

# Jute Market Report for June 2021

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1<sup>st</sup> July 2021

## Bangladesh

**Raw Jute:** In view of the new crop season drawing nearer, there was, generally speaking, less purchase interest observed from the raw jute importing countries. Pakistan was in the market for Tossa resp. Meshta Long Fibre and Cuttings, such as BTR KS, BTR CS as well as BTCA and BTCB cuttings. Due to the acute shortage of fibre, Pakistani buyers bought whatever was available and purchased around 4.000 mtons for shipment in June. Indian buyers were mainly looking for BTCA and BTCB cuttings and covered around 2.500 mtons during the month under review.

As mentioned above, in view of New Crop arriving within the coming weeks, the overall buying interest was less from traditional buyers in China, Vietnam, Russia or Brazil. In consequence export prices remained stable for both lower and higher quality grades.

Demand from financially solvent local jute yarn and twine spinning mills as well as composite jute mills and local raw jute processing units was on a regular level and orders were placed according to demand and availability of fibre.

Raw jute exports during the period of July 2020 up to April 2021 amounted to 502.721 bales against 744.632 bales during the same period in 2020.

**New Crop:** Meshta as well as White Jute Fibres are coming to the market slowly, but in view of the current price level, the market did not really respond to the first arrivals of New Crop fibre. Most of the market operators are waiting until the harvest of Meshta as well as White Jute Fibre is in full swing. However, certain stockists are already prepared to procure fibre on large scale, which may create an artificial shortage of fibre during the first couple of weeks after harvest took place. Accordingly one has to expect market prices to be higher and not to rule at standard level during regular harvest years.

As mentioned in our previous market report, Meshta as well as White Jute plants were suffering from insufficient rainfalls and severe heat waves during sowing season and certain sources expect that the this year's crop yield may be 20 per cent less compared to the crop of last year, whereas other market observers are more optimistic and expect, at least when it comes to Meshta, a relatively good crop in both quality and quantity.

Since sowings of White Jute have been little, this quality will most certainly be scarcely available throughout the coming season.

On the contrary Tossa Jute growers are expecting a bumper crop this year, since weather conditions were quite favourable so far. Faridpur, which is the largest jute growing district in Bangladesh and accounted for around 10 per cent (around 738.000 bales) of last year's crop, expects a yield increase of some 36 per cent, i.e. more than 1 Mio bales for 2021. In Faridpur farmers cultivated jute on around 85.000 hectares of land, which is slightly lower than last year,

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but in view of so far favourable weather conditions a much higher yield compared to last year is expected.

According to the aforesaid, the outlook on New Crop Tossa is, so far, quite promising, but weather conditions ruling during the coming 6 to 8 weeks will decide whether this year's crop is going to be satisfactory.

**Weather conditions:** During the month under review Bangladesh enjoyed more or less moderate weather conditions with sufficient sunshine and precipitation. However, by the end of the month under review, Bangladesh witnessed continuous heavy rainfalls and some low land areas of the country went under water.

**Jute Yarn and Twine:** During the month under review export demand for both high and low quality of Jute Yarn and Twine from countries like China, Vietnam, Russia, Europe and Middle Eastern countries was on a regular level, but since demand from Turkey, the major importing country of jute yarn and twines from Bangladesh continued to slow down, overall demand was observed less during the month under review. The demand from Indian buyers increased slightly, after gradual withdrawal of the COVID-19 related lockdown in India.

In view of the ongoing shortage of fibre, most of the small and medium size mills, remained closed. Only a few solvent mills decided to continue their production and some were even able to run their factories with three daily shifts again, which is remarkable in view of the continuous acute shortage of fibre.

Local demand for both Sacking and Hessian quality of jute yarn for packaging purposes slightly increased during the month under review.

Due to continuously slow international demand for light and heavy count jute yarns and twines, export prices dropped again by around USD 60,00 to USD 70,00 per mton for both low quality yarns and twines and higher qualities.

**Jute Goods:** What applies for raw jute demand, does also apply for export demand for Hessian and Sackings. All importers await the arrival of new crop and hope for better prices. Even though a certain export demand for both Hessians and Sackings was observed from African countries as well as The Middle East, China and Vietnam the number of order which were placed was less compared to previous months.

Demand for Jute CBC from Europe, UK and Japan however remained stable during the month under review.

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Due to the rather sluggish demand, export prices during the month under review decreased as follows:

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

**Shipment:** Ocean carriers are rolling out more rate increases next week, with FAK rates from Asia to North Europe edging towards USD 20.000 per 40ft. This represents an incredible 1.000% increase on the spot rate for the trade a year ago. Meanwhile, transpacific carriers are hitting Asia to US shippers on 15 June, with GRIs of up to USD 3.000 per 40ft container, with some carriers now asking USD 17.000 per 40ft container for US east coast ports. And transatlantic shippers are also feeling the pain of rate hike contagion with week-on-week hefty increases: this week's Freightos Baltic Index (FBX) North Europe to US component jumped 17%, to USD 5.069 per 40ft container.

The FBX reading mid-June for Asia to North Europe climbed a further 5%, to USD 10.998 per 40ft container, however most of the limited availability carrier rate offers seen for UK delivery were around USD 16.000 per 40ft container. On the transpacific, the FBX reading for the US west coast was up by 10% by mid-June, to USD 6.106 per 40ft container, while for the east coast the index surged by 16%, to USD 8.716 per 40ft container.

The main driver of the new raft of hefty rate increases across virtually all trade lanes is the Covid crisis at the southern China ports, particularly Yantian, where there were reported to be up to 40 vessels waiting to berth this week. It is expected that the Yantian lockdown will have a much larger impact upon the flow of goods in the transpacific than the Suez Canal blockage. Importers will be severely impacted as their containers sit in South China for weeks on end with little or no access to vessels.

