

# Jute Market Report for July 2024

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## Bangladesh

**Update:** After weeks of massive student protests and escalation of violence Bangladesh's Prime Minister Sheikh Hasina's 15-year rule came to an abrupt end after she was forced to resign amid weeks of violent political unrest. The army prepares to install an interim government. Bangladesh's army chief, General Waker-uz-Zaman, publicly said that the military would form an interim government. Details of how the interim government will be formed are still sketchy, but Zaman said he was holding talks with major political parties, including the opposition Bangladesh Nationalist Party.

It is not clear whether the military itself will take power, as has happened in several military coups in the past. Student activists have said they would reject military rule.

Professor Muhammad Yunus, an economist and the founder and former managing director of the Grameen Bank, which provides microcredit is one of the founders of the concept of microfinance, awarded the Nobel Peace Prize in 2006, has agreed to lead the interim government as its chief adviser. A reliable source has confirmed the information to The Daily Star on August 6<sup>th</sup>.

The concept of caretaker government is not new to Bangladesh. From 1990 to 2008, between general elections, the elected government handed over power to a technocratic caretaker administration tasked with holding free and fair elections. This system was abolished in 2011. Some observers however are now calling for a similar caretaker administration to take over until elections are held.

The demonstrations began in June after student groups demanded the abolition of a controversial quota system in government jobs. But they escalated into a major uprising against Hasina's government. The unrest has so far claimed the lives of around 300 people since mid-July, according to local reports.

All educational institutions, including government, semi-government, autonomous, semi-autonomous, private institutions, factories, schools, colleges, madrasas and universities of Bangladesh will be open from August 6<sup>th</sup>. The curfew, in both strict and relaxed forms, has been in force for a period of 17 days, causing a standstill of inland transport movements and shipments over the last 10 days or so, resulting in port congestion.

**Raw Jute:** During the month under review, raw jute demand from India as well as from Pakistan decreased, as new crop fibre is expected to be available in the market from early August. Indian buyers were in the market for high qualities of long jute like BTR NB KS, BTR NB CS and BTR BS as well as Jute Cuttings BTCB. In total around 2.500 mtons were procured. Buyers from Pakistan were in the market for long Tossa Jute and long Meshta as well as Jute Cuttings BTCA and BTCB and Meshta OMC cuttings. In total, Pakistan placed orders of about 2.000 mtons.

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In view of new crop arrivals drawing nearer international buyers from importing countries such as China, Vietnam, Russia, Nepal and Tunisia continued to monitor the market, but did not place larger orders during the month under review in anticipation of new crop arrival.

Local demand from jute yarn and twine spinning mills, composite jute mills as well as raw jute processors for both high- and low-quality raw jute continued to be on a regular level, but mainly covered for short term demands.

Export prices for higher quality grades of raw jute fibre remained stable during the month under review, whereas prices for lower quality grades witnessed a decrease of USD 20-30,00 per mton during the month under review.

Raw jute export during the period of July 2023 up to February 2024 of the (fiscal year 2023-2024) amounted to 697.847 bales against 657.443 bales during the same period in the fiscal year 2022-2023.

**New Crop:** New crop Meshta and White Jute fibres were available in smaller volumes during the month under review. Due to a drop of the crop yield in comparison to last year and a strong demand from local parties, especially for high grade fibres, prices were higher than last year at the beginning of new crop season. Harvest for Tossa Jute fibres started and smaller quantities were already available by end of the month under review. Early predictions for Tossa Jute crop are guessing a very good quality of fibre, due to advantageous rainfalls and favourable overall weather conditions, but in consequence to less sowings a significant reduction in overall crop volume is expected. According to local information a carry-over stock of some 8-12 per cent is expected. We are yet to receive reliable crop figures for Meshta, White and Tossa Jute, but expect same to be available in the course of the next one or two months.

**Weather:** During the month under review, the entire country witnessed continuous medium to heavy rainfalls. Low lying areas in the northern part of the country, including the districts of Lalmonirhat, Kurigram, Gaibandha, Bogura, Sirajganj, Jamalpur, Tangail and Rangpur were inundated.

**Jute Yarn and Twine:** Export demand for both high- and low-quality grade jute yarns and twines from regular importing countries like Turkey, Europe, China, Vietnam, Russia and countries of the Middle East were on a low level during the month under review. Most customers were checking prices in anticipation of new crop arrival, only.

Local demand for both Sacking and Hessian quality jute yarns and twines for packaging purposes was minimal during the month under review.

Export prices for both high and low quality of jute yarn and twine remained stable during the month under review.



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Due to decreased demand from international markets, financially solvent mills were forced to reduce their daily production capacities, a lot of small and medium size mills were even struggling to remain operational.

**Jute Goods:** During the month under review export demand for both Hessians and Sackings from buyers in Europe, Australia and USA remained stable. Export demand from other importing countries such as African countries, Syria, Iran, China and Vietnam was on a regular during the month under review, too. As usual, India bought unstitched Binola and B-Twill fabrics.

Local demand for Hessians and Sackings for packaging purposes reduced further during the month under review.

