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Report Name: Cotton and Products Update

Country: Bangladesh

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Report Highlights:

For marketing year (MY) 2022/23, Post forecasts cotton harvested area and production at 45 thousand hectares and 153 thousand bales, respectively. Post reduced Bangladesh's cotton import forecast for MY 2022/23 to 8 million bales on high international raw cotton prices, reduced garment production due to a domestic power shortage, and the slowdown of the world economy. As of October in calendar year (CY) 2022, Bangladesh's yarn exports were valued at $28 million and its yarn imports at $1.6 billion. In the first nine months of CY 2022, Bangladesh also imported fabric valued at $1.7 billion and exported $20 million over the same period.

Cotton

Table 1: Bangladesh's Production, Supply, and Distribution of Raw Cotton

Cotton	2020/2021		2021/2022		2022/2023	
Market Year Begins	Aug 2020		Aug 2021		Aug 2022	
Bangladesh	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	0	44	0	45	0	45
Area Harvested (1000 HA)	44	44	45	45	46	45
Beginning Stocks 1000 480 lb. Bales	2515	2515	2452	2452	2293	2308
Production 1000 480 lb. Bales	147	147	151	151	155	153
Imports 1000 480 lb. Bales	8300	8515	8200	8515	8000	8000
MY Imports from U.S. 1000 480 lb. Bales	0	0	0	0	0	0
Total Supply 1000 480 lb. Bales	10962	11177	10803	11118	10448	10461
Exports 1000 480 lb. Bales	0	0	0	0	0	0
Domestic Use 1000 480 lb. Bales	8500	8715	8500	8800	8200	8300
Loss 1000 480 lb. Bales	10	10	10	10	10	10
Total Dom. Cons. 1000 480 lb. Bales	8510	8725	8510	8810	8210	8310
Ending Stocks 1000 480 lb. Bales	2452	2452	2293	2308	2238	2151
Total Distribution 1000 480 lb. Bales	10962	11177	10803	11118	10448	10461
Stock to Use % (PERCENT)	28.85	28.14	26.98	26.23	27.29	25.92
Yield (KG/HA)	727	727	731	731	734	740
(1000 HA), 1000 480 lb. Bales, (PERCENT), (KG/HA)						

Production

For marketing year (MY) 2022/23, Post forecasts cotton harvested area at 45 thousand hectares, down about 2 percent from Post's previous projection (See GAIN Report: Cotton and Products Annual 2022). Post also revised its MY 20222/23 cotton production forecast to 153 thousand bales, about 1.3 percent lower than the USDA official forecast. Post revised the cotton harvested area and production numbers based on the Bangladesh Cotton Development Board (CDB)'s revised data.

Post estimates MY 2021/2022 cotton harvested area and production at 45 thousand hectares and 151 thousand bales, respectively, equal to the USDA official estimates.

According to the CDB, cotton grows in 39 out of 64 districts in Bangladesh. However, total cotton cultivation in Bangladesh covers only 0.55 percent of the country's 8.1 million hectares of arable land. Domestically produced cotton accounts for less than 2 percent of total cotton consumption in the country. Kustia, Jhenaidah, Jeshore, Chuadanga, Bandarban, and Rangamati are the major cotton producing districts in Bangladesh.

Bangladesh produces numerous varieties of cotton, including *Gossypium hirsutum*, *Gossypium arboretum*, *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 are cultivated in the *kharif* (summer) crop season from March to April and harvested in December and January as well.

Research and Development

The CDB has introduced Bt cotton in Bangladesh and it is currently undergoing field trials. Please see Bangladesh Agricultural Biotechnology Annual for more information.

Value Added Cotton

Overview of Garment Industry

The readymade garment (RMG) sector is Bangladesh's major export earner. In Bangladesh fiscal year (FY) 2021-22 (July-June), around 82 percent of country's total export earnings came from the RMG sector (Table 2). Bangladesh exports several RMG products including trousers, t-shirts, knitted shirts, sweaters, blouses, and underwear to more than 50 countries (Table 3). The Bangladesh Garment Manufactures and Exporters Association (BGMEA), counts 4,500 RMG factories that employ approximately 4 million people in total as their members. Around 40 percent of BGMEA member factories are knitwear and sweater manufactures; the remaining are woven garment manufactures. BGMEA member factories account for 100 percent of Bangladesh's woven garment exports, more than 95 percent of its sweater exports, and approximately half of its light knitwear exports. Contacts also note that there are about 1,000 small and medium-sized RMG factories in Bangladesh that are not BGMEA members.

Table 2: Bangladesh's Apparel Sector Exports

Fiscal Year	Apparel Exports ($ Million)			Total Exports ($ Million)	RMG as % of Total Exports
	Woven	Knit	Total		
2012-2013	11,040	10,476	21,516	27,027	80
2013-2014	12,442	12,050	24,492	30,187	81
2014-2015	13,065	12,427	25,491	31,209	82
2015-2016	14,739	13,355	28,094	34,257	82
2016-2017	14,393	13,757	28,150	34,656	81
2017-2018	15,426	15,189	30,615	36,668	83
2018-2019	17,245	16,889	34,133	40,535	84
2019-2020	14,041	13,908	27,949	33,674	83
2020-2021	14,497	16,960	31,457	38,758	81
2021-2022	19,399	23,214	42,613	52,083	82

Source: BGMEA

Table 3: Major Apparel Items Exported from Bangladesh, by Value (Million $)

Fiscal Year	Trousers	T-Shirts & Knitted Shirts	Sweaters	Shirts & Blouses	Underwear
2015-2016	10,167	6,893	3,182	3,076	1,173
2016-2017	9,943	6,651	3,362	2,919	1,329
2017-2018	10,834	7,154	3,675	2,927	1,411
2018-2019	11,755	7,902	4,256	3,190	1,640
2019-2020	9,363	6,274	3,598	2,450	1,359
2020-2021	10,682	7,240	4,052	2,048	1,790
2021-2022	14,508	9,858	5,640	2,766	2,344

