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Bangladesh

Cotton and Products Annual

2014

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Report Highlights:
MY 2013/14 and MY 2014/15 production levels are projected at 115,000 and 120,000 bales on good weather and increased hybrid seed usage. MY 2013/14 and MY 2014/15 raw cotton imports are projected to increase by 8.3 and 7.6 percent to 3.9 and 4.2 million bales on strong demand by the export-oriented ready-made garment (RMG) sector.

Executive Summary:

MY 2013/14 and MY 2014/15 production levels are projected at 115,000 and 120,000 bales on good weather and increased hybrid seed usage. MY 2013/14 and MY 2014/15 raw cotton imports are projected to increase by 8.3 and 7.6 percent to 3.9 and 4.2 million bales on strong demand by the export-oriented ready-made garment (RMG) sector. In MY 2012/13, India and Uzbekistan had a 35 and 25 percent export market share, while the U.S. had a 5 percent share. Bangladesh is almost entirely dependent on raw cotton imports for the export market. More than 40 percent of imported raw cotton and 80 percent of imported yarn and fabrics are used by spinning mills and the RMG sector to meet export demand. Bangladesh instituted biotechnology regulations that require approval from the National Committee on Biosafety (located in the Ministry of Environment and Forest) before a genetically engineered product can be legally exported to Bangladesh.

Commodities:

Cotton

SECTION I: SITUATION AND OUTLOOK

Production:

MY 2013/14 and MY 2014/15 cotton acreage is forecast at 42,000 and 43,000 hectares (ha) on expectations of relatively higher profit margins over other competing crops. MY 2013/14 and MY 2014/15 production levels are projected at 115,000 and 120,000 bales on good weather and increased hybrid seed usage (currently estimated at 18 to 20 percent of total cotton acreage). The Cotton Development Board (CDB) supports cotton production by researching and testing new technologies, such as imported hybrid seeds, conducting extension services, and supplying quality seeds. Reportedly, the CDB is exploring the possibility of importing Bacillus thuringiensis (Bt) cotton seeds.

Value Added Cotton:

MY 2014/15 yarn and fabric production levels are projected to increase 3 and 4.5 percent to 748,000 tons and 4.6 billion meters on higher domestic demand due to population growth and strong export demand for value-added textile products. Likewise, MY 2013/14 yarn and fabric production levels are estimated at 726,750 tons and 4.4 billion meters, up by 5.5 and 4.8 percent on higher domestic and export demand. According to the Bangladesh Handloom Board, in MY 2013/14 the small-scale handloom industry produced approximately 830 million meters of fabric.

Bangladesh currently has 392 spinning mills, 782 textile weaving mills, 240 dyeing and finishing mills, and around 4,500 garment factories. Approximately 4,000 garment factories employ 3.6 million workers, of which 80 percent are women. According to the Bangladesh Textile Mills Association (BTMA), because of high export demand for value-added textile products, over the last ten years fabric demand from the ready-made garment (RMG) sector has exceeded domestic supplies, which are 50 percent cotton based and 25 percent non-cotton based.

Consumption:

MY 2013/14 and MY 2014/15 raw cotton consumption levels are estimated at 4 and 4.3 million bales, up 11 and 7.5 percent on strong export demand for value-added products and higher domestic textile demand due to population growth. Likewise, MY 2013/14 and 2014/15 yarn consumption levels are estimated to increase 5.8 and 4 percent to 1.02 and 1.06 million tons on increased export demand for value-added products and population growth. MY 2013/14 and MY 2014/15 fabric consumption levels are estimated to increase 10 and 7.2 percent to 7.1 and 7.6 billion meters on higher export demand for value-added products made by the RMG sector.