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

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

Hessians:	increased by approx. 4%
Sacking:	increased by approx. 3%
CBC:	remained stable

**Maritime Transport:** After falling weekly for three months in a row at the beginning of the year, freight rates have risen sharply since May to their highest level since August 2022. Average freight rates for a forty-foot container have more than doubled (+121 per cent) since the beginning of the year to USD 5,901 and almost quadrupled (+297 per cent) compared to last year. The costs for moving a 40ft container between Asia and northern Europe at short notice has more than doubled since April from USD 3,223 to USD 8,461, following an intensification of Houthi rebel attacks on ships travelling through the Red Sea to the Suez Canal.

Christine Lagarde, the European Central Bank president, flagged heightened geopolitical tensions as an upside risk to inflation as they could “push energy prices and freight costs higher in the near term”.

According to Maria Latorre, an industry expert at Allianz Trade said, "The Middle East conflict and in particular the attacks by the Houthi rebels on ships in the Red Sea are probably the biggest price drivers for freight rates. Transit times are significantly longer as ships are diverted around Africa. As a result, supply chains and schedules are disrupted, ports are sometimes overloaded and ships are booked well in advance".

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**WILHELM G. CLASEN GmbH & Co. KG**  
Burchardstraße 17  
20095 Hamburg, Deutschland  
Amtsgericht Hamburg, HRA 120531

Tel. +49 40 32 32 95-0  
Fax +49 40 32 19 16  
info@wgc.de | www.wgc.de  
USt.-ID-Nr. DE307976040

Deutsche Bank AG (BIC: DEUTDE33XXX)  
IBAN: DE10 2007 0000 0010 9520 00  
DZ Bank AG (BIC: GENODE33200)  
IBAN: DE42 2006 0000 0000 1382 08

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“Increasing demand and the resulting tentative recovery in world trade is also having an impact on transport costs”, Latorre adds.

However, these only accounted for around 15 per cent of the increase, less than the major uncertainties and supply chain disruptions caused by the conflict in the Red Sea. However, oil prices, which were the main driver of high freight rates in 2022, have fallen significantly since their peak and are no longer contributing to the increase in freight costs.

AP Møller-Maersk lifted its financial guidance for a third time since May as the world’s second-largest container shipping group benefits from continued disruption in the Red Sea and stronger global trade. Maersk initially thought the Red Sea disruption would last a few months but now says it will last most of this year and perhaps into 2025.

## 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 5.775 and TD-5 IRs 5.275 per 100 kgs., representing a slight decrease of raw jute prices.

Local supplies of raw jute to Indian jute mills were ruling around 334.000 bales during the month under review (against 567.000 bales in June). At the end of June, raw jute stock with jute mills were 801.000 bales.

**New crop:** The area brought under cultivation is reportedly ruling around 600.000 hectares, which would be around 15 per cent last compared to last year. The overall crop volume is still estimated with around 5,5 Mio bales for this year compared to 8,5 Mio bales 2023-24.

According to local reports Assam plants achieved a height of about 10 feet and harvest started during the month under review. North Bengal plants are ruling around same height and are likely to add some more. South Bengal plants even reached a height of nearly 12 feet and are expected to cross 15 feet.

As mentioned above, harvest in Assam started already whereas North Bengal is waiting for rainfalls, which are forecasted for to take place soon. Jute crop in South Bengal is likely to take some two more weeks to be ready for harvesting. New crop fibres are expected to hit the market during the second half of August.

**Weather:** Even though Monsoon is at its peak, distribution of rainfalls is quite irregular. Central and South India for example having received bountiful rain whereas the country’s northwest and east so far staring at big deficits. At the midway stage of rainy season, 36 per cent of India’s districts have received deficient or large deficient rains.

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For the second half of monsoon season, which is taking place from August to September, it is forecasted that rainfall is most likely to be above normal as there is strong possibility of La Nina conditions by the end of August.

**Jute Yarn and Twine:** Demand for jute yarns made in India during the month under review continued to remain poor.

**Jute Goods:** Situation during the month under review presented itself as follows:

No change in the market situation of Hessians compared to the preceding month, with prices for Hessians having been slightly lower ruling at IRs 111,000 per mton at the time when this report was published. Selective mills are asking for premium of 12 per cent against prices quoted by „standard“mills.

Price of Sackings is prevailing at IRs 82.000 per mton with selective mills asking for premium of 15 per cent for exports against prices quoted by „standard“mills.

In view of a sharp decline in production during the month under review and a comfortable carry over stock of around 2,5 Mio to 3 Mio bales there is no immediate possibility of a price increase. However, locals reports about new crop fibre being rather light and weak in consequence of prevailing water at the time of sowings, need to be examined. Weather conditions during August will be helpful for future assessment, though.

B-Twills: The Indian Government placed orders of about 300.000 bales of B-Twill bags during the June and July together, which is less than expected. Order volume for August is expected to be a little less than 250.000 bales.

No reports about orders of Jute Carpet Backing Cloth were published for the month under review, which indicates that demand should be rather poor.

Jute goods production of IJMA jute mills and jute mills reporting to IJMA for June 2024 were 72.100 mtons in total of which 2.400 mtons were jute yarns/twines.

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