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Report Name: Cotton and Products Update

Country: Bangladesh

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Report Highlights:

Post lowers the forecast for marketing year (MY) 2023/24 raw cotton imports to 7.5 million bales on lower work orders for garments coupled with Bangladesh's economic challenges including declining foreign exchange reserves. The export value of ready-made garments (RMG) reached a record high at \$47.6 billion despite lower imports of raw cotton, yarn, and fabric in MY 2022/23. The utilization of previously stocked fabric and accessories, the use of man-made fibers, and the manufacturing of high-value products contributed to the increase in exports. In MY 2022/23, Brazilian cotton had the largest market share at 16 percent, followed by India at 12 percent, and the United States at 10 percent.

Cotton

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

Cotton	2021/2022		2022/2023		2023/2024	
Market Year Begins	Aug 2021		Aug 2022		Aug 2023	
Bangladesh	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	45	45	45	45	46	46
Beginning Stocks 1000 480 lb. Bales	2477	2477	2328	2333	1931	1816
Production 1000 480 lb. Bales	151	151	153	153	155	155
Imports 1000 480 lb. Bales	8200	8515	6550	7040	7700	7500
Total Supply 1000 480 lb. Bales	10828	11143	9031	9526	9786	9471
Exports 1000 480 lb. Bales	0	0	0	0	0	0
Domestic Use 1000 480 lb. Bales	8500	8800	7100	7700	7700	7800
Loss 1000 480 lb. Bales	0	10	0	10	0	10
Domestic Use and Loss 1000 480 lb. Bales	8500	8810	7100	7710	7700	7810
Ending Stocks 1000 480 lb. Bales	2328	2333	1931	1816	2086	1661
Total Distribution 1000 480 lb. Bales	10828	11143	9031	9526	9786	9471
Stock to Use % (PERCENT)	27.39	26.51	27.2	23.58	27.09	21.29
Yield (KG/HA)	731	731	740	740	734	734
(1000 HA) ,1000 480 lb. Bales, (PERCENT), (KG/HA)						

Production

For marketing year (MY) 2023/24, Post's forecast for cotton harvested area and production remains unchanged at 46 thousand hectares and 155 thousand bales, respectively. In Bangladesh, most of the cotton farmers are smallholders, typically owning an average of one acre of land. Cotton cultivation is entirely manual and relies heavily on human labor for fertilizer application, insecticide spraying, and harvesting. Cotton farmers in the south-western part of the country, have highlighted to Post the significant challenges posed by high labor costs, coupled with elevated expenses for fertilizers, fuel, and insecticides. They note that the profitability of cotton cultivation depends on the price. During each harvest, the price is jointly determined by the Cotton Development Board (CDB) and the cotton ginner association.

Post estimates MY 2022/23 cotton harvested area and production at 45 thousand hectares and 153 thousand bales, respectively, the same as the USDA official estimates.

The CDB, a government organization operating under the Ministry of Agriculture, offers extension and advisory assistance to cotton farmers. According to the CDB, cotton cultivation is occurring in 39 out of the 64 districts in Bangladesh. However, the overall cotton cultivation in the country occupies only 0.55 percent of the total 8.1 million hectares of arable land. Locally produced cotton constitutes less than 2 percent of the total cotton consumption in the country. Per CDB data, the cotton cultivation area and production have grown slightly since 2016. However, the Government of Bangladesh (GoB) set a target to meet 10 percent of the country's cotton demand through domestic production.

Bangladesh produces several 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 are cultivated in the kharif (summer) crop season from March to April and harvested in December and January. Most of the cotton in Bangladesh is cultivated during the rabi season, and it takes more than five months from seed sowing to harvest. Cotton farmers note that engaging in cotton cultivation requires them to forego cultivating aman rice and winter vegetables. Thus, there is very limited scope for Bangladeshi farmers to expand cotton cultivation.

Research and Development

On August 20, 2023, the National Committee on Biosafety granted approval for CDB's application to release the hybrid GE *Bacillus thuringiensis* (Bt) Cotton varieties JKCH 1947 Bt and JKCH 1050 Bt. These varieties are now authorized for cultivation.

Commencing in crop year 2023-24, the CDB initiated limited cultivation for demonstration trials of the two Bt cotton varieties. These trials are taking place on 138 farmers' plots (0.25 acres/plot) and 30 on-farm research plots (0.11 acre/plot), collectively 37.8 acres. The cultivation sites are distributed across 13 cotton production zones and five cotton research centers, in Jashore, Chuadanga, Kushtia, Jhenaidah, Rangpur, Bogura, Rajshahi, Thakurgaon, Dhaka, Mymensingh, Khagrachari, Bandarban, Rangamati, Gazipur, and Dinajpur districts. The Bt cotton farmers mentioned to Post that they planted the Bt seeds a bit late as they received their seeds late and experienced heavy rainfall after seed germination, leading to some damage and reduced vegetative growth. Farmers pointed out visible differences in the Bt plants compared to the traditional varieties. The farmers remain hopeful that Bt cotton cultivation will reduce their costs for insecticides.

The CDB is dedicated to the development of hybrid and short-duration, high-yielding cotton varieties that exhibit desirable fiber characteristics. In collaboration with a private seed company based in Bangladesh, the CDB has been actively importing hybrid cotton seeds from China. Research is also being conducted to assess the adaptability of these imported varieties to the local conditions.

Value Added Cotton

Overview of the Garment Industry

Bangladesh's ready-made garments (RMG) industry is one of the major pillars of the economy, playing a pivotal role in its socio-economic landscape. The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) is the largest trade associations in the country representing the ready-made garment industry, particularly the woven garments, knitwear, and sweater sub-sectors. According to BGMEA, the RMG sector has emerged as a crucial driver of employment and export earnings, employing approximately 4 million workers. Per Bangladesh's Export Promotion Bureau (EPB), in Bangladesh fiscal year (FY) 2022-23 (July-June), 85 percent of total export income came from the RMG sector (Table 2).

The BGMEA currently has around 4,000 garment factory members of which 3,796 factories are in operation as of 2023. Around 40 percent of BGMEA member factories are engaged in knitwear and sweater manufacturing, while the remaining factories focus on woven garment manufacturing. BGMEA member factories represent 100 percent of Bangladesh's woven garment exports, over 95 percent of its sweater exports, and approximately half of its light knitwear exports.