Source: BGMEA

Overview of Textile Industry

Bangladesh's textiles industry is composed of yarn, fabric, and dyeing-printing-finishing mills. Please see Table 4 for an overview of the industry. Total cotton consumption capacity is about 15 million bales; however, Bangladesh is currently consuming approximately 8.5 million bales of raw cotton annually (Table 5). Approximately 80 percent of the produced yarn is purely cotton, while the remaining 20 percent is mixed yarn from cotton and artificial fibers. In general, the demand for cotton yarn and other fabrics in Bangladesh's garment sector has been increasing. According to the Bangladesh Textile Mills Association (BTMA), local textile mills meet 85 percent of demand of knit fabrics and about 40 percent of woven fabrics; the remainder is imported.

Post forecasts MY 2022/23 yarn production at 1.5 million metric tons (MT), made up of 1.2 million MT of cotton yarn and 0.3 million MT of mixed yarn. Post's MY 2022/23 yarn consumption forecast is 2 million MT. Post also forecasts MY 2022/23 fabric production and consumption at 4.5 and 6.5 billion meters, respectively.

Table 4: Basic Statistics of Textile Sector in Bangladesh, 2021

Items	Unit	Number
Yarn Manufacturing Mills	Number	510
Annual Yarn Spinning Capacity	Million MT	3.7
Fabric Manufacturing Mills	Number	901
Annual Fabric Manufacturing Capacity	Billion Meters	8.35
Dyeing-Printing-Finishing Mills	Number	317
Annual Processing Capacity	Billion Meters	5
Total number of Mills under BTMA	Number	1,728
Total Cotton Consumption Capacity	Million Bales (480 lb. bale)	15

Source: *BTMA*

Table 5: Bangladesh's Spinning Capacity and Growth

Calendar Year	No. of Spinning Mills	Spindle Capacity (Million Bale)	Growth in No. of Mills (%)	Growth in Spindle Capacity (%)
2012	392	10	0.0	2.1
2013	394	10	0.5	0.0
2014	407	10	3.3	5.1
2015	413	11	1.5	7.3
2016	424	12	2.7	5.4
2017	425	12	0.2	6.5
2018	430	13	1.2	6.1
2019	433	13	0.7	2.0
2020	433	14	0.0	4.2
2021	510	15	18.0	7.1

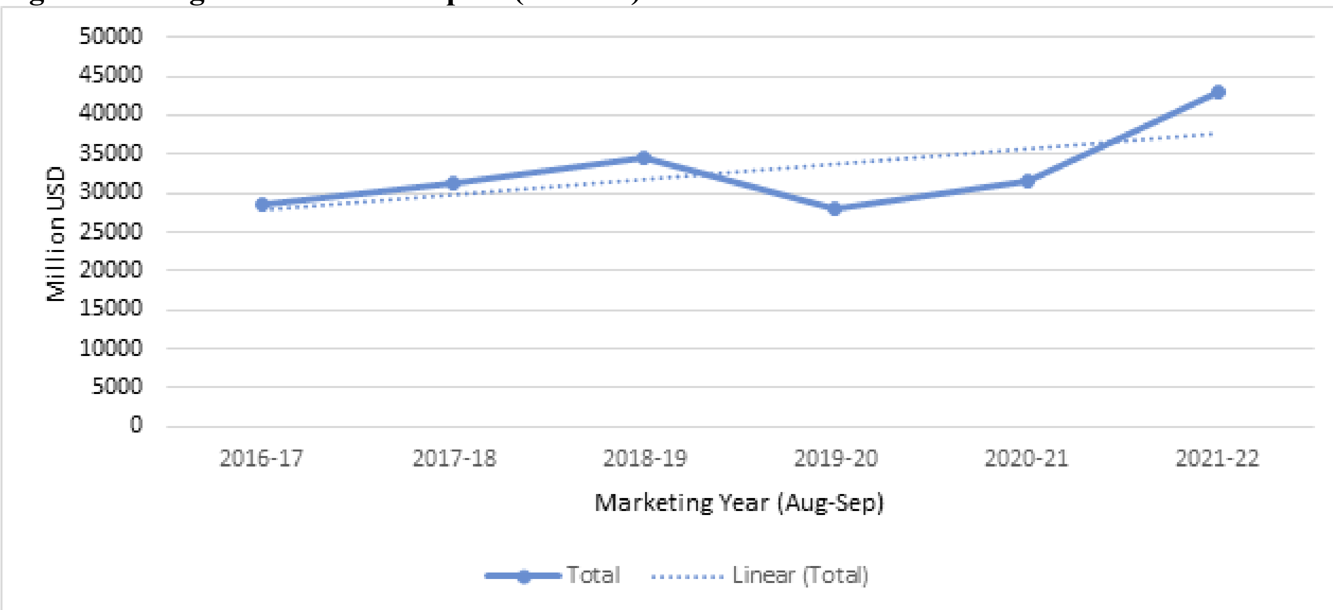
Source: *BTMA*

RMG Exports Hit a Record High

Bangladesh's RMG sector saw record high exports of $43.1 billion in MY 2021/22, up about 37 percent from MY 2020/21 (Figure 1). Note that the COVID-19 pandemic adversely affected Bangladesh's RMG exports in MY 2020/21.

