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Report Name: Cotton and Products Update

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Report Highlights:

In marketing year (MY) 2024/25, Post forecasts cotton acreage and production slightly lower at 45,000 hectares and 153,000 bales, due to heavy rain in some cotton growing districts during the seed sowing period. For MY 2024/25, Post also forecasts higher imports of raw cotton at 8 million bales, driven by higher demand in the RMG sector and a lower projection of fabric imports. India, Brazil, Benin, and the United States remain the largest suppliers of cotton to Bangladesh.

Production

For MY 2024/25, Post forecasts cotton harvested area and production at 45,000 hectares and 153,000 bales, respectively, down 2.1 percent and 1.3 percent from MY 2023/24. Farmers reduced cotton acreage in the 2024-25 crop year due to heavy rain during the seed sowing period in several cotton-growing districts.

In Bangladesh, cotton is one of the cash crops that grows in the *robi* (winter) season; cultivation starts in August-September and is harvested in January-February. Farmers primarily cultivate cotton in the northern, north-western, and central regions of Bangladesh. Most 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. Farmers prefer hybrid varieties either provided by the Bangladesh Cotton Development Board (CDB) or private seed companies.

The major challenges of cotton production in Bangladesh are land scarcity and the long duration of cultivation. Cotton cultivation takes around six 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.

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, overall cotton cultivation 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.

Bangladesh produces several varieties of cotton, including *Gossypium hirsutum*, *Gossypium arboreum*, *Gossypium herbaceum*, and *Gossypium barbadense*. American upland cotton is also cultivated in the *robi* crop season from August and September and is harvested in January and February. Other varieties are cultivated in the *khariif* (summer) crop season from March to April and harvested in December and January.

Research and Development

On August 20, 2023, Bangladesh's 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. In the 2024-25 crop year, the CDB has increased the Bt cotton demonstration trials to 301 farmer's plots across 13 zones throughout the country. Bt cotton cultivation covers a total of 75.25 acres of land in this cropping year.

The CDB also focuses on advancing hybrid and short-duration cotton varieties with high yields and favorable fiber qualities. In partnership with a local private seed companies, the CDB is importing hybrid cotton seeds from China. Research efforts are underway to evaluate the suitability and adaptability of these imported varieties to the specific environmental conditions prevalent in Bangladesh.

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 RMG sector provides approximately 4 million jobs in Bangladesh, with the majority occupied by women. According to export data from the Bangladesh Bank (central bank), around 81 percent of total export income in fiscal year (FY) 2023-24 (July-June) came from the RMG sector. In FY 2023-24, Bangladesh earned a total of \$36.13 billion from RMG exports, a 5.4 percent decrease from \$38.17 billion in FY 2022-23. Bangladesh exported both woven and knitwear, valued at \$16.86 billion and \$19.27 billion, respectively, in FY 2023-24 (Table 1).

Table 1: Bangladesh's RMG Exports

Fiscal Year (July-June)	RMG Exports (\$ Billion)		
	Woven	Knit	Total
2022-2023	17.82	20.36	38.17
2023-2024	16.86	19.27	36.13

Source: Bangladesh Bank

Bangladesh exports many different RMG products, including trousers, t-shirts, knitted shirts, sweaters, blouses, and underwear, to more than 50 countries. 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 17 percent of Bangladesh's RMG exports, followed by the United Kingdom at 11 percent in 2023.

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) is the largest trade association in the country representing the ready-made garment industry, particularly the woven garments, knitwear, and sweater sub-sectors. The BGMEA currently has around 4,500 member factories. Around 40 percent of BGMEA member factories are knitwear and sweater manufactures, and the rest are woven garment manufactures. BGMEA member factories account for 100 percent of the woven garment exports of the country and more than 95 percent of sweater exports, while around half of the light knitwear exporters are members.

Political Turmoil Disrupted RMG Sector

From the beginning of July 2024, students across Bangladesh started a protest movement to reform the quota system for government jobs. By mid-July 2024, the crackdown on protests turned violent and the internet was shut off for over a week. At the end of July 2024, the protesters demanded the resignation of the Prime Minister. On August 5, 2024, former Prime Minister Sheikh Hasina resigned and on August 8, 2024, the President of Bangladesh dissolved Parliament and formed an interim government (IG) with Nobel Laureate Muhammad Yunus as the Chief Advisor.

Due to the internet blackout and overall security concerns during the protests, many RMG factories shutdown for 8-10 days during this protest movement, with many RMG factories missing 5-6 percent of their work orders for the next summer season. An industry contact mentioned that after the formation of the IG, all the RMG factories began operating at full capacity. However, within a month of the IG's formation, RMG workers started demonstrations calling for increases to salaries and other benefits. In September, protests by RMG workers escalated in the Savar and Gazipur areas, where most of the

factories are located, leading many RMG factories to announce general holidays and shut down operations due to safety concerns. The BGMEA estimated a loss of around \$400 million in August and September 2024 due to the unrest. By early October 2024, the IG agreed to some of the workers' demands, and the Bangladesh Army formed a task force to protect the factories. By the third week of October 2024, most RMG factories were back in operation at full pace.

