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Report Highlights:

For marketing year 2021/2022, Post forecasts cotton production up slightly to 151 thousand bales, with total consumption at 8.81 million bales. Due to the high international price of cotton, local spinning mills will consume more out of stocks. After the fallout from the COVID-19 pandemic in 2020, Bangladesh's ready-made garments exports increased 28 percent to \$28.5 billion in the first 10 months of calendar year (CY) 2021, as compared to the same period in CY 2020. As of September 2021, yarn imports have increased while fabric imports decreased as compared to the previous year.

Production

Cotton grows in 22 out of 64 districts in Bangladesh, covering 0.55 percent of Bangladesh's 8.1 million hectares of cultivable land. Domestically produced cotton accounts for less than 2 percent of total cotton consumption. Bandarban, Jhenaidah, Jeshore, and Rangamati are the major cotton producing areas of the country. Bangladesh produces numerous varieties of cotton, including *Gossypium hirsutum*, *Gossypium arboreum*, *Gossypium herbaceum*, and *Gossypium barbadense*. American upland cotton is cultivated in the rabi (winter) crop season from July to August and is harvested in December and January. Other varieties produced in the kharif (summer) crop season are cultivated in Bangladesh's hill tract region from March to April and harvested in December and January.

Post forecasts marketing year (MY) 2021/2022 cotton harvested area at 45 thousand hectares, which is 1 thousand hectares lower than the USDA official forecast. Post's cotton production forecast for MY 2021/2022 is 151 thousand bales, compared to the USDA official number of 149 thousand bales. Post expects higher yields due to favorable weather, the expansion of hybrid varieties, and support from the Ministry of Agriculture's Cotton Development Board (CDB) in supplying new seed varieties, providing technical training, and assisting with crop monitoring.

Research and Development

The CDB has introduced Bt cotton in Bangladesh. Please see the [Bangladesh Agricultural Biotechnology Annual](#) for more information.

Value Added Cotton

Overview of Garment and Textile Industry

Bangladesh earns more than 80 percent of its total export earnings, by value, from the ready-made garment (RMG) sector, exporting a number of different products (Table 1 and Table 2). According to the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), approximately 4.5 million people are working in 4,621 RMG factories in Bangladesh (Table 3).

Table 1: Bangladesh's Apparel Sector Exports

Fiscal Year	Total Apparel Export (\$ Million)			Total Export (\$ Million)	RMG % of Total Exports
	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
2020-2021	14496.7	16960.03	31456.73	38758.31	81.16

Source: BGMEA

Table 2: Bangladesh's RMG Production, by Product

Fiscal Year	Trousers	T-Shirts & Knitted shirts	Sweaters	Shirts & Blouses	Underwear
2015-16	10167.31	6892.80	3182.47	3076.36	1172.74
2016-17	9943.09	6650.51	3361.53	2918.97	1328.50
2017-18	10833.83	7153.84	3674.70	2927.34	1410.70
2018-19	11754.86	7902.27	4255.91	3190.23	1640.36
2019-20	9362.64	6273.77	3597.68	2449.65	1358.72
2020-21	10681.52	7239.74	4051.83	2048.40	1789.70

Source: BGMEA

Table 3: Bangladesh's RMG Sector Employment

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

Source: BGMEA and Ministry of Commerce

Bangladesh also produces yarn and fabric from its 433 yarn manufacturing mills and 827 fabric manufacturing mills (Table 4). Currently, there are 19 synthetic spinning mills and eight acrylic spinning mills operating. According to the Bangladesh Textile Mills Association (BTMA), annual yarn spinning capacity and fabric manufacturing capacity are 3.3 billion kilograms and 7.8 billion meters, respectively. Bangladesh's total raw cotton consumption capacity is 11.5 million bales; however, it is currently consuming approximately 8.5 million bales of raw cotton annually.

Bangladesh's yarn production is recovering following an extended period of market disruption due to COVID-19 induced lockdowns and restrictions in 2020. Post forecasts MY 2021/2022 yarn production will reach 750 thousand metric tons (MT), up 2.7 percent compared to MY 2020/2021.