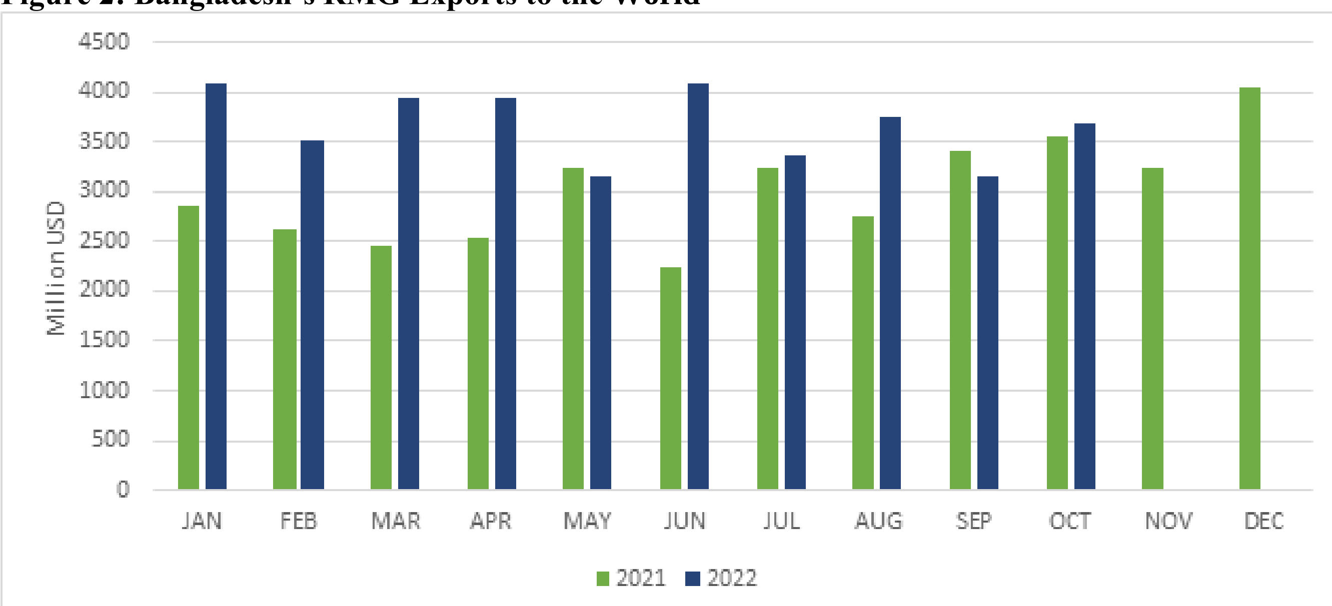
As of October, in calendar year (CY) 2022, total RMG exports hit $36.7 billion, up approximately 29 percent over the same period in CY 2021 (Figure 2). In CY 2021, Bangladesh became the second largest global exporter after China.

Figure 1: Bangladesh’s RMG Export (in value) to the World



Source: BGMEA and Export Promotion Bureau of Bangladesh (EPB)

Figure 2: Bangladesh’s RMG Exports to the World



Source: BGMEA and EPB

In FY 2021/22, about 45 percent of RMG export earnings came from woven products, with the remainder from knit products. Woven and knit products experienced export growth at 34 percent and 37 percent, respectively, in FY 2021/22 as compared to FY 2020/21 (Table 6).

Table 6: Bangladesh's RMG Exports (USD Million) to the World by Product

Months	Woven 2020-21	Woven 2021-22	% Change	Knit 2020-21	Knit 2021-22	% Change	Total Exports 2020-21	Total Exports 2021-22	% Change
July	1,495	1,229	-17.8	1,750	1,658	-5.3	3,245	2,887	-11.1
August	1,104	1,153	4.5	1,365	1,600	17.3	2,468	2,753	11.6
September	1,065	1,514	42.2	1,349	1,905	41.3	2,413	3,419	41.7
October	986	1,516	53.8	1,338	2,046	52.9	2,324	3,562	53.3
November	1,110	1,460	31.5	1,334	1,776	33.1	2,445	3,235	32.3
December	1,261	1,868	48.2	1,390	2,176	56.6	2,651	4,045	52.6
January	1,399	1,972	40.9	1,463	2,112	44.4	2,862	4,085	42.7
February	1,273	1,716	34.9	1,353	1,796	32.8	2,625	3,512	33.8
March	1,142	1,881	64.7	1,312	2,050	56.2	2,455	3,932	60.1
April	1,175	1,811	54.1	1,342	2,123	58.2	2,517	3,934	56.3
May	1,191	1,415	18.9	1,366	1,743	27.6	2,557	3,159	23.5
June	1,297	1,864	43.7	1,598	2,228	39.5	2,895	4,092	41.4
Total:	14,497	19,399	33.8	16,960	23,214	36.9	31,457	42,613	35.5

