

Jute Market Report for May 2018

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4th June 2018

Bangladesh

Raw Jute: Since beginning of month under review, raw jute demand from the international market as well as from local market increased. At the same time local market was showing an upward trend. Demand originated mostly from the main importing countries like Pakistan and India. India was in the market for high quality long jute like BTE HD, BTE CS BTE KS and jute cuttings BTCA. Indian buyers procured about 4.000 mtons approx. Pakistan was in the market for both high and low quality of Meshta and Tossa Jute and bought about 5.000 mtons.

There was regular demand from China, Vietnam, Russia among others, both for high and low quality raw jute.

Local demand from jute yarn and twine spinning mills as well as composite jute mills has increased during the month under review. Though BJMC was in the local market but due to shortage of funds the raw jute quantity ordered by them was fairly small.

Export prices of both high and low quality fibres appreciated during the month under review. Prices have increased for high quality fibres about USD 40,00 to 50,00 per mton and about USD 20,00 to 30,00 per mton for low quality fibres.

Raw jute exports July 2017 up to March 2018 were 954,266 bales against 941,074 bales during the same period under review in the year 2016-2017.

In the beginning of the month of May 2018, weather was not at all favorable. Almost every day, there was heavy rain with strong winds of around 80 km per hour along with lightning storms.

Although the process of sowing jute seeds was completed when favorable climatic conditions ruled in all jute growing areas of Bangladesh, the ongoing adverse weather seriously affected the jute plants. Jute experts are apprehending that this year's production of jute may be significantly less due to bad weather conditions. However, nothing final can be said about effect of temporary bad weather situation and same remains under observation.

Jute Yarn and Twine: Export demand observed increased for both high and low quality of Jute yarn and twine from major importing countries like Turkey, Iran, India, China, Vietnam, Indonesia, Malaysia and Middle East countries, Europe and USA.

Local demand for sacking and hessian yarn for packaging increased during the month under review.

Export prices increased by about USD 30 to 40 per mton for high quality of jute yarn and by about USD 20,00 per mton for low quality of jute yarn and twine. Most of the jute yarn and twine mills are busy with their regular production.

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Jute Goods: Export demand for hessians and sackings increased a little during the month under review. Business was done with buyers from Africa, Europe, Australia, USA, Iran, China and Vietnam. India was also in the market for unstitched jute cloth. Local demand for sacking and hessian quality bags increased too.

Demand for Jute CBC from the regular importing countries in Europe, UK and Japan slightly increased compared with demand during previous months.

During the month under review export prices for sackings, hessians and CBC remained unchanged.

Private jute millers have sought waiver of source tax on export earnings in the upcoming national budget for 2018-19 fiscal year (FY).

They said earnings from this sector have declined significantly since the Indian government imposed anti-dumping duty on imports of jute goods from Bangladesh.

Besides, the demand for jute products from the Near/Middle East has shrunk significantly because of political unrest there, they added.

Under this circumstance, jute goods exporters are passing through a hard time, Bangladesh Jute Mills Association (BJMA) said in its budget proposal placed to the National Board of Revenue (NBR) recently, urging the government to withdraw the source tax on export earnings considering the present situation.

At present, 0.60 percent source tax is being deducted on jute goods exports earnings, according to the BJMA.

BJMA also said the government now realizes 3.0 percent income tax (IT) on cash subsidy which is irrational. It demanded withdrawal of tax on cash incentives.

India

Raw Jute: Monsoon has arrived in Kerala (South India) last week, 4 days earlier than predicted, and it is expected so in other parts of India too. Jute Balers Association (JBA) reduced quotations as follows: TD-4 IRs 4.275 and TD-5 IRs 3.875, each per 100 kg / quintal. Carry-forward from jute crop year 2017/2018 2.1 mio bales according to rough estimate. JCI operations reportedly slowed down.

Union textile minister Smriti Irani on Thursday said the quality of raw jute was a major challenge for the diversification of jute products and urged the industry to consider certified jute seeds to improve both productivity and quality.



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"Our immediate challenge is how to improve the quality of raw material. It is not fine enough for diversified jute goods," Irani said while addressing members of the MCCI on Thursday.

New Crop: It is estimated that sowings land area under jute cultivation will be 25 to 30 % lower than last year. Height of the standing plants now up to 90 cms. Weather reportedly very good with alternate sunshine and rainfalls. Impact of excess rains diminished. Low land area may be affected if there will be heavy rains and floods.

Jute Goods: Jute CBC demand still very dull. After initial covering of Hessians during early May 2018 with resulting market activities market has meantime become quiet again. Price marginally lower by about 1 percent. Selected jute mills price gap now higher by about 6 to 7 percent. Government ordered for B-Twill bags during May approx. 210.000 bales. Prices remained unchanged during the month under review. B-Twill bags produced by selected mills continue to demand a premium of about 10 percent. Government orders expected this month to be similar to these of May. However, uncertainty prevails.

An article which appeared in the Business Standard 25.05.18 may be of interest to the readers of this report and copy of said article "*JUTE INDUSTRY IN RS 28 BN LOSS AS OUTPUT STAGNATES*" is attached to this report (page 4).

Jute goods production of IJMA jute mills and jute mills reporting to IJMA during April 2018 amounted to 93.200 mtons of which 3.300 mtons were jute yarns/twines.

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JUTE INDUSTRY

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JUTE INDUSTRY IN RS 28 BN LOSS AS OUTPUT STAGNATES

The jute industry is reeling under Rs 28 billion loss as production of jute goods has stagnated, an industry paper said.

The document prepared for the government indicated that jute goods production has stayed range bound at 1.2-1.3 million tonnes (mt) since 2014-15, down from the previous levels of 1.5-1.6 mt. Conservative estimates have pegged the loss to the industry at Rs 28 billion as production hit a plateau.

Indian Jute Mills Association (IJMA), the industry lobby body which has prepared the document, has rued that a host of factors have crippled production growth and sucked out nearly 0.4 million tonnes of output.

Introduction of light weight bags of 580 grams, dearth of skilled workforce, lack of export subsidy for the country's jute mills unlike the Bangladesh government and dumping of jute goods from Bangladesh and Nepal has led to the crisis.

Raw jute production has slid and exports of finished goods have also plummeted in value and quantitative terms. Farmers in raw jute are shifting to the more remunerative crops like maize and oilseeds.

"In the backdrop of stagnating production and dwindling exports, the Union government is likely to recommend 90 percent use of jute bags for packing food grains in 2018-19 and 80 percent use of plastic bags for packing sugar. It is despite the jute industry possessing the capacity to cater to the entire government requirement of packing food grains under the jute packaging mandatory act of 1987", said an industry source.

However the Jute Commissioner's Office had previously recommended a gradual phasing out of the Act so that the industry gets the scope to develop other alternate markets along with the gradual reduction in government demand for supply of jute bags.

It had also recommended lowering the use of jute bags for packing food grains from the present 90 per cent to 50 percent by 2024. (Business Standard.25.5.2018)