Jute Market Report for May 2021

2nd June 2021

Bangladesh

Raw Jute: During the month under review, Pakistan was in the market for Tossa resp. Meshta Long Fibre and Cuttings, such as BTE BS, BTE KS, BTE CS as well as BTCA and BTCB cuttings, immediately after Eid holidays ended, but due to the acute shortage of fibre, Pakistani buyers were unable to cover the required quantities. In total Pakistan placed orders for around 2.000 mtons for shipment in May. By virtue of the country wide Covid19 related lockdown, Indian buyers were not in the market at all.

Contrary to general tendency Chinese buyers were regularly in the market and placed orders as per their demand. Other international buyers, such as Vietnam, Russia and Brazil, however were not in the market with significant volumes. Since the end of the season is drawing nearer, only a few big raw jute exporters are still in position to supply. In consequence to the increased demand especially from China, export prices for low quality fibre increased by USD 50,00 per mton 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 March 2021 amounted to 490.780 bales against 710.903 bales during the same period in 2019.

New Crop: Meshta as well as White Jute plants are suffering from insufficient rainfalls and since sowings took place during a time of scorching heat, some plants died already. It might be possible that fibre length and quality of same will not be up to mark this season. Contrary to the rather depressing news for Meshta and White Jute, Tossa plants are growing well, as the sowings took place later.

It has been over two years since Bangladeshi scientists bred a jute variety with 20 percent higher yield potential, thanks to new genetic knowledge jute breeders gained from jute genome decoded nearly a decade ago. Unfortunately, the highly productive new variety – BJRI Tossa-8 (also known as Robi-1) – with finer and stronger fibre and brighter texture could not be made available to jute farmers across the country in the past two years. The reason was revealed to be a non-availability of seeds.

Jute growers in Bangladesh mostly use seeds imported from India as Bangladeshi farmers prefer growing high-value vegetables instead of uncertified seeds for jute. Over 90 percent of 4,500 tons of jute seeds that Bangladeshi jute growers require each year comes from India. Cultivation of cauliflowers for example can potentially fetch a farmer Tk. 380,000 from an acre of land but, the same farmer can expect hardly a profit of Tk. 48,000 if he chooses to grow jute seeds from the same land.

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After a series of meetings having taken place since late last year, the agriculture ministry has come up with an ambitious program of attaining self-sufficiency in jute seed production in three to five years' time. Rolling out a fund of over Tk. 100 crore, the government will go for a buy-back arrangement soon where farmers will grow jute seeds and the Bangladesh Agricultural Development Corporation (BADC) will buy the seeds from the farmers, maintain seed quality and sell the same among jute growers for cultivating better quality fibre with much higher yield potentials.

Bangladesh Jute Reseach Institute (BJRI) scientists expect a much higher volume of fibre output if farmers are provided with BJRI Tossa-8 seeds instead of the imported seeds or other existing locally produced seeds.

According to BJRI, the BJRI Tossa-8 has 20 percent more yield potential, compared to the hitherto best Bangladeshi Tossa variety, BJRI Tossa-2. Prior to its February 2019 official release, BJRI Tossa-8 was field tested in 12 different locations across the country and its yield was found to be 3.33 tons a hectare, compared to BJRI Tossa-2's 2.77 tons.

Weather conditions: During the month under review Bangladesh enjoyed more or less moderate weather conditions with sufficient sunshine and precipitation. Cyclone Yaas, which intensified into a "very severe cyclonic storm", hit the states of West Bengal and Orissa - also known as Odisha - on Wednesday, as well as lashing southern Bangladesh. Yaas lashed coastal areas with ferocious wind and rain as it made landfall in India, damaging homes and bringing waves that swamped towns. More than one million people were evacuated in the country as the storm approached. In Bangladesh more than 20 villages in the southern Patuakhali district were submerged after waters washed away two river embankments, and at least 15,000 people had gone to cyclone shelters.

Jute Yarn and Twine: Export demand for both high and low quality of Jute Yarn and Twine from major importing countries like Turkey and Iran continued to slow down, whereas demand from China was on a more or less regular level. Relatively low demand was observed from other international markets like Europe, USA, Vietnam and Russia.

In view of the ongoing shortage of fibre, most of the small and medium size mills, remained closed after EID holidays. Only a few solvent mills decided to continue their production after EID holidays ended.

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

Due to slow international demand for light and heavy count jute yarns and twines, export prices dropped by around USD 100,00 to USD 150,00 per mton for both low quality yarns and twines and higher qualities.