Table 2: Bangladesh's Apparel Sector Exports

Fiscal Year (Jul-Jun)	Apparel Exports (\$ Billion)			Bangladesh's Total Exports	RMG as % of Total Exports
	Woven	Knit	Total	(\$ Billion)	
2012-2013	11.04	10.48	21.52	27.03	80
2013-2014	12.44	12.05	24.49	30.19	81
2014-2015	13.07	12.43	25.49	31.21	82
2015-2016	14.74	13.36	28.09	34.26	82
2016-2017	14.39	13.76	28.15	34.66	81
2017-2018	15.43	15.19	30.62	36.67	83
2018-2019	17.25	16.89	34.13	40.54	84
2019-2020	14.04	13.91	27.95	33.67	83
2020-2021	14.50	16.96	31.46	38.76	81
2021-2022	19.40	23.21	42.61	52.08	82
2022-2023	21.25	25.74	46.99	55.56	85

Source: BGMEA, and EPB

Bangladesh exports many different RMG products, including trousers, t-shirts, knitted shirts, sweaters, blouses, and underwear, to more than 50 countries (Table 3). Buyers prefer Bangladesh's RMG industry due to its cost competitiveness, large production capacity, and skilled workforce. The primary export destination for Bangladesh's RMG products is the EU, constituting around 50 percent of total exports.

As a single market, the United States is the largest export destination, accounting for approximately 18 percent of Bangladesh's RMG exports, followed by the United Kingdom at 10.7 percent in FY 2022-23.

According to EPB and BGMEA, Bangladesh exported apparel items worth \$14.78 billion in the first four months (July-October) of FY 2023-24, reflecting an increase of 5.95 percent from \$13.95 billion in the same period of FY 2022-23.

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

Fiscal Year (Jul-Jun)	Trousers	T-Shirts & Knitted Shirts	Sweaters	Shirts & Blouses	Underwear
2015-2016	10.17	6.89	3.18	3.08	1.17
2016-2017	9.94	6.65	3.36	2.92	1.33
2017-2018	10.83	7.15	3.68	2.93	1.41
2018-2019	11.76	7.90	4.26	3.19	1.64
2019-2020	9.36	6.27	3.60	2.45	1.36
2020-2021	10.68	7.24	4.05	2.05	1.79
2021-2022	14.51	9.86	5.64	2.77	2.34
2022-2023	14.95	10.86	5.94	3.65	2.37

Source: BGMEA, and EPB

RMG Minimum Wage

In November 2023, Bangladesh slightly raised the monthly minimum wage for the RMG sector to BDT 12,500 (\$114) from BDT 8,000 (\$74). The Bangladesh Minimum Wage Board (MWB), under the Ministry of Labor and Employment, reviews the RMG minimum wage every five years. The new wage structure maintains an annual five percent increment. The decision came after weeks of protests by workers and labor leaders demanding a wage increase. Protestors faced violent crackdowns, killing at least three workers and injuring hundreds. Labor groups and trade unions have consistently called for an increase to BDT 23,000 (USD \$209) to meet growing inflation and economic pressures. On November 12, 2023, the MWB published the draft gazette announcing a new salary structure for the RMG sector followed by a 14-day period for stakeholders to appeal or provide comments. The MWB met again on November 26 and finalized as the final minimum wage at BDT 12,500 (\$114), expected to take effect on December 1, 2023.

Overview of Textile Industry

The textile industry in Bangladesh comprises yarn, fabric, and dyeing-printing-finishing mills, contributing over 13 percent of the country's GDP. The Bangladesh Textile Mills Association (BTMA) is the largest national trade organization representing yarn and fabric manufacturers and textile product processors mills. According to BTMA, the local textile mills fulfill around 85 percent of the demand for knit fabrics and approximately 40 percent for woven fabrics, while the rest is sourced through imports. Per BTMA data, Table 4 shows the capacity of Bangladesh's textile industry in 2022. The number of spinning mills and cotton consumption capacity is increasing over the years (Figure 1). With a total cotton consumption capacity of around 15 million bales, Bangladesh presently utilizes approximately 8.5 million bales of raw cotton annually. In Bangladesh's textile industry, about 80 percent of the yarn is cotton, with the remaining 20 percent being mixed yarn derived from cotton and artificial fibers.

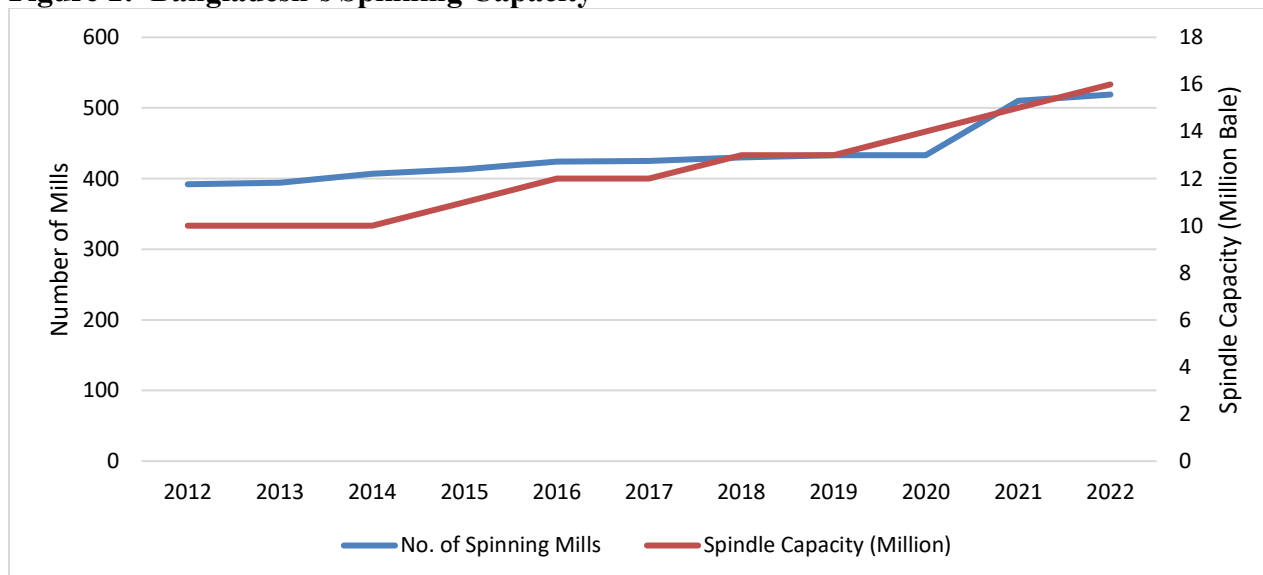
According to BTMA, there is a growing demand for cotton yarn and various fabrics in Bangladesh's garment sector.