Trade:

MY 2013/14 and MY 2014/15 raw cotton imports are projected to increase by 8.3 and 7.6 percent to 3.9 and 4.2 million bales on strong export demand for value-added products, particularly by the RMG sector. In August 2013, during a ministerial level discussion in New Delhi, the Government of India agreed to export up to 200,000 tons of raw cotton to Bangladesh. Both governments are currently negotiating details in a memorandum of understanding (MOU). Reportedly, the government of Bangladesh (GOB) is also close to finalizing a MOU with Uzbekistan, which allegedly has agreed to export 200,000 tons of raw cotton to Bangladesh on an annual basis. In MY 2012/13, India and Uzbekistan had a 35 and 25 percent export market share, while the U.S. had a 5 percent share due to low price competiveness.

Value Added Cotton:

According to textile industry sources, calendar year (CY) 2013 and 2014 yarn imports are projected at 280,000 and 300,000 tons on competitive international prices and high export demand for value-added products. Indian and Chinese yarn generally is 2 to 3 percent less expensive than Bangladeshi yarn. For CY 2013, Bangladesh imported 69 percent of its yarn from India.

According to RMG industry sources, CY 2013 and CY 2014 fabric imports are projected to increase by 8 and 7.6 percent to 2.6 and 2.8 billion meters, respectively, on high export demand for products made by the RMG sector. For CY 2013, Bangladesh imported 64 percent of its fabric from China.

FY 2012/13 RMG export earnings were about $22.4 billion, up 11 percent (Table 10). According to the Bangladesh Bank (Central Bank of Bangladesh), since 2008 the GOB has provided a cash incentive of 5 percent of the FOB export value to export-oriented RMG factories. In the last six years, sources believe this cash incentive has helped Bangladesh RMG exports become price competitive in new markets such as Russia, India, China, Japan, Turkey, Brazil, Malaysia, South Africa, South Korea, Saudi Arabia, Australia and New Zealand.

Policy:

Bangladesh has no import duties for polyester, viscose, acrylic, synthetic and modacrylic staple fiber. The duty for textile chemical dyes is 5 percent. 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 fabrics (but not taxes such as the VAT and Advanced Income tax). Imports of all textile raw materials, including fabrics, have no quotas. Bangladesh instituted biotechnology regulations that require approval from the National Committee on Biosafety (located in the Ministry of Environment and Forest) before a genetically engineered product can be legally exported to Bangladesh. See table 11 for duties on raw cotton, yarn, fabric, and textile dye-chemical imports.

The BTMA represents Bangladeshi traders and manufacturers of yarn, fabrics, and textiles. Since the Bangladesh textile industry is largely dependent on exports, the BTMA has asked the GOB to increase the cash incentive rate to at least 10 percent, provide export subsidies, and withdraw import duties on capital machinery and spare-parts.

Because of the recent tragedy at Rana Plaza and other incidents involving poor infrastructure and working conditions, the Government of Bangladesh has entered into dialogue with multiple stakeholders on how to address these safety and labor challenges. On June 27, 2013, the United States suspended Generalized Systems of Preferences (GSP) trade benefits for Bangladesh. At the time of the announcement, the USG provided the GOB an action plan which, if implemented, could provide a basis for the reinstatement of GSP trade benefits.

Marketing:

Bangladesh is almost entirely dependent on raw cotton imports for the export market. More than 40 percent of imported raw cotton and 80 percent of imported yarn and fabrics are used by spinning mills and the RMG sector to meet export demand.

Table 5. Bangladesh: Area and Production of Raw Cotton

YEAR*	AREA HARVESTED (hectares)	PRODUCTION	
		Bales**	Tons
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
2013/14	42,000	144,000	26,182

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

Table 6. Bangladesh: Production and Consumption of Yarn and Fabric Rise

Years*	Production		Consumption	
	Yarn (1,000 tons)	Fabrics (million meters)	Yarn (1,000 tons)	Fabrics (million meters)
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	3,700	940	6,150
2011/12	613	3,950	960	6,200
2012/13	688	4,200	980	6,500

*Bangladeshi Fiscal Year (July-June)
Sources**:** Bangladesh Textile Mills Association (BTMA)

