United States Department of Agriculture
Foreign Agricultural Service

GAIN Global Agricultural Information Network

Required Report: Required - Public Distribution **Date:** December 23,2020

Report Number: BG2020-0036

Report Name: Cotton and Products Update

Country: Bangladesh

Post: Dhaka

Report Category: Cotton and Products

Prepared By: Tanvir Hossain

Approved By: Tyler Babcock

Report Highlights:

Despite COVID-19, Bangladesh's cotton imports increased 9 percent in marketing year (MY) 2019/2020, to 7.5 million bales [or 1.63 million metric tons (MMT)]. Bangladesh's high demand during the first half of the marketing year combined with success in combating the COVID-19 outbreak has allowed textile and garment companies to maintain operations, despite a few short-term disruptions. U.S. cotton exports to Bangladesh in MY19/20 reached 230 thousand metric tons (TMT), up 28.9 percent over MY18/19. The U.S. cotton market share was approximately 14 percent in MY19/20, which is second to India's 23 percent market share. For MY20/21, Post estimates Bangladesh's cotton imports will slightly decrease to 7.1 million bales, given the uncertainty in global demand and relatively low import numbers in the first months of MY2020/21.

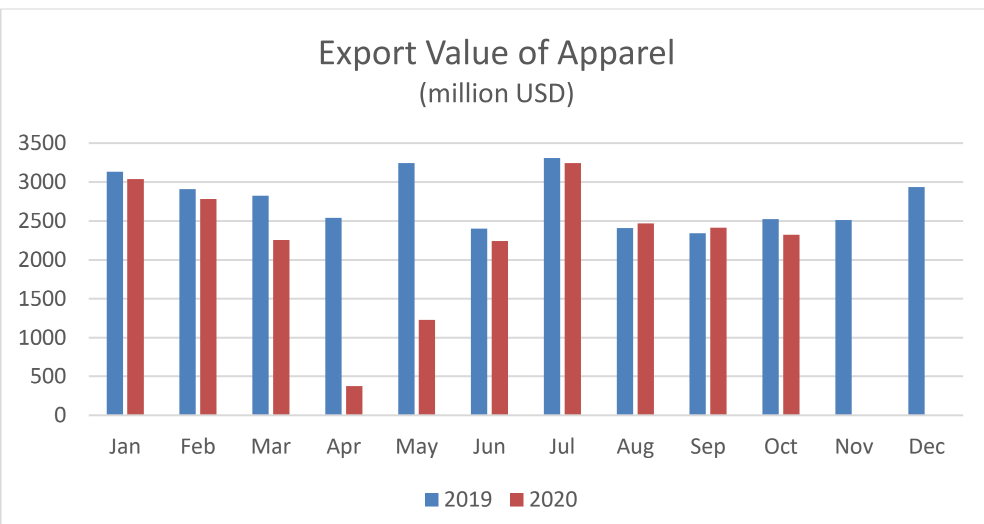
SITUATION AND OUTLOOK

Textile Industry:

As noted in Post's Cotton Annual report, the COVID-19 pandemic disrupted Bangladesh's textile and apparel industry, resulting in a sharp decline in textile exports to major markets, including the United States and the European Union, as a result of retailers modifying purchase orders. A significant number of Bangladeshi textile and garment exporters have, and are continuing to, make adjustments to their operations, including but not limited to: setting up COVID-19 testing labs for employees, developing new distancing and health protocols, and working with retailers to restructure contracts.

Preliminary data from the Bangladesh Export Promotion Bureau shows that the export value of apparel in the first 10 months of calendar year (CY) 2020 dropped 19 percent to $22.4 billion USD, as compared to $27.6 billion USD over the same period last year (Figure 1). However, this decline is smaller than originally forecasted by industry experts in May 2020 because Bangladesh's success in combating COVID-19 has allowed companies to maintain operations despite a few short-term disruptions. The decline in apparel exports is a result of a depressed global demand, increased competition from Vietnam, and heightened production and safety standards in Bangladesh's ready-made garment (RMG) industry. Export value dropped 85 percent in April and 62 percent in May when compared to the same month last year.

