

Jute Market Report for March 2021

-1/7-

1st April 2021

Bangladesh

Raw Jute: During the month under review, raw jute demand from Pakistan was on a regular level, but due to the acute shortage of fibre, suppliers were unable to supply according to demand. Pakistan placed orders of about 5.000 mtons for more or less all grades of Long Tossa Jute and Long Meshta/Kenaf as well as Tossa and Meshta/Kenaf cuttings. They mainly bought BTE BS, CS and KS as well as BTCA and BTCB cuttings for shipment in March and April 2021.

After a period of almost two months Indian buyers were back in the market, but due to the high price level, Indian parties placed small orders, only.

Purchases from international buyers like China, Vietnam and Russia continued to be very slow during the month under review, mainly caused by the scarce availability of raw fibre and the consequentially high market prices.

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.

Local market prices were ruling around BDT 6.500 per maund (=37,33 kgs) during the month under review.

In view of the high market price situation combined with scarce availability of fibre around 40 jute mills were already forced to suspend production with other mills to follow soon. Factories, which continued to produce, were running their factories far below their capacities, i.e. these mills reduced their production from three shifts per day to one shift per day, only.

Since most international buyers were shocked by the high prices and consequentially refrained from placing bigger orders, raw jute market prices remained more or less stable and no significant increases of export prices are reported.

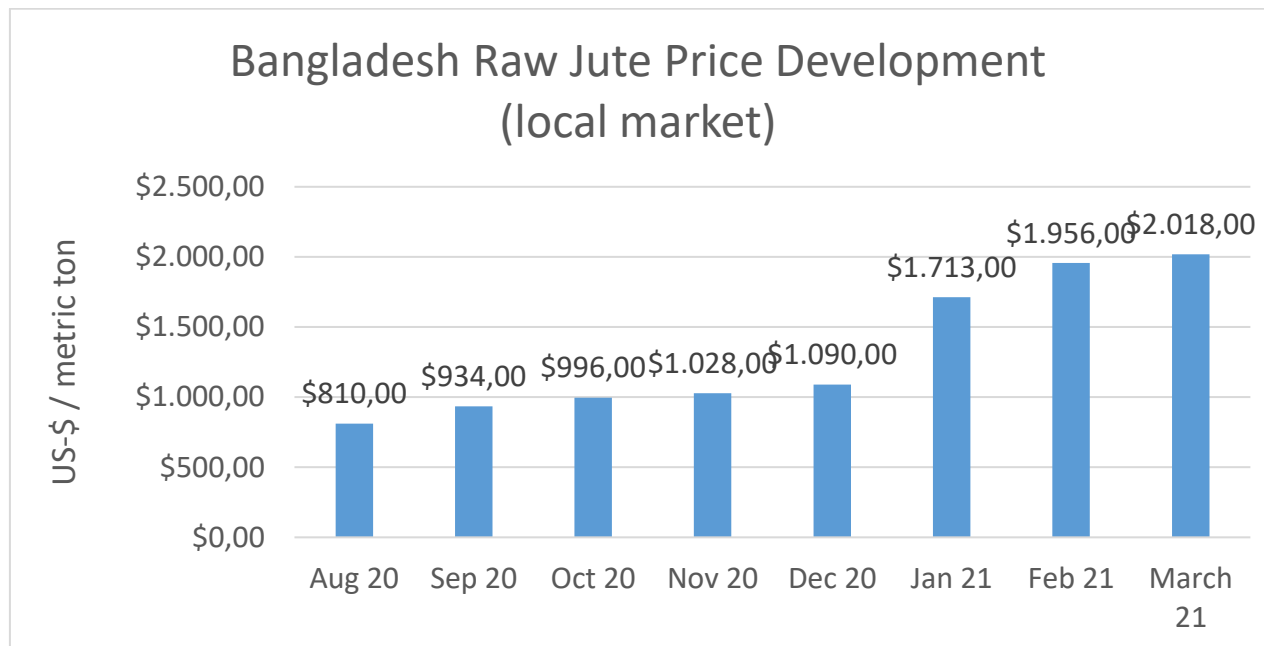
Raw jute exports during the period of July 2020 up to January 2021 amounted to 384.865 bales against 614.215 bales during the same period in 2019.

In order to illustrate and visualise the local price development of the preceding months and to underline the seriousness of the situation, please find hereafter a price development chart of the local raw jute market prices:

Jute Market Report for March 2021

-2/7-

1st April 2021



New Crop: First stage of Meshta and White Jute sowings started by mid of March in low land areas of Bangladesh, such as Greater Mymensingh, Tangail, Sirajgonj, Netrokana, Madaripur, and Sariatpur. According to local sources, weather conditions during the time of sowings were favourable, but farmers are in need of rainfall sometime soon.

Tossa sowing are yet to begin and are expected to take place sometime in April, subject to sufficient rainfall.

