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Bangladesh

Cotton and Products Annual

2013

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Report Highlights:
Bangladesh raw cotton imports in MY 2012/13 are estimated at 3.7 million bales, a 15.6 percent increase from MY 2011/12, Strong demand from the spinning sub-sector, as well as lower international prices, will likely continue to encourage raw cotton imports, which are forecast to reach 3.8 million bales in MY 2013/14. U.S. cotton sales to Bangladesh, however, have fallen sharply as a number of Bangladesh importers defaulted on contract commitments. The U.S. share of the Bangladesh raw cotton has declined from 14 percent in MY 2010/11 to 5 percent in MY 2011/12. At the same, imports from India and Uzbekistan are increasing.

Commodities:

Cotton

Production:

Assuming normal weather conditions, Bangladesh cotton production is forecast to reach 144,000 Bangladeshi bales (26,182 tons – a Bangladeshi bale is 400 lbs) from 45,000 hectares in MY 2013/14. Bangladesh cotton production in MY 2012/13 is estimated 129,000 Bangladeshi bales (23,455 tons), harvested from 40,000 hectares. This includes 114,000 bales of American variety medium staple, and 15,000 bales of short staple up-land cotton (locally known as "Comilla" cotton).

Cotton is the second most important cash crop in Bangladesh after Jute. However, the lack of short duration, high yielding, and pest tolerant cotton seed varieties, along with increasing competition for very limited acreage in Bangladesh, constrain an expansion of cotton production. While cotton cultivation is very susceptible to excessive rainfall and flooding, cotton growing conditions over last few years, have been generally favorable during the critical growing period (July to December).

While Bangladesh does not have a cotton research institute, the Bangladesh Cotton Development Board (CDB) conducts adoptive field trails of cotton varieties/hybrids, and is also responsible for providing extension services to the cotton farmers.. Collaborating with private seed companies, the CDB has introduced a few short duration and high yielding Chinese hybrids. As a result, cotton production has grown. The CDB has undertaken a program to gradually increase domestic cotton production to 670,000 Bangladeshi bales (from 100,000 hectares) by the end of 2015. The CDB strategy includes expanded use of new high yielding varieties, introduction of summer cotton, a gradual conversion of 20,000 hectares from tobacco to cotton cultivation, and increased cultivation in the saline prone coastal areas in the South. The cotton growing areas of Bangladesh are shown in Figure-1. Under normal conditions, domestic cotton production can only meet about 3 percent of the country's current demand for raw cotton.

Value Added Cotton:

In MY 2012/13, Bangladesh yarn production is estimated at 688,000 tons, and increase of about 12 percent from MY 2011/12 production. Fabric production in MY 2012/13 is estimated to reach at 3.95 billion meters, up 4 percent from MY 2011/12 production. In addition, an estimated 650 million meters of fabric are produced by the small-scale handloom industry which meets about one third of the domestic demand for fabrics. In MY 2013/14 yarn production and fabric production are forecast to increase further to 720,000 tons and 4 billion meters respectively.

Bangladesh's spinning sub-sector of the textile industry has grown significantly over the last two decades in response to a growing demand for yarn from domestic textile producers and the export-oriented ready-made garment (RMG) sector (Table 8). However, the rate of growth has slowed considerably recent years due to ongoing energy constraints (i.e the limited availability of electric power and natural gas). Most spinning mills are now operating at less than full capacity as they also face increasing international competition, with imported products generally selling for about 4 percent below the domestic price.

The textile industry is the largest manufacturing sector in Bangladesh, providing employment to approximately 5.5 million people, contributing to around 12 percent of GDP, 40 percent of value addition in manufacturing, and accounting for 78 percent of the country's export earnings. During the last three decades, Bangladesh textile sector has received a total investment of more than $5.5 billion.

The Bangladesh primary textile sector (PTS) meets almost 95 percent of domestic yarn and fabric requirements, 90 percent of yarn requirements for export oriented knitwear, 40 percent of yarn requirements for woven RMG and 40 percent of the demand for woven fabrics as part of the export oriented RMG sector. Domestic yarns are also supplied to home-textile, terry towel, and denim production units of the country. The current structure of the Bangladesh textile industry is presented in Table-3 and the growth in its spinning sub-sector is shown in table 4. The Bangladesh PTS accounts for more than 54 percent of foreign exchange earnings through manufacturing and supplying local yarn and fabrics to the export oriented RMG sector (Table-5). Foreign currency retention is 40 percent from woven garments export, while it is 90 percent from the knit garments exports. Despite significant growth in the development of backward linkage industries, Bangladesh's current demand-supply gap for fabric is about 50 percent for cotton-based use and around 25 percent for non-cotton based use in the RMG sector.

