

Jute Market Report for August 2021

-1/4- 2nd September 2021

Bangladesh

Raw Jute: During the month under review an increase of demand was observed by the main raw jute importing countries. Pakistan was in the market for Long Tossa Jute respectively Long Meshta, as well as jute cuttings BTCA and BTCB and purchased around 8.000 mtons. India was in the market for long jute BTR NB and jute cuttings BTCA and BTCB, but due to an acute shortage of BTCA cuttings at the beginning of the season, Indian buyer's mainly procured BTCB cuttings. In total Indian importers placed orders for about 1.500 mtons.

Other international buyers, such as Nepal, Russia and Tunisia were in the market with an increased demand compared to previous months. However, due to a rather bad crop yield, especially of Meshta fibre and White Jute, raw jute balers were unable to offer according to the demand of the international importers. By virtue of the relatively poor outcome of this year's Meshta and White Jute crop, market prices are continuously rising since arrival of new crop fibre at the beginning of the month under review.

Quite contrary to previous years, buying activities of local jute yarn and twine spinning mills as well as composite jute mills and local raw jute processing units were less at the beginning of the season, even though all parties were actively in the market. The main reason for this quite irregular purchase behaviour are high market prices mainly driven by stockists, who were buying as much fibre as possible, as well as insufficient crop yield of Meshta and White Jute. The insufficient carry-over stocks, caused by the bad outcome of last year's harvest, contributed its share to the overall market situation, too.

Export prices for Long Tossa Jute and Meshta fibre as well as Tossa Jute and Meshta cuttings increased during the month under review. Prices for Meshta shot up by around USD 50 to 60 per metric ton and market prices for high quality Tossa Jute increased by around USD 20 per metric ton. It is expected that this trend is likely to continue.

Raw jute exports during the period of July 2020 up to May 2021 amounted to 521.293 bales against 710.903 bales during the same period in 2020. Export figures up to June were yet to be published when this report was prepared.

New Crop: Due to lack of sufficient rainfall at the time sowings of Meshta and White Jute took place, the quality of both crops as well as the crop yields suffered significantly. Local sources report that a shortage of Meshta and White Jute crop up to 50 per cent compared to last year is expected. This high percentage is yet to be confirmed officially, but going by the current market realities, one has to be prepared for the worst. Actually, neither we nor our long-time business partners ever experienced a similar situation like the current one before. As mentioned above, local stockists are trying to take advantage of the market situation by hoarding as much Meshta and White Jute as possible.

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Even though the outcome of this year's Tossa Jute crop yield seems to be satisfactory (The Bangladesh Government set a target of 8,6 Mio bales of raw jute for this crop season) local stockists and syndicates are trying their best to create an artificial shortage and practice price rigging. Motivated by the high prices which were ruling last year, due to a real shortage of fibre, a section of traders and seasonal buyers are now rushing to stockpile as much volume as possible, in order to dictate the market in the further course of the season. Furthermore certain farmers are reluctant to sell their crop so far, hoping for even higher prices later in the season, which now creates a temporary shortage of raw material in the market. One result out of many is that many small and medium size jute yarn and twine spinning mills as well as composite mills and raw jute processing units lag behind their schedule, when it comes to cover their demand for the coming season.

In order to counteract the above described practices, the Bangladesh Government decided to closely monitor the raw jute market, in order to ensure a stability of prices and to prevent unscrupulous traders from stockpiling and to avoid sales of wet jute.

Weather conditions: Throughout the month under review Bangladesh witnessed continuous monsoon rainfalls combined with good sunshine.

Jute Yarn and Twine: During the month under review, export demand for both high and low quality of Jute Yarn and Twine from countries like Turkey and Iran was on a regular level. Other importers from China, Vietnam, Indonesia, Malaysia, Uzbekistan, USA, Europe and Middle Eastern countries were actively in the market and placed orders as per their individual demand.

Local demand for both Sacking and Hessian quality of jute yarn for packaging purposes was on a regular level during the month under review.

Only a few privately owned jute yarn and twine spinning mills are fully booked, whereas for the most part small and medium size mills are struggling to cover their raw jute demand and are consequentially unable to sell much in advance.

Due to increasing Raw Jute market prices, export prices for both low and high quality jute yarns and twines increased by around USD 40,00 / mton.

Jute Goods: Export demand for both Hessians and Sackings from regular importers from African countries, Europe, Australia and USA bounced back and reached a regular level of import demand during the month under review. Demand for Jute CBC from Europe, UK and Japan also reached a regular level again.

