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Bangladesh

Cotton and Products Annual

2016

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Report Highlights:

MY 2016/17 cotton area is forecast unchanged at 43,000 hectares (HA); farmers are not projected to add cotton area due to expected higher profit margins for other short duration crops. MY 2016/17 imports are forecast at 5.8 million bales on expectations of increased export market demand for value-added products.

Executive Summary:

MY 2016/17 cotton area is forecast unchanged at 43,000 hectares (HA); farmers are not projected to add cotton area due to expected higher profit margins for other short duration crops. MY 2016/17 production is estimated to rise to 120,000 bales on favorable weather. MY 2014/15 and 2016/17 imports are forecast at 5.6 and 5.8 million bales on expectations of increased export market demand for value-added products. All genetically engineered products, including raw cotton (or cotton lint), need to be approved before they can be imported, sold commercially, or cultivated in Bangladesh.

Commodities:

Cotton

Production:

MY 2016/17 cotton area is forecast unchanged at 43,000 hectares (HA); farmers are not projected to add cotton area due to expected higher profit margins for other short duration crops. MY 2016/17 production is estimated to rise to 120,000 bales on favorable weather. MY 2015/16 area and production levels are unchanged.

Bangladesh primarily produces American upland (*Gossypium hirsutum*) and tree (*Gossypium arboreum*) cotton that represent 95 and five percent of total production, respectively. Upland cotton is cultivated in the southwestern, northern, and central region, and tree cotton is grown in three southeastern hill districts. The average length of upland cotton is larger than 28 millimeters (mm), and tree cotton is less than 10 mm.

Value Added Cotton:

MY 2016/17 yarn and fabric production levels are both projected to increase slightly by around two and half percent to 730,000 tons and 4.4 billion meters on strong market demand. MY 2015/16 yarn and fabric production estimates are unchanged at 712,000 tons and 4.3 billion meters. According to some contacts, more foreign buyers are purchasing Bangladeshi fabric due to competitive prices. Reportedly, some millers have increased production capacity to satisfy higher domestic and international demand.

Despite competitive prices, costs are rising because of higher electricity and gas prices. The Bangladesh Energy Regulatory Commission (BERC) increased the Liquid Natural Gas tariff to BDT 8.36 (\$0.11) from BDT 4.18 (\$0.05) per cubic meters. Moreover, rolling blackouts can hamper production; in order to compensate for blackouts reportedly some companies use generators, which adds more cost. Contacts noted that some millers are exploring more energy efficient solutions. For example, 26 Ready Made Garments (RMG) companies received Leadership in Energy and Environment Design (LEED) certification from the U.S. Green Building Council; LEED-certified buildings use less water and energy and reduce greenhouse gas emissions. Reportedly, 100 companies have applied for LEED certification.

Bangladesh currently has 413 spinning mills, 792 textile weaving mills, 240 dyeing and finishing mills, and around a total of 6,502 registered and 527 un-registered garment and textile factories. Sixty-five

percent of these factories are located in Dhaka district. Approximately 4,296 Bangladesh Garment Manufacturers and Exporters Association (BGMEA) members employ four million workers, of which 80 percent are women.

Consumption:

MY 2016/17 raw cotton consumption is projected to increase to 5.9 million bales on stronger sales of RMG and other value added products. MY 2015/16 raw cotton consumption is revised to 5.7 million bales on expectations of higher demand for export-oriented products. MY 2016/17 yarn and fabric consumption is expected to rise to 1.02 million metric tons (MMT) and 7.3 billion meters on strong international demand, particularly for high value items such as denim. MY 2015/16 yarn and fabric consumption are unchanged at 994,000 tons and 7 billion meters.

Trade:

MY 2016/17 imports are forecast up to 5.8 million bales on expectations of increased export market demand for value-added products. According to contacts, Uzbekistani cotton imports are low because apparel companies did not want to support labor practices in Uzbekistan. MY 2015/16 imports are revised to 5.6 million bales on anticipated stronger international demand (see Consumption section).

Value Added Cotton:

February, 2016 RMG export earnings were approximately \$18.1 billion, up 9.52 percent (Table 6) from last year. According to the Bangladesh Bank, since 2008 the GOB has provided a cash incentive of 5 percent of the FOB export value for 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 fabric (but not taxes such as the VAT and Advanced Income tax). Imports of all textile raw materials, including fabrics, have no quotas. The Bangladesh Bank raised the credit limit for textile mills to \$20 million and increased funding from the Export Development Fund to \$2 billion, which is a loan the export-oriented industry employs to purchase inputs such as cotton. Please see Table 7 for duties on raw cotton, yarn, fabric, and textile dye-chemical imports.

