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# Bangladesh

# Cotton and Products Annual

# 2012

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**Report Highlights:**
Bangladesh raw cotton imports in MY 2011/12 are estimated at 3.25 million bales, a 12 percent decrease from the MY 2010/11 import level. Many Bangladeshi buyers are currently facing contract payment problems, however as the trade situation is expected to improve, MY 2012/13 imports are forecast to increase to 3.6 million bales. Last year, the U.S. market share in Bangladesh raw cotton imports grew was around 12 percent, largely due to strong demand from new generation spinning mills.

**Commodities:**
Cotton

**Production:**

Assuming normal monsoon conditions, MY 2012/13 domestic cotton production is forecast at 120,000 Bangladeshi (400 lbs) bales (21,818 tons) from 40,000 hectares. MY 2011/12 cotton production is estimated at 95,000 Bangladeshi bales (17,273 tons), harvested from 36,000 hectares. Of this amount, 87,000 bales were medium staple American variety and 8,000 bales of short staple up-land cotton (locally called "Comilla" cotton).

A lack of short duration, high yielding, and pest tolerant cotton seed severely constrains the expansion of cotton acreage in Bangladesh. Cotton cultivation is very susceptible to excessive rainfall/floods and pest infestations. However, during the last several seasons, cotton crops in Bangladesh benefitted from favourable weather conditions during the critical growing period (July to December).

Bangladesh does not have a cotton research institute. The Bangladesh Cotton Development Board (CDB) is the sole organization responsible for providing extension services to Bangladeshi cotton farmers, and also for conducting trails of imported cotton varieties/hybrids for cultivation. In collaboration with private seed companies, the CDB has introduced a few short duration and high yielding Chinese hybrids in 2009/10. As a result, cotton production in Bangladesh has been expanding. The CDB has undertaken a program to gradually increase domestic cotton production to 670,000 Bangladeshi bales (from 100,000 hectares) within the next 5 years. The CDB strategy includes an expansion of the use of new high yielding varieties, the introduction of summer cotton, and gradually converting 20,000 hectares from tobacco to cotton cultivation. Notwithstanding this increase, under normal conditions, domestic production is unlikely to exceed 3 percent domestic raw cotton demand.

Value Added Cotton:

Yarn production in MY 2011/12 is estimated at 687,000 tons, down by 6.6 percent from MY 2010/11. Fabric production is estimated to increase to 3.7 billion meters, up from 3.6 billion last year. Approximately 700 million metres of fabric are produced by the small-scale handloom industry which meets 35 percent of domestic demand for fabrics. In MY 2012/13 yarn and fabric production are forecast to increase to 707,000 tons and 3.8 billion meters respectively.

The spinning sector has grown significantly over almost the last two decades in response to growing demand for yarns from both the domestic textile market and the export-oriented ready-made garment (RMG) sector (Table 8). However, the rate growth is slowing due to ongoing constraints in the energy sector. Most spinning mills are now operating at less than full capacity as they face tough competition from imported products, which are generally selling for 5 to 7 percent below the domestic price.

The textile industry, the largest manufacturing sector in Bangladesh, provides employment to approximately 5.5 million people, contributes around 12 percent of the country's GDP, 40 percent of manufacturing value addition, and 77 percent of export earnings. During the last three decades, the Bangladesh textile sector has received investments amounting to over 3.75 billion Euros.

The Bangladesh primary textile sector (PTS) meets almost 100 percent of domestic yarn and fabric requirements, 85-90 percent of yarn requirements for export oriented knitwear, 35-40 percent yarn requirements for woven RMG and 40 percent of the demand for woven fabrics as part of the export oriented RMG sector. Domestic yarn production is supplied to home-textile, terry towel, and denim producers. The current structure of the Bangladesh textile industry is presented in Table-7. Despite significant growth in 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 2011/12, raw cotton consumption is estimated at 3.5 million bales, down by about 5.5 percent from MY 2010/11 due to a sharp decline in imports as well as weaker demand from the spinning sub-sector. Cotton consumption in MY 2012/13 is forecast to reach 3.6 million bales.

