Jute Market Report for September 2022

4th October 2022

Bangladesh

Raw Jute: During the month under review, raw jute demand from Pakistan as well as from India was on a regular level. Pakistan was in the market for long Jute Tossa as well as Tossa cuttings, such as BTCA and BTCB. In total, Pakistan placed orders for about 4.500 m.tons. Indian buyers were in the market for long jute Tossa varieties such as BTR BS, BTR CS and BTR KS and purchased around 3.500 m.tons, in total.

Demand from other international buyers from countries such as China, Vietnam, Tunisia and Europe though was rather slow, during the month under review. The depreciation of the Chinese national currency RMB against the USD no doubt contributed for reduced demand from China.

Due to less demand from international markets export prices for new crop low quality fibre decreased by about USD 20 to 30 per m.ton. Export prices for higher grades however, increased by about USD 10 to 20 per m.ton, in view of less production and scarcity of high grade quality of fibre.

Raw jute exports during the period from July 2021 to April 2022 amounted to 607.585 bales against 502.721 bales during the same period in 2021.

Local raw jute balers, jute yarn and twine spinning mills as well as composite jute mills and raw jute processing units, continued to procure new crop fibre according to their requirements, during the month under review. However, availability of higher quality grades is scarce, whereas low grade quality fibre is easily available.

New crop: Even though jute growers were facing many obstacles, i.e. severe drought during harvest time, flooding et cetera, during this year’s jute season, farmers have been regaining their interest in jute cultivation over the past few years, as prices were on a steady increase in recent years.

In Tangail district, jure production has been going quite well, compared to other districts of Bangladesh, thanks to conducive water and soil conditions in this particular region. In consequence, local farmers are satisfied with their crop yield and the prices they are getting for their crop. In total 160.000 bales of jute fibre were produced on some 16.088 hectares, last year. This year the overall crop yield in this district amount to 170.000 bales, produced on 17.147 hectares.

What is reported about Tangail, does apply, on the whole for Rangpur, a disctrict in Northern Bangladesh, as well. Farmers are getting good prices for the fibre and could achieve a crop yield of 654.832 bales, in total.

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In answer to unscrupulous stockpiling by unlicensed traders during preceding season, the Bangladesh Government will closely monitor raw jute prices in the local market to prevent steep rise of raw jute prices.

Weather: During the month under review, the entire country faced moderate to heavy rainfalls mixed 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 importing countries such as Turkey, China, India and Europe to be described as rather sluggish. Same applies for demand from other importing countries like Vietnam, Indonesia, Malaysia, Uzbekistan, countries of the Middle East and the United States.

Local demand for sacking and hessian quality jute yarns and twines however was on a regular level during the month under review.

Export price: In view of the decreased demand from both local and international markets, export prices for low quality jute yarns and twines, such as hessian and sacking, decreased by about USD 20,00 - 30,00 per m.ton during the month under review. Due to the already described scarcity of high quality fibre, prices for high quality jute yarn and twines were on the rise and increased by about USD 20 to 30 per m.ton, during the month under review.

It is reported that both medium as well as large size mills are now operating more or less in full swing, running on three shifts per day, according to their confirmed orders. Furthermore, certain mills, which remained closed due to financial difficulties for a certain period, are now are about to resume production.

Jute Goods: Even though a good amount of enquiries were circulating in the market, business could not been materialized, in several cases. Accordingly export demand for Hessians and Sackings from Europe, Australia and USA decreased during the month under review. Same applies for demand for Hessian and Sackings was observed from African countries as well as from other importing countries such as India, South Korea, U.A.E., Indonesia, Iran, China and Vietnam during the month under review.

A steady local demand for Hessians and Sackings for packaging purposes was observed as well.

Jute CBC demand from the regular importing countries like Europe, UK, and Japan was on a regular level during the month under review.

During the month under review, export prices developed as follows:

Hessians: increased by approx. 4 %

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Sacking: decreased by approx. 4 %
CBC: stable

During the last two years, overall production of jute fabrics decreased significantly, due a drop in exports as well as a decreased domestic demand. In consequence numerous jute mills were either forced to close their operation or to work below capacity.

In total around 243.000 m.tons of jute textiles were produced in FY 2021/22, which represents a decline of 28 per cent compared to FY 2020/21. The total export of jute yarns and twines declined by 13 per cent and that of jute bags fell by 14 per cent in FY 2021/22, compared to previous year. Besides others, a rather unstable raw jute market, caused by unrestrained stockpiling by middlemen, to be blamed for the unpredictable raw jute market price situation.