Table 4: Basic Statistics of Textile Sector in Bangladesh, 2022

Items	Number
Number of yarn manufacturing mills	519
Annual yarn spinning capacity	4.4 million MT
Number of fabric manufacturing mills	938
Annual fabric manufacturing capacity	9.15 billion Meters
Number of dyeing-printing-finishing mills	323
Annual processing capacity	5 billion Meters
Total number of Mills under BTMA	1,780
Total Cotton Consumption Capacity	15 million Bales (480 lb. bale)

Source: BTMA

Figure 1: Bangladesh's Spinning Capacity



Source: BTMA

Economic Challenges and Difficulties Opening Letters of Credit

Both the RMG and textile industries in Bangladesh heavily depend on imports of various raw materials, including cotton, yarn, fabric, and garment accessories. Since the COVID-19 pandemic, Bangladesh has faced economic challenges, marked by declining foreign exchange reserves (forex), high inflation, and the devaluation of the local currency, the taka. In response, the Central Bank of Bangladesh has implemented numerous measures to prevent the depletion of foreign reserves, including tightening the rules regarding the opening of letters of credit (LCs). Since July 28, 2022, banks are asked to provide information to the Central Bank related to opening any LC valued over 3 million USD. Due to the short supply of U.S. dollars, many banks are struggling to issue LCs, which affects raw material imports for the RMG and textile industry.

Yarn and Fabric Production to Decline

Post revises its forecast for MY 2023/24 yarn production down to 1.6 million MT, comprising 1.4 million MT of cotton yarn and 0.4 million MT of mixed yarn, on the lower forecast for cotton imports. Post also revises its forecast for MY 2023/24 fabric production to 4.5 billion meters, down two percent from Post's previous projection. These adjustments in yarn and fabric production forecast are made in consideration of the expectation of reduced cotton consumption.

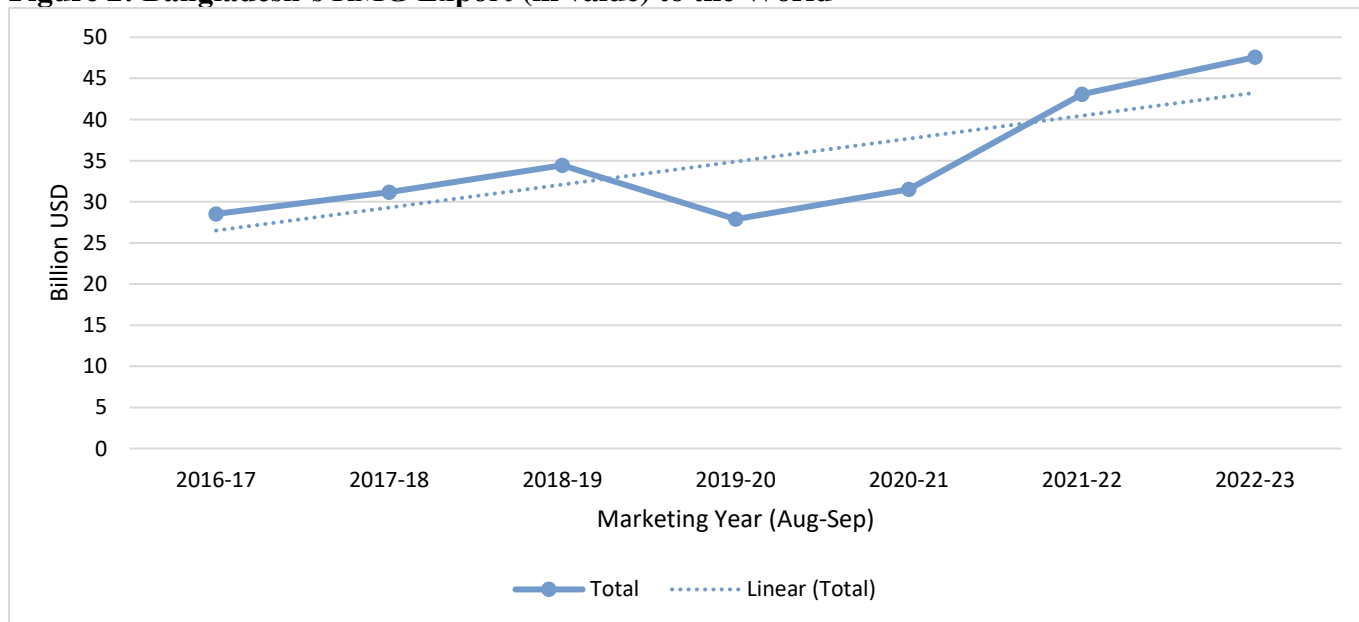
For MY 2022/23, Post revises its yarn production estimate to 1.2 million MT, down seven percent from previous estimates, on lower importation of raw cotton. Post also adjusts its estimate of MY 2022/23 fabric production to 4.4 billion meters, down 2.2 percent from Post's previous projection. These revisions in yarn and fabric production estimates are based on updated information on reduced imports of raw cotton.

RMG Exports Hit a Record High in MY 2022/23

In MY 2022/23, Bangladesh's RMG sector reached a milestone \$47.6 billion in exports, a 10 percent increase from MY 2021/22 (Figure 2). This surge can be attributed to a higher number of work orders and increased product value. Post contacts noted that most of those work orders were placed either last calendar year or early this calendar year, and many of the factories used fabric and accessories from their stocks that were imported in previous year. Due to the higher input and production cost of RMG in MY 2022/23, exporters also received higher value for their apparel items. The use of man-made fibers has increased in RMG factories, and higher value garments are being exported. This has also contributed to the high export value of RMG in MY 2022/23.

