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## Bangladesh

### Cotton and Products

### Annual

### 2006

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**Report Highlights:**

Bangladesh cotton imports are forecast to increase by three percent to 460,000 tons in MY 2006/07, with the fast growing spinning sub-sector contributing to continued strong demand for raw cotton. The U.S. market share in Bangladesh cotton imports is expected to further slide to less than ten percent, due to strong competition from the Commonwealth of Independent States (CIS) and India.

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Includes PSD Changes: Yes  
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## SECTION I - SITUATION AND OUTLOOK

### Production

Assuming normal monsoon rains and minimum pest infestations, MY 2006/07 cotton production is forecast at 14,500 tons, with planted area likely to remain unchanged at around 50,000 hectares. The MY 2005/06 crop, which suffered due to heavy rainfall during the ball formation stage in late October 2005, is estimated at 14,000 tons, comprised of 13,000 tons medium staple American cotton and 1,000 tons short staple highland cotton (locally called "Comilla" cotton). Cotton is a relatively risky crop in Bangladesh, due to its vulnerability to excessive rains and pest infestations. The lack of high-yielding varieties is limiting annual production to 70,000 to 80,000 bales of raw cotton versus the demand for two million bales.

MY 2006/07 cotton yarn production is forecast at 397,000 tons, and fabric production is forecast at 1.47 billion meters. The spinning sub-sector has witnessed robust growth over the past six to seven years, due mainly to the growing demand for yarn from both the domestic market and the export-oriented ready-made garments (RMG) sector. Yarn production in MY 2005/06 is estimated at 372,000 tons, and fabric production at 1.38 billion meters, up eight percent and four percent, respectively, from the previous year. Due to the increasing price of yarns, the small-scale handloom industry is losing its competitiveness, with its contribution to the fabric market gradually shrinking. Fabric production by this sector in MY 2005/06 is estimated at 620 million metres, about 38 percent of the total domestic requirement.

The Bangladeshi textile industry, the largest manufacturing segment of the industrial sector, provides employment to about 4.5 million people (including 1.8 million in the RMG sector), and accounts for five percent of the country's GDP, 38 percent of industrial value addition, and 76 percent of total foreign exchange earnings. With the available capacity, the country's primary textile sector can supply 90 percent of the domestic fabric and yarn requirements, around 80 percent of the raw material for knit garments, and 40 percent of fabric for the cotton woven RMG exports.

### Consumption

Raw cotton consumption in MY 2006/07 is forecast at 484,200 tons, up from 453,150 tons in MY 2005/06. Increasing demand from the rapidly growing private sector spinning mills and large imports are fueling consumption growth. Cotton yarn consumption in MY 2006/07 is forecast to increase by seven percent to 635,000 tons. Fabric consumption in MY 2006/07 is forecast at 3.94 billion meters. MY 2005/06 consumption, estimated at 3.86 billion meters, includes 2.60 billion meters for the RMG sector. Although the "new generation" spinning and weaving mills are capable of supplying high quality yarns and fabrics for the export-oriented RMG sector, domestic product is 5 to 15 percent more expensive than those supplied by the Pakistani, Indian, and Chinese exporters. Local products also face competition from fabrics imported under the "production and re-export" plan that have illegally "leaked" from bonded warehouses.

### Trade

Raw cotton imports in MY 2006/07 are forecast to grow only marginally to 460,000 tons, due to large carryover stocks. Imports in MY 2005/06 are estimated at 448,000 tons, up 11 percent from MY 2004/05 imports, due to high demand from the spinning sub-sector. The CIS continues to be the principal supplier to Bangladesh, with a market share of about 40 percent, due to low prices and shorter delivery periods. The United States market share has

declined to less than ten percent, with India emerging as a major competitor due to price competitiveness and geographical proximity.

Cotton yarn imports in CY 2005 declined by three percent to an estimated 225,000 tons, due to larger availability of locally produced yarns. Imports in CY 2006 are forecast to further slide to 220,000 tons. India continues to be the principal supplier, with a market share of around 65 percent, which is expected to grow further once the recent Bangladeshi government decision to withdraw the ban on imports through the Benapole land port comes into effect. Due to pressure from the Textile Mills Association it is uncertain when the decision will come into force.