Table 7. Bangladesh: CY 2013 Textile Industry Overview

Number of Mills that are BTMA Members			1,415
Textile Spinning Mills		392	
Textile Weaving Mills		783	
Woven Mills	635		
Denim Mills	22		
Home Textile Mills	20		
Knit Fabric Mills	100		
Dyeing-Printing-Finishing Mills		240	
Spindle Capacity			9,800,000 kg
Rotor / Open-end			250,000 kg
Yarn Manufacturing Capacity (Subject to 100% Capacity Utilization)			2,075,000,000 kg
Fabric Manufacturing Capacity			2,650,000,000 meters
Fabric Processing Capacity			2,425,000,000 meters
Raw Material Requirements			
Raw Cotton	8 million bales (maximum processing capacity)		
Raw-Cotton Import / Consumed	4 million bales		
Raw Cotton Source	Australia, China, CIS, Russia, India, Pakistan, United States, 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, Pet-Chips, Cotton Waste, and Waste Cotton • Yarn 5-10 counts (both for knit and woven) • Synthetic and Filament Yarn • Other Cotton and Knit Fabrics		

Source: Bangladesh Textile Mills Association (BTMA)

Table 8. 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	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	392	9,600,000	5.6%	10.3%
2012	392	9,800,000	0%	2.1%

Source: Bangladesh Textile Mills Association (BTMA)

Table 9. Bangladesh: Foreign Currency (F.C) Retention by Primary Textile Sector

USD millions	FY 2009/10*		FY 2010/11*		FY 2011/12*	
	Exports	Retention of F.C.	Exports	Retention of F.C.	Exports	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%**

* Bangladesh Fiscal Year (July-June)
Source: Bangladesh Textile Mills Association (BTMA)

Table 10. Bangladesh: Ready Made Garments (RMG) Export Earnings

USD millions	Bangladesh Fiscal Year (July-June)				
	2008/09	**2009/10**	**2010/11**	**2011/12**	**2012/13**

Knitwear	$6,429	$6,483	$9,482	$9,486	$10,476
Woven	$5,919	$6,013	$8,432	$9,603	$11,040
Home Textiles	$418	$403	$789	$906	$729
Specialized Textiles	$146	$186	$165	$139	$140
Total	$12,912	$13,085	$18,868	$20,134	$22,385
Earning Growth	15.7%	1.3%	44.2%	6.7%	11.2%