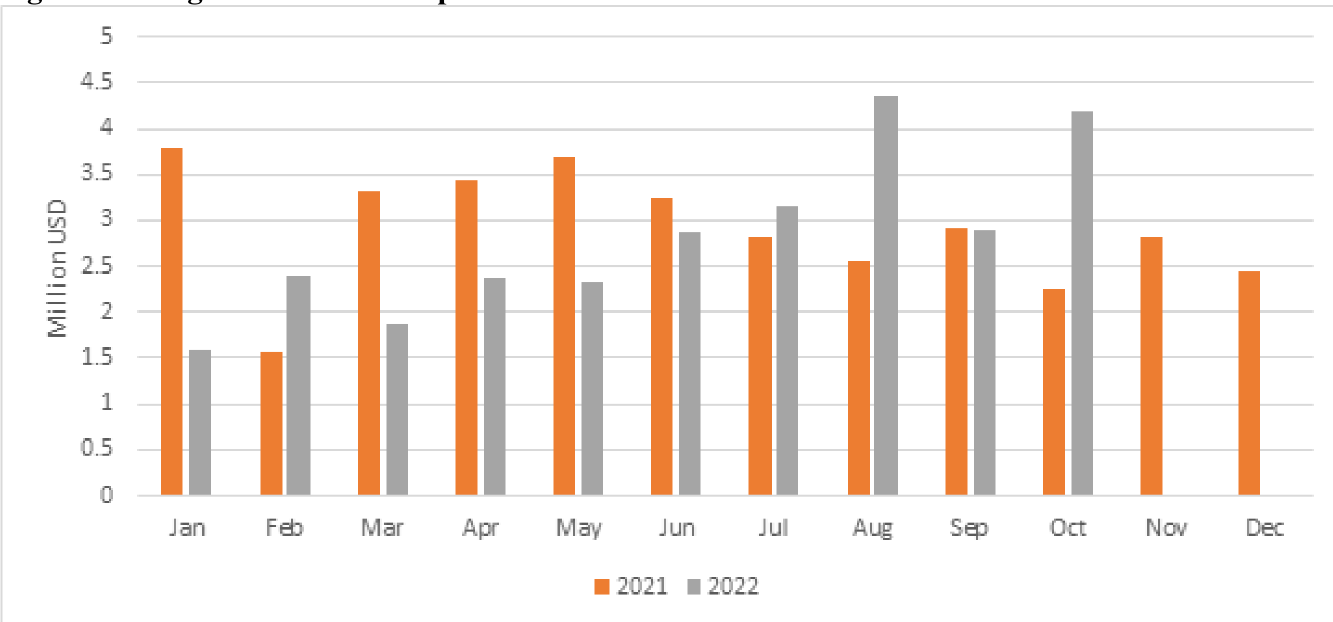
Source: BGMEA

The garment industry in Bangladesh is currently facing numerous challenges, including gas and electricity shortages, increased fuel prices, and high levels of inflation. Most RMG factories are not able to fully operate due to significant load shedding. In addition, some European and American brands are deferring shipments and canceling work orders due to ongoing economic issues and high inflation at home.

Yarn Exports and Imports Continue

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), as of October in CY 2022, the value of Bangladesh's yarn exports under harmonized system (HS) codes 5204, 5205, and 5207 was about $28 million, down about 5 percent from the same period last year (Figure 3). Major export destinations include China, the European Union, Mauritius, Bahrain, and the United Kingdom.