On September, 2015, the GOB published Export Policy 2015-18, which focuses on capacity building, improving quality standards, product diversification, and market expansion. The policy identified 12 manufacturing areas as the highest priorities, including the RMG, leather, jute, agro-processed, home textile, and terry towel sectors. The FY 2015-16 national budget provided some new incentives for the RMG and textile sector (see Table 1 below).

Table 1. Bangladesh: Financial Incentives for the Textile sector

1. Value Added Tax (VAT)
a. Lowered VAT on denim waste to BDT 10 (\$0.13) per kg for sale in the local market
2. Income Tax
Fifteen percent income tax for textile industries extended for five years
3. Others
Cash incentives for yarn and fabric exports

Source: BTMA

In 2013, the Government of Bangladesh (GOB) approved *Bacillus thuringiensis* (Bt) eggplant, and is currently supporting research for a variety of other commodities such as a late blight resistant potato. The GOB promulgated the Bangladesh Biosafety Rules (BR), 2012 and Biosafety Guidelines of Bangladesh (BG), 2007, which create a regulatory framework and approval process for all genetically engineered (GE) products developed domestically or by a third country. All GE products, including raw cotton (or cotton lint), need to be approved before they can be imported, sold commercially, or cultivated in Bangladesh. For more information, please see the GAIN report: Bangladesh Agricultural Biotechnology Annual 2015.

After the Rana Plaza building collapse that resulted in the death of over 1,100 people, and in order to improve safety and security for textile workers, the Ministry of Textiles and Jute passed the Textile Industry Act, 2015 which requires compulsory registration for all garment and textile mills. This Act also authorized the Directorate of Textiles to oversee, monitor, and coordinate all government and private stakeholders to ensure labor safety and environmental protection. The Textile Industry Act, 2015 partially complements the National Labor Rules, 2015, which gives special emphasis to workplace safety and worker's rights. For more information, please see the GAIN report: Cotton and Products Annual 2015.

Various incentives are offered by the Government of Bangladesh to develop the RMG sector and improve worker safety. Import tariffs are exempted for fire extinguishing equipment, energy-efficient electronics, some infrastructure, and raw materials for polyester yarn. The National Human Resource Development Fund (NHRF) offers skills development courses to RMG companies; other financial incentives are available to augment R&D for new product lines for export markets. For more information, please see the GAIN report: Cotton and Products Annual 2015.

Six years ago the GOB passed the Mandatory Jute Packaging Act 2010, which requires the production and use of bulk burlap jute bags for various commodities. On November 3, 2015 and December 2, 2015 the government imposed an export ban to ensure there was enough jute available to produce the burlap bags. On March 28, 2016, the GOB lifted the ban reportedly because of expectations of sufficient domestic supplies.

Marketing:

Bangladesh is almost entirely dependent on raw cotton imports. 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.

Production, Supply and Demand Data Statistics:

Table 2. Bangladesh: Area and Production of Raw Cotton

Year*	Area Harvested (Hectare)	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
2014/15	42,700	152,534	27,675

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

*Fiscal Year (July-June)

**1 bale = 400 lb

Table 3. Bangladesh: Production and Consumption of Yarn and Fabric

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
2013/14	1,166	6,123	1,461	6,585
2014/15	1,115	5,850	1,394	6,366

Sources: Bangladesh Textile Mills Association (BTMA)

*Fiscal Year (July-June)

**Consumption=Production + Import.

Table 4. Bangladesh: Calendar Year 2015 Textile Industry Overview

Number of Mills that are BTMA Members		1,445
A. Textile Spinning Mills/Yarn Manufacturing Mills	413	
Synthetic Spinning Mills	16	

Acrylic Spinning Mills	8	
Installed Capacity		
Spindle Capacity		11.05 million
Rotor / Open-end		0.257 million
Annual Yarn Spinning Capacity (Subject to 100% Capacity Utilization)		2.25 billion kg
B. Number of Textile Weaving Mills/Fabric Manufacturing Mills	792	
Woven Mills	646	
Denim Mills	30	
Home Textile Mills	22	
Knit Fabrics Mills	93	
Installed Capacity		48,000 kg
Annual Woven Fabric Manufacturing Capacity		2.81 billion meters
D. Number of Dyeing-Printing-Finishing Mills (Textile Product Processors)	240	
Installed capacity		
Fabric Processing Capacity		2.72 billion meters
Woven Dyeing		1.76 billion meters
Yarn Dyeing		320 million kg
Knit Dyeing		640 million kg
Raw Material Requirements		
Raw Cotton	10.5 million bales (maximum processing capacity) (480 lbs each bale)	
Raw-Cotton Import / Consumed	5.5 million bales	
Cotton Import 2014-15	1,261,183 MT	
Polyester Staple Fiber	70,000 MT	
Viscose Staple Fiber		
Raw Cotton Source	USA, Australia, CIS, Russia, India, Pakistan, China, 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	<ul style="list-style-type: none"> Polyester, Viscose and Acrylic Staple Fiber, and Chips and Pet-Chips, 	