On October 20, 2024, the IG dissolved the Executive Board of the BGMEA and appointed an administrator. The administrator will represent BGMEA and work to organize an election to form a new executive board within 120 days.

Overview of the Textile Industry

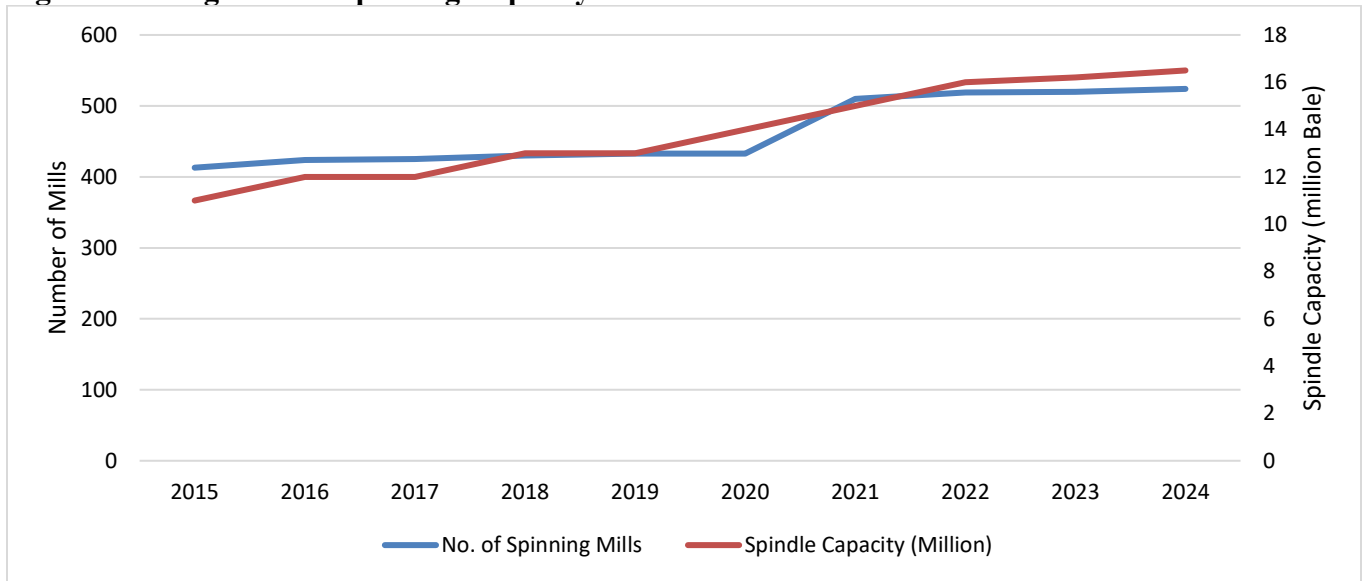
The textile industry in Bangladesh comprises yarn, fabric, and dyeing-printing-finishing mills, contributing over 13 percent of the country's GDP. The Bangladesh Textile Mills Association (BTMA) is the largest national trade organization representing yarn and fabric manufacturers and textile product processors mills. According to BTMA, 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 2 shows the capacity of Bangladesh's textile industry in 2024. The number of spinning mills and cotton consumption capacity is increasing (Figure 1). With a total cotton consumption capacity of around 15 million bales, Bangladesh presently utilizes 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 is mixed yarn derived from cotton and artificial fibers.

Table 2: Bangladesh Textile Sector 2024

Items	Number
Number of yarn manufacturing mills	524
Annual yarn spinning capacity	4.4 million MT
Number of fabric manufacturing mills	979
Annual fabric manufacturing capacity	9.15 billion meters
Number of dyeing-printing-finishing mills	338
Annual processing capacity	5 billion meters
Total number of mills under BTMA	1,841
Total cotton consumption capacity	15 million bales (480 lb. bale)

