

Jute Market Report for March 2017

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2nd April 2017

Bangladesh

Raw Jute: During the month under review export market situation did not change very much compared with market conditions that ruled in February this year. There was regular demand from Pakistan and India. Pakistan were in the market according to their requirements both for high and low quality long jute and jute cuttings; whereas India were in the market only for high quality of fibre. Enquiries from Nepal, China, Vietnam, Russia, Brazil and other importing countries were circulating in the local market. These concerned long jute BTB, BTE, BTR as well as jute cuttings BTCA, BTCB and BWCA and long meshta. On the other hand, local demand from privately owned jute yarn and twine spinning mills and composite jute mills was brisk. They were obliged to make raw material purchases so as to meet contractual commitments on the sales side.

Against existing local and foreign demand availability of fibre in the local market was limited. Export prices for high quality long jute have increased by about USD 10,00 to USD 15,00 per mton. Prices of low quality of Tossa long jute and jute cuttings remained unchanged.

Raw jute export figure from the period of July 2016 up to January 2017 were 697,360 bales against 551,137 bales during the same period under review in 2015/2016.

New Crop: Enthusiastic farmers in some jute growing areas in Bangladesh have already started sowings to achieve their target and accordingly Rangpur agriculture region has a target to produce 695,000 bales of the fibre from 64,101 hectares of land in this season. According to Department of Agriculture Extension (DAE) sources farmers have already sowed jute seed in 1300 hectares of land in all the five districts of Rangpur. According to DAE sources the farmers will produce 641,000 bales of Tossa jute fibre from 583,500 hectares of land and 53,255 bales of 'Deshi' variety fibre from 5,751 hectares of land in Rangpur agriculture region this season.

Jute Yarn/ Twine: Regular demand has been observed for high quality of jute yarn and twine from Turkey and Iran market. Demand has also been observed for Hessian and Sacking qualities from importing countries like India, Uzbekistan, China, Vietnam, Indonesia, Malaysia, Russia, Middle East, Europe and African countries. In spite of export demand having steadily improved jute yarn and twine spinning mills are unable to meet the rising demand from foreign markets, because the private jute yarn and twine spinning mills continue to suffer from labour shortages. For this reason the mills could not make use of their existing production capacities. Besides, most of the mills are sold out until April 2017 and thus they are unwilling to take new orders for current shipment. Due to increasing demand from foreign markets prices for both high and low quality of jute yarn have increased by about USD 30.00 to 40.00 per mton.

On 28th ult. the Bangladesh Jute Spinners Association (BJSA) urged the Bangladesh Government to bring down prices of jute batching oil (JBO) to its previous level to help reducing production costs. BJSA also requested the Government to settle the issue of anti-dumping imposed by India through diplomatic channel. The BJSA Secretary-General said the Government raised the JBO price to BDT 90,00 per litre from BDT 68,00 earlier in January 2016 despite the declining price of fossil fuel and its by-products globally. He said that the 248 jute mills in the country need 30.000 mtons of JBO of which spinning mills consume 18.000 mtons.



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The outgoing Chairman of BJSa said India was the second biggest destination for jute yarns made in Bangladesh after Turkey. Bangladesh shipped 104,000 mtons of jute yarns to India during the last financial year 1st July 2015/30th June 2016 or 16 percent out of total jute yarn exports.

Jute Goods: Local consumption of finished jute goods, both Hessians and Sackings, remained strong during the month under review. Regular export enquires for jute goods, Sackings, Hessians and CBC. Enquiries originated from India, China, Vietnam, Japan, Australia, Middle East, Africa, Europe and USA. But due to ongoing internal rising demand local private composite jute mills and BJMC are kept fully busy to fulfil their local commitments to meet local requirements which have priority in comparison to export sales.

The Government is set to approve the Food Department's proposal to purchase 10 million hessian bags costing BDT 540 million for preserving food grains in public silos. Officials said the Director General of Food will purchase the bags from the state-owned Bangladesh Jute Mills Corporation BJMC under direct procurement system.

Prices during the month under review increased as follows:

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| Sackings | 2 % approx. |
| Hessians | 3 % approx. |
| Jute CBC | 2 % approx. |

General: For the first time in history the country observed the National Jute Day on 6th of March 2017 with the objective to revive the past glory of the golden fibre and boost its demand at both local market and international markets.

The Textiles and Jute Ministry arranged various programmes to celebrate the day organizing rallies and fairs across the country. Stakeholders including Bangladesh Jute Association, Bangladesh Jute Spinners Association, Bangladesh Jute Goods Exporters Association and Bangladesh Jute Mills Association at their respective offices have made the day successful through their active participation with colourful rallies all over the country taking place to mark the event. In that connection it should be recalled that the First (and last) World Jute Conference took place about 60 years ago in Narayanganj (in erstwhile East Pakistan).

India

Raw Jute: Prices remained unchanged during the last fortnight. JBA quotations unchanged TD-4 IRs 4.110 and TD-5 IRs 3.735 per quintal. The arrival in abundance of inferior raw jute grade TD-6 (and below) in the market has triggered concerns within the jute industry with respect to meeting the requirements of government procurement. Although there is a bumper crop size of raw jute of 10 million bales (180 kg) 50 % of it belong to the inferior grades. To compound the woes of the industry only 4 million bales have arrived in the markets, the balance is reportedly still lying with stockists.

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Overproduction of inferior quality of raw jute has distorted the market. There is a pronounced mismatch in production and consumption patterns. This is enough to disturb the normal supply of government ordered B-Twill bags, because inferior grades are unsuitable for manufacture of 580 gr light weight jute bags required by the government, said a leading jute mill owner. Alarmed at the situation the jute industry has drastically reduced purchases of the inferior grades being dumped in the local markets. Though the industry is committed to meet the requirements of B-Twill jute bags as mandated by the government, it feels hamstrung due to flooding of inferior grades of raw jute into the markets.

There are 2 broad reasons governing the deterioration in the quality of raw jute. The up country prices of raw jute that jute growers received are usually lower (around IRs 50,00 to 100,00 per quintal for TD-5) than the estimated cost of cultivation. Coupled with inadequate supplies of fresh water to soak the fibre, the raw jute produced is of inferior quality. Availability of good quality jute seeds is another problem. Around 6.000 mtons of jute seeds is required annually for jute cultivation.

New Crop: As rains happened last week and in the morning cloudy weather this should help soil preparations which are in progress and early sowings. Day temperature is warm and one expects very hot summer this year. Monsoon this year is likely to remain below normal at 96 % plus/minus 5 percent as per private forecast. There is the growing possibility of El Niño conditions developing around July/August that may affect normal rainfall.

Jute Goods: Hessian prices have decreased a bit. Premium of selective mills narrowed from 5 to 4 percent mainly due to lack of fresh orders. Sacking prices also decreased by almost 5 percent. The Government of India through its procurement agency ordered for March about 250.000 bales. With firm steps taken by the Jute Commissioner the backlog of supplies against Government orders is gradually under control. Some jute mills are seeking additional orders from the government as sales to private buyers are very poor. This will help to reduce the backlog in supply and is likely to minimise by end of April.

February 2017 production of IJMA jute mills and mills reporting to IJMA 89.700 mtons (of which 3.200 mtons jute yarn).

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