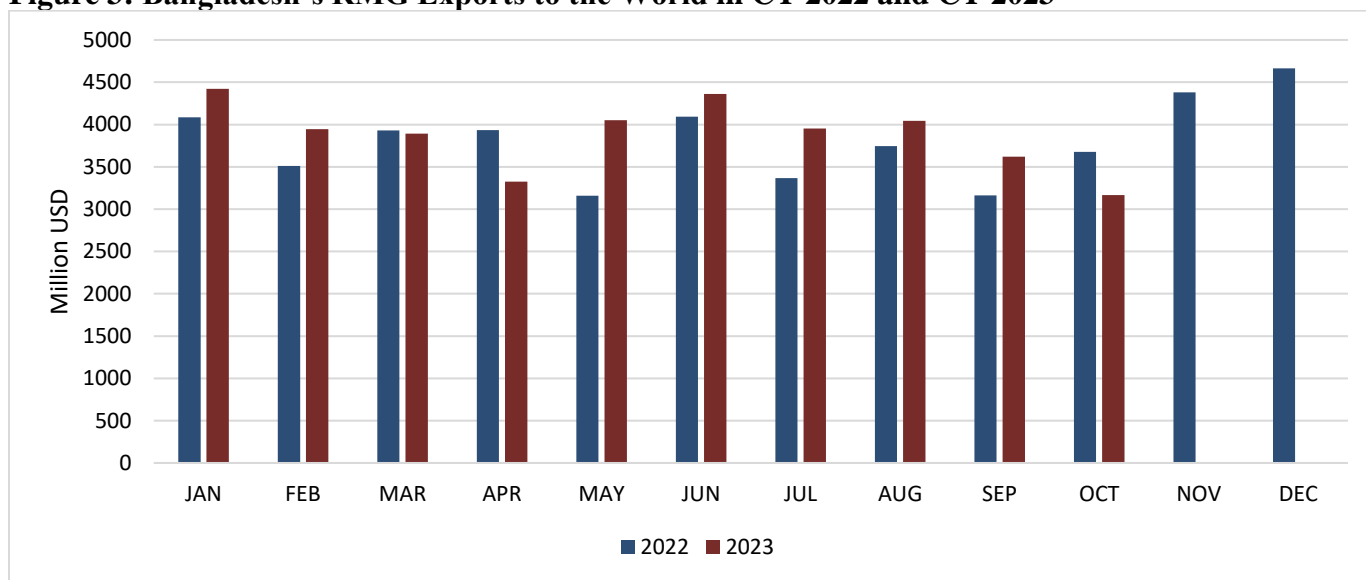
As of September 2023, garment exports showed an increase on a year-to-year basis compared to the previous year (Figure 3). However, exports declined in October 2023, compared to the same month last year. Post contacts noted that in the last quarter of calendar year (CY) 2023, garment work orders declined, which may result in a lower RMG export volume in MY 2023/24.

Figure 2: Bangladesh's RMG Export (in value) to the World



Source: BGMEA and EPB

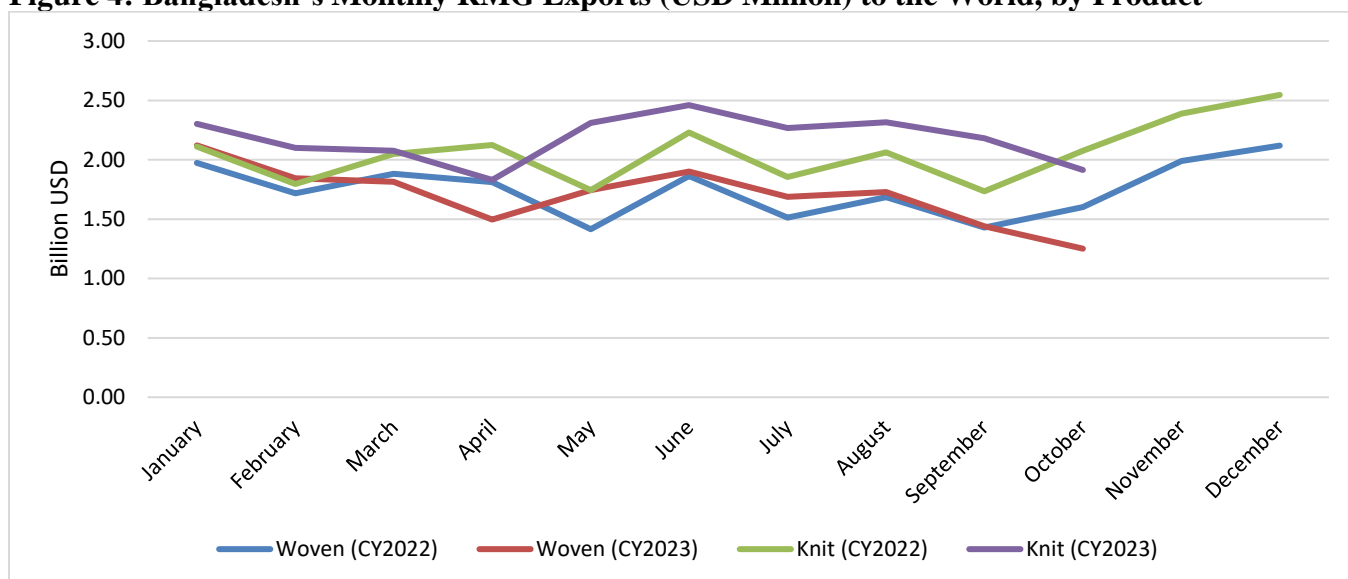
Figure 3: Bangladesh's RMG Exports to the World in CY 2022 and CY 2023



Source: BGMEA and EPB

In the first 10 months of CY 2023, Bangladesh's RMG exports reached \$38.78 billion, a six percent increase compared to the same period last year (Figure 4). As of October 2023, approximately 44 percent of Bangladesh's RMG export earnings originated from woven products, with the remaining portion from knit products. The export values for woven and knit products as of October 2023 were approximately \$17 billion and \$22 billion, respectively.