Source: BTMA

Figure 1: Bangladesh’s Spinning Capacity



Source: BTMA

Yarn and Fabric Production to Increase

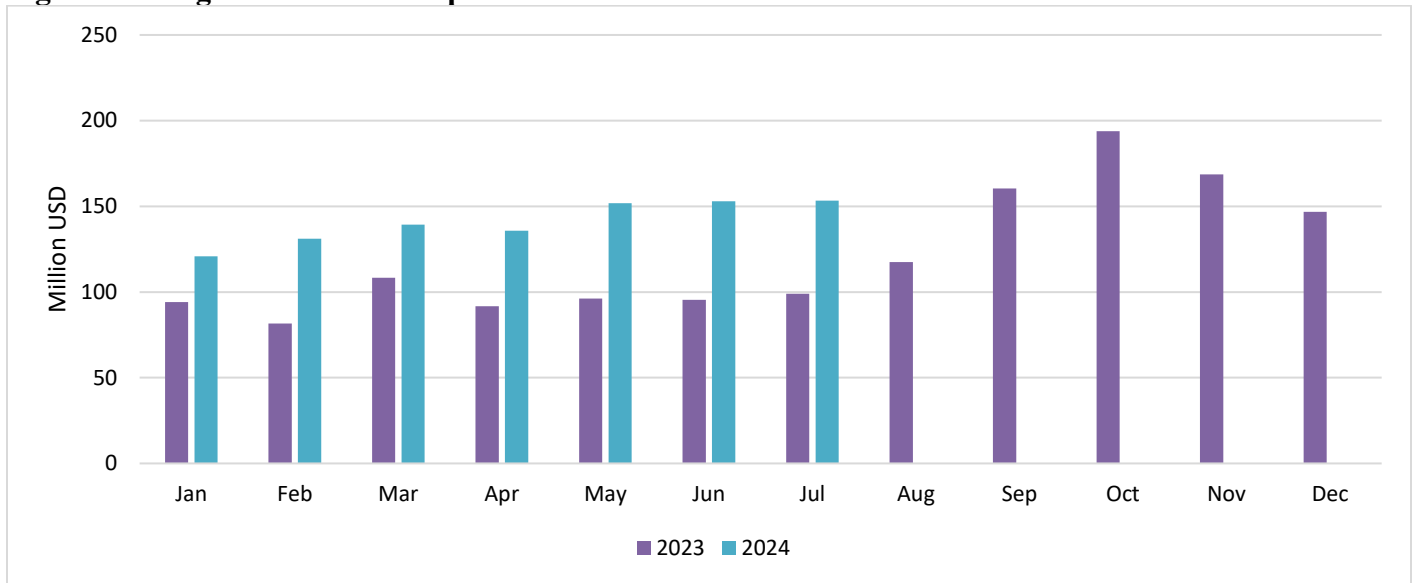
The spinning industry in Bangladesh utilizes raw cotton to produce two types of yarn: cotton yarn and mixed yarn. Post estimates MY 2023/24 total yarn production at 1.7 million MT, comprising 1.2 million MT of cotton yarn and 500,000 MT of mixed yarn. For MY 2024/25, Post increases the forecast for yarn production to 1.8 million MT, comprising 1.3 million MT of cotton yarn and 500,000 MT of mixed yarn, up 5.9 percent from MY 2023/24, based on increased import and utilization of raw cotton.

For MY 2024/25, Post revises its fabric production forecast to 4.8 billion meters, up 4.3 percent from MY 2023/24, on higher projection of yarn production and utilization in fabric production.

Yarn Imports and Exports Rise

Bangladesh also imports a substantial amount of yarn from different countries. According to Trade Data Monitor, LLC (TDM), as of July 2024, the value of Bangladesh's yarn imports under harmonized system (HS) codes 5204, 5205, and 5207 was \$985 million, reflecting a 48 percent increase from \$666 million from January to July in CY 2023 (Figure 2). As of July 2024, India supplied 87 percent of Bangladesh's total yarn imports, followed by China at 8 percent, and Indonesia at 4 percent. India consistently holds the top position in cotton yarn exports to Bangladesh. With the world’s second-largest spinning industry, India can offer the best prices for Bangladeshi yarn imports. Additionally, as a neighboring country, India benefits from shorter shipment times and lower logistics costs.