In MY 2011/12, consumption of yarn is estimated at 950,000 tons, up 1 percent from MY 2010/11, driven by sustained demand in the weaving and knitting sub-sectors. Yarn consumption in MY 2012/13 is forecast at 950,000 tons. Fabric consumption in MY2011/12 is estimated at 6.2 billion meters, marginally higher than in MY 2010/11. MY 2012/13 fabric consumption is forecast at 6.3 billion meters.

Recently constructed spinning and weaving mills are capable of supplying quality yarns and fabrics required for the export oriented RMG sector, however prices are typically at 7-10 percent higher than similar products sourced from India or China. There are also increasing concerns that illegally imported fabrics (used in the export oriented RMG sector under a duty drawback incentive) may be threatening the competitiveness of locally produced fabrics.

**Trade:**

MY 2011/12 cotton imports are estimated at 3.25 million bales, a 12 percent decrease from the previous year. A number of Bangladeshi cotton importers are still facing challenges in meeting contractual obligations resulting from record high prices in the international market. Spinners that had committed to purchasing cotton at relatively high prices are facing some difficulties with their suppliers. Industry sources indicate that a few importers have already been blacklisted, while others are trying to renegotiate with the suppliers to minimize loss. The Indian ban on cotton exports has also had a detrimental impact on supply. As market conditions stabilize, industry observers expect that trading volumes will resume. In MY 2012/13, raw cotton imports are forecast to reach 3.5 million bales.

Uzbekistan and India are the major suppliers of raw cotton to Bangladesh, mainly due to competitive pricing and short delivery periods. Last year the share of U.S. raw cotton grew to 12 percent, largely due to increasing demand from new generation spinning mills that value the consistency and ginning output of U.S. cotton.

Value Added Cotton:

In CY 2011, yarn imports are estimated to increase to 240,000 tons from 220,000 tons in the previous year. As buyers continue to seek cheaper yarns, imports for CY 2012 are forecast to increase to 250,000 tons. India will likely remain the principal supplier of yarn to Bangladesh, accounting for over 75 percent of the market share. The Indian Government ban on cotton exports has had a profound impact on the Bangladesh spinning industry, and many industry leaders view the Indian decision as a violation of international trade rules and a blatant move to capture a greater share of the Bangladeshi yarn market. The Bangladeshi industry is urging Indian counterparts to honour contracts signed prior to the ban, but this issue is still unresolved,

Fabric imports in CY 2011 are estimated to reach 2.3 billion meters, up by 2 percent from the CY 2010 import level. As prices for domestic fabric remain relatively high compared to imported products, fabric imports are forecast to increase to 2.4 billion meters in CY 2012. With the changes in the EU Generalised System of Preference (GSP), RMG manufacturers are sourcing cheaper fabrics from the international market. China continues to be the principal supplier of imported fabric, accounting for approximately 74 percent of the total imports. In FY 2010/11, RMG export earnings reached approximately $18 billion, a 43 percent increase from the previous year (Table 9).

**Policy:**

Yarn and fabric imports for the export oriented RMG sector enjoy a government duty draw back incentive. The provision of an alternative cash incentive (at 5 percent of the export value) for the export oriented textile sector is expected to continue in the current fiscal year. Bangladeshi spinners and weavers were significantly affected by price volatility in last year’s global cotton market. In September 2011, the Government of Bangladesh announced an additional 5 percent cash incentive to the spinning and weaving mills that had purchased raw cotton at high prices during the August, 2010 to March 2011 period. Since November 2011, import duties on polyester, viscose, acrylic, synthetic and modacrylic staple fibre have been completely withdrawn, and the duty on textile chemical dyes has been reduced to 3 percent. There are no quantitative restrictions on imports of textile raw material including fabric.

As the Bangladesh textile industry, including the export oriented RMG sector, is largely dependent on imports, industry leaders are asking the Government of Bangladesh 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 the textile industry. The Bangladesh Textile Mills Association (BTMA) has successfully lobbied the government to raise the minimum export price of cotton waste from $1.8 to $4.5 per kilogram, to completely withdraw the import duty and VAT (5 percent and 15 percent respectively), and to impose a 25 percent export duty on cotton waste.

