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Report Highlights:

Marketing year (MY) 2019/2020 cotton production is forecasted to increase to 142,000 bales (30,916 tons), a 3 percent increase over MY 2018/2019. The annual production increase is the result of favorable weather, a greater use of high-yield cotton varieties (e.g., American Upland), and greater demand for cotton as a result of new government policies focused on increasing export of Bangladesh's ready-made garments (RMG). MY 2019/2020 imports are forecasted to be 7.0 million bales (1.5 million tons), a 2 percent increase over Post's MY 2018/2019 import figure. The continued sluggish imports is the result of a drastic slowdown in the RMG industry in the first half of MY 2019/2020.

Commodities:**Cotton****Production:**

In MY 2019/2020 (August-July), cotton cultivated area is estimated to be 45,000 hectares (HA), which is slight increase over MY 2018/2019. Production is also expected to increase 3 percent over last year to 142,000 bales (480 pound bales) as a result of favorable varieties (e.g., American Upland hybrid) and good weather.

Post revised MY 2018/2019 cotton production upward to 138,000 as a result of local production reports. The Bangladeshi Cotton Development Board, which is a division within the Ministry of Agriculture, supported cotton farmers this year by supplying new seed varieties, providing technical training on production, and monitoring the quality of this year's crop. The Development Board continues to introduce farmers to Bt cotton. The importation of the Bt cotton seed samples is supported by a Material Transfer Agreement (MTA) that the Development Board has with an Indian biotechnology company. Contact Post Dhaka for further information on the agreements.

Bangladesh produces many varieties of cotton, including *Gossypium hirsutum*, *Gossypium arboreum*, *Gossypium herbaceum*, and *Gossypium barbadense*. American Upland cotton (i.e., *Gossypium hirsutum*) is cultivated in the plane land in the July-August timeframe and harvested in December-January. Other varieties are cultivated in Bangladesh's hill tract region in the March-April timeframe and harvested in December-January.

Consumption:

In MY 2019/2020, raw cotton consumption is estimated to decrease to 7.1 million bales, which is a 4 percent decrease from MY 2018/2019. The decrease is the result of lower demand caused by a slow-down in Bangladesh's ready-made garment (RMG) sector. According to the Export Promotion Bureau, between July and November of 2019, the export of Bangladeshi RMG products fell by 7.59 percent to \$15.77 billion due to decline in the global demand, increased competition from Vietnam, and increased production standards and costs in Bangladesh's textile industry. The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) reported on October 15th that at least 50 garment factories had closed and 25,000 workers had been laid off since February, 2019. Rubana Huq, president of the BGMEA, reportedly stated that the garment sector was going through tough times and that Bangladesh would not be able to meet its goal of exporting \$50 billion worth of apparel products by 2021. Bangladesh exported approximately \$34.13 billion of RMG products in 2018.

MY 2018/2019 raw cotton consumption is unchanged from the previously released annual cotton report. According to Bangladesh Bank, which is Bangladesh's central bank, in fiscal year (FY) 2019 (July-June) the value of RMG exports increased by 11.5 percent over FY2018. Last year's success allowed for Bangladesh importers to maintain a 7.4 million bale consumption level. This year's drastic slow-down in the textile industry has since dampened expectations.

Value Added Cotton:

According to the Bangladesh Textile Mills Association (BTMA), in 2018, there were more than 430 textile spinning mills, with a capacity of yarn production at 2.9 million ton per year. Post estimates that Bangladesh yarn production is currently at approximately 40 percent of capacity.

According to local reports, prices of yarn have dropped drastically in the last year. Currency exchange rates, as well as oversupply, have led to growing stocks of yarn in Bangladesh. Further, man-made fiber continues to grow in popularity.

Bangladesh has import duties of 5 percent for man-made fiber, 25 percent for fabric, and 10 percent for yarn. While seemingly high, 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).

Trade:

MY 2019/20 raw cotton import forecast is decreased to 7.0 million bales (1.5 million tons) on expectations of decreased RMG exports and greater competition from other economies (e.g., Vietnam). According to customs' data, for the month of July 2019, Benin was the leading exporter to Bangladesh at 107,163 bales (23,332 tons). For the month of August 2019, Benin was again the leading exporter at 89,068 bales (19,392 tons), bringing its total exports of baled cotton to 196,231 (42,724 tons) for the first two months of MY2019/2020. The United States exported approximately 151,730 bales (33,035 tons) during the first two months, accounting for 13.5 percent market share over the same period. Other major exporters include Mali (13 percent), Cameroon (10 percent), Burkina Faso (9 percent), Brazil (9 percent), and India (8 percent).

In MY 2018/19, imports are revised down to 6.8 million bales based on customs' data. The decline is the result of increased demand for man-made fiber and growing competition from abroad.

Policy:

In June 2019, the Government of Bangladesh (GOB) announced its budget for fiscal year (FY) 2019/2020 (July-June). The budget could have an impact on the textile and apparel industry because of certain taxes and regulations, including the imposition of a 5 percent Value Added Tax (VAT) on locally sold yarn. Export-oriented yarn producers are exempt from the VAT.

To support textile producers and increase exports, the Bangladesh Textile Mills Association (BTMA) requested subsidy support from the Central Government. BTMA's goal is to boost garment exports to the United States in order to take advantage of current US-China trade frictions. From the budget for FY2019/2020, garment exports to traditional markets will receive an incentive of 1 percent for the first time. Exports to non-traditional markets will get a 5 percent incentive, which is an increase from 4 percent.