Figure 4: Bangladesh's Monthly RMG Exports (USD Million) to the World, by Product



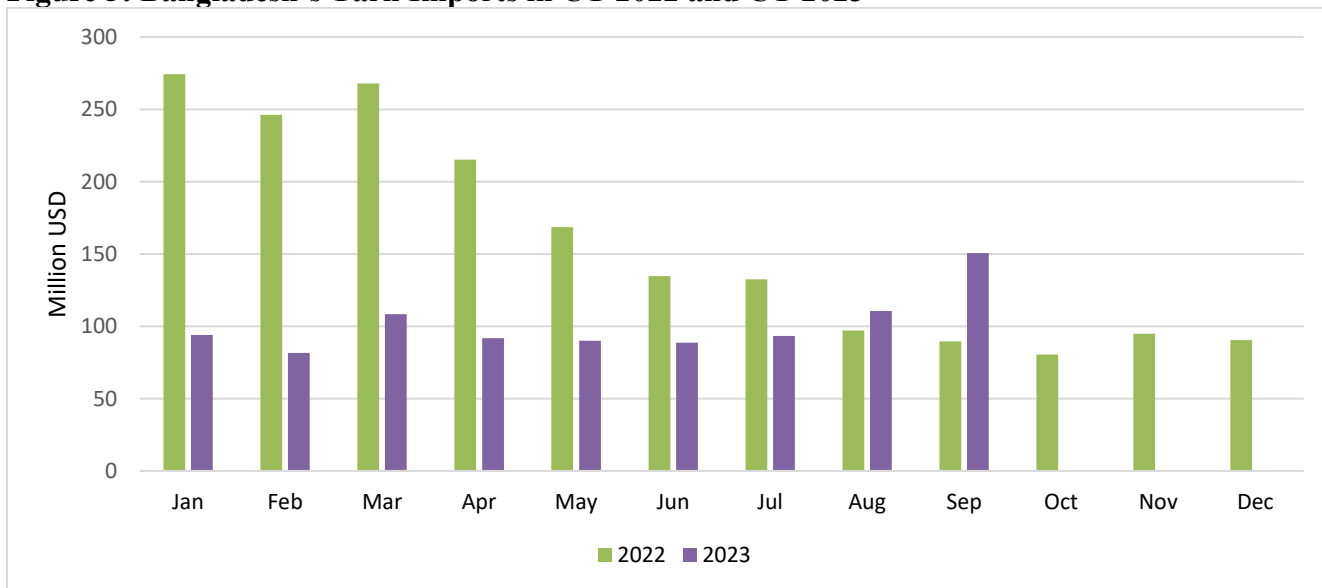
Source: BGMEA

Yarn Imports Fall; Exports Rise

In addition to producing cotton yarn for its garment industry, Bangladesh also imports a substantial amount of yarn from different countries. According to Trade Data Monitor, LLC (TDM), as of September in CY 2023, the value of Bangladesh's yarn imports under harmonized system (HS) codes 5204, 5205, and 5207 was \$909 million, reflecting a 44 percent decrease from \$1.63 billion from January to September in CY 2022 (Figure 5). As of September 2023, India supplied 83 percent of Bangladesh's total yarn imports, followed by China at 10 percent, and Indonesia at 4 percent.

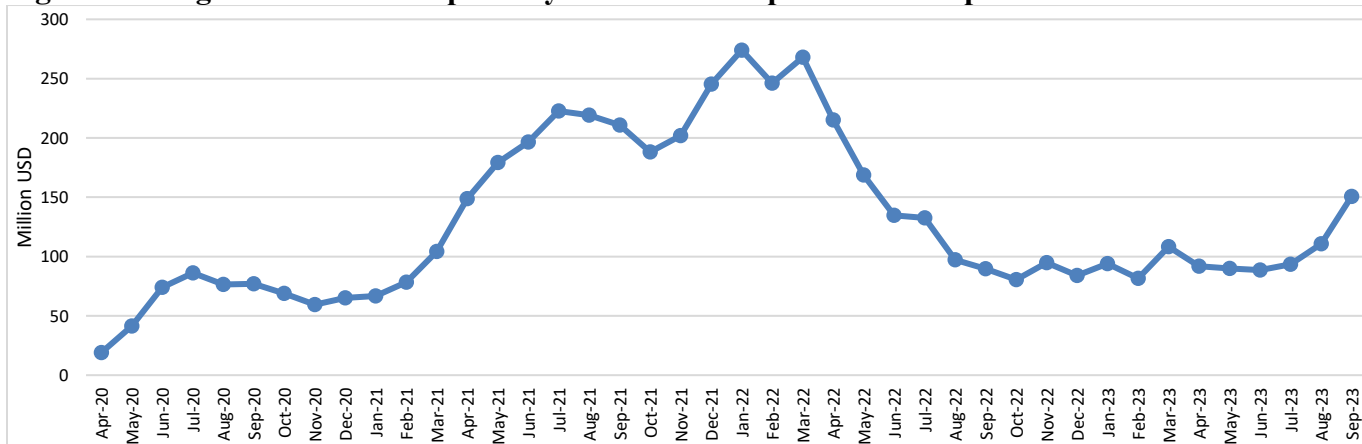
After recovering from the initial shock of COVID-19 pandemic, Bangladesh started receiving more RMG orders, boosting demand for yarn. Yarn imports started rising at the beginning of 2021 and continued until the middle of 2022 (Figure 6). Post contacts indicated that a significant portion of yarn stocks from 2022 were utilized in 2023. This utilization is among the factors contributing to the lower yarn imports in 2023, alongside challenges associated with opening LCs and the forex reserves.

Figure 5: Bangladesh's Yarn Imports in CY 2022 and CY 2023



Source: TDM

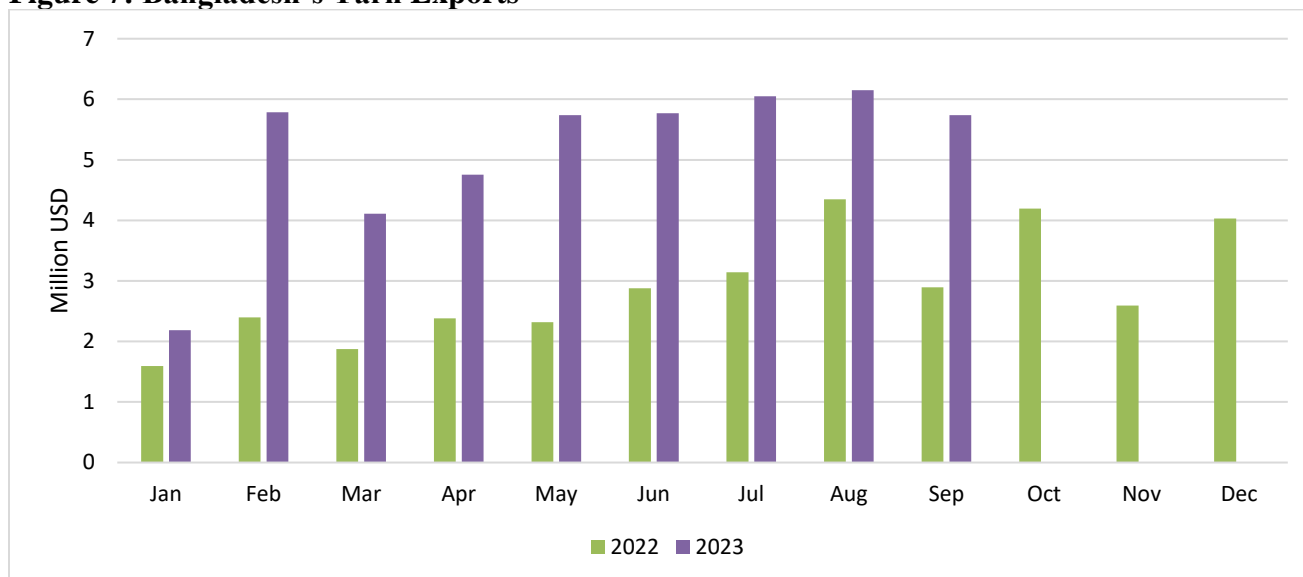
Figure 6: Bangladesh's Yarn Imports by Month from April 2020 to September 2023