Table 4: Bangladesh's 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
2020	433	14,000,000	0.00	4.24

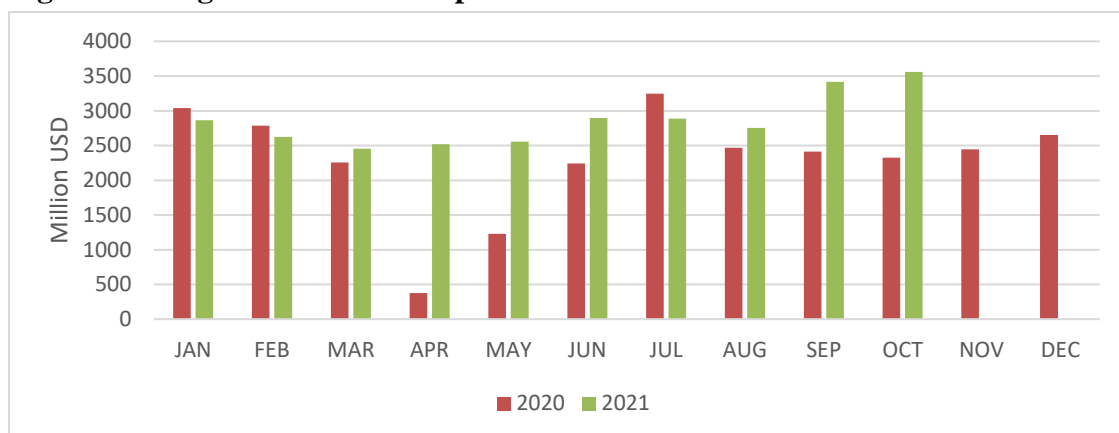
Source: BTMA

RMG Exports Reviving

In 2020, the COVID-19 pandemic negatively impacted Bangladesh's RMG exports to its major markets, primarily the United States and the European Union. Many international brands canceled orders, which resulted in a 17 percent decline in RMG export value in calendar year (CY) 2020 as compared to CY 2019.

However, from the second quarter of 2021, Bangladesh's RMG factories began to see increased orders from Europe and the United States as their economies recovered. Preliminary data from the Bangladesh Export Promotion Bureau shows that the RMG export value in the first 10 months of CY 2021 increased by 28 percent to \$28.5 billion, (Figure 1 and Table 5).

Figure 1: Bangladesh's RMG Exports to the World



Source: BGMEA

Table 5: Bangladesh's RMG Exports (USD Million) to the World, by product

Months	Woven	Woven	% Change	Knit	Knit	% Change	Total Exports	Total Exports	% Change
	2019-20	2020-21		2019-20	2020-21		2019-20	2020-21	
July	1632	1495	-8.4	1678	1750	4.3	3310	3245	-2.0
August	1163	1104	-5.1	1243	1365	9.8	2406	2468	2.6
September	1092	1065	-2.5	1249	1349	8.0	2341	2413	3.1
October	1152	986	-14.4	1368	1338	-2.2	2520	2324	-7.8
November	1240	1110	-10.5	1271	1334	5.0	2511	2445	-2.7
December	1539	1261	-18.1	1396	1390	-0.5	2935	2651	-9.7
January	1625	1399	-13.9	1414	1463	3.5	3039	2862	-5.8
February	1506	1273	-15.5	1279	1353	5.8	2784	2625	-5.7
March	1200	1142	-4.8	1056	1312	24.3	2256	2455	8.8
April	195	1175	504.1	180	1342	644.9	375	2517	571.8
May	622	1191	91.4	608	1366	124.6	1231	2557	107.8
June	1075	1297	20.6	1165	1598	37.2	2240	2895	29.2
Total:	14041	14497	3.2	13908	16960	21.9	27949	31457	12.6

