

Jute Market Report for January 2024

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30th January 2024

Bangladesh

Raw Jute: During the month under review, raw jute demand from India as well as from Pakistan was on a regular level. Indian buyers were observing the market for BTR NB CS, BTR NB KS and BTR BS SMR, as well as BTCA and BTCS jute cuttings. In total Indian buyers were placing orders of about 3.000 mtons during the month under review. Pakistan was in the market for various long Jute Tossa grades and long Meshta grades and Tossa cuttings like BTCA and BTCS as well as Meshta cuttings SMC and OMC and placed orders of about 3.500 mtons, in total.

Nepal was in the market for long Jute Tossa grades BTR HD, BTR KS, BTR CS, as well as BTR BS. In total, Nepal placed order of about 2.000 mtons. Export demand from other international buyers from importing countries like China, Vietnam, Russia and Tunisia was on a regular level as well during the month under review.

Local demand from jute yarn and twine spinning mills, composite jute mills as well as raw jute processors for both high and low quality raw jute was on a normal level, too.

In view of the increased demand, export prices for higher quality grades of raw jute fibre increased further by USD 50,00 per mton, prices for lower quality grades increased by USD 30,00 per mton during the month under review.

Raw jute exports from July 2023 to August 2023 (fiscal year 2023-2024) were 241.911 bales against 116.282 bales during July in the year 2022.

Weather: Especially during the first half of the month under review, the entire country witnessed decreasing temperatures and foggy weather. These weather conditions lead to congested highways and disruption of traffic.

Jute Yarn and Twine: Export demand for both low and high quality grade jute yarns and twines from markets such as Turkey and Iran returned to a regular level during the month under review. Same applies for export demand for low and high quality grade jute yarns and twines from other international markets such as India, China, Vietnam, Indonesia, Malaysia, Uzbekistan and countries of the Middle East. However, buyers from Europe and the United States of America were in market, but less orders were placed especially during the first half of the month under review due to festive season. Since mid of January, US and European demand picked up, despite sharp increases of sea freight rates, caused by the continuous attacks on vessels in the Red Sea.

The situation of the local jute yarn and twine spinning mills improved, due to the increase in demand. Most of the mills are more or less booked with orders and are in position to run their productions quite on a regular level.

Export prices for both high and low quality jute yarn and twine increased by about USD 30,00 to 50,00 per mton, during the month under review.

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Jute Goods: During the month under review export demand for both Hessians and Sackings from buyers in African countries, as well as the Middle East increased further. Same applies more or less for export demand from countries like USA, Australia, China, Vietnam and Europe during the second half of the reporting month. India was regularly in the market for unstitched Binola and B-Twill fabrics.

Jute CBC demand from the regular importing countries like Europe, UK and Japan increased during the month under review. Local demand for Hessians and Sackings for packaging purposes was on a regular during the month under review.

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

Hessians:	increased by about 4 per cent
Sacking:	increased by about 3 per cent
CBC:	increased by about 3 per cent

Miscellaneous: Prime Minister Sheikh Hasina won the election in Bangladesh. According to the Election Commission, Sheikh Hasina's ruling party, the Awami League, won 223 of the 300 seats in parliament. Due to the boycott by the opposition parties, this was not expected to be any different. According to the Election Commission, voter turnout was just under 42 percent. It is a fifth term for 76-year-old Prime Minister Sheikh Hasina.

Bangladesh's textile and jute sector faces a set of challenges, including declining exports, slow project implementation, and the lingering impacts of India's anti-dumping measures. Despite the government's heightened emphasis on industry development and skill enhancement, progress in the textiles and jute ministry's projects in the first five months of the current fiscal year remained slow.

Grappling with crisis, the jute sector has witnessed a decline in the exports of raw jute, jute yarn, jute bark bags, and other products. The closure of government jute mills has not curbed the export downturn, and the sector bears the brunt of over-reliance on the Indian market, where 60% of Bangladesh's jute goods go. According to data published by the Bangladesh Export Promotion Bureau jute and jute product exports in the first half of FY24 decreased by 10.24% year on year, falling from USD 485.9 million to USD 436.1 million. Jute yarn exports witnessed a decline of over 3.14% in the first half of FY24 year on year, reaching USD 250 million. Raw jute exports experienced the most significant fall in this period, plummeting from USD 110 million to USD 70 million, while that of jute bags and sacks decreased to USD 56.6 million from USD 70 million.

According to Bangladesh Jute Mills Association (BJMA), 68 composite jute mills have been forced to close down during the last six years. The number of mills in the organization was 202 and shrivelled to 132 mills. Furthermore two thirds of the jute mills in operation are shut down, according to BJMA.

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Producers and exporters of diversified jute products, such as home textile items, handbags and more, are facing difficulties in encashment of the export incentives, which is affecting their cash flow and making it even more difficult to compete with exporters from countries like China and India.

According to local reports, close to 800 small and medium size companies are involved in producing diversified jute products, contributing around 10 per cent of the total export earnings of the jute sector.

Prime Minister Sheikh Hasina has instructed to extend incentives to the leather and jute industries, mirroring the benefits provided to the readymade garments sector. This strategic move aims to elevate export earnings from these locally sourced raw material sectors and cut the country's reliance on the garment industry.