	<ul style="list-style-type: none"> • Cotton Waste • 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 5. 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%	20%
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	-	2.1%
2013	394	9,800,000	0.51%	-
2014	407	10,300,000	3.3%	5.1%
2015	413	11,050,000	1.47%	7.28%

Source: Bangladesh Textile Mills Association (BTMA)

Table 6. Bangladesh: RMG Export Sales

Sub-Sectors (USD millions)	FY* 2008/09	FY 2009/10	FY 2010/11	FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15
Knitwear	\$6,429	\$6,483	\$9,482	\$9,486	\$10,476	\$12,050	\$12,427
Woven	\$5,919	\$6,013	\$8,432	\$9,603	\$11,040	\$12,442	\$13,065
Home Textiles	\$418	\$403	\$789	\$906	\$729	\$793	\$804
Specialized Textiles	\$146	\$186	\$165	\$139	\$140	\$109	\$106
Total	\$12,912	\$13,085	\$18,868	\$20,134	\$22,385	\$25,394	\$26,402
Earning Growth	15.7%	1.34%	44.2%	6.71%	11.18%	13.44%	3.97%

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

*Fiscal Year (July-June)

Table 7. Bangladesh: Raw Cotton and Other Textile Duty Structure

Products	Custom Duty	SD	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

Table 8. Bangladesh: RMG Sector Growth and Consolidation

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

Source: BGMEA

Table 9. Bangladesh: RMG Exports to the World

Months (USD millions)	Woven	Woven	Growt h Rate	Knit	Knit	Growt h Rate	Total Export	Total Export	Growt h Rate
	2014- 15	2015- 16		2014- 15	2015- 16		2014- 15	2015- 16	
July	1,210.0 8	1,087.7 9	-10.11	1,307.9	1,127.3 7	-13.8	2,517.9 8	2,215.1 6	-12.03
August	8,15.34	1,138.6 8	39.66	898.44	1,131.4 4	25.91	1,713.7 8	2,270.1 2	32.46
Septemb er	937.39	962.65	2.71	1,064.1 2	991.55	-6.82	2,001.5 1	1,954.2	-2.36
October	731.53	878.82	20.13	787.96	920.31	16.8	1,519.4 9	1,799.1 3	18.4
Novemb er	999.23	1,158.0 9	15.9	939.36	1,066.3 1	13.51	1,938.5 9	2,224.4	14.74
Decemb er	1,269.2 3	1,477.5	16.41	1,063.8	1,195.3 2	12.36	2,333.0 3	2,672.8 2	14.56
January	1,303.7 7	1456	11.68	1,116.1	1169.7	4.8	2,419.8 7	2,625.7	8.51
February	1,146.7 2	1,324.6 9	15.52	960.62	1,041.6 6	8.44	2,107.3 4	2,366.3 5	12.29
Total	8413.1 9	9484.2 2	12.73	8138.3	8643.4 1	6.21	16551.4 9	18127.6 4	9.52

Source: BGMEA

Table 10. Bangladesh: Commodity, Cotton, PSD

(Area in Thousand Hectares, Quantity in 1,000 480 lb. bales)

<i>Cotton</i>	2014/2015		2015/2016		2016/2017	
<i>Market Begin Year</i>	Aug 2014		Aug 2015		Aug 2016	
<i>Cotton Bangladesh</i>	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	43	0	43	0	43
Area Harvested	43	43	45	43	0	43
Beginning Stocks	1,271	1,271	1,281	1,281	0	1,290
Production	120	120	125	119	0	120
Imports	5,400	5,400	5,750	5,600	0	5,800
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	6,791	6,791	7,156	7,000	0	7,210
Exports	0	0	0	0	0	0
Use	5,500	5,500	5,850	5,700	0	5,900
Loss	10	10	10	10	0	10
Total Dom. Cons.	5,510	5,510	5,860	5,710	0	5,910
Ending Stocks	1,281	1,281	1,296	1,290	0	1,300
Total Distribution	6,791	6,791	7,156	7,000	0	7,210
Stock to Use %	23.29	23.29	22.15	22.63	0.00	22.03

Yield	608	608	605	603	0	608
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