Consumption:

In MY 2012/13, raw cotton consumption is estimated at 3.7 million bales, an increase of approximately 12 percent from MY 2011/12. With a continued rebound in imports, as well as strong demand from the spinning sub-sector, raw cotton consumption is forecast to reach 3.9 million bales in MY 2013/14.

In MY 2012/13 consumption of yarn is estimated at 980,000 tons, an increase of 4.3 percent from MY 2011/12. Yarn consumption in MY 2013/14 is forecast to increase to 1 million tons. Fabric consumption in MY 2012/13 is estimated at 6.4 billion meters up by about 4 percent from MY 2011/12, due mainly to growth in RMG demand. MY 2013/14 fabric consumption is forecast to reach 6.6 billion meters.

Bangladesh has numerous recently-constructed spinning and weaving mills capable of supplying quality yarns and fabrics for the export-oriented RMG sector, however production costs are believed to be about 4 percent higher than in India or China. Efforts to improve environmental and labor standards may affect costs in the short run, but over the longer term, this will undoubtedly help ensure continued competitiveness as more global retailers demand assurances from their suppliers. There has been some concern that imported fabrics for the RMG sector (under a special duty drawback incentive) may also be threatening the competitiveness of the locally produced fabrics. However, recent trends seem to indicate that Bangladesh competitiveness is improving, particularly in the higher quality categories. Local knitters and weavers are increasingly using domestically produced yarn and fabric as transportation costs and delivery schedules are improving.

Trade:

Bangladesh raw cotton imports in MY 2012/13 are estimated at 3.7 million bales, a 15.6 percent increase from the MY 2011/12. Strong demand from the spinning sub-sector, as well as lower international prices, will likely continue to encourage raw cotton imports, which are forecast to reach 3.8 million bales in MY 2013/14.

Uzbekistan and India are the current major suppliers of raw cotton to Bangladesh, benefitting from competitive pricing and short delivery time. Bangladesh is currently negotiating agreements with India and Uzbekistan to import 1.5 million bales and 200,000 bales. U.S. cotton sales to Bangladesh fell dramatically in MY 2011/12. The U.S. share of the Bangladesh raw cotton market declined from 14 percent in MY 2010/11 to 5 percent in MY 2011/12 as a number of Bangladesh importers defaulted on contract commitments. A number of these importers have since renegotiated contracts and are continuing to import U.S. cotton.

Value Added Cotton:

Yarn imports in calendar year (CY) 2012 are estimated to increase to 270,000 tons from 240,000 tons in CY 2011. With increased demand from both the domestic textile market and the export oriented RMG sector, CY 2013 imports of yarn are forecast to increase to 280,000 tons. India continues to remain as the principal supplier of yarn to Bangladesh with around 75 percent of the market share. Fabric imports in CY 2012 are estimated at 2.4 billion meters, almost unchanged from the CY 2011 levels, as domestic supplies remain high. In CY 2013 fabric imports are forecast to reach 2.6 billion meters as demand from the export oriented RMG sector is expected to increase. With price advantages for quality fabrics, China continues to be the preferred supplier accounting for about 73 percent of the total imported fabrics in Bangladesh.

According to WTO International Trade Statistics-2012, Bangladesh is now the world's eleventh largest fabric importer, with imports totaling $5.6 billion in 2011. In recent years, Bangladesh successfully expanded its RMG customer base beyond the traditional markets of the U.S., the EU and Canada. Exporting to countries like Russia, India, China, Australia, South Korea and Saudi Arabia, high value RMG products like blazers, trousers, suits, jackets and women under-garments have seen significant growth in recent years.

After growing 44 percent in FY 2010/11, Bangladesh RMG export earnings grew by a further 7 percent, reaching over $20 billion in FY 2011/12 (Table 5).

Policy:

Yarn and fabric imports for the RMG sector enjoy a customs duty draw-back incentive. The provision of an alternative cash incentive (set at 5 percent of the export value) for the export- oriented textile sector continues in the current fiscal year. For more than a decade, raw cotton imports have been free from all customs duties. Since FY 2011/12, import duties on polyester, viscose, acrylic, synthetic and modacrylic staple fiber have been completely withdrawn and the duty on textile chemical dyes have been reduced to 5 percent. There are no quantitative restrictions on imports of textile raw material including fabrics.