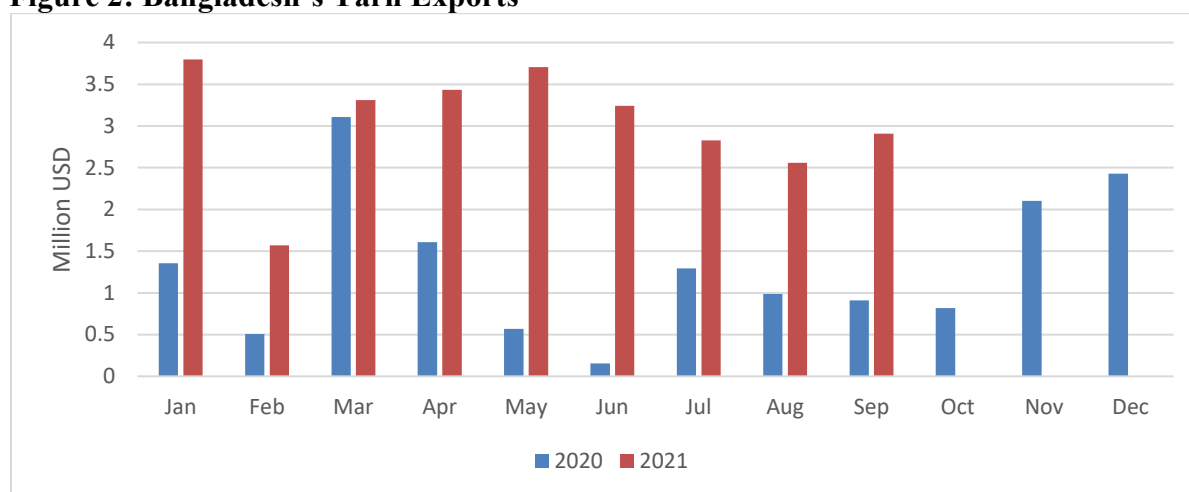
Source: BGMEA

Currently, the garment and textile industry in Bangladesh is fully operational. Due to COVID-19, a significant number of Bangladeshi garment and textile factories have, and are continuing to, adjust their operations, including but not limited to setting up testing labs for employees, providing vaccines, developing social distancing and health protocols, and working with buyers to restructure work orders.

Yarn Imports and Exports Rising

Yarn manufacturers both export and sell their yarn domestically, and Bangladesh also imports yarn to meet local demand. According to Trade Data Monitor, LLC (TDM), the value of Bangladesh's yarn exports under harmonized system (HS) codes 5204, 5205, and 5207 in the first nine months of CY 2021 increased by 160 percent to \$27.35 million as compared with the same period in the previous year (Figure 2).

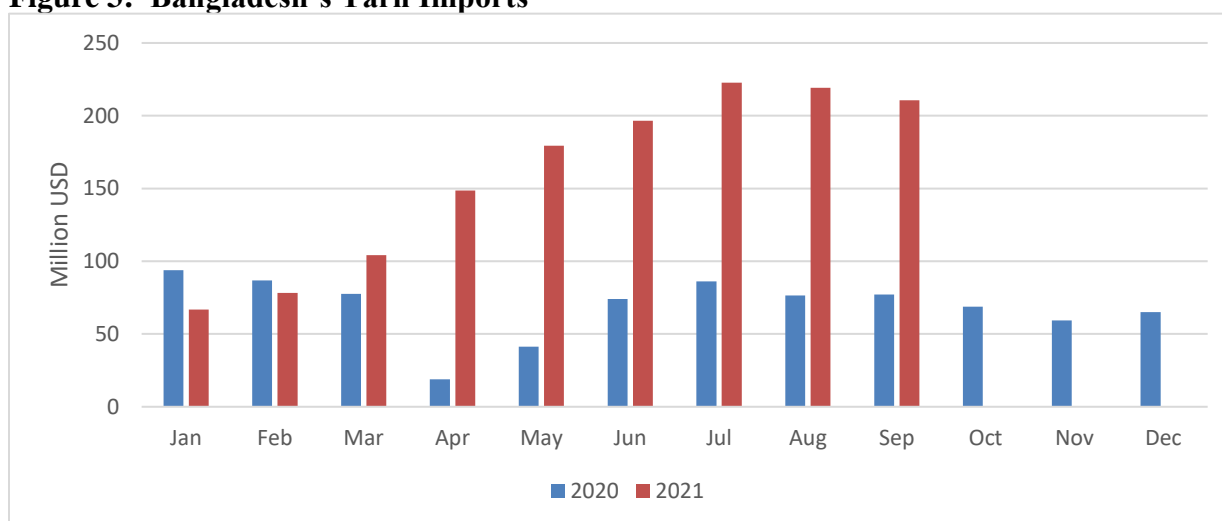
Figure 2: Bangladesh's Yarn Exports



Source: TDM

Through the first nine months of CY 2021, the value of cotton yarn imports is up by 126 percent to \$1,426 million over the same period in CY 2020 (Figure 3). India has exported over \$1,176 million of cotton yarn to Bangladesh as of September 2021.