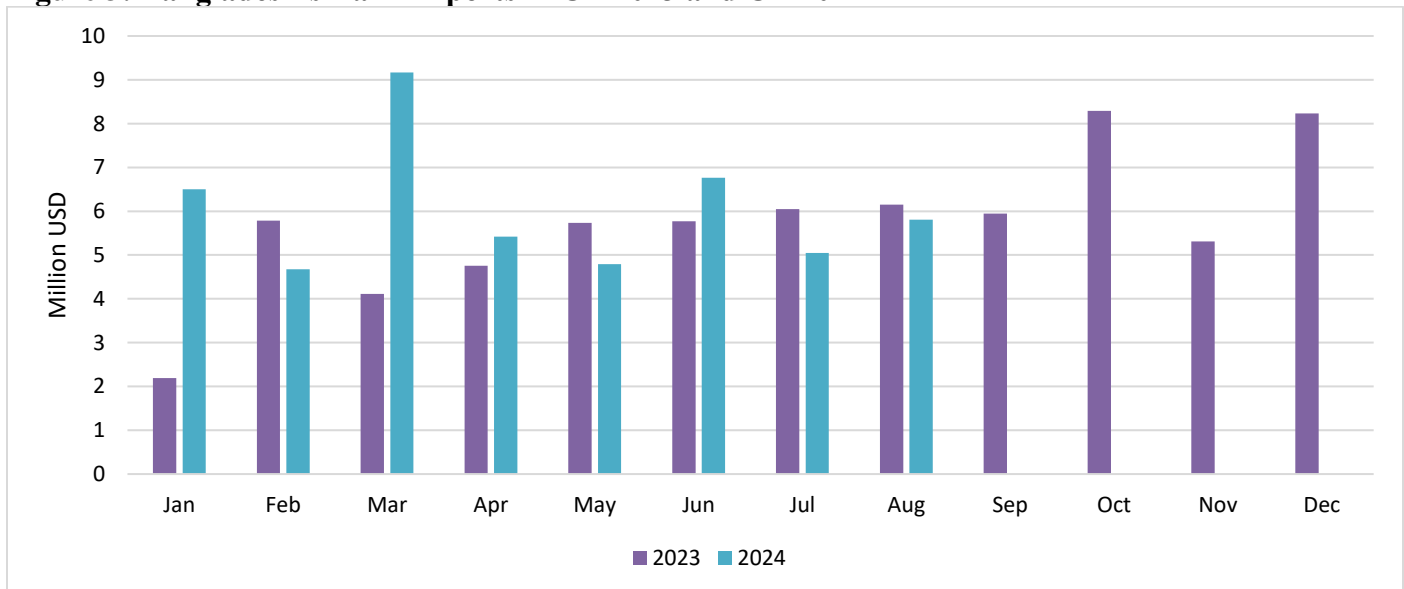
Figure 2: Bangladesh’s Yarn Imports in CY 2023 and CY 2024



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 August 2024, Bangladesh’s yarn exports reached \$48 million, a nearly 20 percent increase from the \$40 million recorded during January to August 2023 (Figure 3), on increasing demand from China. China is the major buyer of Bangladesh’s yarn according to the TDM, Bangladesh exported 99 percent of its yarn to China in 2024.

Figure 3: Bangladesh’s Yarn Exports in CY 2023 and CY 2024



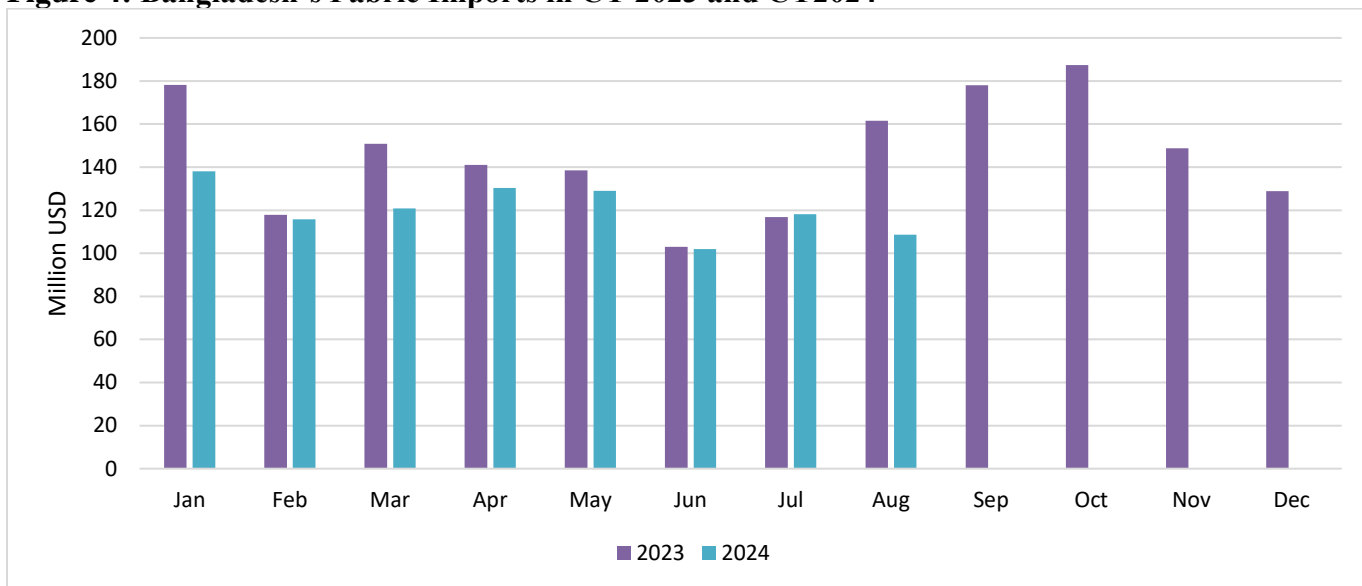
Source: TDM

Fabric Imports Fall

Bangladesh imports large quantities of fabric from the global market and exports limited quantities. According to TDM, from January to August 2024, Bangladesh’s fabric imports under HS codes 5208

and 5209 were \$963 million, a decrease of 13 percent from \$1.11 billion during the same period in 2023 (Figure 4), on higher imports of yarn and increased domestic fabric production. China is the top fabric exporter to Bangladesh. As of August 2024, Bangladesh imported 75 percent of fabric from China followed by India (19 percent).