Weather conditions: In the beginning of the month under review, moderate rainfalls combined with sufficient sunshine is reported for the entire country. Since mid of March, the country enjoyed bright sunshine.

Jute Yarn and Twine: Export demand for both high and low quality of Jute yarn and twine from regular importing countries like India, China, Turkey, The Middle East, Uzbekistan, Indonesia and Malaysia slowed down. Same applies for demand from other international markets such as Europe and USA. The main reasons are scarce availability of fibre, consequentially high prices and less availability of suppliers being in position to offer.

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

Jute Market Report for March 2021

-3/7-

1st April 2021

Export market prices for light and heavy count jute yarns and twines also remained stable at record high level.

Jute Goods: A certain export demand for both Hessians and Sackings from countries such as Africa, Europe, USA, China and Vietnam is reported for the month under review, but most of the mills are reserved to commit themselves, due to the acute shortage of fibre.

India was regularly in the market for unstitched Binola and B-Twill fabrics.

Jute CBC demand from the regular importing countries like Europe, Australia and New Zealand was on an average level during the month under review.

Export prices during the month under review have increased as follows:

Hessians:	remained stable
Sackings:	remained stable
CBC:	remained stable

Maritime transport: The local newspaper The Daily Star published on 28th March 2021 the following enlightening summary of the current shipping situation, written by the Chairman and Managing Director of BASF Bangladesh Limited, Mr. Sazzadul Hassan.

Quote:

Off late shipping costs have gone through the roof, making life miserable for the businesses. The freight rate for a 40-foot container to European base ports from Chattogram has reached to \$5,000 level. Six months back this rate was hovering between \$1,500 to \$2,000. This is not the case for shipments to Europe only. It applies to all the trade routes.

Freight costs to the US has also skyrocketed -- an overall rise of 85 per cent in recent times compared to that of October 2020. Traditionally, for imports, freight costs used to be much lower than that of exports. That situation has also changed. Rates for imports have also gone up significantly. This crisis is not specific to Bangladesh only. Rather, it is similar or worse elsewhere across the globe.

Freight rates from China to the US and Europe have surged 300 per cent compared to the rate of March 2020. Spot rates for the Asia to North Europe route have seen a nearly 264 per cent year-on-year rise. Freight rates for Asia to the US West Coast are also up by 145 per cent. The challenge is multifold. There are acute shortages of containers, because of which shippers around the world have to wait for weeks to get the boxes. A study suggests against the demand of 100 containers there are only 50 containers available.

Jute Market Report for March 2021

-4/7-

1st April 2021

That is not the end of the story. To add to the sufferings, transit time to all the major destinations has also increased quite noticeably. A consignment would normally require 25-30 days to reach to the major European ports from Chattogram, whereas nowadays, it requires a minimum of 45 days.

Similarly, to reach to the US West Coast the transit time used to be 30 days which is now at least 50 days. To add to the worries, a shipping jam occurred on March 23 in one of the world's busiest shipping arteries involving the Suez Canal. About a quarter mile long (400 metres), a 224,000-tonne container vessel named Ever Given ran aground diagonally across the single lane stretch of the southern canal during a dust storm.

On Wednesday, 185 vessels, mostly bulk carriers, container ships and oil or chemical tankers, were waiting to transit the 120-mile canal connecting the Red Sea with the Mediterranean, according to shipping data compiled by Bloomberg. As a result, it created another setback for global supply chains, which are already strained by chaotic congestions and a shortage of containers in many ports due to the impact of the pandemic.

A good thing is the freight rates have been stable for last so many years. But an abnormal increase in transit time is really a bolt from the blue in the context of so many other challenges businesses have been dealing with in the past one year due to the pandemic. Experts have identified some of the major reasons behind this crisis:

Lockdown: To contain the deadly virus, many countries imposed lockdown. As a result, normal economic activities were restricted. Containers were lying at different destinations for a longer period of time as there was not enough cargo to fill and ship those out. Consequently, when the restrictions were being lifted, many countries resumed normal operations, there were shortages of containers at the right places.

Limited ship time: As the demand had dropped significantly during Q1 of last year, major shipping lines were forced to reduce number of ships plying in different routes.

Congested ports: During the lockdown, cargo handling got slowed down massively because of limited operations at different ports. This caused severe delays in vessel turnaround time as well. Changes in buying behaviour: There have been noticeable changes in consumers' buying behaviours during pandemic period. As there were restrictions on travelling and some other outdoor amusement activities, consumers spend more money on consumables. Demand for certain items suddenly gone up which changed the traditional container movements. China bounced back earlier than others: China managed to contain the virus much earlier and was able to resume their production and exports since the beginning of Q2 of 2020. When other Asian countries had started their exports, a significant number of containers were already on their way to Europe and North America. Those containers did not come back quickly to Asia.

Jute Market Report for March 2021

-5/7-

1st April 2021

Surge in demand for Christmas: Approximately 900,000 TEUs of containers were sent from China to North America during September to cater for the Christmas demand. Chinese exporters were desperate to get boxes, 3 out of 4 containers from the US to Asia were going back empty. Resultantly, many countries did not get enough boxes.