Despite larger domestic supplies, fabric imports in CY 2006 are forecast at 2.49 billion meters, marginally up from CY 2005, due to increased use by the export-oriented RMG and domestic sectors. Due to price advantages in quality categories, China continues to be the principal supplier, with a market share of around 75 percent in 2005. Trade sources claim that the illegal influx of foreign textiles through under-invoicing, leakage from bonded warehouses meant for export-oriented RMG units, and smuggling are serious threats facing the domestic textile industry.

The export-oriented yarn and fabric imports enjoy duty draw back provisions. There are no quantitative restrictions on imports of textile raw materials, including fabrics. The duty structures of raw cotton, yarn, and fabric imports are shown in Section II.

## Marketing

Bangladesh is almost entirely dependent on imports to meet the rapidly growing demand for raw cotton. More than 40 percent of raw cotton imports are meant for the export-oriented RMG sector. Bangladeshi spinning mills prefer U. S. cotton, both Pima and Upland, for their superior quality, consistency, and better ginning out-turn. Although they are willing to pay a reasonable premium for US raw cotton, high freight costs and longer delivery periods are major constraints facing US suppliers. However, there is scope for increased US cotton exports to Bangladesh, due to the rapid expansion and modernization of the spinning sub-sector. The USDA export credit programs, and the Cotton USA program to establish closer contact with Bangladeshi buyers, could support increased market share for U. S. cotton.

Cash incentives for the export-oriented textile sector have been removed since July 1, 2005. Despite substantial growth in backward linkage industries, Bangladesh still has a sizable shortfall in fabric and yarn production, which is hindering the growth of RMG export earnings in the post-MFA period. The Bangladesh Textile Mills Association and the Government of Bangladesh estimate that, in order to reach the target of earning \$10 billion by 2010, Bangladesh needs to set up an additional 45 spinning mills, 82 weaving mills, 81 knitting and knit product processing plants, and 51 woven processing plants, all of which would require an additional investment of around \$3 billion.

## SECTION II - STATISTICAL TABLES

Table 1: Commodity, Cotton, Metric Tons, PSD

PSD Table							
Country:	Bangladesh						
Commodity:	Cotton						
		2004		2005		2006	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		Aug-04		Aug-05		Aug-06	(MONTH/ YEAR)
Area Planted	49640	49640	50000	49770	0	50000	(HECTARES)
Area Harvested	44000	44000	50000	49770	0	50000	(HECTARES)
Beginning Stocks	76422	76422	82954	83197	0	92047	METRIC TONS
Production	13064	13307	15241	14000	0	14500	METRIC TONS
Imports	402794	402794	446339	448000	0	460000	METRIC TONS
<b>TOTAL SUPPLY</b>	492280	<b>492523</b>	544534	<b>545197</b>	0	<b>566547</b>	METRIC TONS
Exports	0	0	0	0	0	0	METRIC TONS
USE Dom. Consumption	408237	408237	451783	452000	0	483000	METRIC TONS
Loss Dom. Consumption	1089	1089	1089	1150	0	1200	METRIC TONS
TOTAL Dom. Consumption	409326	409326	452872	453150	0	484200	METRIC TONS
Ending Stocks	82954	83197	91662	92047	0	82347	METRIC TONS
<b>TOTAL DISTRIBUTION</b>	492280	<b>492523</b>	544534	<b>545197</b>	0	<b>566547</b>	METRIC TONS

Table 2: Commodity, Cotton, 480 lb bales, PSD

<b>PSD Table</b>							
<b>Country:</b>	Bangladesh				Conversion	0.004593	
<b>Commodity:</b>	<b>Cotton</b>						
		<b>2004</b>		<b>2005</b>		<b>2006</b>	UOM
	Old	New	Old	New	Old	New	
<b>Market Year Begin</b>		38200		38565		38930	(MONTH/YEAR)
Area Planted	49640	49640	50000	49770	0	50000	(HECTARES)
Area Harvested	44000	44000	50000	49770	0	50000	(HECTARES)
Beginning Stocks	351	351	381	382	0	423	1,000 480lb bales
Production	60	61	70	64	0	67	1,000 480lb bales
Imports	1850	1850	2050	2058	0	2113	1,000 480lb bales
<b>TOTAL SUPPLY</b>	2261	2262	2501	2504	0	2602	1,000 480lb bales
Exports	0	0	0	0	0	0	1,000 480lb bales
USE Dom. Consumption	1875	1875	2075	2076	0	2218	1,000 480lb bales
Loss Dom. Consumption	5	5	5	5	0	6	1,000 480lb bales
TOTAL Dom. Consumption	1880	1880	2080	2081	0	2224	1,000 480lb bales
Ending Stocks	381	382	421	423	0	378	1,000 480lb bales
<b>TOTAL DISTRIBUTION</b>	2261	2262	2501	2504	0	2602	1,000 480lb bales