Figure 3: Bangladesh's Yarn Imports

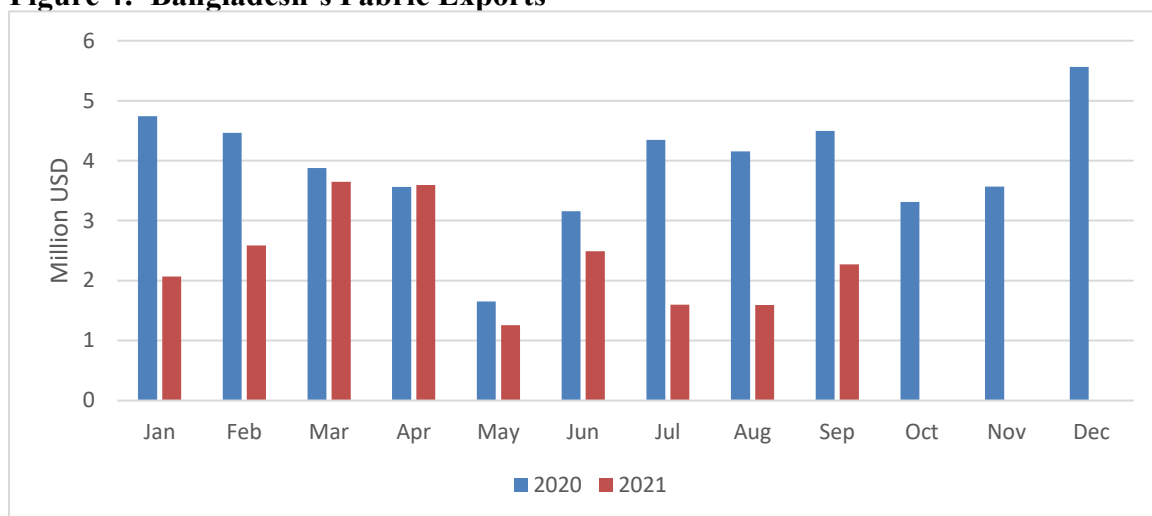


Source: TDM

Fabric Exports and Imports Decline

Bangladesh imports large quantities of fabric from the world and also exports limited quantities. According to TDM, the value of Bangladesh's fabric exports under HS codes 5208 and 5209 in the first nine months of CY 2021 dropped by 39 percent to \$21 million, as compared with the same period last year (Figure 4).