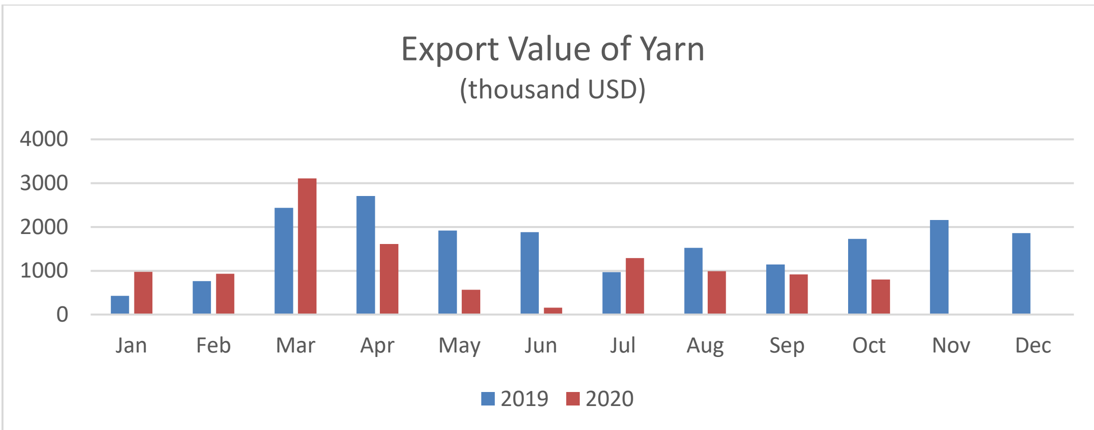
Figure 1: Bangladesh's Apparel Exports Decrease 19 percent in 2020



Yarn:

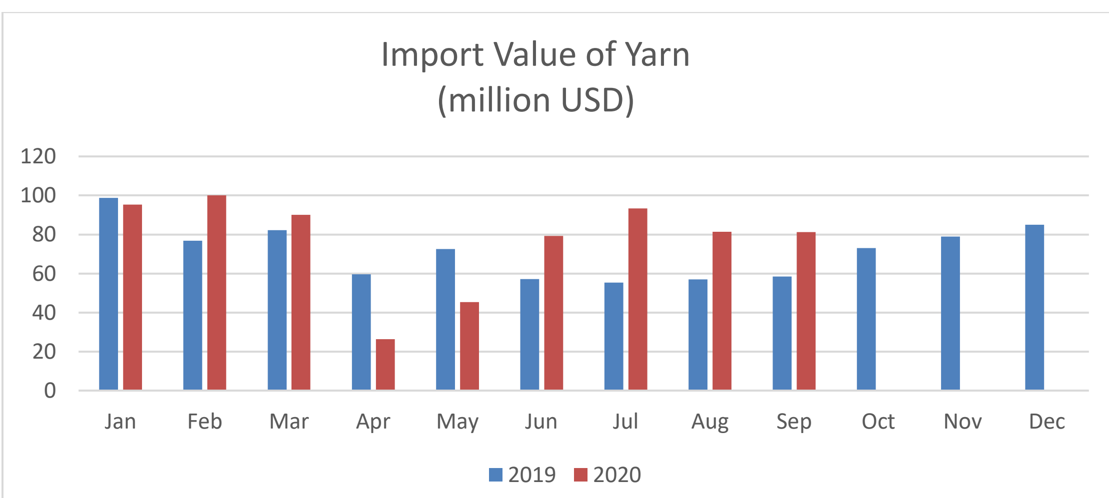
Bangladesh's yarn production is recovering following an extended period of market disruption due to COVID-19. According to Trade Data Monitor (TDM), the value of Bangladesh's cotton yarn exports under harmonized system (HS) code 5205, 5206, and 5207 in the first 10 months of CY2020 dropped 27 percent to $11.3 million USD, as compared with the same period last year (Figure 2). With Bangladesh's domestic yarn demand rebounding over the past 3 months, the local spinning industry expects that Bangladesh's cotton yarn production in CY2020 will continue to see positive growth as a result of increased demand of knit export.

Figure 2: Bangladesh's Yarn Exports Decrease 27 percent in 2020



According to a local yarn producer, prices of yarn have increased substantially over the August to October timeframe because of an uptick in garment demand before the upcoming holiday season in the EU and the United States. Through the first nine months of CY2020, the value of cotton yarn imports is up over 12 percent at $692 million USD compared to $617 million in 2019 (Figure 3). China alone has exported over $148 million USD worth of cotton yarn to Bangladesh this calendar year and over $225 million USD in CY2019.

Figure 3: Bangladesh's Yarn Imports Increase 12 percent in 2020



According to the Bangladesh Textile Mills Association (BTMA), in 2019, there were more than 433 spinning mills in Bangladesh that could produce 2.9 million tons of yarn per year when at 100 percent capacity. Despite the large domestic spinning capacity, Bangladesh imported more than $850 million USD worth of cotton yarn in CY2019.