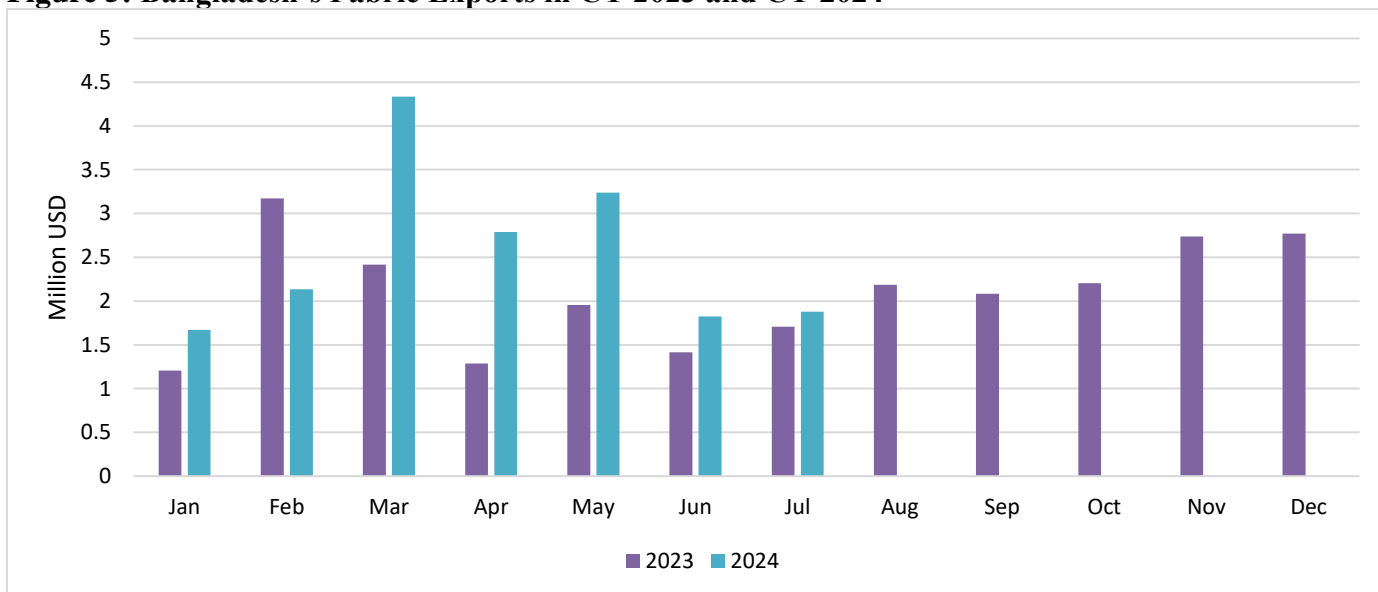
Figure 4: Bangladesh’s Fabric Imports in CY 2023 and CY2024



Source: TDM

As of July 2024, Bangladesh’s fabric exports under HS codes 5208 and 5209 reached \$18 million, up 38 percent from \$13 million during the same period in 2023 (Figure 5). Major export destinations of Bangladesh’s fabric in 2024 include India and Egypt.

Figure 5: Bangladesh’s Fabric Exports in CY 2023 and CY 2024



Source: TDM

Consumption

For MY 2024/25, Post forecasts total raw cotton consumption at 8.1 million bales, based on projections of higher raw cotton imports and lower fabric imports. Bangladesh's textile industry has the capacity to consume about 15 million bales of raw cotton annually, depending on the availability of raw materials, a sufficient power supply, and demand for yarn. Currently, the industry is utilizing only half of its capacity. Post estimates MY 2023/24 raw cotton consumption at 8 million bales, reflecting the increased imports of raw cotton during that year.

Loss

Spinning mills experience losses of cotton during the industrial process of yarn production. This loss varies based on the quality and origin of the cotton. Usually, spinning mills manufacture various categories of yarn to meet market demand. During the spinning process, cotton experiences a reduction in weight due to moisture loss. Furthermore, foreign materials such as dust, leaves, and seeds are removed. Short and broken fibers are also eliminated in the production of high-quality yarn. According to industry contacts, the loss of raw cotton during the spinning process ranges from 0.5 percent to 1.0 percent. Post forecast MY 2024/25 raw cotton loss at 10,000 bales.