Local demand for Sacking and Hessian Jute Bags for packaging purposed increased, as well.

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During the month under review increased export prices have been observed, mainly driven by higher raw material prices:

Hessians:	approx. 2 - 3 %
Sackings:	approx. 2 %
CBC:	approx. 3 %

BJMC: Till date Bangladesh Jute Mills Corporation (BJMC) has received around 55 proposals from home and abroad seeking to invest in 25 state-run jute mills shuttered in July 2020 for modernisation. Besides others, Saudi Arabia has expressed interest in investing in the production of jute goods in the closed mills of Bangladesh Jute Mills Corporation (BJMC). Saudi Ambassador to Bangladesh Issa bin Youssef Al-Duhailan showed his country's willingness at a meeting with Textiles and Jute Minister Golam Dastagir Gazi at the latter's office at Secretariat in Dhaka on August 25th.

Shipment: Since mid of August, Chittagong seaport congestion cleared and export backlog at private depots improved significantly, but freight rates are still ruling on a very high level, especially for shipments to Europe, Africa and America. Furthermore prompt availability of containers remains to be a problem. Fortunately Mongla Seaport is now capable to handle gearless vessels with new heavy duty cranes, in order to enhance the capacity of second largest seaport in Bangladesh. These cranes are just one part of a larger investment project, which includes extension and modernisation of the current facilities. Already last year, The Mongla Port Authority completed dredging of the outer bar of the port to deepen the draft, facilitating vessels with a 9,5 meter draft to anchor there. Mongla, which is located in the southwestern part of the country and lies around 60 kilometres north of the Bay of Bengal. In view of the continuously proceeding congestion of Chittagong Seaport, Mongla Seaport may help to ease the situation at the country's major seaport, in future.

COVID-19: The total number of Covid-19 deaths in the country now stands at 26.274, and the death rate stands at 1,75 per cent. The total number of people infected rose to 1.503.680. The current positivity rate is 10,11 percent while the overall positivity rate stands at 16,78 percent. The total number of recoveries now stands at 1.431.984 with a recovery rate of 95,23 per cent.

India

Raw Jute: On July 19th the Jute Balers Association (JBA) quoted for new crop fibre starting with: Grade TD-4 IRs 6.275,00 and Grade TD-5 IRs 5.975,00 per 100 kg.

New Crop: During the month under review weather conditions continued to be most favourable with a perfect combination of rainfall and sunshine. These advantageous conditions did support a fantastic growth of the plants. The reported plant length varies between 10 to 16 ft with an average

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of around 12ft. The quality of the fibre is likely to be very good, as long the weather conditions continue to be that advantageous. Overall crop yield is revised to around 8,5 Mio bales. As per Indian Jute Mills Association (IJMA) carry forward stock shall be around 0,295 Mio bales, only. For 2021/2022 around 750.000 hectares have been cultivated with jute against 650.000 hectares in 2020.

So far around only 7.450 mtons of new crop fibre arrived to the market and harvest completion rate reached 85 per cent. Same as in Bangladesh, farmers as well as traders are holding back new crop fibre and building up stocks.

Jute Yarn and Twine: There were hardly any market activities reported during the month under review.

Jute Goods: In view of a rather reserved position of international buyers as well as falling raw jute prices, prices of Hessians decreased further during the month under review. Selective mills asking for premium of 10 per cent against prices quoted by „standard“ mills. Prices for Sackings also dropped, with selective mills asking for premium of 8 per cent against prices quoted by „standard“ mills.

Availability of Jute Carpet Backing Cloth is reported from November, but jute mills are dominating position to hold prices.

The Indian Government ordered approx. 240.000 bales of B-Twill bags during the month under review. The current backlog is around 25.000 bales.

At present most of the jute mills are trying to cover their demand, but arrivals of new crop jute fibre is rather poor, due to stockpiling of traders and farmers.

Jute goods production of IJMA jute mills and jute mills reporting to IJMA in June 2021 amounted to 61.600 mtons of which 2.900 mtons were jute yarns/twines. More recent figures were not yet available when this report was published.

COVID-19: The situation in India remains uncertain with about 45.000 new cases per day after dropping to <30.000. The lockdown in India, with certain permissions, is extended until September 15th. Local train service did not resume so far and international flights for selected routes are operating from Mumbai and Delhi.

Shipment: Freight shipping costs have increased around 250 per cent during the last 12 months. In cases of Latin American countries as well as West Africa the costs are up by 500 to 600 per cent. Especially exporters of high volume low-value products, such as jute, are the worst hit as their margins do not at all support these huge increases in shipping costs.

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