Bangladesh has import duties of 5 percent for man-made fiber, 25 percent for fabric, and 10 percent for yarn. While seemingly high, export-oriented RMG factories can import yarn and fabric under a duty draw back incentive, which reimburses all customs duties paid on imported yarn, and fabric (but not taxes such as the VAT and Advanced Income tax). The draw back incentive program enables Bangladesh's large imports of cotton yarn and fabric from India and China.

Production:

In MY 2020/21 (August-July), cotton cultivation area is forecasted to be 45,000 hectares (HA), which is unchanged from the previous year. Production is expected to increase 2.11 percent over last year to 145,000 bales (480lb bales) because of the expansion in cultivation of hybrid varieties, good weather and support from the Ministry of Agriculture's Cotton Development Board of Bangladesh (e.g., supplying new seed varieties, providing technical training, and assisting with the monitoring of the cotton crop). Early harvest data, according to the Cotton Development Board, indicates a good yield from the MY 2020/21 crop.

Cotton is cultivated in 20 to 22 districts of Bangladesh, covering only 0.55 percent of total cultivable land (total cultivable land is 8.1 million HA). Domestically produced cotton accounts for approximately 4 percent of total consumption. Bandarban, Jhenaidah, Jeshore, and Rangamati are the major cotton producing areas of the country. Bangladesh produces many varieties of cotton, including *Gossypium hirsutum*, *Gossypium arboretum*, *Gossypium herbaceum*, and *Gossypium barbadense*. American Upland cotton (i.e., gossypium hirsutum) is cultivated in Rabi (Winter) crop season during the July-August timeframe and harvested in December-January. Other varieties produced in Kharif (Summer) crop season are cultivated in Bangladesh's hill tract region in the March-April timeframe and harvested in December-January.

The Cotton Development Board set a goal of domestically producing two million bales on 200,000 hectares of land by 2041.

Research and Development:

The Cotton Development Board (CDB) has introduced Bt cotton in Bangladesh through a Material Transfer Agreement (MTA) with foreign seed companies. With the permission of the NCB in October 2017, CDB signed an MTA with JK Agri-Genetics Ltd (JKAL), India to obtain Bt cotton hybrid varieties containing truncated Cry1Ac Bt gene. With the permission of the Institutional Biosafety Committee of the Cotton Development Board, the CDB began a contained trial on August 7, 2018 with two Bt hybrid cotton varieties: JKCH 1947 Bt and JKCH 1950 Bt. A contained greenhouse trial to test the efficacy of the introduced Bt varieties was successfully completed. On March 4, 2020, CDB received National

Committee on Biosafety's (NCB) approval to start a confined field trials (CFTs) for the crop year 2020-21. The goal is development of an efficient GE cotton variety which is resistant to Bollworm and podoptera/ Armyworm.

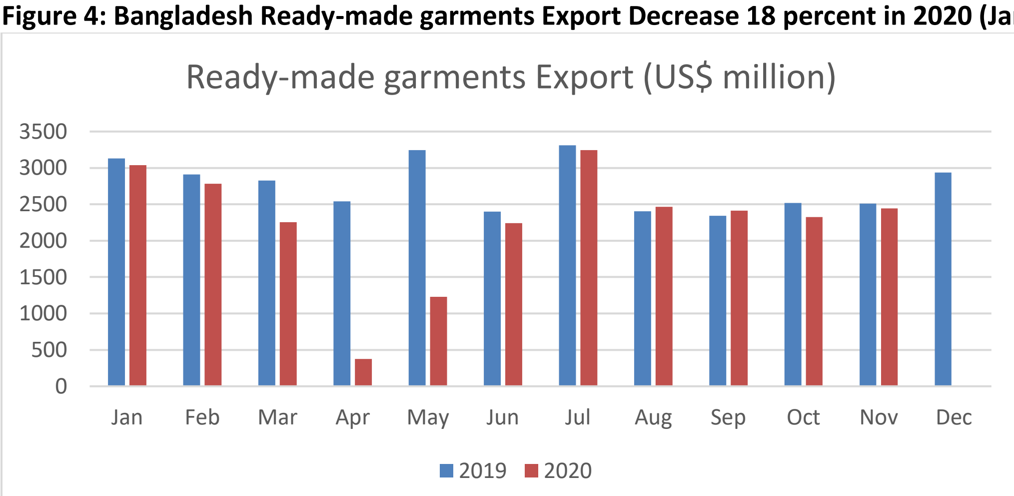
Consumption:

Post previously forecasted that Bangladesh's cotton consumption would drop sharply in the second half of MY19/20 and continue to decline in MY20/21 due to the negative effects of COVID-19. However, Bangladesh's cotton consumption, reflected by cotton imports and domestic demand for cotton yarn, has remained strong, due to Asia's overall success in combating COVID-19.

