

Cotton Industry of Bangladesh: An Overview of Supply & Demand



EMERGING
Credit Rating Ltd
an independent house of risk assessment

Cotton Industry of Bangladesh: An Overview of Supply & Demand

Md. Asaduzzaman¹

Abstract

This study analyzed the cotton import, production, and demand in Bangladesh, using the Bangladesh Bank's and USDA's data. Bangladesh is mainly an import-based country for cotton because there is insufficient production. Bangladesh produces, on average, 1% of its total cotton consumption. Cotton is one of the major raw materials in the Textile and RMG sectors. In FY2021, Bangladesh produced 72,000 metric tons of cotton using 31,000 acres of land, whereas the import amount of cotton was BDT 35,591 crore in the recent financial year. According to the data, Bangladesh mainly imports cotton from India, USA, Brazil, and other African countries. However, the quality and price of cotton depend on the sourcing countries.

¹ Research Analyst, Research Department, Emerging Credit Rating Ltd.

Table of Contents

Abstract	1
Introduction.....	3
Import of Cotton	3
Production of Cotton and Cotton Items.....	4
Consumption of Cotton.....	5
Conclusions	5
Bibliography:	6

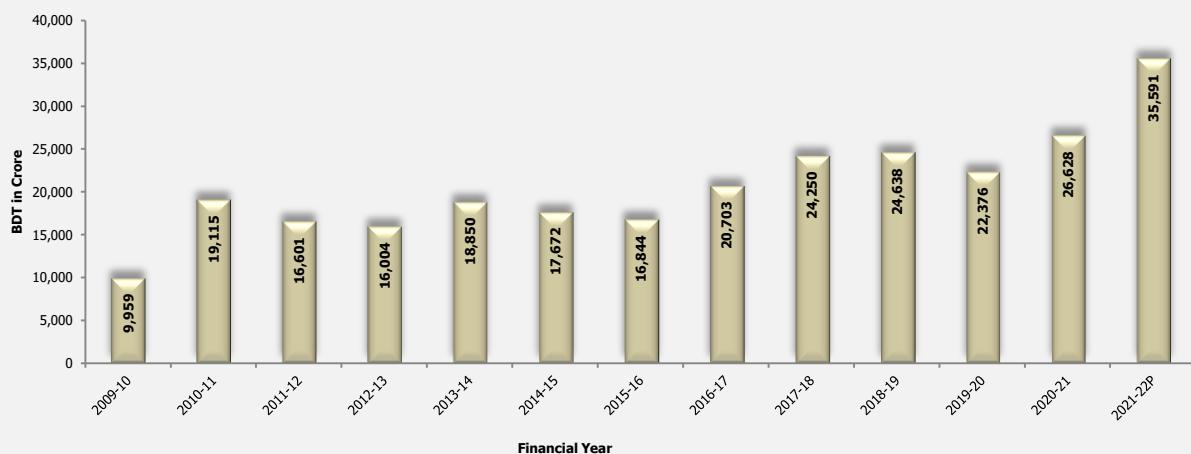
Introduction

Cotton is one of the most essential raw materials in the RMG and Textile sector. Bangladesh mainly earns foreign exchange from RMG exports, and as this industry grows, it positively impacts the cotton industry's demand. Bangladesh has to depend imports due to the low production of cotton in Bangladesh and local production cannot fully meet the local demand. Bangladesh imports raw cotton from various countries. In the FY2022 the import amount of cotton stood at BDT 35,591 crore. In the same year, the domestic production of cotton was 72,000 metric tons and the domestic consumption of cotton was 8.50 million bales. Each bale weighs 480 pounds or 218 kilograms. This indicates that cotton production meets only 01% of the local consumption.

Import of Cotton

Figure 01 shows 12 years of cotton import data in Bangladesh. The recent import of cotton in FY2022 had been BDT 35,591 crore, which increased by 34% compared to the past year's data in FY2021. It also represents that the highest import occurred in FY2022. According to the data, it shows that cotton imports had increased for the past five years, which declined in FY2020 during the COVID-19 pandemic. However, after the COVID-19 pandemic, cotton imports have risen significantly. It is expected that cotton consumption will increase further in Bangladesh in the following years due to a rise in RMG and Textile product demand globally. However, recent global political and economic changes disrupt import and international trade. Thus future imports might get affected if the situation worsens.