As the Bangladesh textile industry is largely dependent on imports, industry leaders are asking the Government of Bangladesh (GOB) to increase the cash incentive rate to 15 percent, to provide export subsidies and a withdrawal of import duties on capital machinery and spare-parts for textile manufacturing. The Bangladesh Textile Mills Association (BTMA) has successfully lobbied the GOB to raise the minimum export price of cotton waste from $1.8 to $4.5 per kilogram and to impose a 25 percent export duty on cotton waste. The Bangladesh duty structure on raw cotton, yarn, fabric and textile dyes-chemicals imports are shown in Table-6.

Marketing:

Bangladesh is almost entirely dependent on imports to meet its demand for raw cotton. More than 40 percent of raw cotton imports are destined for the export oriented RMG sector. Bangladesh spinning mills generally recognize the value of U.S. cotton, particularly Pima and Upland, for their quality, consistency and ginning output. Aside from price considerations, Bangladesh cotton buyers generally also look at transportation freight and delivery times.

Production, Supply and Demand Data Statistics:

Table 1: Commodity, Cotton, PSD

Cotton Bangladesh	2011/2012 Market Year Begin: Aug 2011		2012/2013 Market Year Begin: Aug 2012		2013/2014 Market Year Begin: Aug 2013		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Planted	0	36	0	40		45	(1000 HA)
Area Harvested	36	36	40	40		45	(1000 HA)
Beginning Stocks	842	842	807	818		914	1000 480 lb. Bales
Production	75	86	90	108		120	1000 480 lb. Bales
Imports	3,200	3,200	3,700	3,700		3,800	1000 480 lb. Bales
MY Imports from U.S.	0	0	0	0		0	1000 480 lb. Bales
Total Supply	4,117	4,128	4,597	4,626		4,834	1000 480 lb. Bales
Exports	0	0	0	0		0	1000 480 lb. Bales
Use	3,300	3,300	3,700	3,700		3,900	1000 480 lb. Bales
Loss	10	10	10	12		11	1000 480 lb. Bales
Total Dom. Cons.	3,310	3,310	3,710	3,712		3,911	1000 480 lb. Bales
Ending Stocks	807	818	887	914		923	1000 480 lb. Bales
Total Distribution	4,117	4,128	4,597	4,626		4,834	1000 480 lb. Bales

Stock to Use %	24	25	24	25		24	(PERCENT)
Yield	454.	520.	490.	588.		581.	(KG/HA)
TS=TD		0		0		0	

Table 2: Commodity, Cotton, Import Trade Matrix

Import Trade Matrix			
Country:	**Bangladesh**		
Commodity:	**Cotton**		
Time period:	**Aug-Jul**	Units:	Metric tons
Imports for	**2011**		**2012**
U.S.	114000	U.S.	34000
Others		Others	
Uzbekistan	200000	Uzbekistan	180000
India	164000	India	260000
Australia	33000	Australia	41000
Pakistan	40000	Pakistan	30000
Other CIS	100000	Malaysia	31000
Brazil	16000	Other CIS	80000
Africa	90000	Brazil	16000
Total for Others	643000		638000
Others not listed	50000		25000
Grand Total	807000		697000

Table 3: Commodity, Cotton, Yarn, Import Trade Matrix

Import Trade Matrix			
Country:	**Bangladesh**		
Commodity:	**Cotton Yarn**		
Time period:	**Jan-Dec**	Units:	Metric tons
Imports for	**2011**		**2012**
U.S.	0	U.S.	0
Others		Others	
India	182000	India	190000
Pakistan	5000	Pakistan	5000
Thailand	5000	Thailand	5000
Taiwan	8000	Taiwan	10000
China	20000	China	40000
Total for Others	220000		250000
Others not listed	20000		20000

Grand Total	240000		270000

Table 4: Commodity, Cotton, Fabric, Import Trade Matrix

Import Trade Matrix			
Country:	**Bangladesh**	Units:	Mil. Meters
Commodity:	**Fabric**		
Time period:	**Jan-Dec**		
Imports for	**2011**		**2012**
U.S.	0	U.S.	0
Others		Others	
China	1750	China	1850
Pakistan	100	Pakistan	100
India	300	India	400
Thailand	100	Thailand	100
Total for Others	2250		2450
Others not listed	150		150
Grand Total	2400		2600

Table 5: Area and Production of Raw Cotton in Bangladesh

YEAR	**AREA HARVESTED (Hectare)**	**PRODUCTION**	
		Bales*	**Tons**
2004-05	44,000	73,190	13,310
2005-06	49,770	77,000	14,000
2006-07	42,100	70,530	12,824
2007-08	28,707	42,380	7,705
2008-09	32,600	50,600	9,200
2009-10	31,500	66,000	12,000
2010-11	33,500	80,000	14,545
2011-12	36,000	103,000	18,727
2012-13	39,000	129,000	23,455

*1 bale = 400 lbs.