Table 3: Commodity, Cotton, Import Trade Matrix

Import Trade Matrix			
Country:	Bangladesh	Units:	Metric tons
Commodity:	Cotton		
Time period:	Aug-Jul		
Imports for	2004		2005
U.S.	35000	U.S.	42000
Others		Others	
CIS	164000	CIS	182000
Africa	45000	Africa	48000
Australia	24000	Australia	24000
South America	32000	Pakistan	34000
Pakistan	30000	South America	39000
India	46000	India	52000
Total for Others	341000		379000
Others not listed	26794		27000
Grand Total	402794		448000

Table 4: Commodity, Cotton Yarn, Import Trade Matrix

Import Trade Matrix			
Country:	Bangladesh	Units:	Metric tons
Commodity:	Cotton Yarn		
Time period:	Jan-Dec		
Imports for	2004		2005
U.S.	0	U.S.	0
Others		Others	
India	147000	India	146000
Pakistan	24000	Pakistan	22000
Indonesia	14000	Indonesia	12000
Thailand	18000	Thailand	16000
Taiwan	7000	Taiwan	5000
Total for Others	210000		201000
Others not listed	22000		24000
Grand Total	232000		225000



Table 5: Commodity, Fabrics, Import Trade Matrix

Import Trade Matrix			
Country:	Bangladesh	Units:	Mil. Meters
Commodity:	Fabric		
Time period:	Jan-Dec		
Imports for	2004		2005
U.S.	0	U.S.	0
Others		Others	
China	1820	China	1850
Pakistan	148	Pakistan	142
India	254	India	264
Indonesia	30	Indonesia	20
Thailand	76	Thailand	74
Total for Others	2328		2350
Others not listed	120		130
Grand Total	2448		2480

**Table 6: Area and Production of Raw Cotton**

YEAR	AREA HARVESTED (Hectare)	PRODUCTION	
		Bales*	Tons
2000-01	29,100	40,500	7,364
2001-02	51,186	83,800	15,234
2002-03	47,640	74,640	14,323
2003-04	49,118	82,140	14,934
2004-05	44,000	73,190	13,310
2005-06	49,770	77,000	14,000

\*1 bale = 400 lbs.

Source: Cotton Development Board (CDB), Government of Bangladesh

**Table 7: Production and Consumption estimates of Yarn and Fabrics**

YEAR	PRODUCTION Yarn (000 Tons)	PRODUCTION Fabrics (Mill. Meters)	CONSUMPTION Yarn (000 Tons)	CONSUMPTION Fabrics (Mill. Meters)
1999/00	174	1,160	488	3,650
2000/01	192	1,180	495	3,675
2001/02	258	1,190	500	3,690
2002/03	291	1,230	525	3,740
2003/04	323	1,280	540	3,780
2004/05	344	1,340	565	3,825

Sources: Bangladesh Textile Mills Association (BTMA), Bangladesh Garments Manufacturers and Exporters Association (BGMEA), and Ministry of Textiles, Government of Bangladesh

**Table 8: Duty Structure of Textile Sector**

ITEMS	IMPORT DUTY	VAT	ADVANCE INCOME TAX	DEVELOPMENT SURCHARGE	LICENSE FEE	TOTAL
Raw Cotton	0	0	0	0	0	0
Man-made Fibre	0	0	3%	2.5%	2.5%	8%
Yarn	6.0 %	15%	3%	2.5%	2.5%	29%
Fabric	25.0 %	15%	3%	2.5%	2.5%	48%
Starch/Glue/Gum	6.0 %	15%	3%	2.5%	2.5%	29%

Source: National Board of Revenue (NBR), Government of Bangladesh

**Table 9: Bangladesh Garments Exports Data by Fiscal Year**

YEAR	MILLION US\$			GROWTH
	WOVEN	KNIT	TOTAL	
2000-01	3364	1496	4860	12
2001-02	3125	1459	4584	-6
2002-03	3258	1654	4912	7
2003-04	3538	2148	5686	16
2004-05	3598	2820	6418	13

Source: 1) Export Promotion Bureau (EPB), Government of Bangladesh  
 2) National Board of Revenue (NBR), Government of Bangladesh