Infographic: TBS

Exports from the leather and jute industries have stagnated at around \$1 billion for several years. In response to recent declines in these sectors' exports, the prime minister's directive encompasses various benefits, including a corporate tax discount, a bond facility akin to the garment sector, additional loans from the export development fund (EDF), and cash incentives.

Maritime Transport: Just a few weeks ago, the supply chains in global trade were still largely robust and sea freight transport capacities were not only available on the main trade route between the Far East and between the Far East and Europe at favourable conditions.



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The attacks by the Yemeni Houthi militia on merchant ships in the Strait of Bab al-Mandab, the Red Sea strait between Yemen and Djibouti, which began in early December 2023 as a result of the Gaza war, have changed the situation abruptly. Now almost all container shipping companies are avoiding the Suez Canal route, which is so important for global trade, and are routing their ships around the Cape of Good Hope at the southern tip of Africa for security reasons. For exporters and importers, this has resulted in longer transit times, scarce transport capacities and higher sea freight costs. Many exporters in Bangladesh are forced to bequeath customer the differences in freight rates.

As the situation in and around the Red Sea / Gulf of Aden continues to be volatile, Egypt has seen a 40% reduction in revenue from the Suez Canal, a vital source of hard currency. That has added to fears of a possible default in a country struggling with dollar shortages and buried under a pile of government debt (93% of GDP).

The Egyptian pound has dropped to around 60 to the dollar on the black market, down from 50 last month and 50% below the official rate. Egypt does not think that American-led strikes on the Houthis will deter the group from its attacks on ships. For Abdel-Fattah al-Sisi, the country's president, the only way to get his canal working again is a ceasefire in Gaza. To that end, Egypt has taken the lead in indirect talks between Israel and Hamas, though the Qatari channel is still open as well.

There's been more than a 30 per cent increase in freight charges and an additional 15 days in sailing time due to ships rerouting away from the Red Sea. To avoid the Red Sea, ships are compelled to take a lengthy detour around the Cape of Good Hope, adding around 4,000 miles or 6,500 kilometres and 10-12 days of sailing time to each trip. This redirection results in extra fuel costs, potential changes to port calls, adjustments to delivery schedules, and an overall rise in expenses.

India

Raw Jute: Same as for December 2023, the Jute Balers Association (JBA) did not publish a quotation, as no activity was reported at minimum price fixed during the month under review. It is assumed that a JBA quotation may be circulated in February, as price gap recovers fast and regular activity in the market is expected. However, in November 2023, prices were fixed as follows: TD-4 IRs 6.000 and TD-5 IRs 5.500 per 100 kgs.

New crop: Harvest of new crop fibre is completed in all jute growing areas. The crop yield of 2023/24 is expected to be about 8,0 Mio. bales compared to 9,3 Mio. bales in 2022/23. The carryover is estimated with around 2,5 Mio. bales. Official figures concerning sowings and area under jute cultivation for 2024/25 jute crop are yet to be published, we expect to receive first indications in the course of February/March.

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Local supplies of raw jute to Indian jute mills were ruling around 472,000 bales during the month under review (against 445,000 bales in December).

Weather: During the month under review winter in India was at peak with temperatures below 10°C in Bengal.

Jute Yarn and Twine: No significant changes in export demand, however local demand increased and lead to an increase of prices by 15 per cent.

Jute Goods: Situation during the month under review presented itself as follows: Prices for Hessians were stabil, ruling at IRs 118,000 per mton. Selective mills asking for premium of 5 per cent against prices quoted by „standard“ mills.

Market prices for Sackings increased during the month under review, fluctuating between IRs 90.000 and 96.000 per mton, with selective mills asking for premium of 10 per cent for exports against prices quoted by „standard“ mills. With increase of governmental orders, sacking prices are likely to increase. Indian sugar mills increased their purchases of Atwill and Ltwill bags after having received strict warning to follow the Governmental order, during the month under review.

Due to poor orders from the Indian Government during the last three months, mills are holding large stocks of Btwill bags. In case the Indian Government maintains the projected 350.000 bales per month, mills are expected to resume normal production by February / March 2024.

B-Twills: The Indian Government placed orders of about 380.000 bales of B-Twill bags during the month under review, against an expected order volume of 350.000 bales. Order quantity for February is expected to range somewhere to the tune of 350.000 bales.

With the government order volume being at a satisfactory level, mills are buying raw jute regularly and accordingly, raw jute prices are on an uptrend, though still below the minimum price. With the government order likely to be 350,000 bales for the next 4-5 months, Indian jute mills are expected to resume normal production by the second half of February 2024. Raw jute prices are now likely to continue to go up.

No orders of Jute Carpet Backing Cloth were reported for the month under review. In consequence most of the mills stopped CBC production and are using the idle looms for shopping bag production now.

Miscellaneous: The state government of West Bengal has inked a tripartite agreement with the jute workers' unions and the Indian Jute Mills Association to secure a hike in workers' salaries. According to Labour minister Moly Ghatak, around 250.000 workers from 113 jute mills stand to benefit from this agreement.



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Jute goods production of IJMA jute mills and jute mills reporting to IJMA for October 2023 were 86,100 mtons in total of which 3.000 mtons were jute yarns/twines. Figures for November 2023 represent itself as follows: jute goods production 85.200 mtons in total of which 2.900 mtons were jute yarns/twines. Figures for December 2023 and January 2024 were yet to be published when this report was under preparation.

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