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

Table 6: Bangladesh: Production and Consumption estimates of Yarn and Fabric by years

Year	Production		Consumption	
	Yarn ('000' tons)	Fabrics (Mill. Meters)	Yarn ('000' tons)	Fabrics (Mill. Meters)
2004/05	430	2,500	630	4,200
2005/06	464	2,700	680	4,500
2006/07	550	2,850	720	5,200
2007/08	602	3,000	760	5,600
2008/09	640	3,250	820	5,800
2009/10	731	3,450	880	6,000
2010/11	694	3,600	920	6,150
2011/12	615	3,800	940	6,180

Sources**:** Bangladesh Textile Mills Association (BTMA), and Ministry of Textiles

Table 7: Structure of Bangladesh Textile Industry - 2012

Number of Member Mills (BTMA)			1405
Textile Spinning		394	
Textile Weaving		777	
Woven	635		
Denim	22		
Home Textiles	20		
Knit Fabrics	100		
Dyeing-Printing-Finishing		234	
Spindle Capacity			9,600,000
Rotor / Open-end			230,000
Yarn Manufacturing Capacity (Subject to 100% Capacity Utilization)			2000,000,000 Kgs.
Fabric Manufacturing Capacity			2100,000,000 Meter
Fabric Processing Capacity			2200,000,000 Meter
Raw Material Requirements			
Raw Cotton	7.5 million Bales (if 100% capacity is utilized)		
Raw-Cotton Import / Consumed	4.0 million Bales		
Raw Cotton Source	USA, Australia, CIS, Russia, India, Pakistan, China, Central America, East & West Africa		
Type of Raw Cotton Imports	1-1/8", 1-1/6", 1-32", 1-5/32" etc.		
Other Raw Material Used	• Polyester, Viscose and Acrylic Staple Fiber, Pet-Chips, Cotton Waste and Waste Cotton • Yarn 5-10 counts (both for Knit and Woven) • Synthetic and Filament Yarn • All kinds of Cotton & Knit Fabrics		

Source: Bangladesh Textile Mills Association (BTMA)

Table 8: Growth in the Primary Textile Sector (Spinning)

Years	No. of Mills	Spindle Capacity	Growth in No. of Mills	Growth in Spindle Capacity
1995	84	1,701,823	10.52%	19.56%
2000	116	2,289,280	38.09%	34.52%
2005	230	4,937,353	16.75 %	25.58%
2006	260	5,500,000	8.7%	11.39%
2007	283	6,000,000	8.85%	9.09%
2008	341	7,200,000	20.0%	20.0%
2009	350	7,600,000	2.6%	5.6%
2010	373	8,700,000	6.6%	14.5%
2011	394	9,600,000	5.6%	10.3%

Source: Bangladesh Textile Mills Association (BTMA)

Table 9: Bangladesh Garments Exports Earning by Fiscal Year (July-June) In Million US$

Item/Year	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**
Knitwear	5,533	6,429	6,483	9,482	9,486
Woven	5,267	5,919	6,013	8,432	9,603
Home Textiles	291	418	403	789	906
Specialized Textiles	67	146	186	165	139
Total	11,158	12,912	13,085	18,868	20,134
Earning Growth	16.2%	15.7%	1.3%	44.2%	6.7%

Source: Bangladesh Textile Mills Association (BTMA)

Table 10: Bangladesh: Foreign Currency (F. C) Retention by Primary Textile Sector

	2009 - 10		**2010 - 11**		**2011 - 12**	
Description	Export	Retention of F.C.	Export	Retention of F.C.	Export	Retention of F.C.
Knitwear export using local input	4,862	3,647	7,111	5,333	7,115	5,336
Knitwear export using imported input	1,621	405	2,371	593	2,371	593
Woven export using local input	2,405	1,804	3,373	2,530	3,841	2,881
Woven export using imported input	3,608	902	5,059	1,265	5,762	1,441
Home Textile export using local input	301	226	592	444	680	510
Home Textile export using imported input	101	26	197	49	228	57
Total	**12,898**	**7,010**	**18,703**	**10,214**	**19,997**	**10,818**
Retention of F.C		**54.35%**		**54.61%**		**54.10%**