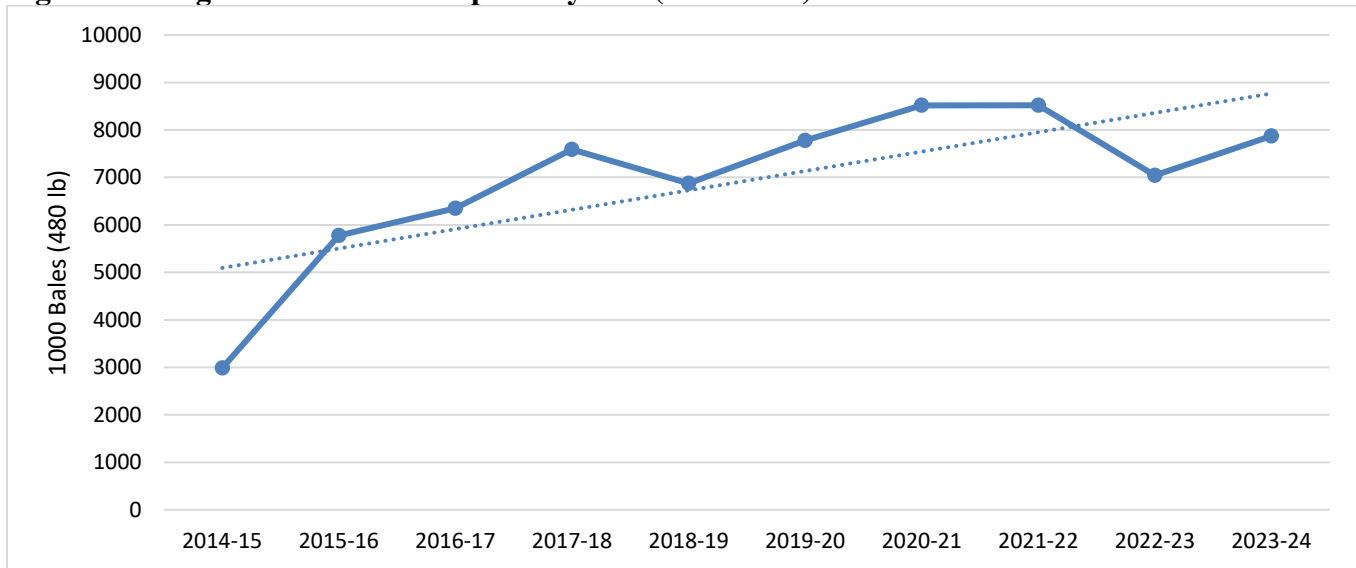
Trade

Cotton Imports to Increase

For MY 2024/25, Post forecasts raw cotton imports at 8 million bales, up 1.6 percent from MY 2023/24, on higher utilization of raw cotton by the spinning industry. After two months of disruption in August and September 2024 due to political changeover and subsequent labor unrest in the major RMG industrial belt, RMG exporters are now optimistic about rebounding work orders as the law and order situation has stabilized, and international clothing brands have returned with new orders since mid-October 2024. Post contacts noted that normalcy has been restored in the sector, which has increased the confidence among RMG buyers to place their orders. As of October 29, 2024, RMG factories are producing garments for the spring season, which they report being at capacity. They are also negotiating with buyers to increase orders for next summer by five percent. The recent political turmoil and unrest in August and September 2024 had a slight impact on cotton consumption, as disruptions affected production schedules and market confidence. Despite this, cotton imports remained stable and were not significantly impacted by the political climate. Spinning industry contacts are optimistic about the upcoming year, particularly with the IG's commitment to stabilize macroeconomic conditions.