Domestic consumption of apparel and textile products has been mildly impacted because of the cancellation of large events like Pahela Bioshakh (Bengali New Year) and Eid Festival (Muslim's biggest festival) that often promote clothing sales. But overall, the negative impact of COVID-19 has been lower than originally forecast. Continued competition with locally produced synthetic fibers (see Trade section), a slight decrease in domestic consumption, a decrease in global garment and textile demand, and a reduction of capacity utilization is expected to reduce overall MY2019/20 cotton consumption relative to last year. Post revises MY2019/20 cotton consumption to 6.9 million bales compared to the previous forecast of 6.5 million bales based on industry feedback and cotton import data. Post forecasts MY2020/21 consumption to return to pre-pandemic levels at 7.2 million bales as modest domestic and international demand are expected to increase in 2021, especially if the vaccine is effective against COVID-19 and the world's economies are able to recover.

MY 2018/19 raw cotton consumption is revised down to 7.2 million bales from the previously released annual cotton report due to adjustment with the USDA official number.

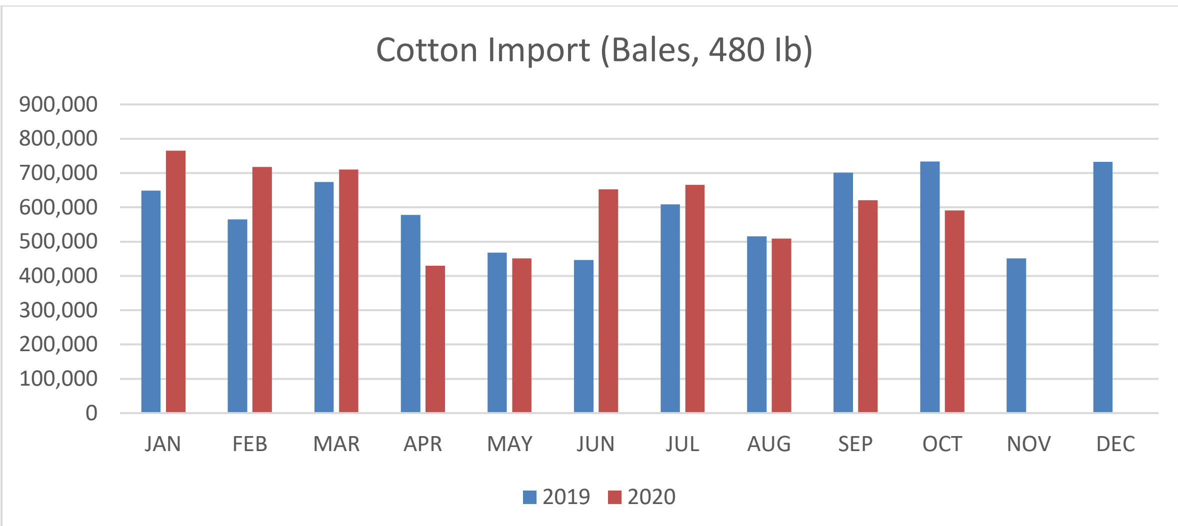
Figure 4: Bangladesh Ready-made garments Export Decrease 18 percent in 2020 (Jan-Nov)



Trade:

According to official data, Bangladeshi cotton imports in MY19/20 totaled approximately 7.5 million bales (or 1.63 MMT), which is considerably higher than Post's preliminary estimate in the annual report. Given that major textile and apparel markets, including the United States and the EU, continue to struggle with the ongoing pandemic, Post lowered its estimate for Bangladesh's cotton imports in MY20/21 at approximately 7.1 million bales. This estimate is subject to change based on COVID-19 developments.

Figure 5: Bangladesh's Cotton Imports Increase 3 percent in 2020 (Jan-Oct)



U.S. cotton holds a strong position in the market, reaching 1.1 million bales in MY2019/20, or 14 percent market share by volume. India has a market share of approximately 23 percent and Brazil holds approximately 14 percent.

In addition to the increase in imports of raw cotton in MY 2019/20, Bangladesh also increased imports of cotton yarn. From August 2019 to July 2020 imports of cotton yarn is raised 4.7 percent to 0.28 million MT.

Stocks:

Local spinners continued to increase stocks in MY19/20 due to the large supply globally and decreasing cotton prices. Post estimates that the stocks-to-use ratio in MY19/20 was at 37 percent and is forecast to decrease in MY20/21. Further research into cotton stocks is needed and the stock-to-use ratio is likely to be modified once such research is conducted.

Marketing:

Bangladesh is not party to the Generalized System of Preferences (GSP) facility from the United States. Although GSP impacts only a small group of textile products, the desire to obtain GSP is strong among Bangladesh's textile and garment manufacturers.

