



Jute Market Report for November 2016

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1st December 2016

Bangladesh

Raw Jute: During the month under review local market for soft district areas, especially for low quality of fibres, remained stable, but the market for Hard District and North Bengal areas showed an upward trend. The leading jute yarn and twine spinning mills, Bangladesh public sector jute mills (BJMC) as well as private composite jute mills were in the market as buyers. Besides, regular demand continued from Pakistan and from India for high quality jute. Buyers from both countries were actively in the market and buying according to their requirements. There was demand too from the other raw jute importing countries like China, Nepal, Vietnam, Russia, UK and others, but total volume of business was rather modest.

Due to increase in demand for high quality jute, both from local buyers as well as foreign buyers, the local fibre prices for these fibres increased too. Export prices have also increased in sympathy by about USD 15,00 per mton. On the other hand, export prices for low quality jute, such as SMR, BTE BS and jute cuttings BWCB and BT CB tended to become softer.

Raw jute exports during the period of July 2016 up to September 2016 were 214.240 bales against 266.793 bales during the same period under review in 2015.

So as to reduce the use of environmentally harmful plastic bags and to increase the use of environment friendly fibres as well as to protect the interest of the farmers, Government is going to make it soon mandatory to packaging in jute bags of nine more agricultural products, such as Chili, Turmeric, Onion, Ginger, Garlic, Pulse, Coriander, Potato and rice bran. Earlier Bangladesh Government had made the use of jute bags for packaging of six commodities - Paddy, Rice, Wheat, Maize, Fertilizer and Sugar - compulsory.

It was reported that extending the number of agricultural products for compulsory packaging in jute bags would result in additional requirements to the tune of 500 million jute bags. It has already earlier been stated that due to enforcement of mandatory packaging law the demand for raw jute has increased in domestic level. According to the data from the Export Promotion Bureau (EPB) and Bangladesh Jute Spinners Association (BJSA) jute yarn and twine spinning mills process two thirds of raw jute production mainly for export sales. Jute yarn and twine account for 65 percent of the sectors annual exports receipts of over \$850 million.

Jute Yarn/Twine: Situation remained unchanged during the month under review as compared with the situation in October 2016. Private jute yarn and twine spinning mills continued to suffer from labour shortage. According to insiders of the industry, workers are seeking jobs in other industries which offer higher wages than the jute industry. About 40 % to 50 % of mills total production has been hampered due to shortage of labour, which resulted in lower production of the mills and they could not make full use of existing production capacities. Besides, most of the mills are sold out until January 2017 and thus they are unwilling to take new orders for prompt/current shipment.



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International demand from major importing countries like India, China, Turkey, Europe and Middle East countries, especially from Iran, market has increased during the month under review.

Besides, there was buying interest for both low and high quality of jute yarns/twines from other importing countries like Vietnam, Indonesia, Malaysia, other Asian countries as well as African countries. Because of increased demand from foreign buyers, the prices for high quality of jute yarn/twine like CB, CRM, CRP and CRT increased by about USD 50 to 60 per mton, for low quality of yarn/twine prices increased by about USD 30 per mton during the month under review.

Jute Goods: Compared with the month of October 2016 local demand for Sackings and Hessians increased. Export demand from international markets for Sackings, Hessians and CBC was increasing too. Demand from USA, Australia, Yemen, Japan, Vietnam and African countries remained at same level as experienced during the preceding month. On the other hand, demand from the other Middle East countries like Syria, Egypt and Iraq declined during the month under review.

According to the industry insiders, international demand from the developing countries is expected to increase further. According to them, the total jute goods production of Bangladesh amounts to around 1 million /1.2 million mtons per year, out of which 75 percent are exported and the remaining 25 percent are consumed by the local market. Even the mandatory jute packaging law could not boost demand in the local market.

Export Promotion Bureau (EPB) data shows: Bangladesh exported jute and jute goods worth nearly \$920 million in fiscal year 2015-2016. Of the exports, yarn and twine represented a value of USD 559 million, followed by raw jute representing USD 173 million and sacks and bags USD 122 million.