The leasing process of two of the state owned Bangladesh Jute Mills Corporation (BJMC) jute mills, one in Khulna and the other one located in Chattogram, came to a standstill, as the selected companies are yet to provide the agreed security payment of 24 months of advance rent. So far two out of five privatized former BJMC mills started production. Earlier this year, BJMC again invited tenders to lease 13 jute mills. So far, seven have been finalised for lease. However the process is still ongoing.

Shipment: In answer to recent fuel price increases The Bangladesh Freight Forwarders Association (BAFFA) were forced to increase freight forwarding charges by thumping 57 per cent. Sea freight charges from Bangladesh were already much higher compared to other Asian countries, like Vietnam or Cambodia, but the described increase of local transportation charges puts Bangladesh exporters in an even more difficult situation than before.

After the increase in oil prices on August 6th, the Bangladesh Inland Container Depots Association (BICDA) already felt compelled to increase charges for import handling by 35 per cent, for empty container handling by 25 per cent and for handling export goods by 25 per cent, as well.

The surcharges for exports were slightly reduced from 25 per cent to 21,5 per cent, the handling charge for imports as well for empty containers from 30 to 20,35 per cent, later when oil prices came somewhat down.

The worldwide container shipping industry will have made as much money in three years as during the previous six decades, but it appears that the container shipping cycle peaked. Congestion at ports is still high, which forced up prices and helped profits. Yet freight rates have fallen by about a third and, barring unforeseen events, profitability is set to decline next year, according to industry analysts. It is expected that earnings next year are likely to be lower but still above pre-pandemic level.

Bangladesh currency: The Bangladeshi Taka **(**BDT) has fallen 10% over the past year. It used to be quite stable towards the USD for a span of 10 years, but sank to a record low, earlier this year. The following chart, shows the currency development against the USD and highlights the drastic and inconceivably quick downfall of value of the BDT towards the USD during the last couple of months.

Source : TradingView

India

Raw Jute: The ruling market prices quoted by the Jute Balers Association (JBA) end of last month were fixed as follows: TD-4 IRs 6.700 and TD-5 IRs 6.000 per 100 kgs. The premium for TD-4 went up from IRs 500 to IRs 600. At the same time the premium for TD-6 increased from IRs 600 to IRs 800 for 100 kg. Market prices slightly decreased by around 2 per cent during the month under review. It is unlikely that prices will come down any further and it is expected that prices will maintain these levels for a certain period of time.

New crop: It is expected that harvest of new crop fibre is going to be completed prior Puja festival, which starts by September 30th. Local supplies to Indian jute mills continued to pick up and around 656,000 bales against 456,000 bales in July were delivered. According to current estimates this year's crop is expected to rule somewhere around 9,5 Mio bales compared to 9 Mio bales in 2021/22.

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Weather conditions: During the month under review, India witnessed occasional rainfalls, but no heavy showers to help jute processing. Monsoon continued during the month under review but is likely to be withdrawn by 1st week of October. Due to insufficient rainfalls it is expected that this year's Kharif crop is likely to be 4 per cent lower, this year. Kharif crops, also known as monsoon crops or autumn crops, are domesticated plants that are cultivated and harvested in India, Pakistan and Bangladesh during the Indian subcontinent's monsoon season.

Jute Yarn and Twine: Demand for jute yarns and twines again continued to be poor during the month under review.

Jute Goods: Situation during the month under review presents itself as follows: Prices for Hessians slightly increased. Selective mills asking for premium of 10 % against prices quoted by „standard“ mills. Export demand as well as local demand continued to pick up gradually during the month under review.

During the month under review market prices for sackings remained unchanged and ruling around: IRs 100.000 to 108.000 per mton, with selective mills asking for premium of 4 % against prices quoted by „standard“ mills.

B-Twills: The Indian Government placed orders of 275.000 bales of B-Twill bags during the month under review. The order volume for October is expected to be lower

Orders for Jute Carpet Backing Cloth were on a regular level, though small in quantity, which is why prices are firming up. Poor availability of high quality raw jute, which is required to produce proper quality Jute Carpet Backing Cloth, it is expected that will continue to increase.

Jute goods production of IJMA jute mills and jute mills reporting to IJMA in June 2022 amounted to 91.500 mtons of which 3.100 mtons were jute yarns/twines. Figures for July amounted to 102.700 mtons of which 3.600 mtons were jute yarns/twines and for August 106.300 mtons of jute goods of which 3.900 mtons were jute yarns/twines.

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