Source: TDM

Bangladesh's textile industry manufactures over 1.5 million MT of yarn annually for local use. Additionally, Bangladesh engages in limited yarn exports. As of September in CY 2023, Bangladesh's yarn exports reached \$46 million, a nearly 100 percent increase from the \$23 million recorded during January to September in CY 2022 (Figure 7). China is the primary importer of Bangladesh's yarn in CY 2023.

Figure 7: Bangladesh's Yarn Exports

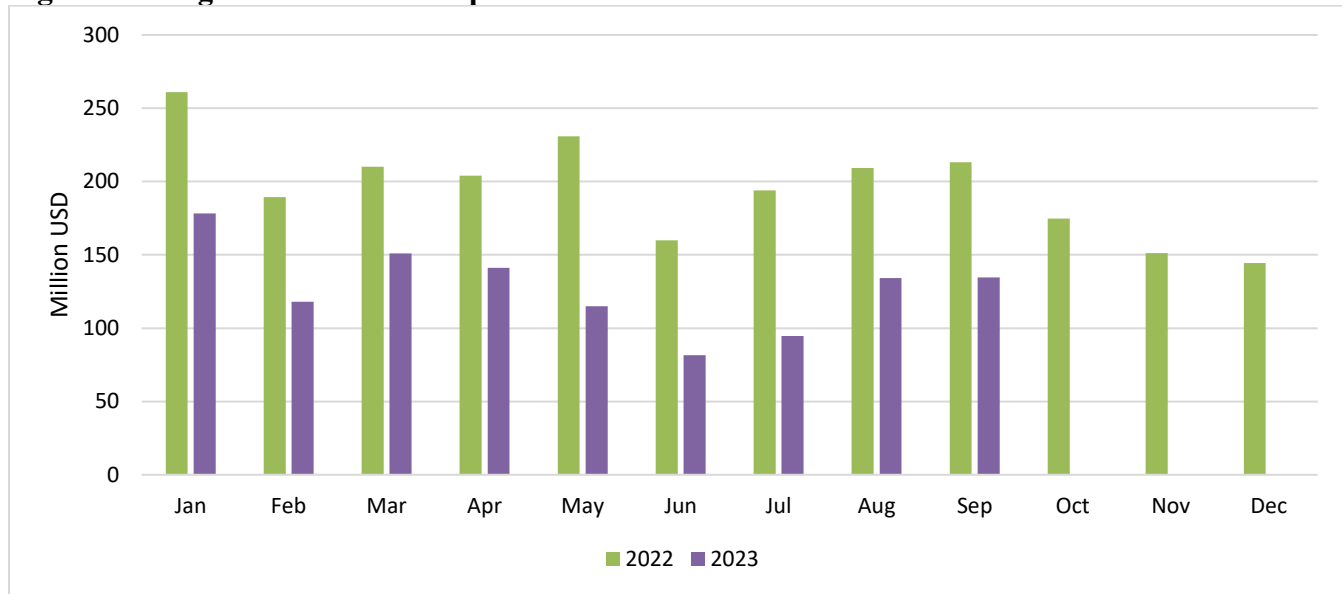


Source: TDM

Fabric Imports and Exports Fall

Bangladesh imports large quantities of fabric from the global market and exports limited quantities. According to TDM, from January to September 2023, the value of Bangladesh's fabric imports under HS codes 5208 and 5209 was \$1.15 billion, down 39 percent from \$1.87 billion during the same period in 2022. Similar to yarn, in 2023, the industry also utilized stocked fabric from the previous year, resulting in lower fabric imports. Post contacts have highlighted issues related to opening LCs and forex reserves as additional reasons for the decline in fabric imports (Figure 8). China emerged as the preferred fabric supplier, with 67 percent market share as of September 2023, followed by India with 20 percent, and Pakistan with 9 percent.