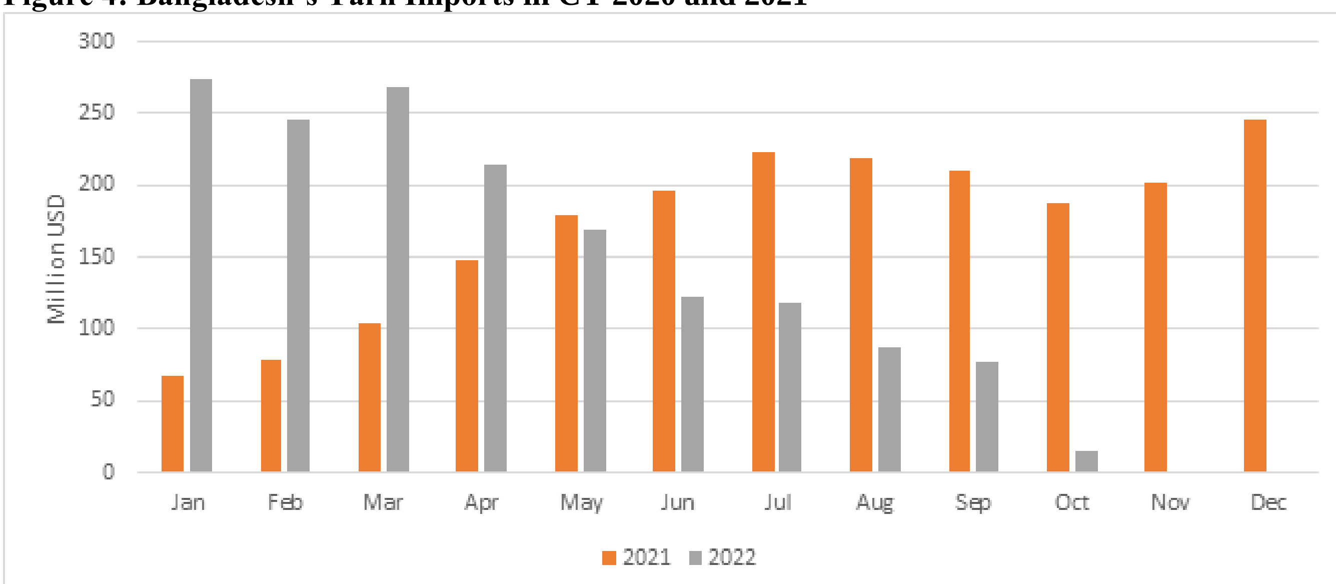
Figure 3: Bangladesh's Yarn Exports



Source: TDM

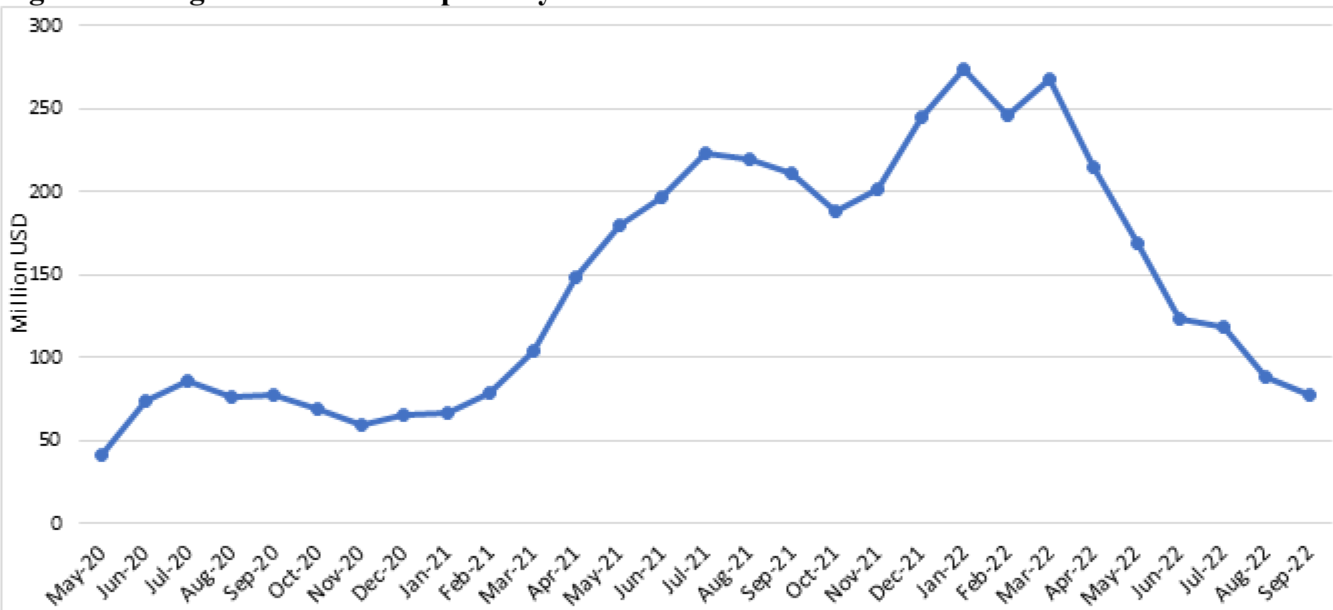
Bangladesh imports a substantial amount from the global market. Through the first 10 months of CY 2022, Bangladesh imported yarn valued at approximately $1.6 billion, almost equal to imports in CY 2021. Yarn imports were very high in the first quarter of CY 2022 as the country came out of the COVID-19 pandemic but declined from the second quarter (Figures 4 and 5).

Figure 4: Bangladesh's Yarn Imports in CY 2020 and 2021



Source: TDM

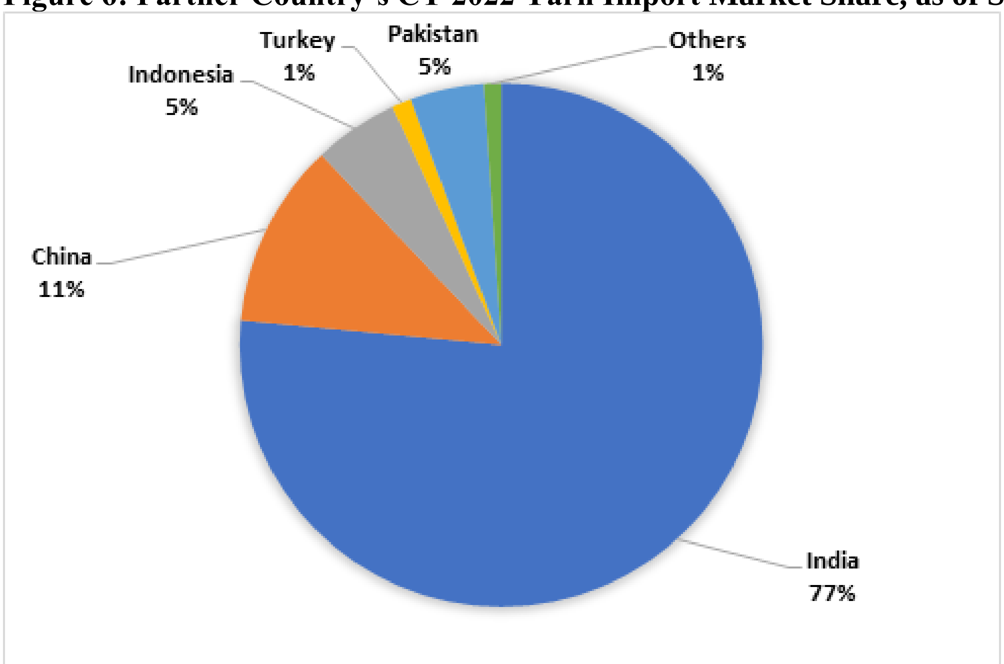
Figure 5: Bangladesh's Yarn Imports by Month



Source: TDM

Bangladesh's major sources of yarn include India, China, Pakistan, Indonesia, and Turkey (Figure 6).