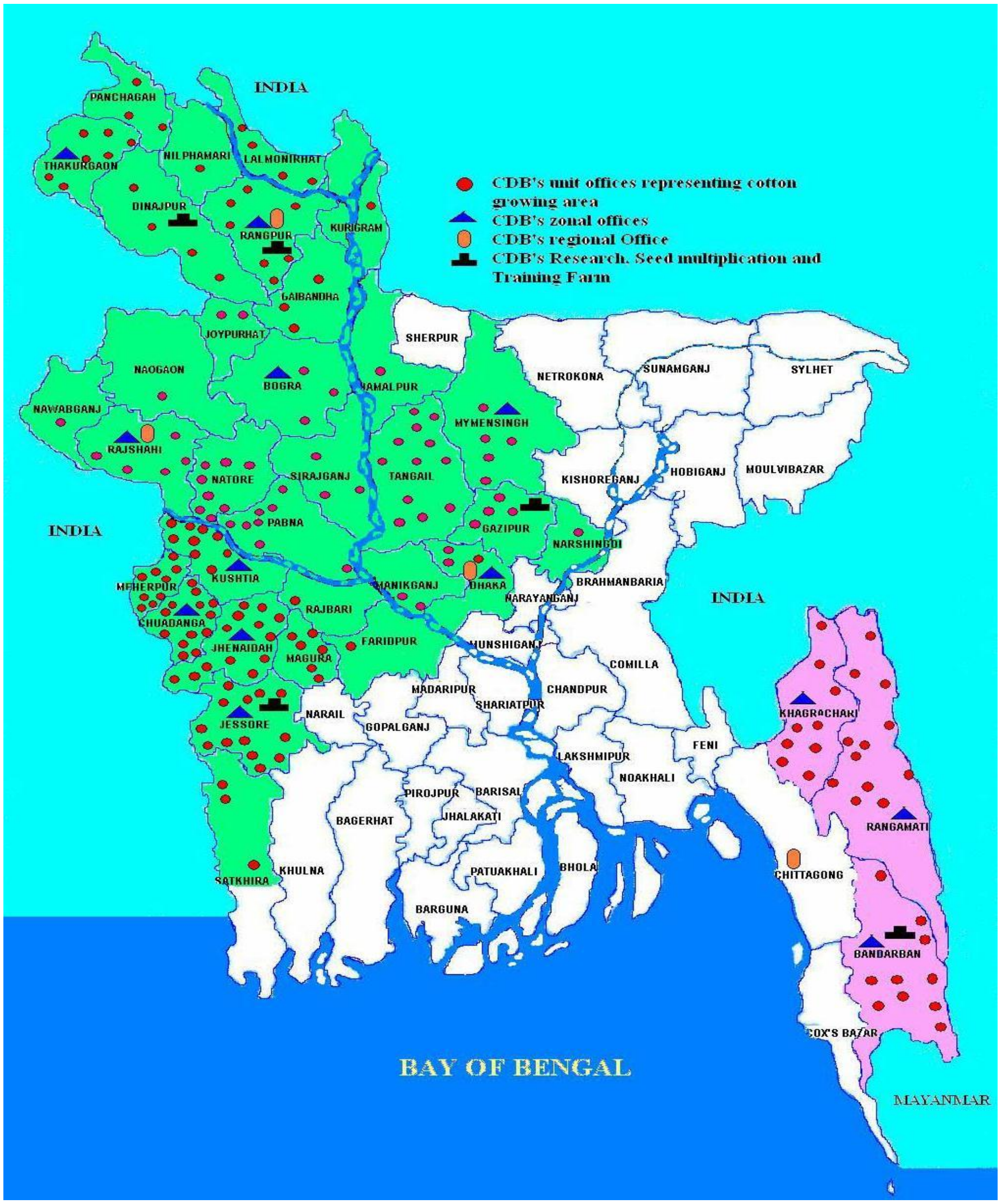
Source: Bangladesh Textile Mills Association (BTMA)

Table 11: Bangladesh: Duty Structure of Textile Sector imports (FY 2012-13)

Items	Custom Duty	Supplementary Duty	VAT	Adv. Income Tax	Regulatory Duty	Advance Trade VAT
Raw Cotton	0	0	0		0	0
Man-made Fibres	0%	0%	15%	5%	0	4%
Yarn	12%	0	15%	5%	0	4%
Fabric	25%	45%	15%	5%	5%	4%
Textile dyes-chemicals	5%	0	15%	5%	0	4%

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

Figure1. Bangladesh: Cotton Growing Areas



Source: Cotton Development Board, Bangladesh

Note: With a total cultivable land of 8.5 million hectare, land area suitable for cotton cultivation is estimated at 242,000 hectares. Cotton production is taking place in 35 to 40 thousand hectares spreading on 35 districts out of total 64 districts in Bangladesh.