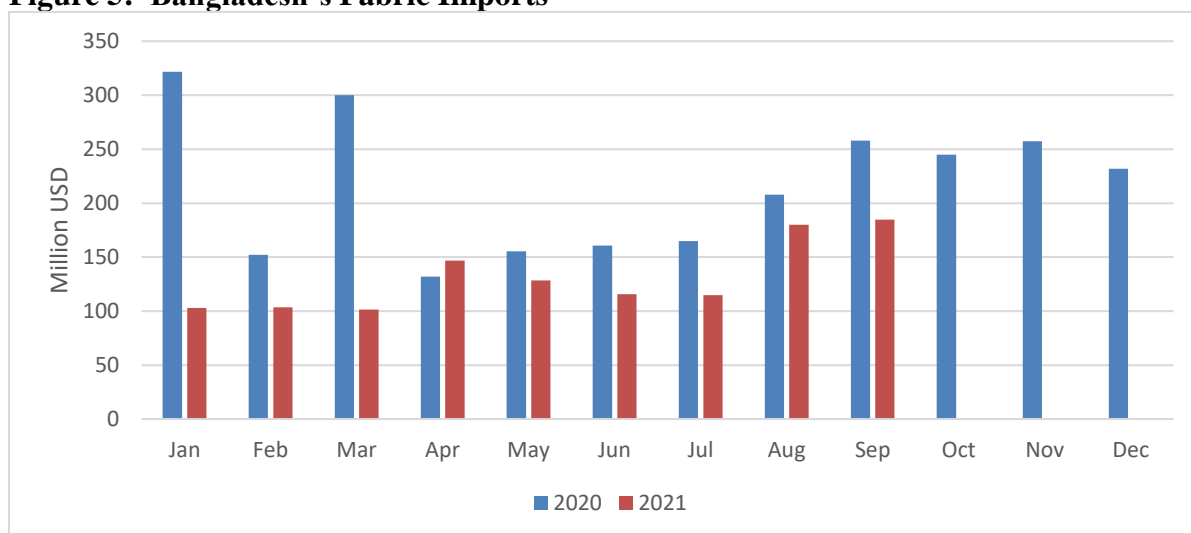
Figure 4: Bangladesh's Fabric Exports



Source: TDM

As of September 2021, total fabric imports also dropped to \$1,178 million, which is 36 percent lower than in the same period last year (Figure 5). The significant decrease in fabric imports in CY 2021 is linked with increased yarn imports in the same period.

Figure 5: Bangladesh's Fabric Imports



Source: TDM

Consumption

Steady Increase in Consumption

For MY 2021/2022, Post forecasts total domestic raw cotton consumption at 8.81 million bales, the same as the USDA official forecast. Post's forecast is based on higher yarn and fabric demand by domestic garment factories. Due to COVID-19 induced lockdowns and restrictions in some competitor countries, such as Vietnam and Indonesia, contacts report that Bangladesh has been receiving more orders since January 2021.

Post estimates MY 2020/2021 domestic raw cotton consumption at 8.51 million bales, which is 23.3 percent higher than MY 2019/2020.

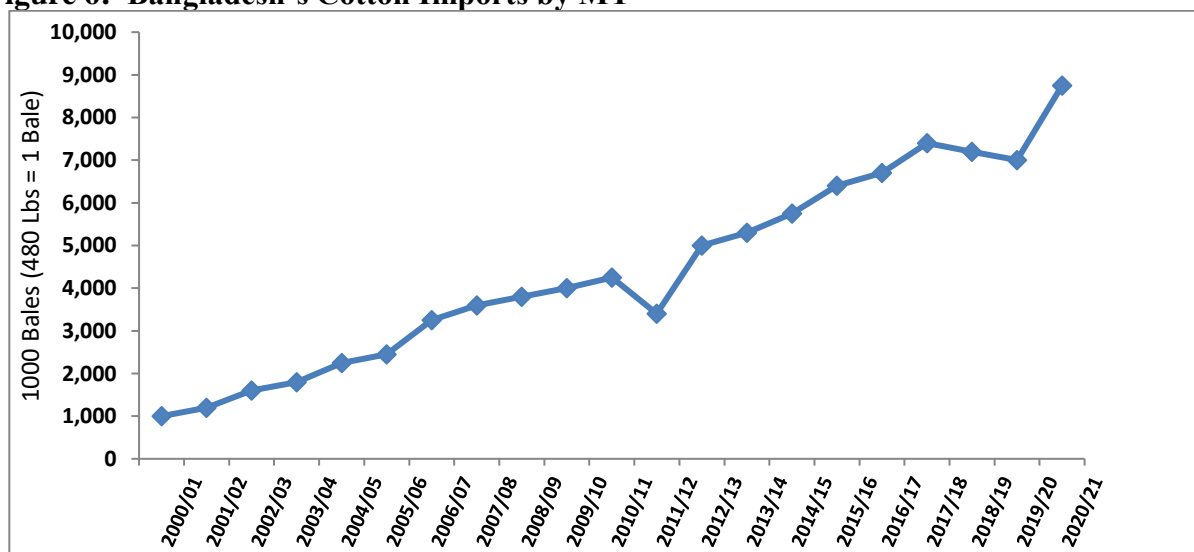
Post forecasts MY 2021/2022 yarn and fabric consumption at 0.95 million MT and 6.3 billion meters, respectively. For MY 2020/2021, Post estimates yarn and fabric consumption at 0.94 million MT and 6.2 billion meters, respectively.