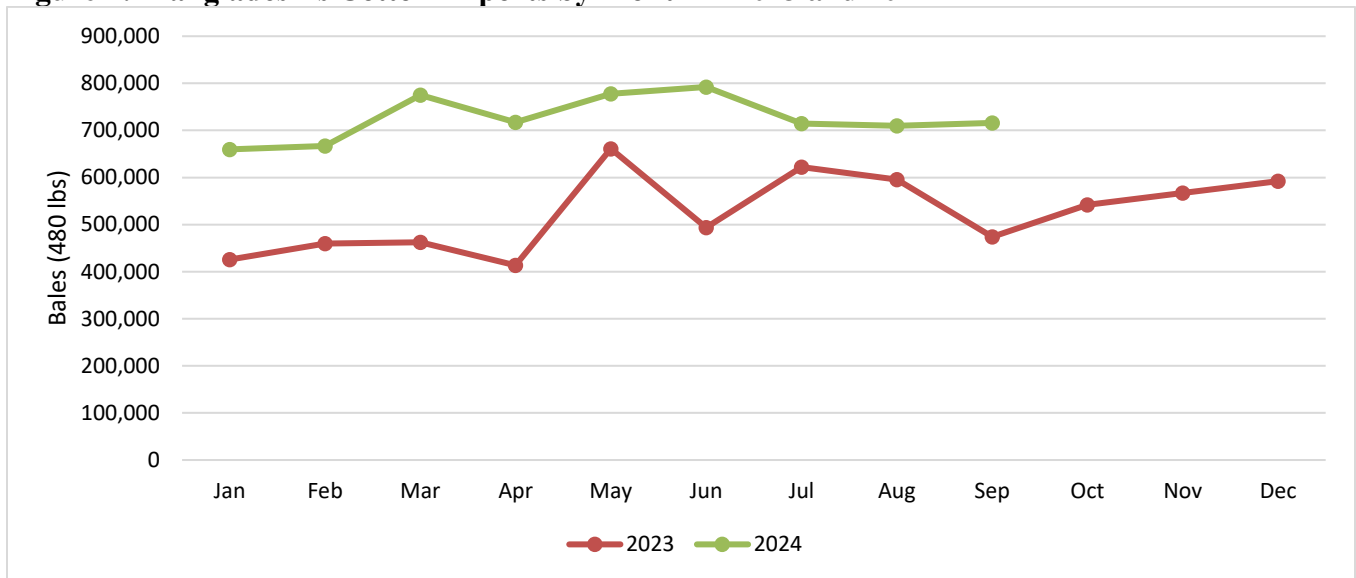
For MY 2023/24, Post revises the estimate for raw cotton imports to 7.87 million bales, up 7.8 percent from the USDA official estimate, based on data from the National Board of Revenue (NBR). Total cotton imports in MY 2023/24 are 12 percent higher than the 7.04 million bales imported in MY 2022/23 (Figure 6). Economic challenges in Bangladesh have made it harder for importers to access letters of credit (LC) due to a shortage of foreign currency reserves. Following the start of the IG, Bangladesh has seen an increase in remittances through formal channels as opposed to the traditional kerb market. This has increased the availability of U.S. dollars at banks and some importers have noted that it is easier to open an LC now. This is expected to facilitate higher imports of cotton, allowing manufacturers to meet both domestic demand and export potential. BTMA is also expecting a more favorable trading environment and a rebound in consumption levels of cotton in MY 2024/25. With the lower fabric import projection for MY 2024/25, the industry will rely on local production, which will ultimately drive up the demand for raw cotton.

Figure 6: Bangladesh’s Cotton Imports by MY (2014-2024)



Source: NBR

Figure 7: Bangladesh’s Cotton Imports by Month in 2023 and 2024



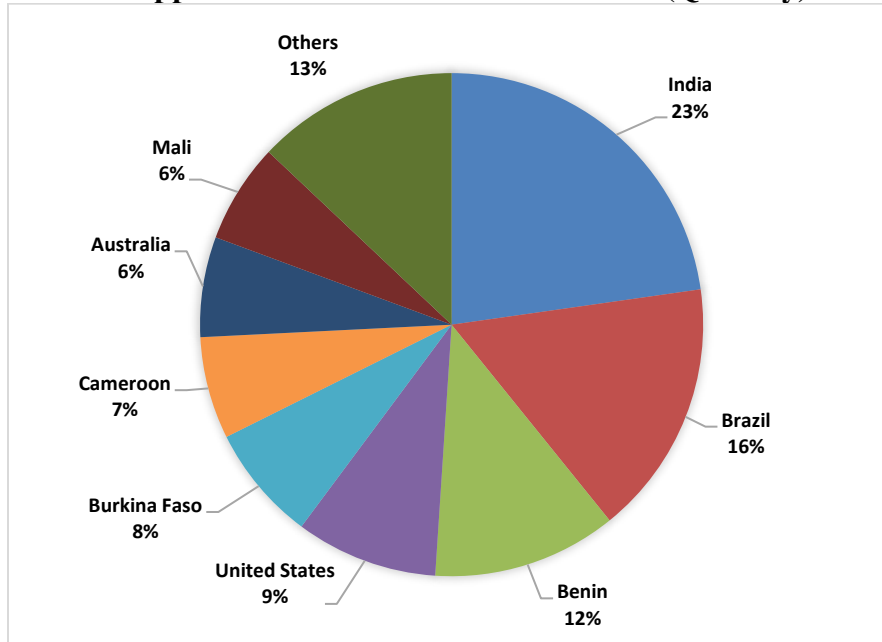
Source: NBR

India Remains the Leading Cotton Supplier

In MY 2023/24, India was the leading supplier of cotton to Bangladesh, exporting 1.79 million bales and holding a 23 percent market share. India's cotton exports to Bangladesh jumped by 104.7 percent compared to MY 2022/23. Post contacts noted that despite higher prices and quality issues, Bangladeshi importers purchase Indian cotton primarily due to shorter shipment times. Indian cotton is exported through the Kolkata port and the Benapole land port. Traders highlight that transportation and logistics costs are lower than those from other origins, primarily due to shorter shipment times. India also produces a large quantity of organic cotton, which is in high demand among clothing brands, leading to increased imports of Indian cotton.