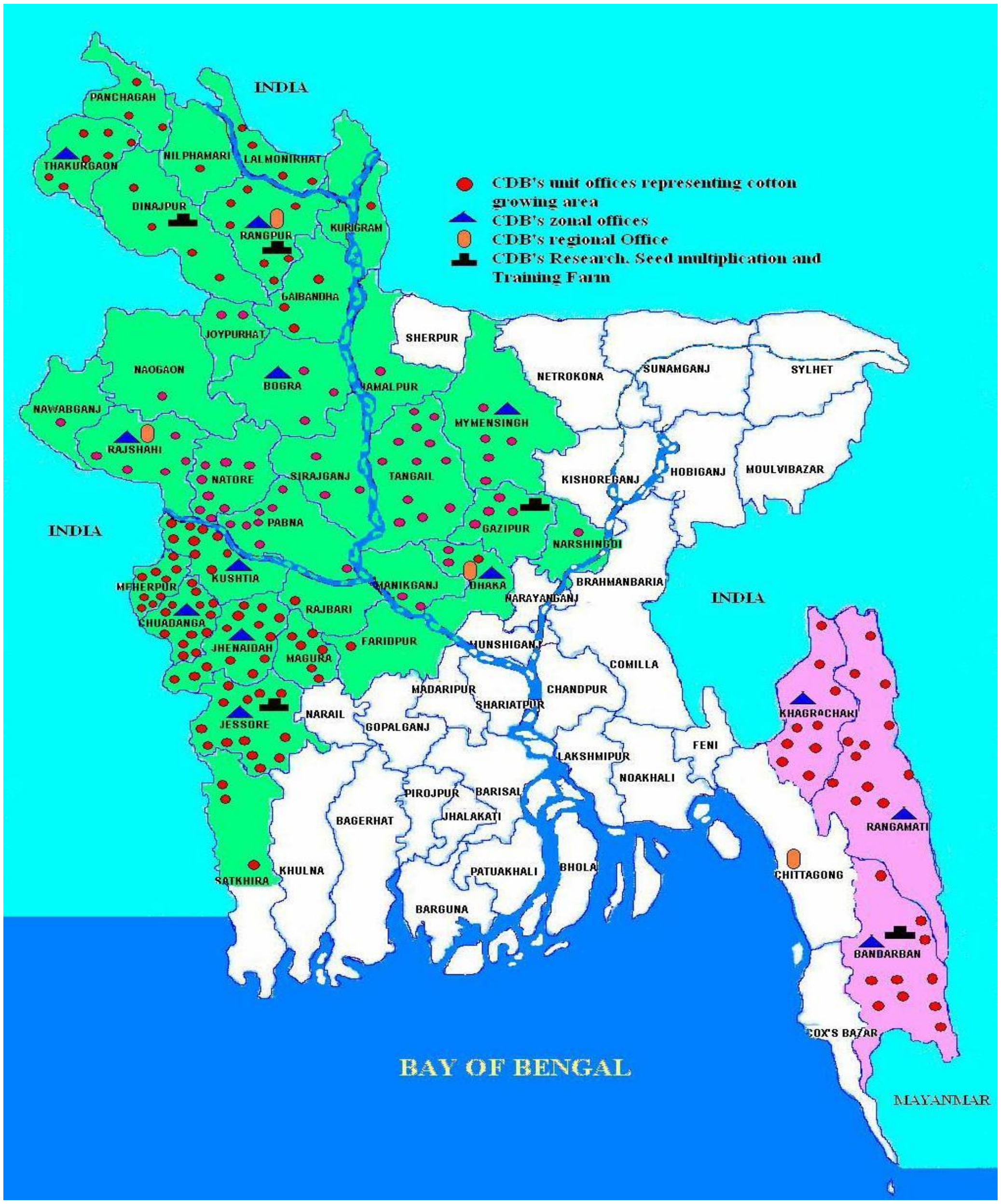
Source: Bangladesh Textile Mills Association (BTMA) and Bangladesh Knitwear Manufacturer and Exporter Association (BKMEA)

Table 11. Bangladesh: Raw Cotton and Other Textile Duties

Products	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	10%	0	15%	5%	0	4%
Fabric	25%	20%	15%	5%	0%	4%
Textile dyes-chemicals	5%	0	15%	5%	0	4%

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

Figure 1. Bangladesh: Total Possible Cotton Growing Areas



Source: Cotton Development Board, Bangladesh

Production, Supply and Demand Data Statistics:

Table 1. Bangladesh: Commodity, Cotton, PSD
(Area in Thousand Hectares, Quantity in Thousand Metric Tons)

Cotton Bangladesh	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Aug 2012		Market Year Begin: Aug 2013		Market Year Begin: Aug 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	40	0	42	0	43
Area Harvested	40	40	42	42	43	43
Beginning Stocks	868	818	966	916	1,021	919
Production	108	108	115	115	120	120
Imports	3,900	3,600	4,100	3,900	4,350	4,200
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	4,876	4,526	5,181	4,931	5,491	5,239
Exports	0	0	0	0	0	0
Use	3,900	3,600	4,150	4,000	4,300	4,300
Loss	10	10	10	12	10	12
Total Dom. Cons.	3,910	3,610	4,160	4,012	4,310	4,312
Ending Stocks	966	916	1,021	919	1,181	927
Total Distribution	4,876	4,526	5,181	4,931	5,491	5,239
Stock to Use %	25	25	25	23	27	22
Yield	588.	588.	596.	596.	608.	608.
TS=TD		0		0		0