Trade

Imports Continue to Increase

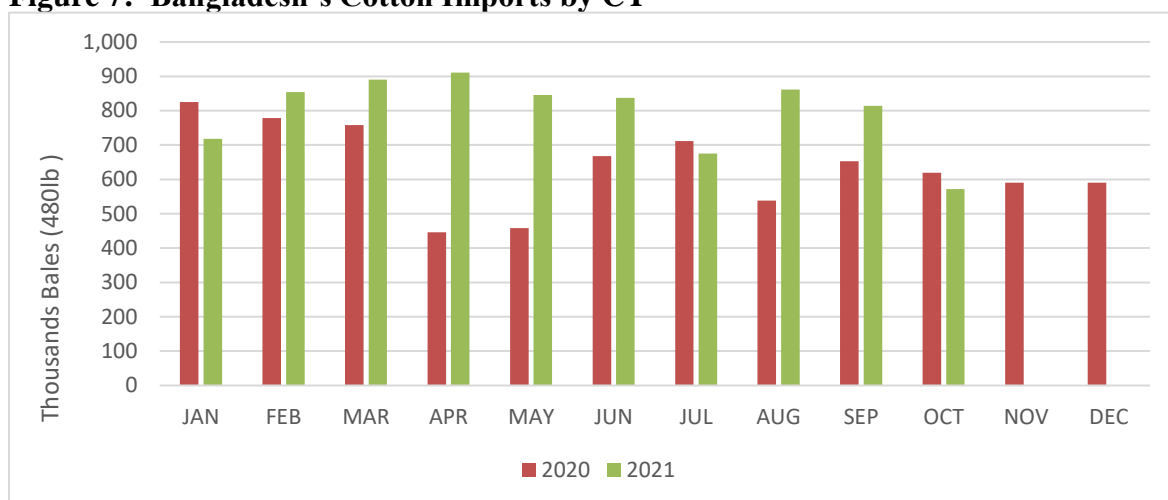
Bangladesh's cotton imports continue to steadily increase (Figure 6). Post forecasts MY 2021/2022 cotton imports at 8.2 million bales, which is 1.2 percent lower than the USDA official forecast. Post estimates MY 2020/2021 cotton imports at 8.75 million bales, up 16.7 percent over MY 2019/2020. In CY 2021, raw cotton imports have increased because of high yarn demand by the domestic industry (Figure 7). As of October 2021, Bangladesh's cotton imports increased by 24 percent as compared to the same period in CY 2020 to 7.97 million bales.

Figure 6: Bangladesh's Cotton Imports by MY



Source: TDM

Figure 7: Bangladesh's Cotton Imports by CY



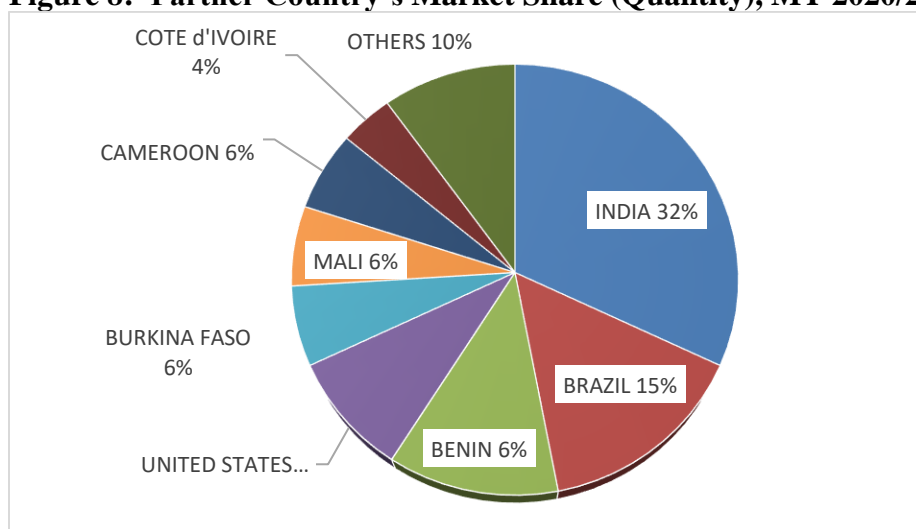
Source: National Board of Revenue (NBR)

India is the Preferred Exporter

In MY 2020/2021, by quantity, Indian cotton had 32 percent market share, followed by Brazil (15 percent), Benin (12 percent), and the United States (9 percent). The volume of U.S. cotton exports to Bangladesh in MY 2020/2021 were approximately 906 thousand bales, down 18.5 percent compared to MY 2019/2020 (Figure 8).

Indian cotton is exported via Kolkata seaport and Benapole land port, with traders noting that transportation and logistics are cheaper as compared to other origins, with shorter shipment times due to geographic proximity.

