

Jute Market Report for April 2018

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7th May 2018

Bangladesh

Raw Jute: In the beginning of the month under review the demand for raw jute from the international markets was reported as rather slow, but since mid of the month under review the demand from the international as well as the domestic market increased remarkably. Retrospectively regular demand from India and Pakistan was observed. India was in the market for high and low grades of long jute and jute cuttings. In total India has purchased around 6.000 to 7.000 mtons, Pakistan was in the market with around 5.000 to 6.000 mtons of all grades of Long Meshta and Long Tossa Jute, during the month under review. Other international raw jute importing countries like China, Nepal, Vietnam, Russia and Brazil were in the market with rather small quantities, only.

The domestic demand from local jute yarn and twine spinning mills, composite mills and other raw jute processors was reported as rather sluggish during the month under review.

Same as during the month of March, 2018, BJMC was present in the market during the month under review, but the required quantity of raw jute was rather small.

Because of the low demand from the domestic market as well as from international buyers the prices for high and low quality fibre remained stable during the month under review.

Raw jute exports from July 2017 up to January 2018 were 679.144 bales against 655.408 bales during the same period under review in the year 2016/17.

During the month under review moderate rainfalls accompanied by sufficient sunshine has been observed all over Bangladesh. The sowing of Meshta, White and Tossa Jute is going on, but local sources reported, that the sowing is less compared to last year, even though there are sufficient quantities of jute seeds available. The main reason for this situation is that the farmers are getting better prices for other crops. Further information to follow once the sowing is completed.

Jute Yarn and Twine: During the month under review the demand for jute yarns and twines from the international market was rather slow. This situation is causing huge difficulties for the jute spinning mills, as they are forced to keep their production running. After all the domestic demand for sacking and hessian jute yarns and twines for packaging increased during the month under review. Because of the poor demand from the international market, the prices for jute yarns and twines remained unchanged for low and high grade jute yarns and twines. In addition to the slow demand the jute spinning mills are facing an acute labour shortage, as the peak season of paddy harvesting is taking place at the moment.

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Jute Goods: During the month under review the export demand from Africa, Europe, Australia, USA, Iran, China and Vietnam for Sacking and Hessian was more or less on the same level as in March, 2018. The demand from India was rather slow, which is the consequence of the imposed anti-dumping duty on imports of jute goods from Bangladesh. As per local sources, the domestic demand for Sacking and Hessian for packaging purposes increased during the month under review.

The demand for Jute CBC from regular importing countries like Europe, UK and Japan was at low level during the month under review and on the same level as in March, 2018.

The export prices for Sacking and Hessian as well as for Jute CBC remained unchanged during the preceding month.

Private jute millers have sought waiver of source tax on export earnings in the upcoming national budget for 2018-2019 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 this eco-friendly item in the Middle East has shrunk because of political unrest there, they added. Under this circumstance, jute goods exporters are passing a hard time, Bangladesh Jute Mills Association (BJMA) said in its budget proposal placed to National Board of Revenue (NBR) recently, urging the government to withdraw the source tax in export earnings considering the present situation. At present, 0, 6 per cent source tax is being deducted on jute goods export earnings, according to the BJMA. BJMA also said the government now realises 3, 0 per cent income tax (IT) on cash subsidy which is irrational. It demanded withdrawal of tax on cash incentives. The apex body of private jute millers also sought exemption from VAT on different stages, including shipment and transportation, as the jute goods are hundred per cent value-added products and 0, 4 million people are engaged in this sector.

The government is set to prepare draft rules of Jute Act 2017 incorporating licence for charcoal export, officials said. Representatives of Bangladesh Jute Mills Corporation, Jute Diversification Promotion Centre and other stakeholders are the members of the committee responsible for preparing the draft rules of the Jute Act – 2017

Chittagong Port situation: The Chittagong Port Authority (CPA) plans to impose additional rents for container storage as it has been suffering from acute container congestion in the last few weeks because of a surge in imports ahead of Ramadan. On Monday April 23rd, 2018, the CPA in a meeting urged the port users to take steps to clear the congestion in seven days. Otherwise, it will impose additional charges for container storages along with the regular charges. Every container enjoys four-day storage service for free once it reaches the port. After the period, the CPA daily charges US-\$ 6 for a 20-foot container and US-\$ 12 for a 40-foot container.

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As of Monday, April 23rd, 2018 the port was burdened with 36.726 TEUs (twenty-foot equivalent units) of import-laden containers, much higher from its capacity of accommodating 26.857 TEUs.

Containers brought in through FCL (full container load) shipping have worsened the situation. In FCL shipping, an importer can occupy the space of an entire container and does not need to share vacant space with other shippers. As of Monday, a total 28.362 TEUs of FCL shipping containers were waiting to be taken out of the port, which was much higher from the port's capacity of 22.485 TEUs. The slow delivery of the FCL containers is worsening the congestion, said Md Golam Sarwar, director of traffic for the port authority. "The Chittagong port and the Chittagong Customs House are always ready to provide round the clock service to ease congestion." At the meeting port users blamed importers and clearing and forwarding agents for not taking timely delivery of containers and said imposing extra rates for storage will not solve the problem.

India

Raw Jute: For the month under review a firm trend in prices based on reports of likely fall in sowing areas has been observed. Depending on the reports about sowing area, weather, growth and other factors the prices will fluctuate from now on. So far the reports are stating that sowings are about 15-20 per cent less compared to last year. The weather conditions with sufficient sun and sufficient rainfalls and temperatures close to 40°C are ideal for sowing so far.

The JBA quotation at the end of the month under review is: TD-4 IRs 4.475 and TD-5 IRs 4.075 each per 100 kg / quintal. The minimum support price for season 2018-2019 has been increased by about 6 per cent. The support price is now IRs 3.700,00 (against a current support price of IRs 3.500,00) The procurement of JCI continued as usual during the month under review.

Jute Goods: Same as during the preceding months, the Jute CBC market remained very dull. Same applies for the demand for Hessian. The prices decreased by about 2 per cent with a good chance to bargain, always depending on the total required quantity. Nonetheless, selected mills are asking for prices, which are around 8-9% higher than the current market level.

The prices for Sacking remained unchanged during the month under review. The governmental order quantity for Sacking was less than 100.000 bales during the preceding month. So called selected mills demanded a premium of 10 %. Against Government orders for B-Twill bags there were about 200.000 bales outstanding for March. The order quantity for April, is about 300.000 bales. It is expected that the mills will be able to supply the entire quantity within April.

The jute industry could face a shortage of orders in May despite its ability to cater to the demand. The crisis stems from a government decision to procure 92.000 bales of plastic bags to meet the packaging requirement of Madhya Pradesh and Uttar Pradesh....The textile ministry in February had allowed relaxation in the procurement of jute bags in favour of plastic bags in a bid to prevent food procurement programmes from being affected because of anticipated shortfall in the supply of jute bags up to March, 2018...



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The industry has made several representations with the Centre on the supply issue and the Indian Jute Mills Association has communicated its readiness to supply the bags to meet the demand requirement. Unless the decision to procure 92.000 bales pf plastic bags is withdrawn, industry fears the closure of mills without adequate order. Textile minister Smriti Irani is set to meet consumer affairs, food and public distribution minister Ram Vilas Paswan soon to discuss the “sensitive” issue.

Jute goods production of IJMA jute mills and jute mills reporting to IJMA during March 2018 amounted to 94.800 mtons of which 3.100 mtons were jute yarns/twines.

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