

Jute Market Report for May 2017

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5th June 2017

Bangladesh

Raw Jute: During the month under review export business was mostly done with Pakistan and India. Pakistan purchased about 8,000 mtons to 10,000 mtons of long jute and jute cuttings which were composed of long jute BTR KS, BTR CS, BTD HD, BTE HD and jute cuttings BTCA, BTCB. India purchased about 1.000 to 1.500 mtons of high quality long fibre like BTR KS, BTR NB, BTR CS and BTR HD. There were scattered enquires from China but only little business materialized. There were some enquiries from other raw jute importing countries but business activities were very limited.

There was unabated strong demand from the private jute yarn and twine spinning mills; they were buyers of high quality jute. The availability of high quality jute became less due to continuing high inland and foreign demand. The mills had to buy in a rising market with raw jute prices advancing. Besides the state enterprise BJMC private composite jute mills were in the market for both higher and low quality fibres. In view of strong demand from inland and foreign markets for both high and low quality scarcity of raw jute escalated further.

Export price for high quality jute has increased by about US-Dollar 20.00 to 25.00 per mton. However, prices of low quality fibre were showing a downward trend. Raw jute (including Meshta) exports during the period of July 2016 / March 2017 were amounting to 941,074 bales which is much higher than exports during the same period under review in July 2015/March 2016 amounting to 637,098 bales.

New Crop: Tossa jute sowings have almost been completed at the end of the month under review, except a few areas where sowings are still going on. Weather has improved during the month under review compared with adverse weather conditions during the preceding month. Overall, weather conditions have changed for the better with alternating rains and sunshine. Notwithstanding favourable current weather conditions, it is estimated that production of raw jute this year will be about 10 % to 20 % less as compared with last year due to flooded low lands in jute growing areas.

Jute Yarn/ Twine: International demand for jute yarn/twine excepting Near and Middle East countries like Turkey and Iran was subdued compared with demand during the preceding month. Although enquiries were received from China, Pakistan, Vietnam, Indonesia, Malaysia, Uzbekistan, India, Tajikistan, Europe as well as African countries both for high and low quality jute yarn/twine, but business realized done was at low ebb.

Due to sluggish export demand during the period under review prices for both high and low quality of jute yarn have decreased by about USD 10.00 to 15.00 per mton during the month under review. Under the given circumstances most of the owners of jute yarn and twine spinning mills were confronted with the decision whether to be open for new business or to refuse entertaining new enquiries.

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Jute Goods: In view of the current paddy season, local demand for Hessians and Sackings for packaging has increased. On the other hand, international demand of finished goods for sacking and hessian qualities has remained almost similar to the previous month. India was regularly in the market for unstitched Binola and B-Twill Jute bags.

The market price was showing a very marginal appreciation for Sackings, Hessians and Jute CBC during the month under review.

General: From May 15th 2017 Bangladesh Government has launched a special drive across the country to ensure mandatory use of environment-friendly jute bags for packaging of 17 essential commodities including paddy, rice, wheat, maize, fertilizer and sugar. As per jute packaging act the Government primarily made the use of jute bags for packaging of six commodities - paddy, rice, wheat, maize, fertilizer and sugar mandatory. It should be recalled that in context with this current development, few months earlier; on January 21st 2017 the Government also made use of jute bags for packaging of 11 other commodities including chilly, turmeric, onion, ginger, potato and flour mandatory.

The Bangladesh Government's decision to import 50,000 mtons of rice in plastic bags has irked the Bangladesh jute industry. Representatives from the industry claimed that such an initiative was contradictory to the spirit of the existing jute packaging law. In separate letters state run Bangladesh Jute Mills Corporation (BJMC) and Bangladesh Jute Mills Association (BJMA) have urged the relevant ministry to review the decision for the sake of the country's law of the land and also local industry.

The Department of Food has recently called a tender to import 50,000 mtons of white rice (Atap) where they set the criteria of using Polypropylene (PP) woven bags of 50 kg net, according to tender notice. The irony is that the Food Dept. is one of the vital stakeholders for mandatory use of jute bags.

The fact that despite the crucial position of the Department of Food when it comes to implementation of the jute packaging act 2010 defining the commodities for which the use of jute bags is mandatory, which became effective from 1st of January 2014, the latter has disregarded its special responsibilities and caused a true uproar with BJMC and BJMA followed by strong protests.

A senior official of the Food Department said they mentioned the use of plastic bags in their tender if jute bags were not available in rice exporting countries. But he said they would not violate the jute rules and would discuss the matter with the authority concerned. In special consideration the government can permit the use of plastic bags in case of rice imports, he added.

India

Raw Jute: During the month under review the market, after bottoming out recovered marginally and JBA quotations on 31st May illustrate the ruling sentiment: TD-4 IRs 3.840 and TD-5 IRs 3.465 per quintal. There is a rumour that the Indian Government may fix a minimum raw jute purchasing price for the Indian jute mills. Carry-over now estimated to be higher than 2 million bales and may be as high as 2.25 million bales.



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New Crop: Weather continued to be favourable with required alternate rains and sunshine. In semi Northern area the plants have attained a height varying between 48 to 60 inches. In South Bengal area the plants have attained a height varying between 36 and 48 inches. New Crop estimate continues to be over 8 million bales. Sowings have been almost completed. No official report about land under jute cultivation so far published. In general, growth of jute plants is better than expected. The monsoon has arrived in Kerala, two days in advance. Normal rains are expected.

Jute Yarn/Twine: Nothing noteworthy to report as far as Indian production during the month under review is concerned. However, Indian imports from Bangladesh picked up. India is the second most important buyer of Bangladesh jute yarns and twines. She imported during the Bangladesh budget year 1st July 2015/30th June 2016: 104,832.91 mtons from Bangladesh which represent 19.03 % of Bangladesh jute yarn/twine exports. The leading number one buyer of Bangladesh jute yarns and twines is Turkey to which 174,063.10 mtons, representing 31.60 % of Bangladesh exports of jute yarns/twines, were exported 2015/2016.

Jute Goods: Hessian prices as far as financially weaker mills are concerned were under pressure. The premium demanded by selected mills for Hessians increased to 10 % compared with Hessian prices of so called ordinary jute mills. Domestic demand for Hessians remained poor during the month under review. Sacking prices were under pressure with financially weaker mills being unable to hold stocks. However, it seems that sacking prices are gradually likely to recover with expected regular Government orders.

According to an announcement made by the Indian Ministry of Agriculture on 2nd May 2017 Indian food grain output 2016/2017 has been revised upwards to a record of 273.4 million mtons which is 8.7 % higher than 2015/2016 when production reached 252 million mtons. 2016/2017 will be the best crop year in Indian crop history. 2016/2017 estimate is higher than the 272 million mtons forecast by the Ministry of Agriculture in its second advance estimates released in mid-February 2017.

April 2017 production of IJMA jute mills and those reporting to IJMA amounted to 85.200 mtons of which jute yarn and twine represent a share of 3.600 mtons.

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