Figure 8: Partner Country's Market Share (Quantity), MY 2020/2021



Source: TDM

Stocks

Due to the higher price of cotton in the international market, local spinners will continue to use more cotton from stocks. For MY 2021/2022, Post forecasts ending stocks at 2.4 thousand bales, approximately 4 percent lower than the USDA official forecast.

Policy

CDB Targets Higher Production

The CDB has stated it aims to increase cotton production in Bangladesh from approximately 2 percent of total demand to 8 to 10 percent by bringing new land into cultivation, specifically in the Barind region and on river islands, and converting tobacco growing areas to cotton.

RMG Production Costs Continue to Rise

In November 2021, the Government of Bangladesh increased the price of diesel by 23 percent, leading to increased costs of power generation, transportation, and raw materials and services in the textile and RMG sectors. In addition, in the past year, yarn prices have risen by 6 percent, container fares by 350 to 500 percent, dye-chemical costs by 4 percent, wages by 7.5 percent, and electricity by 13 percent. BGMEA has projected a 5 percent rise in RMG production costs.

Withhold Release Order (WRO) on Products Originating in Xinjiang, China

Domestic contacts have noted that U.S. buyers are increasingly focused on ensuring responsible labor practices in their supply chains, while also noting increased awareness of U.S. Customs and Border Protection's WRO on certain products originating in Xinjiang, China domestically. Bangladesh's spinners and garment manufacturers imported a negligible amount (430 bales) of raw cotton from China in MY 2020/2021, while Bangladesh was China's largest market for yarn and fabrics made of cotton (HS codes 5204, 5205, 5207, 5208, 5209).

Tariffs on Cotton

According to the Bangladesh tariff schedule 2020-2021, cotton related products tariff rates are as follows:

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

Products	Custom Duty	SD	VAT	Advance Income Tax	Regulatory Duty	Advance Trade VAT
Raw Cotton (52010000)	0	0	0	0	0	0
Man-made Fibers (55011000)	5%	0%	15%	5%	0	5%
Yarn (53089000)	10%	0	15%	5%	0	5%
Fabric (55121100)	25%	20%	15%	5%	3%	5%
Textile dyes-chemicals (32041100)	5%	0	15%	5%	0	5%

Source: NBR, Government of Bangladesh, 2020-2021

Cotton Fumigation

In September 2020, Bangladesh's Plant Quarantine Wing (PQW) of the Ministry of Agriculture changed the fee structure for imported cotton fumigation. Previously, PQW assessed a BDT 360 (\$4.22) per

container service charge, but it now assesses BDT 50 (\$0.58) per bale. The service charge will cost Bangladesh's U.S. cotton importers an additional \$650,000 per year.

Bangladesh's Production, Supply, and Distribution of Raw Cotton

Cotton Market Year Begins Bangladesh	2019/2020		2020/2021		2021/2022	
	Aug 2019		Aug 2020		Aug 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	0	44	0	44	0	45
Area Harvested (1000 HA)	45	44	45	44	46	45
Beginning Stocks 1000 480 lb. Bales	1783	1783	2515	2515	2900	2902
Production 1000 480 lb. Bales	142	142	145	147	149	151
Imports 1000 480 lb. Bales	7500	7500	8750	8750	8300	8200
MY Imports from U.S. 1000 480 lb. Bales	0	1112	0	905	0	1050
Total Supply 1000 480 lb. Bales	9425	9425	11410	11412	11349	11253
Exports 1000 480 lb. Bales	0	0	0	0	0	0
Use 1000 480 lb. Bales	6900	6900	8500	8500	8800	8800
Loss 1000 480 lb. Bales	10	10	10	10	10	10
Total Dom. Cons. 1000 480 lb. Bales	6910	6910	8510	8510	8810	8810
Ending Stocks 1000 480 lb. Bales	2515	2515	2900	2902	2539	2443
Total Distribution 1000 480 lb. Bales	9425	9425	11410	11412	11349	11253
Stock to Use % (PERCENT)	36.45	36.45	34.12	34.14	28.85	27.76
Yield (KG/HA)	687	703	702	727	705	731
(1000 HA), 1000 480 lb. Bales, (PERCENT), (KG/HA)						

Attachments:

No Attachments