Figure 6: Partner Country's CY 2022 Yarn Import Market Share, as of September

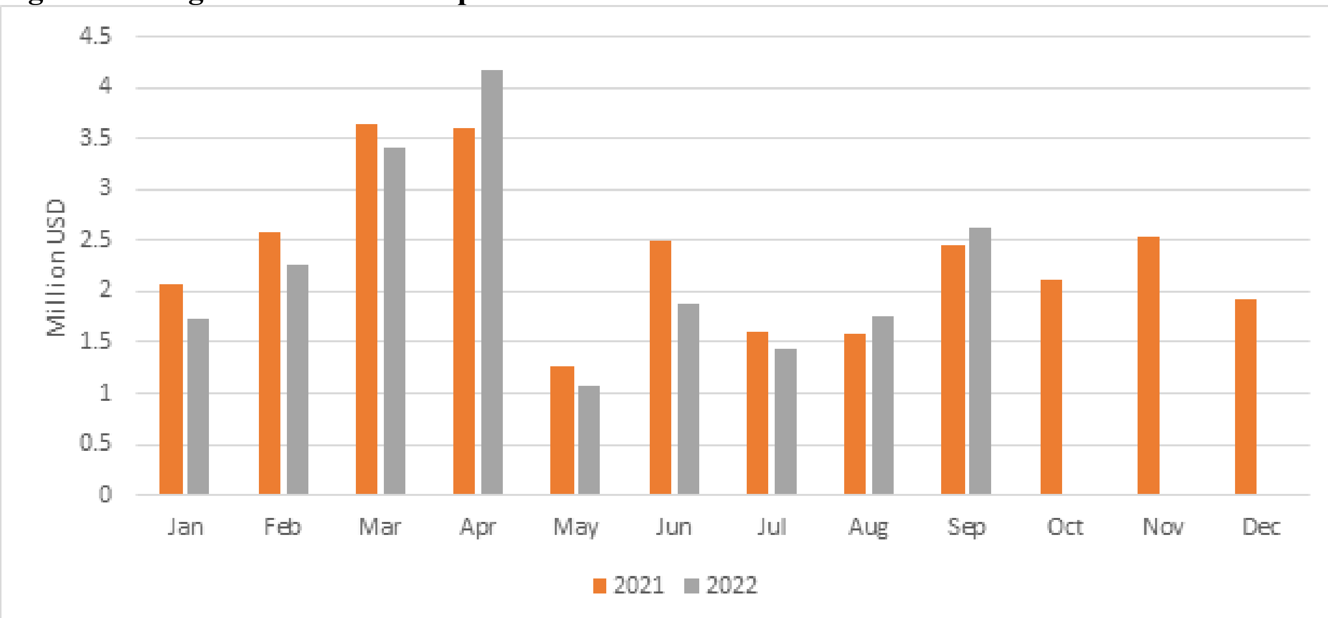


Source: TDM

Fabric Exports Declining and Imports Increasing

Bangladesh imports large quantities of fabric from the global market and exports limited quantities. According to TDM, the value of Bangladesh's fabric exports under HS codes 5208 and 5209 in first nine months of CY 2022 was about $20.3 million, down about 5 percent compared to the same period last year (Figure 7). Major export destinations of Bangladesh's fabric include India, Sri Lanka, the European Union, Egypt, and Kenya.

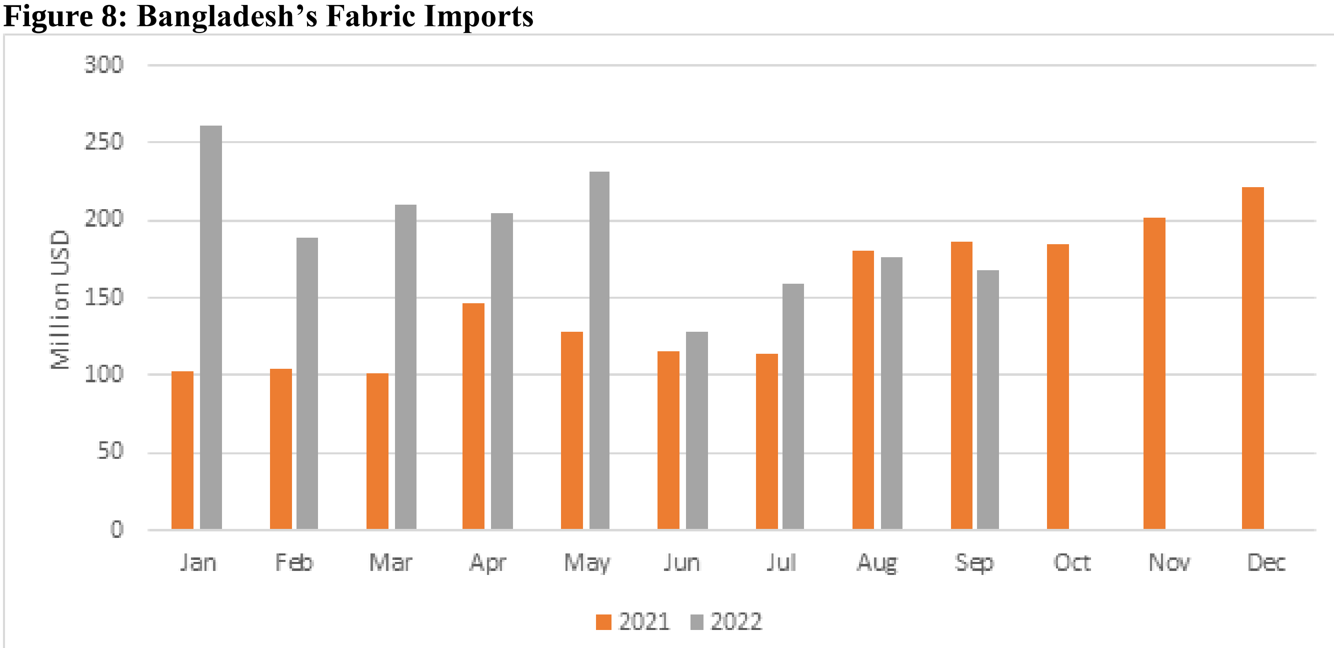
Figure 7: Bangladesh's Fabric Exports



Source: TDM

As of September in CY 2022, total fabric imports increased 45 percent to $1.7 billion, as compared to $1.17 billion during the same period in CY 2021 (Figure 8).

Figure 8: Bangladesh's Fabric Imports



Source: TDM

Consumption

Consumption Declines

For MY 2022/23, Post revised its domestic raw cotton consumption forecast down 11 percent from its previous projection to 8.3 million bales (See GAIN Report: Cotton and Products Annual 2022). Higher cotton prices, high inflation, and economic troubles are behind the reduction. However, Post's MY 2022/23 cotton consumption forecast is about 1.2 percent higher than the USDA official forecast.

In the beginning of 2021, after the COVID-19 lockdowns, Bangladesh began receiving more RMG orders as many brands shifted from competitor countries such as Vietnam and Indonesia. The higher volumes of RMG exports continued until the middle of CY 2022, with the Russia-Ukraine war and ongoing economic turmoil negatively affecting the RMG sector. Contacts mentioned a drop of approximately 20 to 30 percent in RMG orders in June and July 2022. Many U.S. and European brands also deferred their shipments.