EPB data for the period July – September of the current fiscal year shows: exports of jute yarn, twine, bags and sacks were down by around 20 percent.

However, due to ongoing demand from the regular importing countries with local demand as well as limited mills production capacity, most of the quality jute mills are booked up to January 2017 and the private composite jute mills are not encouraged to take new orders for December and January shipment as long as they do not dispose of adequate, free production capacity.

During the month under review the market firmed up with prices increasing as follows:

Sackings	5% to 8% approx
Hessians	3% to 4% approx
Jute CBC	4% approx.

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General: Jute Goods manufacturers are entitled to get loan from the Financial Sector Support Project (FSSP): fund for import and replacement of machinery. The Bangladesh Bank has recently issued a circular to this effect. Bangladesh Bank has taken the latest measures in line with the request received from the Ministry of Textiles and Jute. Under this initiative local jute goods manufacturers will get loan from FSSP fund to import new machinery or replace old equipment. The Bangladesh jute industry hailed the decision stating that this complied with a demand of theirs for such facility existing since long time. They will benefit by taking loans from the fund.

India

Raw Jute: The Indian raw jute market tended to become weaker because of liquidity problems due to demonetisation measures taken by the Indian Government. JBA quotations at the close of the month under review: TD-4 IRS 4.175 and TD-5 IRs 3.875 per quintal for ready delivery. It is reported that JCI has been asked by the Government to continue operations until the current cash liquidity improves, but purchase data are not available. The quantity of market support purchases might be known when the supply from JCI is linked to Government orders for B-Twill bags.

Jute Yarn/Twine: Jute yarn and twine prices were ruling firm during the month under review. There was strong demand but availability of imports from Bangladesh was reportedly scarce.

Jute Goods: Hessian prices declined by 3 % with fall in export orders and less domestic demand during the month under review. Selective mills were asking premiums of about 5 % with availability from January 2017 onwards. With slump in domestic sales Hessian prices are likely to ease further. **Sacking** prices remained almost unchanged, notwithstanding no orders from Government received during the month under review. It is likely that the November quantity will be clubbed in December 2016 order.

The trade holds the view that since the sowing for winter crops are reportedly satisfactory and area under cultivation has increased, the demand for jute bags is unlikely to decline which also applies for raw jute consumption. Thus, the raw jute prices may not decline significantly.

Bengal Jute Mills take wage issue to RBI: Soon after tea garden owners sought the state government's intervention over cash problems due to the withdrawal of high-value notes, jute mills have approached Reserve Bank of India (RBI) seeking a 'workable solution' to honour wage payments.

The Indian jute mills association (IJMA) has written to RBI regional director (East) highlighting its plight in the wake of the scrapping of Rs500 and Rs1,000 notes and limited supply of new notes from the banks. "We need to draw the attention that about 2.5-2.7 lakh workers are mostly being paid fortnightly wages in the 90 mills across the country. There had been limited success in attempts to get bank accounts for the workers," IJMA has said in the letter.



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The letter also sought review of the notification on limitation of cash withdrawal to Rs10,000 per day with overall limit of Rs20,000 in a week till 24 November. IJMA added that it will not be possible to disburse wages to the workers involving RS2700-3000 million a month unless the notification is relaxed for the mills or a workable solution is derived.

After separate meetings with jute mill owners and jute workers the West Bengal Government has indicated it may step in to help the jute industry which has taken a major hit due to the withdrawal of high-value currency notes. Labour Minister Moloy Ghatak said he will meet officials of JCI and may ask the state-owned enterprise to act as an intermediary in the procurement of raw jute. Jute mill owners are unable to buy directly from the farmers because of the ongoing cash crunch. Unless they can buy raw jute, jute mill owners fear they will have to scale back production within 2 weeks.

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Production of IJMA jute mills and jute mills reporting to IJMA in October 2016: 89.300 mtons of which 3.200 mtons jute yarn/twine.

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