Jute Goods: Regular export demand for both Hessians and Sackings from African countries as well as China and Vietnam was observed during the month under review. Whereas rather slow demand from Europe, Australia and USA is reported. Same applies for Jute CBC demand from the regular importing countries like Europe, Australia and Japan during the month under review.

Export prices remained unchanged during the month under review.

Shipment: Container spot rates from Asia to Europe look set to surge again, as carriers are obliged to blank sailings in response to the Suez Canal blockage. It understands that shipping lines are considering introducing a Cape surcharge for vessels that are diverted around Africa to recover the extra cost of bunker fuel consumed in the additional seven to 10-day transit.

Container spot rates are beginning to head upwards again across all trades from already elevated levels, as carriers reduce their commitment to contract volumes in favor of much higher FAK rates. Market reports rates on the route are set to soar again next week, returning to their mid-February peak and possibly higher. Shippers must brace themselves for at least two more years of elevated freight rates and tight supply, according to UK based consultant.

The maritime consultant predicts average rates – a blend of spot, contract, backhaul and regional trade rates – will increase about 23% this year; but for some headhaul routes, it said, the hike would be “substantially higher”. During a Container Shipping Outlook webinar, rates were expected to fall next year, although not to pre-pandemic levels.

“For 2022, we do see some erosion in freight rates as the inflationary impact of supply chain inefficiencies hopefully disappears, but we think carriers are still going to be able to keep freight rates high, thanks to the in-depth capacity management they fine-tuned during the pandemic, as well as the pricing discipline they have shown.

“For next year, while rates will come down, they will still be substantially higher [than pre-pandemic] and expect average rates will come down from this year’s lofty highs by approximately 9%,”. It is said new build deliveries this year and next were sufficiently low that overall fleet growth would come in substantially below demand growth. And, assuming port congestion continued to blight the supply chain, keeping the global fleet fully utilized, this was “clearly a positive for carriers”. However, “One small crumb of comfort for shippers is that ocean carriers and non-operating owners are, potentially, sowing the seeds to shorten the Bull Run they are enjoying right now by over-investing in new tonnage.”

COVID-19: The Bangladesh Government extended the country wide lockdown until May 23rd, with all government, semi-government, autonomous and private offices remaining closed. This leads to certain delays when it comes to export document remittances and might prolongate delivery of same to the final receivers.

India

Raw Jute: During the month under review the quotations of the Jute Balers Association (JBA) increased further: Grade TD-4 IRs 8.950,00 and Grade TD-5 IRs 8.450 per 100 kg. The Indian government decided to increase the Minimum Support Price (MSP) by 5 per cent from IRs 4.225 to IRs 4.500 per 100 kg, in order to support farmers.

New Crop: Early rains were sufficient and the upcoming monsoon should be quite favourable for the ensuing crop. Cycline YASS caused water accumulation in some areas, but luckily the cyclone was followed by bright sunshine which will speed up the plant's growth. At the moment, the height of the plants is indicated with 3 to 5 ft. Forecasts indicate that around 588.000 hectares are planned for jute sowings in 2021, compared to 666.000 hectares in 2020. The latest estimations indicate around 7,5 Mio bales of new crop fibre with a carry forward stock of around 0,3 Mio bales, only. By end of June it is expected that first new crop transactions will take place. New crop arrivals are expected during the second half of July 2021.

Jute Yarn and Twine: Prices for Jute Yarns and Twines remained on same level as in April, due to weak demand for Hessians.

Jute Goods: Prices of Hessians increased by about 3,5 per cent during the month under review. Selective mills asking for premium of 6 per cent against prices quoted by „standard" mills. Prices for Sackings increased further by about 3 per cent. Due to scarce availability of sackings, customers don't show any preference in selective mills and cover their demand wherever the can.

Availability of Jute Carpet Backing Cloth 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. 150,000 bales of B-Twill bags during the month under review. The backlog is still around 150,000 bales.

A crisis in West Bengal's jute sector is looming large as around 16 mills have been shut down recently 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. The closure of these mills rendered around 50,000 workers jobless. Another 10 units may announce the closure of operations in the next few days," an official of Indian Jute Mills' Association told. Mills are also facing the problem of manpower shortage as the state government has allowed only 30 per cent workforce in each shift as part of several restrictions imposed to combat the COVID-19 pandemic.

COVID-19: India had been badly suffering from Covid-19 with around 400.000 daily new cases, which declined to around 200.000 daily new cases in the meantime. Overall situation should improve further with country wide lockdown and restrictive activities till mid of June.

Jute goods production of IJMA jute mills and jute mills reporting to IJMA in April 2021 amounted to 68.000 mtons of which 2.300 mtons were jute yarns/twines.

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