The Cotton Council International (CCI) has continued to engage in marketing activities despite in-person restrictions related to COVID-19. Recent events have delivered updates on the global cotton economy and the implementation of the U.S. Cotton Trust Protocol, as well as a virtual event of Cotton Day 2020. Additionally, textile manufacturers were able to visit with partners and buyers in virtual meeting rooms.

Policy:

In June 2020, the Government of Bangladesh (GoB) announced its budget for fiscal year (FY) 2020/2021 (July-June). Both the textile and garment industries will continue to get support from the government to recover the economic turmoil caused by COVID-19. The GoB replaced the existing 5 percent ad valorem VAT on polyester, rayon and all other synthetic yarn and introduce fixed value added tax rate of BDT 6 (US$0.07) per kg for all these products. The GoB also reduced the VAT on all kinds of cotton yarn from BDT 4 (US$0.05) to BDT 3 (US$0.04) per kilogram while also retaining the duty exemptions on imports of raw cotton. More extensive COVID-19 recovery measures are expected in future months.

Tariffs on cotton:

Cotton fiber (HS code 5201) has a zero tariff, and a zero percent value added tax.

Cotton, carded or combed (HS code 5203) has a five percent tariff, and a 15 percent value added tax.

Cotton fumigation

In September 2020, Bangladesh's Plant Quarantine Wing (PQW) of the Ministry of Agriculture reinstated a cotton fumigation service charge for imported cotton. The fumigation service charge has been raised from 360 BDT per container to 50 BDT (US$0.58) per bale. The service charge will cost Bangladesh's U.S. cotton importers approximately an additional $638,000 per year. A cost that will increase the economic stress currently facing Bangladesh's Textile Mills Industry.

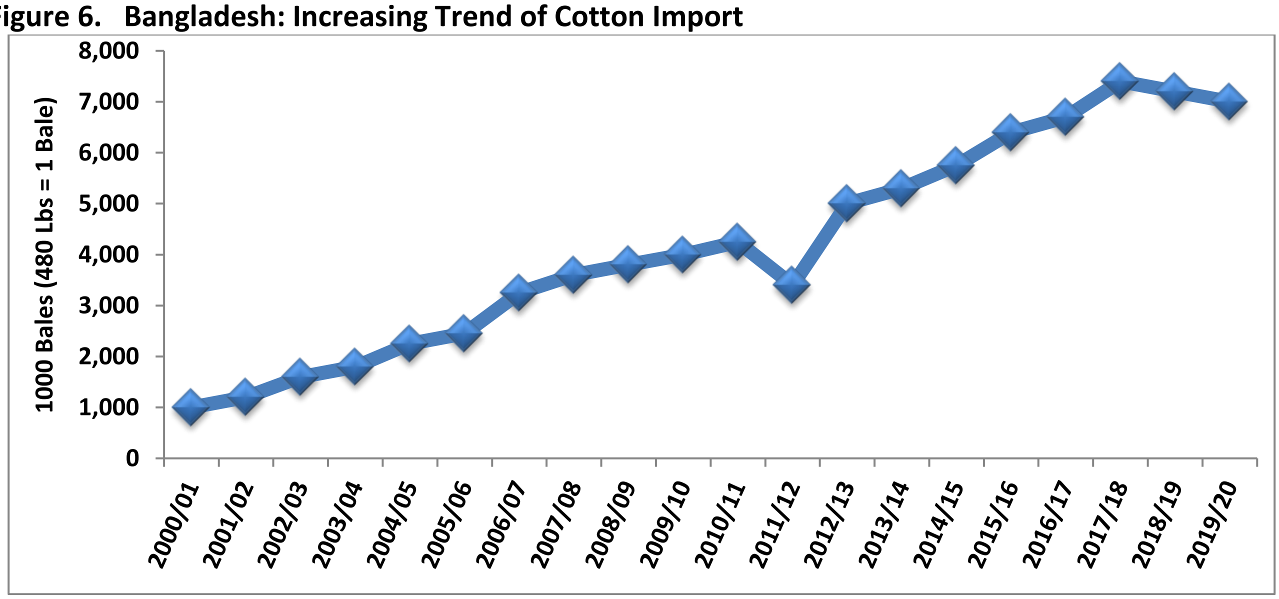
Table 1. Bangladesh: Commodity, Cotton, PSD

(Area in Thousand Hectares, Quantity in 1,000 480 lb. bales)