Post estimates MY 2021/22 domestic raw cotton consumption at 8.8 million bales, which is around 4 percent higher than the USDA official estimate.

Post forecasts MY 2022/23 yarn and fabric consumption at 1.8 million MT and 6 billion meters, respectively, down approximately 10 percent and 3.5 percent, respectively, from the previous year. For MY 2021/22, Post estimates yarn consumption at 2 million MT and fabric consumption at 6.2 billion meters.

Trade

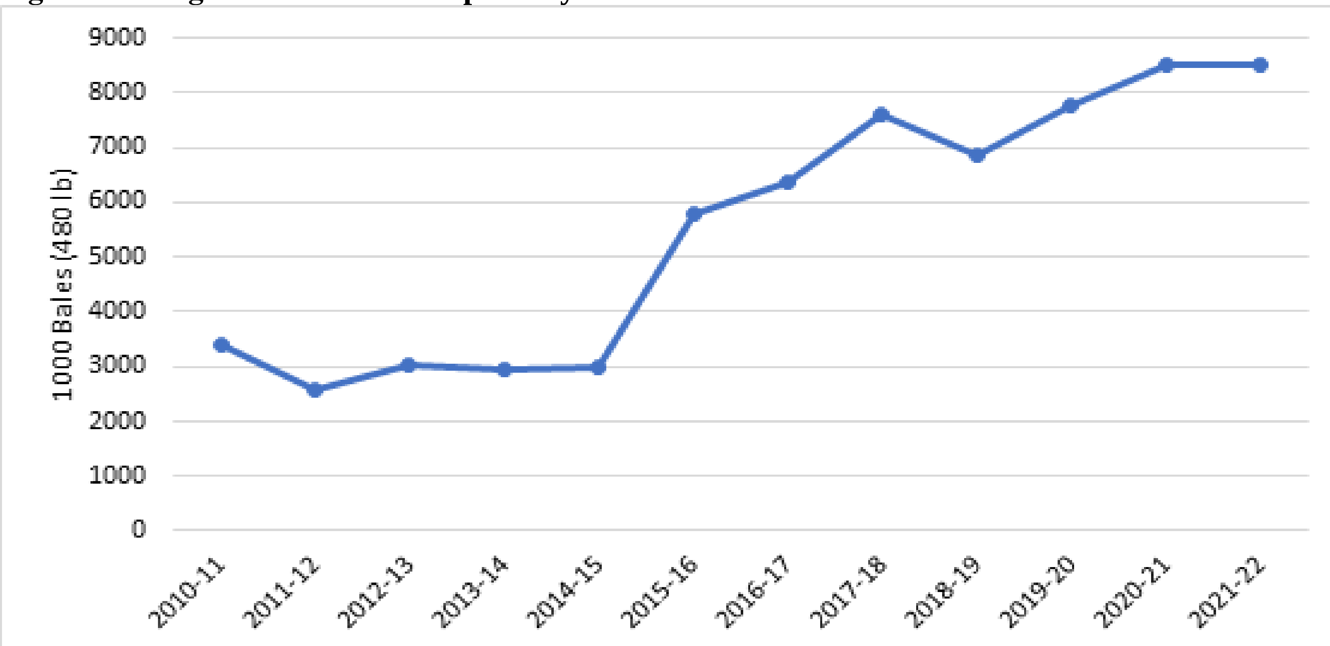
Imports to Fall

Post reduced its MY 2022/23 cotton import forecast to 8 million bales, down about 10 percent from its previous projection (See GAIN Report: Cotton and Products Annual 2022). It is now equal to the USDA official forecast.

Post estimates MY 2021/22 cotton imports at 8.52 million bales, up around 4 percent over the USDA official estimate. According to National Board of Revenue (NBR) data, Bangladesh imported around 8.5 million bales of cotton in MY 2020/21; therefore, Post revised its MY 2020/21 cotton import estimate.

Bangladesh has been showing a steady increase in cotton imports since MY 2014/15, with a dip in MY 2019/20 due to the COVID-19 pandemic (Figure 9).

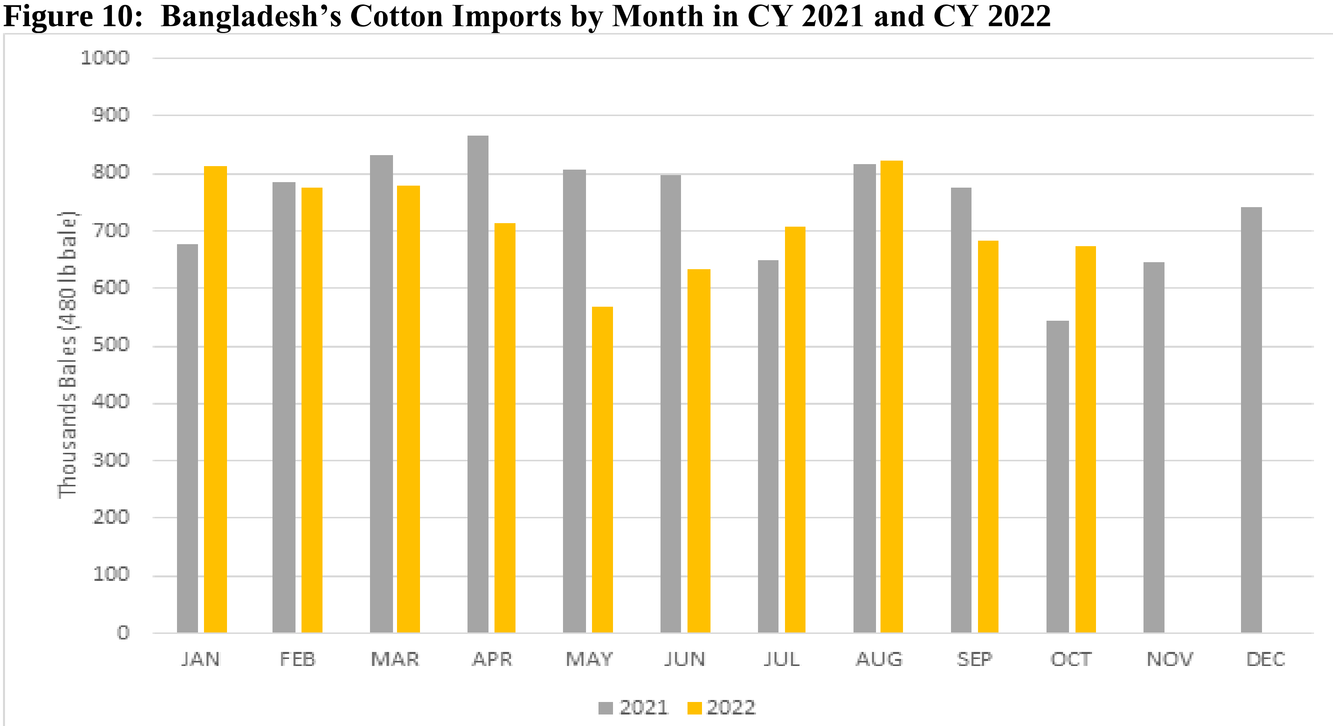
Figure 9: Bangladesh's Cotton Imports by MY