In the next fiscal year, BGMEA has stated that they will attempt to negotiate for a 3 percent cash incentive for all destinations, irrespective of whether it is a traditional or a new market.

As a way to encourage investment and job creation in the RMG and textile sectors, the GOB is lowering the corporate tax rate. In the budget FY2019/20 it is proposed that, the knitwear and woven apparel exporters will enjoy a reduced corporate tax rate of 12 percent, and green building certified factory owners will pay an even lower rate of 10 percent. But the textile sector including industries for yarn production, dyeing, finishing, coning, fabrics production, fabrics dyeing, finishing, printing and other similar industries will pay corporate tax at rate 15% for another three years up to July 2022. On the other hand, just like other non-listed companies, the corporate tax for the garment accessories sector remains at 35% though Bangladesh Garment Accessories and Packaging Manufacturers and Exporters Association (BGAPMEA) has requested the Government to bring down corporate tax rate from 35% to 12%.

Table 1. Bangladesh: Commodity, Cotton, PSD

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

Cotton	2017/2018		2018/2019		2019/2020	
Market Begin Year	Aug-2017		Aug-2018		Aug-2019	
Cotton Bangladesh	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	44	0	44	0	45
Area Harvested	44	44	44	44	44	45
Beginning Stocks	1630	1630	1855	1855	1780	1459
Production	135	135	135	138	135	142
Imports	7600	7600	7200	6876	7300	7000
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	9365	9365	9190	8869	9215	8601
Exports	0	0	0	0	0	0
Use	7500	7500	7400	7400	7400	7100
Loss	10	10	10	10	10	10
Total Dom. Cons.	7510	7510	7410	7410	7410	7110
Ending Stocks	1855	1855	1780	1459	1805	1491
Total Distribution	9365	9365	9190	8869	9215	8601
Stock to Use %	24.73	24.73	24.05	19.72	24.39	21
Yield	668	668	668	683	668	687

Note: Market Year (MY) for Cotton is August – July

Table 2. Bangladesh: Area and Production of Raw Cotton

Fiscal Year*	Area Harvested (Hectare)	Production	
		Bales**	Tons
2005/06	49,770	77,000	14,014
2006/07	42,100	70,530	12,836
2007/08	28,707	42,380	7,713
2008/09	32,600	50,600	9,209
2009/10	31,500	66,000	12,012
2010/11	33,500	80,000	14,560
2011/12	36,000	103,000	18,746
2012/13	39,000	129,000	23,478
2013/14	42,000	144,000	26,208
2014/15	42,700	152,534	27,761
2015/16	42,800	153,280	27,897
2016/17	42,850	156,509	28,485
2017/18	43,050	165,269	30,079
2018/19	44185	171470	31208

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

*Fiscal Year (July-June), **1 bale = 400 lb

Table 3. 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
2015-16	4328	4
2016-17	4482	4
2017-18	4560	4
2018-19	4621	4.5

Note: Sign * Including membership; **Estimated, not based on survey or census. Source: BGMEA and Ministry of Commerce

Table 4. Bangladesh: Value Addition from RMG Export in context of Raw Materials Import

Fiscal Year (FY)	Total Export	RMG Export	(Million USD)		
			Raw Materials Import B/	Raw Materials Import as percentage of total RMG Export	Value Addition (Percentage Share)
FY 13	27027.36	21515.73	8226.97	38.24	61.76
FY 14	30176.8	24471.88	9663.53	39.49	60.51
FY 15	31208.94	25491.4	9591.72	37.63	62.37
FY 16	34241.82	28094.16	10210.63	36.34	63.66
FY 17	34655.92	28149.89	10760.12	38.22	61.78
FY 18	36668.17	30614.76	11957.80	39.06	60.94
FY 19	40535.04	34133.27	12178.31	35.68	64.32

Source: Quarterly review on RMG: April-June FY 2019, Bangladesh Bank

Note: A /Export Promotion Bureau. B/Amount of L/C Settlement Foreign Exchange Operation Department, Bangladesh **From July- September 2018, the main head value of the components (raw cotton, synthetic/viscose fiber, synthetic/mixed yarn, cotton yarn and textile fabrics and accessories for garments) instead of Back to Back L/Cs Raw materials

Table 5. Bangladesh: RMG Exports to the World

Months <i>(USD millions)</i>	Woven	Woven	Growth Rate	Knit	Knit	Growth Rate	Total Export	Total Export	Growth Rate
	2018-19	2019-20		2018-19	2019-20		2018-19	2019-20	
July	1490.62	1632.32	9.51	1527.12	1678.16	9.89	3017.74	3310.48	9.7
August	1331.67	1163.32	-12.64	1385.75	1242.69	-10.32	2717.42	2406.01	-11.46
September	1162.53	1091.7	-6.09	1293.98	1249.37	-3.45	2457	2341.07	-4.7
October	1473.01	1151.69	-21.81	1668.41	1368.13	-18	3141.42	2519.82	-19.79
Total:	5457.83	5039.03	-7.67	5875.26	5538.35	-5.73	11333.58	10577.38	-6.67

Source: Export Promotion Bureau, Ministry of Commerce

Attachments:

No Attachments