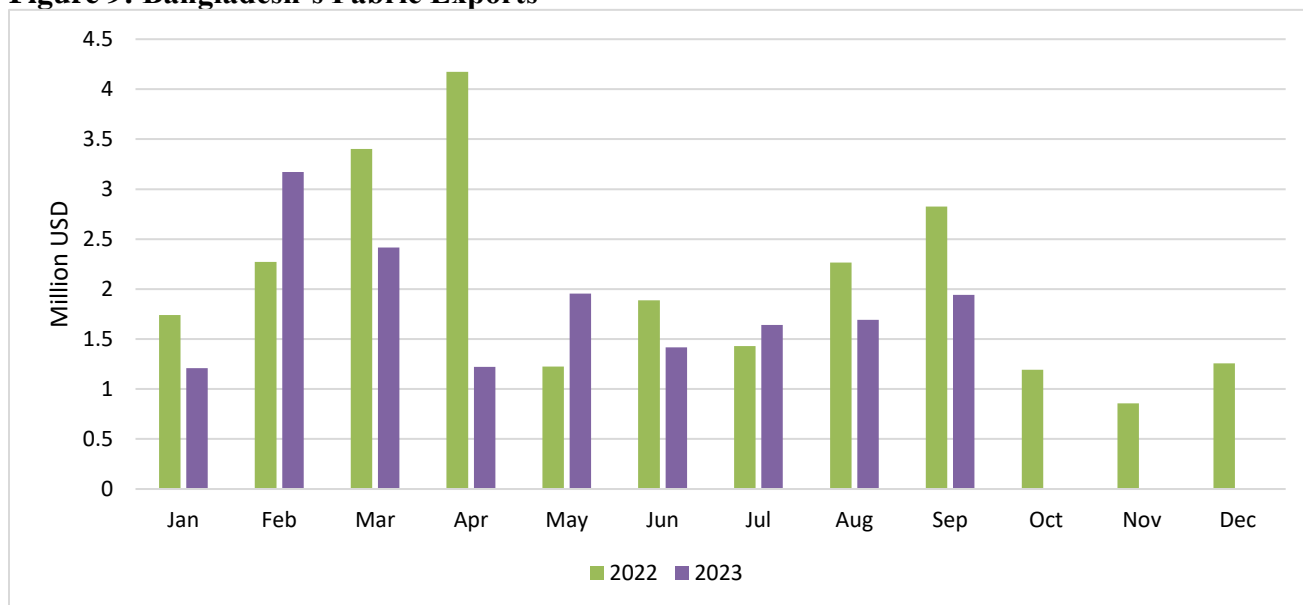
Figure 8: Bangladesh's Fabric Imports



Source: TDM

As of September 2023, the value of Bangladesh's fabric exports under HS codes 5208 and 5209 in CY 2023 decreased to \$16.6 million, down 22 percent from the previous year (Figure 9). Major export destinations of Bangladesh's fabric include India and Morocco.

Figure 9: Bangladesh's Fabric Exports



Source: TDM

Consumption

Raw Cotton Consumption to Fall

For MY 2023/24, Post lowers its forecast for the domestic use of raw cotton to 7.8 million bales, reflecting an 11.4 percent decrease from Post's earlier forecast (see [GAIN Report:Cotton and Products Annual](#)) and slightly higher than USDA official forecast, on the economic slowdown in the country.

For MY 2022/23, Post revises its estimate for domestic raw cotton consumption down to 7.7 million bales. Post contacts from cotton spinning industry noted that they operated at a lower capacity than usual due to limited energy availability and shortages in gas supplies. The industry was also affected by the economic slowdown and issues with forex reserves. However, Post's estimate for raw cotton consumption in MY 2022/23 is 8 percent higher than the USDA official estimate on higher imports.

MY 2021/22 domestic raw cotton consumption is updated to 8.8 million bales on NBR's cotton import data.

Yarn and Fabric Consumption to Decline

Post revises the forecast for MY 2023/24 yarn and fabric consumption down to 2 million MT and 6 billion meters, respectively, on lower RMG production and export. For MY 2022/23, Post estimates yarn consumption at 1.8 million MT and fabric consumption at 6 billion meters, remaining unchanged from Post's previous projection.

Trade

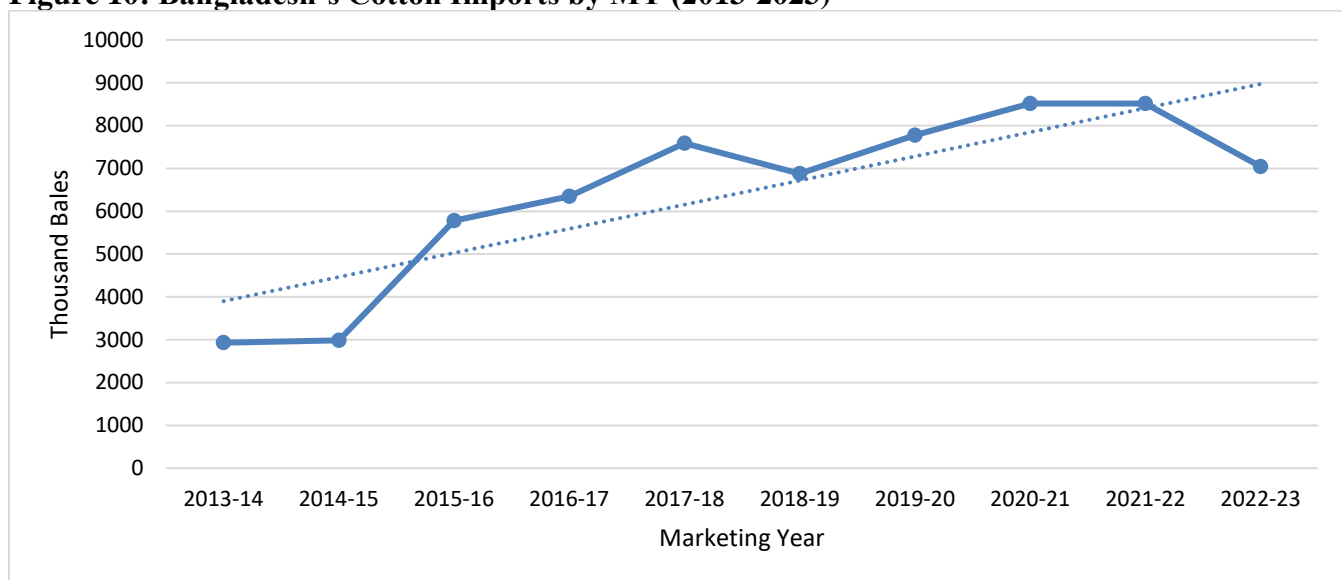
Imports to Drop

For MY 2023/24, Post revises the forecast for raw cotton imports to 7.5 million bales, down 12 percent from Post's previous projection and 2.6 percent lower than the USDA official forecast. In the beginning of MY 2023/24, the number of work orders decreased from many global brands. Bangladesh is currently experiencing an economic slowdown, leading to fuel and gas shortages in the industry. Spinning mills reported that they are running significantly below their capacity due to a shortage in gas supply. Importantly, cotton importers are encountering difficulties in opening LCs due to the foreign reserve situation in the country. Bangladesh is also scheduled to hold its national election in early January 2024, and the turbulent political situation is hindering RMG production. In the beginning of the MY 2023/24, some political movements, including blockades and "hartals" (strikes), have reduced the efficiency of many garment factories as the transportation of their raw materials and finished goods has been hampered.

Post lowers MY 2022/23 cotton import estimate to 7.04 million bales, down nine percent from its previous estimate (see [GAIN Report:Cotton and Products Annual](#)) on the economic situation and issues with foreign reserves.