Hapag-Lloyd decided to suspend its booking of import containers bound for Bangladesh via Singapore for a month. The container transportation company announced on June 24<sup>th</sup> that bookings for cargo moving into Bangladesh via Singapore would not be possible for the next four weeks due to an increased backlog of containers destined for Chattogram at the transhipment port. The decision though is not applicable for export bound containers from Bangladesh.

Hapag-Lloyd was forced to take such a decision after facing a huge pile up of its Bangladesh-bound import cargo at Singapore port, which is choking with congestion. More than 3,500 Bangladesh-bound import containers being carried by the company are now sitting idle in Singapore. This situation was caused by the increased number of import containers heading for Chattogram and reduced transport capacity among feeder operators.

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Due to the prevailing backlogs, caused by the recent blockage at the Suez Canal, various transhipment ports such as Singapore, Colombo and Port Klang are congested for months, which causes delays in shipment. In addition there is already a significant container shortage in the global shipping sector while freight rates have been increased several times in the aftermath of Covid-19 pandemic.

**COVID-19:** In view of the rapidly rising numbers of new COVID-19 cases in connection with the Delta variety of the virus, the Bangladesh Government announced a strict country-wide lockdown with July 1<sup>st</sup>, which to date will last for the next 7 calendar days.

All government, semi-government, autonomous, private offices and financial institutions will remain closed. But the officers and employees will have to stay in their respective work stations. This rule however is not applicable to air, sea, river, land ports and their concerned offices.

All modes of public transports (road, river, rail and air) will remain suspended during the lockdown. But goods-carrying, production and emergency services vehicles will be allowed to operate.

Furthermore it is announced that all international passenger flights will remain operational. Export oriented factories will be operational complying with the health guidelines. However, the respective industries must take measures to carry their employees in their own vehicles.

### India

**Raw Jute:** During the month under review the quotations of the Jute Balers Association (JBA) increased further: Grade TD-4 IRs 9.300,00 and Grade TD-5 IRs 8.800,00 per 100 kg. Since arrival of new crop fibre is likely to pick up by mid-July, end July quotations of the Jute Balers Association for Grade TD-5 shall be around IRs 8.000,00 per 100 kg.

**New Crop:** During the month under review weather conditions were most favourable with a perfect combination of rainfall and sunshine. These advantageous conditions did support a fantastic growth of the plants. Most of the plants already reached a height of some 10ft and in case the favourable weather conditions will remain until harvest season is may be expected that a total yield of around 9 Mio bales can be reached. Earlier estimations indicated a crop yield of around 7,5 Mio bales with a carry forward stock of around 0,3 Mio bales, only.

New crop price quotations are expected soon. Arrival of new crop fibre on larger scale is expected by mid-July, smaller quantities of new crop fibre are circulating in the market in bits and pieces, already at present. By end of July arrival of new crop fibre will pick up fast. In view of the acute shortage of raw jute, caused by the adverse crop yield in 2020, almost all jute mills are running out of stock and will be forced to rush into the market during July. A phased price reduction based on weekly delivery figures is expected and for end of August a price level of IRs 6.000,00 for Grade TD-5 is expected.

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An unabated increase in raw jute prices has prompted the Jute Commissioner of India to enforce the Jute and Jute Textile Control Order, 2016, to liquidate stocks and prevent any unaccounted accumulation of the fibre. The order dated June 1<sup>st</sup> directs traders, dealers and stockists of raw jute to liquidate their holdings by June 10<sup>th</sup>. The mills have been asked to take physical delivery of raw jute by June 25<sup>th</sup>. The order also directs that there will be no fresh contracts from any source between June 11<sup>th</sup> and June 20<sup>th</sup>. Those who fail to comply with the provisions of this order, will be punished.

**Jute Yarn and Twine:** There were hardly any market developments reported during the month under review.

**Jute Goods:** In view of a rather reserved position of international buyers, prices of Hessians decreased by about 5 per cent during the month under review. Selective mills asking for premium of 7 per cent against prices quoted by „standard“ mills. Prices for Sackings remained more or less unchanged, with selective mills asking for premium of 6 per cent against prices quoted by „standard“ mills.

Availability of Jute Carpet Backing Cloth is reported, however, but due to high prices, most buyers are reluctant to place orders. However, New Zealand based customers were in the market regularly.

The Indian Government ordered approx. 200,000 bales of B-Twill bags during the month under review. The backlog is almost caught up.

In our previous reports, we referred to the crisis in West Bengal's jute sector with around 16 mills being shut down due to a growing scarcity of raw material and shortage of labourers arising out of restrictions imposed by the state government to contain the spread of COVID-19. However most of these mills are likely to resume production from second half of July.

Jute goods production of IJMA jute mills and jute mills reporting to IJMA in May 2021 amounted to 65.600 mtions of which 4.000 mtions were jute yarns/twines.

**COVID-19:** Even though the situation in India improved significantly with less than 45.000 new daily cases, India is still going through a health crisis of unprecedented dimensions, and at this point, one can only hope that the worst will soon be behind us. The health system has collapsed in many regions and cities, and one needs to prepare for similar developments and avoid a possible third wave. The most critical aspect is the availability of medical oxygen in hospitals. Currently, the production capacity has been increased, and yet there is a shortage of containers for transportation and storage. In addition, oxygen concentrators and ventilators are the need of the hour. Furthermore the Indian health system is in desperate need of trained medical personnel, treatment capacities, medical equipment and medication.

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