Cotton	**2018/2019**		**2019/2020**		**2020/2021**	
Market Begin Year	**Aug 2018**		**Aug 2019**		**Aug 2020**	
Cotton Bangladesh	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Planted	0	44	0	45	0	45
Area Harvested	44	44	45	45	45	45
Beginning Stocks	1855	1855	1783	1783	2415	2541
Production	138	138	142	142	145	145
Imports	7000	7000	7000	7526	7300	7100
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	8993	8993	8925	9451	9860	9786
Exports	0	0	0	0	0	0
Use	7200	7200	6500	6900	7300	7200
Loss	10	10	10	10	10	10
Total Dom. Cons.	7210	7210	6510	6910	7310	7210
Ending Stocks	1783	1783	2415	2541	2550	2576
Total Distribution	8993	8993	8925	9451	9860	9786
Stock to Use %	24.76	24.76	37.15	36.83	34.93	35.78
Yield	683	683	687	687	702	702

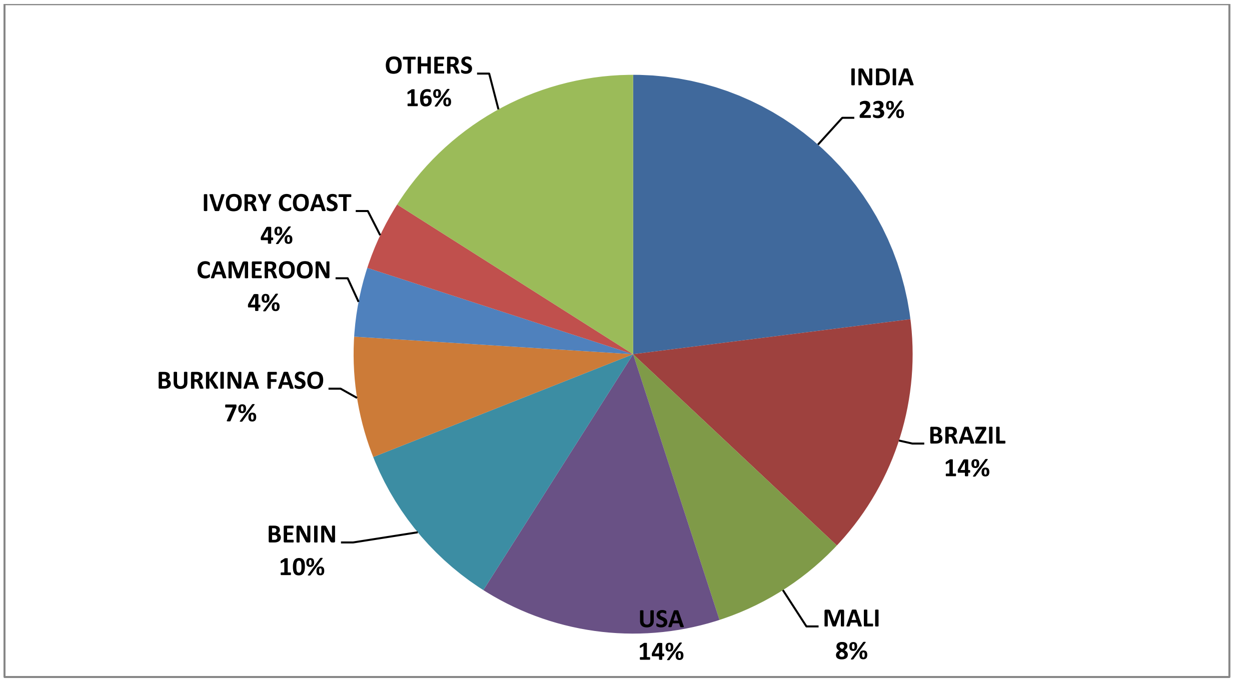
Note: Marketing Year (MY) – August - July

Figure 6. Bangladesh: Increasing Trend of Cotton Import



Source: TDM, USDA Official

Figure 7. Bangladesh: Partner Country's Share of Cotton Import in Quantity



Source: TDM, USDA Official

Table 2. Bangladesh: Area and Production of Raw Cotton

Year*	Area Harvested (Hectare)	Production		
		Bales** (400 lb)	Bale (480 lb)	Tons
2005/06	49,770	77,000	64,167	14,014
2006/07	42,100	70,530	58,775	12,836
2007/08	28,707	42,380	35,317	7,713
2008/09	32,600	50,600	42,167	9,209
2009/10	31,500	66,000	55,000	12,012
2010/11	33,500	80,000	66,667	14,560
2011/12	36,000	103,000	85,833	18,746
2012/13	39,000	129,000	107,500	23,478
2013/14	42,000	144,000	120,000	26,208
2014/15	42,700	152,534	127,112	27,761
2015/16	42,800	153,280	127,733	27,897
2016/17	42,850	156,509	130,424	28,485
2017/18	43,050	165,269	137,724	30,079
2018/19	44,185	171,470	142,892	31,208
2019/20	44,430	177,887	148,239	32,375

