling at following level: TD-4 IRs 4.700,00 and TD-5 IRs 4.350,00 per 100 kg. The general trend shows a rise in prices.

Crop 2017/2018: 7.43 mio bales. Crop 2018/19: estimated to be 6.2 mio bales. Arrivals of raw jute of New Crop are substantially reducing.

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

Jute Goods: During the month under review, the domestic demand for Hessians was sluggish. The mills were trying to hold the prices, but this was next to impossible because of the selling pressure. Only selective mills sold at about 7% higher prices compared to the market price level during the month under review. The prices for Sackings ruled firm because of sufficient orders from Indian Government. The Government placed orders of about 315,000 bales of B-Twills out



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of which 150,000 bales were ordered on November 26th and will accordingly be supplied in December. Furthermore an order of about 150,000 bales has been placed for December delivery, so that in total 300,000 bales will be supplied to the government in December. According to local sources, the backlog until November sums up to 40,000 bales.

The export demand for jute goods from India was very sluggish and only small orders from the international markets have been placed. Some fresh orders of Jute CBC materialized during the month under review. Due to the very limited number of producers of Indian Jute CBC, the mills are operating at full capacity up to March 2019.

The Union government has approved a proposal for mandatory packing of 100 % of foodgrain production and 20 % of sugar output in jute bags with two minor tweaks in both compared with the precious year. "The CCEA approved that 100 % of the food grains and 20 % of the sugar shall be mandatorily packed in diversified jute bags. The decision to pack sugar in diversified jute bags will give an impetus to the diversification of the jute industry," an official statement said..

The statement added that initially 10 % of the orders of jute bags for packing foodgrain would be placed through reverse auction on the GeM (Government e-Marketplace) portal that would facilitate price discovery. In jute year 2017-2018 (July-June), the approval was for 90 % mandatory packing of foodgrain and 20 % for sugar under the provisions of Jute Packaging (Materials) Act 1987.

Sources said the decision to increase the use of jute bags was on account of the expected production of raw jute, production trends on jute sacking over the years and the likely orders by indenting agencies.

The quantity of raw jute available during 2017-18 and projection for 2018-19, as per assessment of the Jute Advisory Board, is 10.140.000 bales and 9.840.000 bales, respectively. The closing balance is 2.040.000 in jute year 2018-19. Further the decision to use diversified jute bags is meant to prevent contaminants such as jute fibre and jute batching oil. The government sector buys bags worth about IRs 6,500 core every year for foodgrains.

A mechanism to enable the payment of statutory dues to jute workers and prompt payment to farmers and balers is also under consideration. The mechanism could include obtaining periodic certification from labour department and state government concerned on statutory payments to workers and self-certification from mills on payment for raw jute supplies.

Jute goods production of IJMA jute mills and jute mills reporting to IJMA during September 2018 amounted to 88.400 mtons of which 4.000 mtons were jute yarns/twines.

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