Limited land freight capacity: Because of shortages of trucks and lorry drivers, containers were stuck at the port, couldn't be taken to the customers' premises. Whatever containers were taken to customer ends couldn't be returned back to ports timely. In the process, container turnaround time increased substantially.

Delay in delivering new containers: There were more than 3 million empty 20-foot containers lying at Chinese ports at the end of March last year and 1.2 million in storage at container manufacturers. Due to the surplus of the boxes and in the anticipation that business would collapse as a consequence of the pandemic, there were slump in orders for new containers in 2020 to the Chinese container manufacturers who supply more than 90 per cent of global demand.

Consumer demand in the US and Europe started uprising from Q2 last year made the situation reverse. Suddenly, there was a huge jump in container demand and so orders for new boxes went up. The industry did not have enough capacity to manufacture new containers quickly enough. Given the alarming logistics challenges, what should the businesses do? First and foremost, organisations need to take this into cognizance that, this crisis is not going to over soon. Therefore, right from the raw material sourcing to distribution of the finished goods, few things need to be readjusted:

- Increase the inventory of raw materials and other items to ensure smooth production
- Add adequate buffer to the supply lead-time
- Go for long term contract with the shipping companies to ensure maximum space in advance
- To absorb the additional freight costs, look for the options to save costs from elsewhere or the last resort is to adjust the price of the finished products
- Increased inventory would put pressure on working capital, so plan accordingly

Business associations should start dialogue with the port authorities and other logistics service providers like the transporters etc. to increase their capacities to ease out the huge congestions. Here come the government's interventions like providing financial support to the logistics companies to build their capacities.

This global crisis needs to be collectively dealt with by all the key stakeholders, otherwise, situation might get deteriorated further.
Unquote.

Jute Market Report for March 2021

-6/7-

1st April 2021

India

Raw Jute: During the month under review the market firmed up with following quotations of the Jute Balers Association (JBA): Grade TD-4 IRs 8.000,00 and Grade TD-5 IRs 7.500 per 100 kg. The Indian government decided to increase the Minimum Support Price (MSP) from IRs 4.225 to IRs 4.500 per 100 kg, in order to support farmers.

New Crop: During mid of March early sowings took place, which were supported by rainfall at the time. First forecasts indicate that around 5,88 lakh hectares are planned for jute sowings in 2021, compared to 6,66 lakh hectares in 2020. The latest estimations indicate around 5 Mio bales of new crop fibre with a carry forward stock of around 2,6 Mio bales.

Jute Yarn and Twine: Due to slower demand for Hessians, yarns prices reacted sharply by a decline of 7 per cent, during the month under review.

Jute Goods: Prices of Hessians decreased marginally by about 1,5 per cent due to slower demand during the month under review. Selective mills asking for premium of 6 per cent against prices quoted by „standard“ mills. Prices for Sackings though increased by about 15 per cent and selective mills asking for premium of about 3 per cent.

Availability of Jute Carpet Backing Cloth continues to be rather poor, as most overseas customers had already placed long term orders with the manufacturers. Anyhow, some availability for August is reported, however, due to high prices, buyers are reluctant to place orders and expect a fall in prices by that time.

The Indian Government ordered approx. 205,000 bales of B-Twill bags during the month under review. The backlog is still around 100,000 bales.

Waiverly and Nuddea Jute Mills continued to suspend their production due to acute shortage of raw jute. Other mills resumed production either with low or full capacity depending on their financial abilities.

The announced stock monitoring by the Indian Jute Commissioner is in force, but it appears to difficult to fully enforce the same. Most likely prices will remain firm and it is assumed that most mills will be forced to either reduce or suspend their production after election by end of April.

As already mentioned in our last market report, the Indian Textile Ministry will hold 70 camps for certified seed distribution and awareness on jute farming practices in eleven districts of Bengal. According to reports, farmers well embraced the programme and were showing huge interest in same, as they expect to benefit with higher grade cultivation.



Jute Market Report for March 2021

-7/7-

1st April 2021

Maritime transport: Similar to the situation in Bangladesh, Indian suppliers continue to struggle with the ongoing space crisis, an acute shortage of containers and incredibly high sea freight rates.

Jute goods production of IJMA jute mills and jute mills reporting to IJMA in February 2021 amounted to 93.900 mtons of which 6.000 mtons were jute yarns/twines.

--ooooOOoooo--

WILHELM G. CLASEN GmbH & Co. KG
Burchardstraße 17
20095 Hamburg
Deutschland

Tel. +49 40 323295-0 · Fax +49 40 321916
info@wgc.de · www.wgc.de
Amtsgericht Hamburg
HRA 120531

USt-ID-Nr. DE307976040

Deutsche Bank AG (BIC DEUTDEHH)
IBAN DE10 2007 0000 0010 9520 00