Source: Cotton Development Board (CDB), Government of Bangladesh
*Fiscal Year (July-June), **1 bale = 400 lb

Table 3. Bangladesh: RMG Sector Growth and Consolidation

Year	Number of garment factories*	Employment in million workers**
2000-01	3480	1.8
2001-02	3618	1.8
2002-03	3760	2
2003-04	3957	2
2004-05	4107	2
2005-06	4220	2.2
2006-07	4490	2.4
2007-08	4743	2.8
2008-09	4925	3.5
2009-10	5063	3.6
2010-11	5150	3.6
2011-12	5400	4
2012-13	5876	4
2013-14	4222	4
2014-15	4296	4
2015-16	4328	4
2016-17	4482	4
2017-18	4560	4
2018-19	4621	4.5

Note: Sign * Including membership; **Estimated, not based on survey or census. Source: BGMEA and Ministry of Commerce

Table 4. Bangladesh: Primary Textile Sector (Spinning) Capacity and Growth

Calendar Year	No. of Mills	Spindle Capacity (kg)	Growth in No. of Mills (%)	Growth in Spindle Capacity (%)
2006	260	5,500,000		
2007	283	6,000,000	8.85	9.09
2008	341	7,200,000	20.49	20.00
2009	350	7,600,000	2.64	5.56
2010	373	8,700,000	6.57	14.47
2011	392	9,600,000	5.09	10.34
2012	392	9,800,000	0.00	2.08
2013	394	9,800,000	0.51	0.00
2014	407	10,300,000	3.30	5.10
2015	413	11,050,000	1.47	7.28
2016	424	11,650,000	2.66	5.43
2017	425	12,410,000	0.24	6.52
2018	430	13,170,000	1.18	6.12
2019	433	13,430,000	0.70	1.97

Source: Bangladesh Textile Mills Association (BTMA)

Table 5. Bangladesh: Textile Industry Overview, Year 2019

Number of Mills that are BTMA Members		1,488
A. Textile Spinning Mills/Yarn Manufacturing Mills	433	
Synthetic Spinning Mills	19	
Acrylic Spinning Mills	8	
Installed Capacity		
Spindle Capacity		13.43 million
Rotor / Open-end		0.231 million
Annual Yarn Spinning Capacity (Subject to 100% Capacity Utilization)		2.964 billion kg
B. Number of Textile Weaving Mills/Fabric Manufacturing Mills	809	
Denim Mills	32	
Home Textile Mills	22	
Installed Capacity (Shuttle-less Loom & Shuttle Loom)		52993 kg
Annual Woven Fabric Manufacturing Capacity		3.761 billion meters
D. Number of Dyeing-Printing-Finishing Mills (Textile Product Processors)	246	
Installed capacity		
Annual Fabric Processing Capacity		3.448 billion meters
Woven Dyeing		2.503 billion meters
Yarn Dyeing		360 million kg
Knit Dyeing		585 million kg
Raw Material Requirements		
Raw Cotton	11.5 million bales (maximum processing capacity) (480 lbs each bale)	
Raw-Cotton Import 2019 / Consumed	7.12 million bale (App)	
Polyester Staple Fiber	96,077 MT	
Viscose Staple Fiber	53,289 MT	
Raw Cotton Source	USA, Australia, CIS, India, Pakistan, China, Central America, and East and West Africa.	
Type of Raw Cotton Imports	1-1/8", 1-1/16", 1-32", 1-5/32", other	
Other Raw Material Used	• Polyester, Viscose and Acrylic Staple Fiber, and Chips and Pet-Chips, • Cotton Waste • Yarn 5-100 counts (both for knit and woven) • Synthetic and Filament Yarn • All kinds of Cotton & Mixed (Woven and Knit) and Denim Fabrics	

Source: Bangladesh Textile Mills Association (BTMA)

Table 6. Bangladesh: Raw Cotton and Other Textile Duty Structure

Products	Custom Duty	SD	VAT	Adv. Income Tax	Regulatory Duty	Advance Trade VAT
Raw Cotton	0	0	0	0	0	0
Man-made Fibers	5%	0%	15%	5%	0	4%
Yarn	10%	0	15%	5%	0	4%
Fabric	25%	20%	15%	5%	3%	4%
Textile dyes-chemicals	5%	0	15%	5%	0	4%