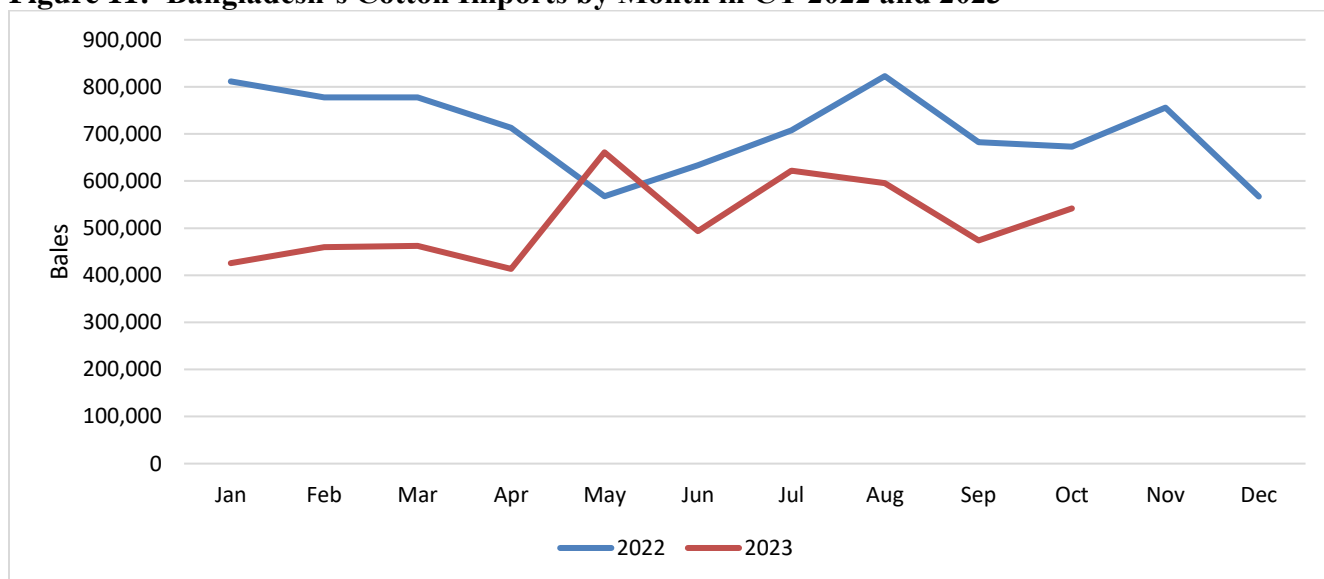
MY 2021/22 cotton imports are revised to 8.52 million bales, based on updated National Board of Revenue (NBR) data.

Figure 10: Bangladesh's Cotton Imports by MY (2013-2023)



Source: NBR

Figure 11: Bangladesh's Cotton Imports by Month in CY 2022 and 2023

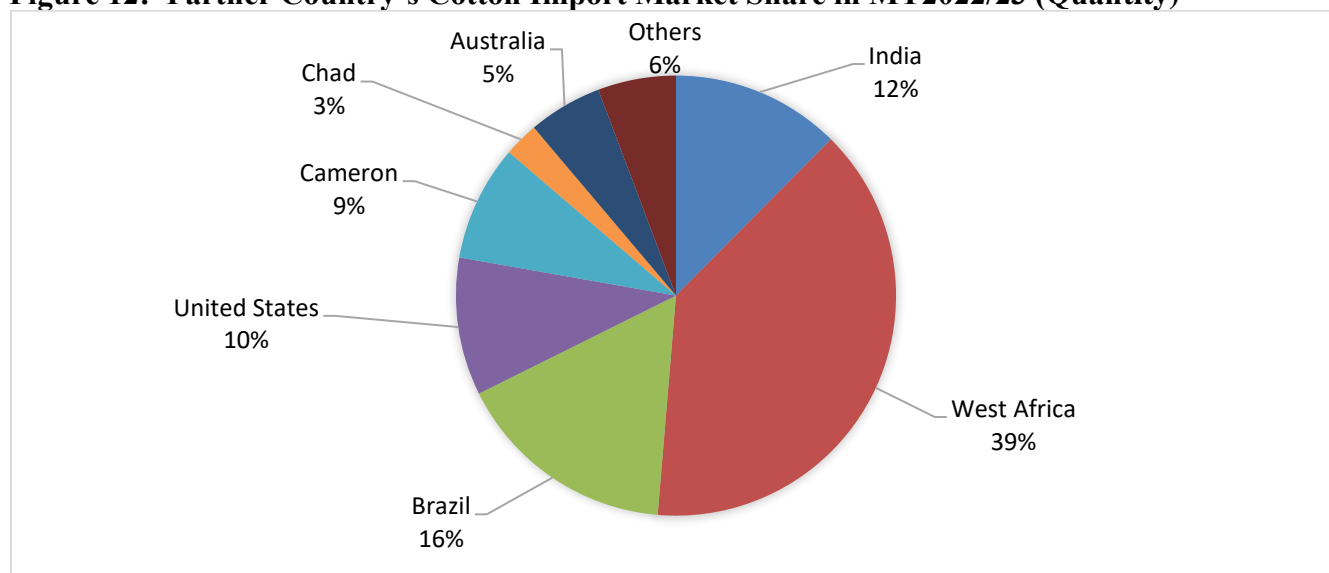


Source: NBR

West Africa is the Major Supplier

In MY 2022/23, West African countries collectively supplied 39 percent of raw cotton to Bangladesh. However, when considered individually, Brazil claimed the highest market share in Bangladesh at 16 percent (1.15 million bales), followed by India at 12 percent (875 thousand bales), and the United States at 10 percent (712 thousand bales). In MY 2021/22, India held the leading position in supplying cotton to Bangladesh. However, due to a lower cotton yield in India during the last season, their market share dropped from 35 percent to 12 percent.

Figure 12: Partner Country's Cotton Import Market Share in MY2022/23 (Quantity)



Source: NBR

Stocks

Cotton is only stocked by spinning mills to cover a few months' supply. For MY 2023/24, Post forecasts ending stocks at 1.66 million bales, approximately 20 percent lower than the MY 2022/23 USDA official forecast, on lower imports. Post estimates MY 2022/23 cotton ending stocks at 1.82 million bales, down about six percent from the USDA official estimate, also on lower imports.

Attachments:

No Attachments