In November 2009, the Government announced a 10 billion Taka (about $140 million) stimulus package for the textile and clothing industry to help mitigate the negative impact of the global recession. The package included bank loan rescheduling facilities, a 5 percent cash incentive for yarn export, and access to the Export Development Fund (EDF) for raw cotton imports.

The duty structure on raw cotton, yarn, fabric and textile dyes-chemicals imports are shown in Table-10.

## 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 recognize the value of U.S. cotton, particularly Pima and Upland, for their quality, consistency and ginning output.

## Production, Supply and Demand Data Statistics:

### Table 1: Commodity, Cotton, PSD

| Cotton Bangladesh | 2010/2011 Market Year Begin: Aug 2010 | | 2011/2012 Market Year Begin: Aug 2011 | | 2012/2013 Market Year Begin: Aug 2012 | | |
|---|---|---|---|---|---|---|---|
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post | |
| Area Planted | 0 | 35 | 0 | 36 | | 40 | (1000 HA) |
| Area Harvested | 35 | 35 | 36 | 36 | | 40 | (1000 HA) |
| Beginning Stocks | 788 | 788 | 842 | 845 | | 667 | 1000 480 lb. Bales |
| Production | 64 | 67 | 66 | 83 | | 100 | 1000 480 lb. Bales |
| Imports | 3,700 | 3,700 | 3,250 | 3,250 | | 3,500 | 1000 480 lb. Bales |
| MY Imports from U.S. | 0 | 0 | 0 | 0 | | 0 | 1000 480 lb. Bales |
| Total Supply | 4,552 | 4,555 | 4,158 | 4,178 | | 4,267 | 1000 480 lb. Bales |
| Exports | 0 | 0 | 0 | 0 | | 0 | 1000 480 lb. Bales |
| Use | 3,700 | 3,700 | 3,400 | 3,500 | | 3,600 | 1000 480 lb. Bales |
| Loss | 10 | 10 | 10 | 11 | | 11 | 1000 480 lb. Bales |
| Total Dom. Cons. | 3,710 | 3,710 | 3,410 | 3,511 | | 3,611 | 1000 480 lb. Bales |
| Ending Stocks | 842 | 845 | 748 | 667 | | 656 | 1000 480 lb. Bales |
| Total Distribution | 4,552 | 4,555 | 4,158 | 4,178 | | 4,267 | 1000 480 lb. Bales |
| Stock to Use % | 23 | 23 | 22 | 19 | | 18 | (PERCENT) |
| Yield | 398. | 417. | 399. | 502. | | 544. | (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** | **2010** | | **2011** |
| U.S. | 110000 | U.S. | 75000 |
| Others | | Others | |
| Uzbekistan | 200000 | Uzbekistan | 260000 |
| Africa | 100000 | Africa | 100000 |
| India | 220000 | India | 90000 |
| Pakistan | 35000 | Pakistan | 35000 |
| Other CIS | 85000 | Other CIS | 100000 |
| | | | |
| | | | |
| **Total for Others** | 640000 | | 585000 |
| **Others not listed** | 57273 | | 49091 |
| **Grand Total** | 807273 | | 709091 |

**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** | **2010** | | **2011** |
| U.S. | 0 | U.S. | 0 |
| Others | | Others | |
| India | 166000 | India | 182000 |
| Pakistan | 5000 | Pakistan | 5000 |
| Thailand | 5000 | Thailand | 5000 |
| Taiwan | 8000 | Taiwan | 8000 |
| China | 16000 | China | 20000 |
| | | | |
| | | | |
| **Total for Others** | 200000 | | 220000 |
| **Others not listed** | 20000 | | 20000 |
| **Grand Total** | 220000 | | 240000 |

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

| Import Trade Matrix | | | |
|---|---|---|---|
| **Country:** | **Bangladesh** | Units: | Mil. Meters |
| **Commodity:** | **Fabric** | | |
| **Time period:** | **Jan-Dec** | | |
| **Imports for** | **2010** | | **2011** |
| U.S. | 0 | U.S. | 0 |
| Others | | Others | |
| China | 1720 | China | 1725 |
| Pakistan | 80 | Pakistan | 70 |
| India | 260 | India | 260 |
| Thailand | 80 | Thailand | 100 |
| | | | |
| | | | |
| **Total for Others** | 2140 | | 2155 |
| **Others not listed** | 120 | | 145 |
| **Grand Total** | 2260 | | 2300 |

**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 | 95,000 (expected) | 17,273 |

*1 bale = 400 lbs.