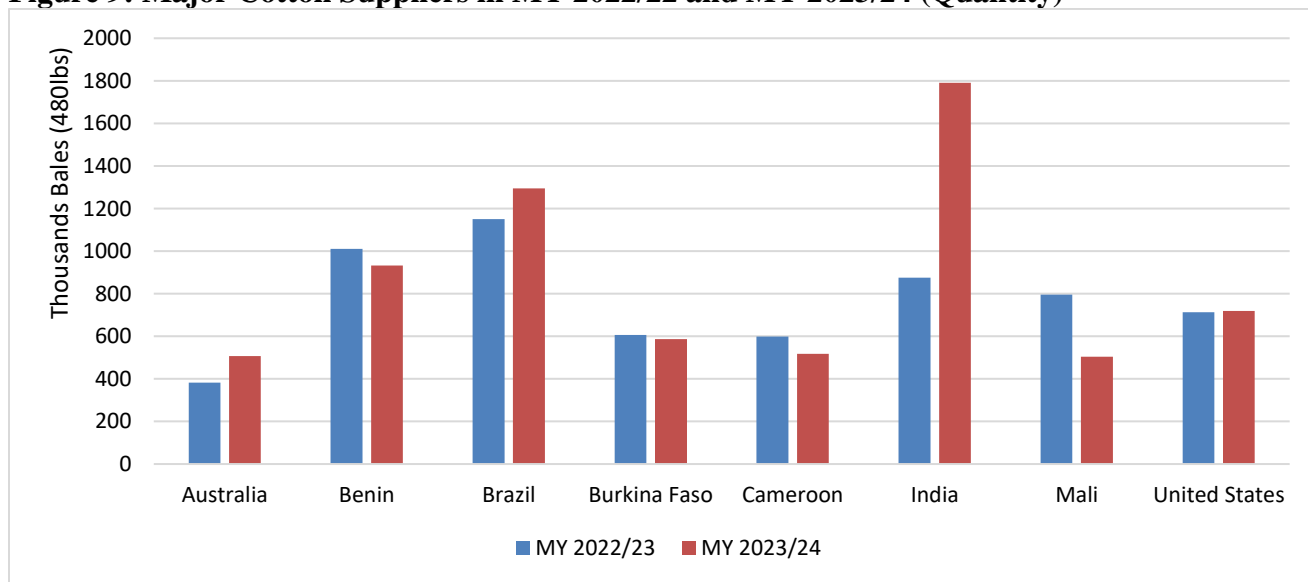
Brazil had the second-highest market share at 16 percent, supplying 1.29 million bales of cotton, followed by Benin at 12 percent (932,000 bales) and the United States at 9 percent (719,000 bales) (Figure 8). In MY 2023/24, West Africa jointly supplied 2.92 million bales to Bangladesh, capturing a 37 percent market share. This represents a 17.1 percent decline from the 3.52 million bales supplied in MY 2022/23. In MY 2023/24, most of the top cotton exporters including Australia, Brazil, India, and the United States increased their supply to Bangladesh compared to MY 2022/23, while cotton exports from Benin, Burkina Faso, Cameroon, and Mali decreased slightly in MY 2023/24 compared to the MY 2022/23 (Figure 9).

Figure 8: Major Cotton Suppliers Market Share in MY 2023/24 (Quantity)



Source: NBR

Figure 9: Major Cotton Suppliers in MY 2022/22 and MY 2023/24 (Quantity)



Source: NBR

Stocks

Cotton is only stocked by spinning mills to cover a few months' supply. For MY 2024/25, Post forecasts ending stocks at 1.82 million bales, 2.4 percent higher than MY 2023/24. Post estimates MY 2023/24 cotton ending stocks at 1.78 million bales, on higher imports.

Bangladesh's Production, Supply, and Distribution of Raw Cotton

Cotton	2022/2023		2023/2024		2024/2025	
Market Year Begins	Aug 2022		Aug 2023		Aug 2024	
Bangladesh	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	45	45	46	46	46	45
Beginning Stocks 1000 480 lb. Bales	2278	2278	1731	1761	1711	1779
Production 1000 480 lb. Bales	153	153	155	155	155	153
Imports 1000 480 lb. Bales	7000	7040	7575	7873	7700	8000
Total Supply 1000 480 lb. Bales	9431	9471	9461	9789	9566	9932
Exports 1000 480 lb. Bales	0	0	0	0	0	0
Domestic Use 1000 480 lb. Bales	7700	7700	7750	8000	7800	8100
Loss 1000 480 lb. Bales	0	10	0	10	0	10
Domestic Use and Loss 1000 480 lb. Bales	7700	7710	7750	8010	7800	8110
Ending Stocks 1000 480 lb. Bales	1731	1761	1711	1779	1766	1822
Total Distribution 1000 480 lb. Bales	9431	9471	9461	9789	9566	9932
Stock to Use % (PERCENT)	22.48	22.87	22.08	22.24	22.64	22.49
Yield (KG/HA)	740	740	734	734	734	740
(1000 HA) ,1000 480 lb. Bales, (PERCENT), (KG/HA)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

Attachments:

No Attachments