

Jute Market Report for August 2018

-1/3- 4th September 2018

Bangladesh

Raw Jute: During the month under review major raw jute importing countries like India and Pakistan were observing the market and placed only a few orders. Same applied for the demand from Nepal, China, Vietnam and Russia. Due to the shortfall of about 30 per cent compared to last year's crop and the consequently high market prices, the international buyers of raw jute preferred to wait and see how the new crop market behaves instead of placing big orders.

The local jute yarn and twine spinning mills as well as composite jute mills have been quite active and placed orders in order to cover their requirements during the month under review. Due to lack of finance BJMC was not an active buyer and watched the market, only.

Even though the international demand was on a very low level the export prices of both high and low quality fibres appreciated during the month under review. Prices have increased about USD 60,00 to 70,00 per mton. Besides the quite disappointing outcome of the crop, the late arrivals of the fibre lead to this increase of market prices.

Raw jute exports from July 2017 up to June 2018 were 1,355,563 bales against 1,216,101 bales during the same period under review in the year 2016-2017. With 519,210 bales Pakistan was the biggest importer of raw jute from Bangladesh, followed by India with 424,463 bales, China with 235,498 bales, Nepal with 81,168 bales and Brazil with 35,372 bales during that period.

New Crop: During the month under review weather conditions in Bangladesh were favourable with light monsoon rainfalls and sufficient sunshine. The harvest of White Jute and Meshta fibre is almost completed, whereas the harvesting of Tossa Jute has started in a rather small scale, because of the quite late sowing of Tossa Jute earlier this year. According to the Ministry of Textile and Jute the estimated area under cultivation for White Jute is 77,630 acres with an estimated crop of 294,344 bales. For Tossa Jute the estimated area under cultivation is 1,371,677 acres with an estimated crop yield of 6,698,804 bales and for Meshta fibre the expected area under cultivation is 78,715 acres with a yield of approx. 321,048 bales.

Jute Yarn and Twine: During the month under review the demand from Turkey as well as from Iran, both countries belonging to the largest importers of Bangladesh Jute Yarns and Twines, was quite slow. The main reason for their cautiousness are the difficulties both countries are currently facing. The depreciation of the Turkish Lira, the Turkish currency lost almost 44 per cent in relation to the US Dollar since year-to-date, and the general economic situation in Turkey were not allowing Turkish buyers to place bigger orders. The depreciation of and the accompanying deteriorating economic situation of Iran no doubt will have an impact on jute yarn and twine imports from Bangladesh. Besides this two very important markets, regular demand was reported for both high and low quality Jute yarns and twines from major importing countries like China, Vietnam, Indonesia, Malaysia, Uzbekistan, Middle East countries, Europe and USA. Local demand for sacking and hessian yarn for packaging was on a regular level during the month under review.

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Export prices increased by about USD 20,00 to 40,00 per mton for both low and high qualities of jute yarns and twines. The financially strong jute yarn and twine spinning mills were quite busy with their regular production during the month under review.

Jute Goods: During the month under review, the export demand for hessians and sackings was on a constant level. Buyers from Africa, Europe, Australia, China and USA were in market for finished goods of Hessians and Sackings. India was also in the market for unstitched jute cloth. The local demand for sacking and hessian quality bags for packaging purposes increased during the month under review.

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

During the month under review an increase of export prices for sackings (5%), hessians (2%) and CBC (2%) was observed.

India

Raw Jute (New Crop): During the month under review India was enjoying sufficient sunshine, but rainfalls were missing, so that the farmers are desperately waiting for rainfalls to come. It is reported that the seasonal rainfall in Kolkata went into deficit for the first time this monsoon on August 29th. The first month of the monsoon, June, had got off to a rainy start and ended with a 42 per cent surplus. July and August, which are considered the rainiest months in Kolkata have received much less rainfall than expected this year, leading to the total monsoon rain dipping below the normal for the first time this year. Although July had recorded deficit rainfall, the seasonal rainfall was still positive at the end of the month because of excess rain in June. Sustained heavy rain eluded the city in August, too, and the cumulative rain figure dropped below the normal mark on August 29th and stood at minus 1,3 per cent.

This year the sowing amounts to 494,150 hectares against 653,740 hectares last year. What we have stated in our market report for the month of July is now confirmed, the outcome of this year's crop is around 6, 2 Mio bales, compared to around 7, 43 Mio bales, last year. The carry-over is estimated with 2, 6 Mio bales.

The Jute Balers Association (JBA) quotations during the month under review are as follows: TD-4 IRs 4.400 and TD-5 IRs 4.100, each per 100 kg / quintal. We still have no information about JCI procurement figures.

Jute Goods: Jute CBC demand remains very dull during the month under review. The demand for Hessians from both, export and domestic market is also quite dull, even though the prices were unchanged during the month under review.

Government ordered approx. 300.000 bales of B-Twill bags at prices remaining unchanged during the month under review.

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Jute goods production of IJMA jute mills and jute mills reporting to IJMA during July 2018 amounted to 91.200 mtons of which 3.500 mtons were jute yarns/twines.

The Indian Rupee is falling from one record low to the next and its effects for competitiveness of the Indian Jute industry in foreign markets remain to be seen.

Indians Prime Minister Narendra Modi used to see the value of the rupee, as a mirror, reflecting the strength of the nation's leaders and their economic stewardship. During the 2013 "taper tantrum" – when emerging market currencies were battered by US interest rate rises – Mr. Modi, then Gujarat's chief minister, blamed the incumbent Congress-led government for the rupee's sharp fall. "Rupee is crumbling against the dollar, Rupee is in the ICU due to Congress", he declared at the time. During week 34/2018 the rupee hit an all-time low, below the psychologically significant Rs70 to the dollar mark, as investors reassessed emerging market risk after Turkish lira crisis. But rupee weakness predates Turkey's recent troubles. Since January, the Indian currency has fallen nearly 10 per cent against the US Dollar – one of the sharpest depreciations in Asia in 2018.

In a sensitive election year this is politically awkward for Mr. Modi, who had vowed that the Indian rupee would strengthen under his strong leadership. Shortly after the rupee breached Rs70 on August 14th, the eve of India's 71st anniversary of Independence Day, the Congress party tweeted a chart of the exchange rate and commented: "Modi finally managed to do something we couldn't do in 70 years."

Beyond the political posturing, economists are debating the cause of the rupee weakness and what it presages for India's economy, which is regaining steam after twin shocks of Mr. Modi's 2016 currency ban and an overhaul of the tax system last year.

Government economists say they are unconcerned, seeing the rupee weakness in the context of a wider emerging markets phenomenon as the US raises interest rates and Turkey's difficulties alarm investors. The government's principal economic adviser Mr. Sajeew Sanyal said: "Given various external factors – including the Turkey situation – the dollar is strengthening and the rest of us are weakening." He does not think that there is any reason to jump to any conclusion, or panic".

Mr. Rajiv Kumar, vice-chair of NITI Aayog, a government's policy think-tank, noted that the rupee had appreciated by 17 per cent against the US Dollar in the past three years. "The rupee should be realistically valued", he said. "It should not be overvalued. In some senses, it is coming down to its natural value". Others say this year's sharp depreciation reflects India's significant economic vulnerabilities, including its dependence on imported oil, sluggish export growth and continued heavy reliance on government spending as an economic driver, while private investment remains tepid.

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