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

**Table 6: 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 | 727 | 3,600 | 940 | 6,150 |

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

**Table 7: Structure of Bangladesh Textile Industry- 2011**

| | | | |
|---|---|---|---|
| **Number of Member Mills** | | | 1306 |
| Yarn Manufacturing | | 373 | |
| Ring Spinning | 97 | | |
| Ring Spinning with Open-end Capacity | 195 | | |
| Rotor/Open-end | 51 | | |
| Synthetic Yarn Mills | 30 | | |
| Fabric Manufacturing | | 703 | |
| Woven | 561 | | |
| Denim | 21 | | |
| Home Textiles | 18 | | |
| Knit Fabrics | 103 | | |
| **Dyeing-Printing-Finishing** | | 230 | |
| Spindle Capacity | | | 8,700,000 |
| Rotor / Open-end | | | 230,000 |
| Yarn Manufacturing Capacity (Subject to 100% Capacity Utilization) | | | 1700,000,000 Kgs |
| **Number of Looms of BTMA** | | | |
| Shuttle-less | | | 17,000 |
| Shuttle | | | 13,000 |
| Fabric Manufacturing Capacity | | | 2000,000,000 Meter |
| Fabric Processing Capacity | | | 2000,000,000 Meter |
| **Raw Material Requirements** | | | |
| Raw Cotton | 7.5 Ml. Bales (if 100% capacity is utilized) | | |
| Rae-Cotton Import / Consumed | 4.0 Ml. 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<br>• Yarn 5-10 counts (both for Knit and Woven)<br>• Synthetic and Filament Yarn<br>• All kinds of Cotton & Knit Fabrics | | |

**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% |
| 2001 | 145 | 2,352,310 | 25.00% | 2.75% |
| 2002 | 163 | 3,390,026 | 12.41% | 44.11% |
| 2003 | 174 | 3,419,504 | 6.75% | 0.87% |
| 2004 | 197 | 3,931,624 | 13.22% | 14.98% |
| 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% |

**Table 9: Bangladesh Garments Exports Data by Fiscal Year**

| YEARS | MILLION US$ | | | GROWTH |
|---|---|---|---|---|
| | WOVEN | KNIT | TOTAL | |
| 2001-02 | 3,125 | 1,459 | 4,584 | -6% |
| 2002-03 | 3,258 | 1,654 | 4,912 | 7% |
| 2003-04 | 3,538 | 2,148 | 5,686 | 16% |
| 2004-05 | 3,598 | 2,820 | 6,418 | 13% |
| 2005-06 | 4,084 | 3,817 | 7,901 | 23% |
| 2006-07 | 4,658 | 4,554 | 9,212 | 17% |
| 2007-08 | 5,169 | 5,533 | 10,702 | 16% |
| 2008-09 | 5,919 | 6,429 | 12,348 | 15% |
| 2009-10 | 6013 | 6483 | 12,497 | 1% |
| 2010-11 | 8432 | 9482 | 17914 | 43% |

Source: Export Promotion Bureau (EPB), Government of Bangladesh

**Table 10: Current Duty Structure of Textile Sector (FY 2011-12)**

| Items | Import Duty | VAT | Advance Income Tax | License Fee | Total |
|---|---|---|---|---|---|
| Raw Cotton | - | - | - | - | - |
| Man-made Fibres | - | - | 3% | 2.5% | 5.5% |
| Yarn | 12% | 15% | 3% | 2.5% | 32.5% |
| Fabric | 25% | 15% | 3% | 2.5% | 45.5% |
| Textile dyes-chemicals | 3% | 15% | 3% | 2.5% | 23.5% |

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