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

Table 7. Bangladesh: RMG Sector Growth and Consolidation 8

Year	Industry (No)	Employment (No.)
2000-01	3480	1.8
2001-02	3618	1.8
2002-03	3760	2
2003-04	3957	2
2004-05	4107	2
2005-06	4220	2.2
2006-07	4490	2.4
2007-08	4743	2.8
2008-09	4925	3.5
2009-10	5063	3.6
2010-11	5150	3.6
2011-12	5400	4
2012-13	5876	4
2013-14	4222	4
2014-15	4296	4
2015-16	4328	4
2016-17	4482	4
2017-18	4560	4
2018-19	4621	4.5

Table 8. Bangladesh: Apparel Sector Export Growth

Fiscal Year	Total Apparel Export (US$ Million)			Total Export (US$ Million)	% of RMG's Total Export
	Woven	Knit	Total		
2009-2010	6013.43	6483.29	12496.72	16204.65	77.12
2010-2011	8432.4	9482.06	17914.46	22924.38	78.15
2011-2012	9603.34	9486.39	19089.73	24301.9	78.55
2012-2013	11039.85	10475.88	21515.73	27027.36	79.61
2013-2014	12442.07	12049.81	24491.88	30186.62	81.13
2014-2015	13064.61	12426.79	25491.4	31208.94	81.68
2015-2016	14738.74	13355.42	28094.16	34257.18	82.01
2016-2017	14392.59	13757.25	28149.84	34655.92	81.23
2017-2018	15426.25	15188.51	30614.76	36668.17	83.49
2018-2019	17244.73	16888.54	34133.27	40535.04	84.21
2019-2020	14041.19	13908.00	27949.19	33674.09	83.00

Table 9. Bangladesh: RMG Exports (US$ Million) to the World

Months	Woven	Woven	Yr2Yr Change (%)	Knit	Knit	Yr2Yr Change (%)	Total Export	Total Export	Yr2Yr Change (%)
(USD millions)	2019-20	2020-21		2019-20	2020-21		2019-20	2020-21	
July	1632.32	1494.66	-8.43	1678.16	1750.28	4.30	3310.48	3244.94	-1.98
August	1163.32	1103.52	-5.14	1242.69	1364.5	9.80	2406.01	2468.02	2.58
September	1091.7	1064.54	-2.49	1249.37	1348.88	7.96	2341.07	2413.42	3.09
October	1151.69	985.5	-14.43	1368.13	1338.22	-2.19	2519.82	2323.72	-7.78
November	1240.03			1271.28			2853.11		
December	1539.16			1396.17			2898.71		
January	1625			1414.22			3132.57		
February	1505.58			1278.7			2908.87		
March	1200.37			1055.83			2825.07		
April	194.55			180.12			2539.28		
May	622.16			608.38			3243.18		
June	1075.31			1164.95			2399.39		
Total:	14041.19	4648.22	-66.90	13908	5801.88	-58.28	33377.56	10450.1	-68.69

Table 10. Bangladesh: Share (%) of Five Basic Products Produced by RMG sector

Fiscal Year	Shirts (%)	Trousers (%)	Jackets (%)	T-Shirt (%)	Sweater (%)
2009-10	8	24	11	25	14
2010-11	9	23	11	26	14
2011-12	9	25	12	25	12
2012-13	9	24	12	24	12
2013-14	9	23	12	24	12
2014-15	9	22	12	24	11
2015-16	8	22	13	22	11
2016-17	10	29	17	28	16
2017-18	9	29	18	28	16
2018-19	9	28	18	28	17
2019-20	9	27	18	28	18

Source: BGMEA

Table 11: Bangladesh: USA is the top destination of RMG products

Destination	FY16	FY17	FY18	FY19	FY 20
	Million USD	Million USD	Million USD	Million USD	Million USD
USA	5624.92	5204	5352.07	6133.72	5146.53
Germany	4653.13	5135.01	5579.51	5840.91	4793.03
U.K	3523.78	3306.49	3724.26	3859.15	3173.23
Spain	1864.04	1878.73	2277.77	2407.13	2019.21
France	1714.31	1764.62	1851.93	2066.59	1569.25
Italy	1278.07	1348.57	1454.04	1535.91	1196.03
Poland	616.27	720.09	864.85	1180.88	1077.98
Japan	612.35	744.47	846.74	1091.43	961.94
Canada	998.44	946.3	963.15	1179.3	876.27
Netherlands	659.55	814.34	935.38	1024.46	872.21
Denmark	642.66	671.84	667.95	704.41	623.81
Australia	636.27	582.01	634.01	719.78	601.14
Others	5270.37	5033.42	5463.1	6389.6	4583.56
Total	28094.16	28149.89	30614.76	34133.27	27494.19

Attachments:

No Attachments