Source: NBR

However, as of October in CY 2022, raw cotton imports were 7.1 million bales, compared to 7.5 million bales during the same period last year (Figure 10).

Figure 10: Bangladesh's Cotton Imports by Month in CY 2021 and CY 2022

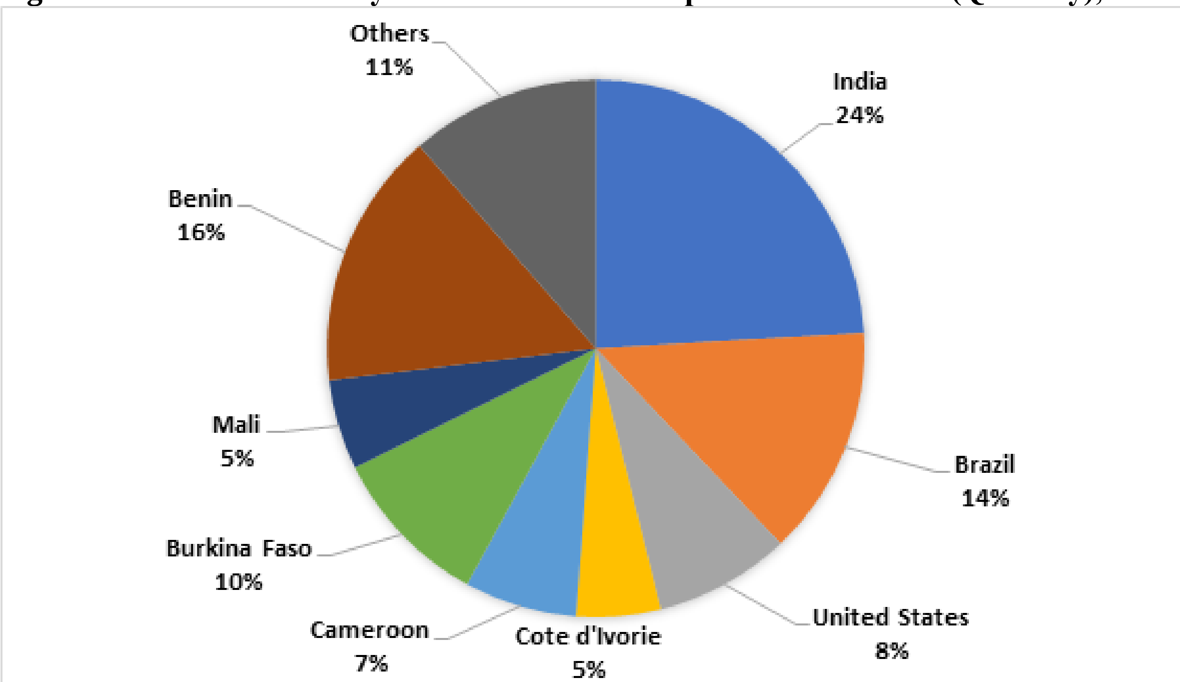


Source: NBR

India is the Prefer Exporter
As of October in CY 2022, by quantity, India took 24 percent of the cotton import market share, followed by Benin (16 percent), Brazil (14 percent), Burkina Faso (10 percent), and the United States (8 percent) (Figure 11).

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 11: Partner Country's Cotton CY 2022 Import Market Share (Quantity), as of October



Source: NBR

Stocks
For MY 2022/23, Post forecasts ending stocks at 2.15 million bales, approximately 4 percent lower than the USDA official forecast. Due to global cotton supply chain issues and increased prices, local spinners will reduce their stock. Post estimates MY 2021/2022 cotton ending stocks at 2.3 million bales, up slightly from the USDA official estimate.

Policy
Export Subsidy on 20 Percent Value Addition
Effective from May 9, 2022, the Central Bank of Bangladesh issued a circular outlining that RMG exporters would get cash incentives and subsidies from the government on exports with a 20 percent local value addition, down from a previous threshold of 30 percent.

Local value addition is calculated by deducting the import cost of materials used in production from the net free on board export price. Bangladesh's RMG exporters are eligible to get 4 percent alternative cash assistance, instead of customs bonds and duty drawbacks, in the export-oriented apparel sector if they meet the local value addition threshold.

Attachments:

No Attachments