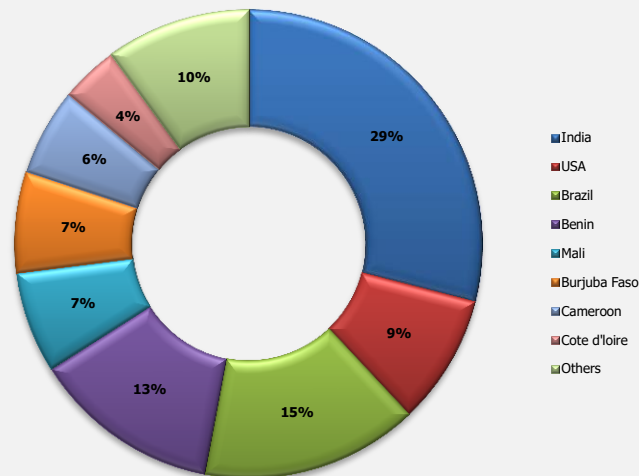
Figure 01. Import of Cotton



Source: Bangladesh Bank, 2022

Nevertheless, Bangladesh spends more than USD 3 billion annually to buy cotton from several countries (Textile Focus, 2022). The demand for cotton is increasing constantly as it is the raw material of the RMG/ textile industry, and Bangladesh is one of the top exporting countries of RMG in the world. Figure 02 illustrates the country-wide import of cotton in Bangladesh. In FY2021, Bangladesh imported cotton from various countries; for instance, India supported 29% of the import, the USA 9%, Brazil 15%, and other African countries, provided the rest of the support in the import of cotton (U.S. Department of Agriculture, 2022).

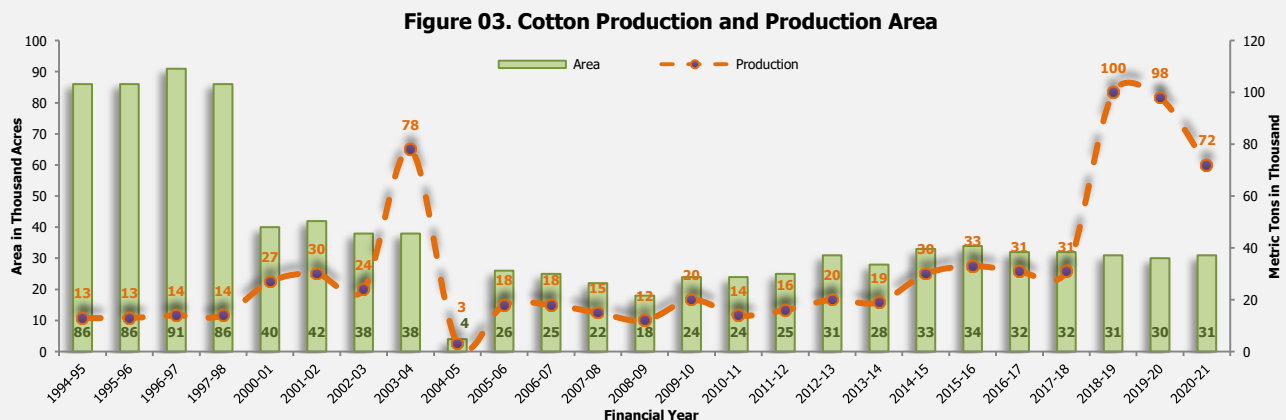
Figure 02. Country Wise Cotton Import CY 2021



Source: National Board of Revenue (Collected from U.S. Department of Agriculture, 2022)

Production of Cotton and Cotton Items

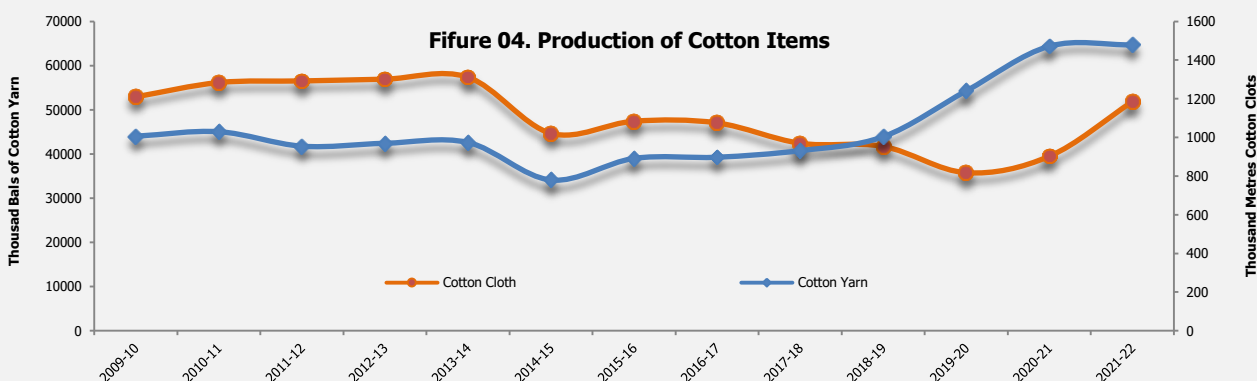
Cotton is a natural fiber that is collected from the cotton plant and cultivated in agro land which is directly consumed after cleaning and also used in industrial sectors. The weather and the land of Bangladesh are most suitable for planting trees. Bangladesh has a huge demand for cotton, but the production is deficient (fibre2fashion, 2022). Figure 03 shows the yearly trend of cotton production and the area used. In FY2021 the production of cotton was 72,000 metric tons in 31,000 acres area, which was 30,000 acres in the previous year according to the data set. However, the production of cotton was 98,000 metric tons which declined by 36.11% compared to the previous year. Data from the last 10 years shows that production has increased in recent years. It shows that cotton production increased in FY2019, but production declined after the pandemic with the same area of production.



Source: Bangladesh Bureau of Statistics (Collected from Bangladesh Bank, 2022)

Nevertheless, the import has risen in comparison to local production. If the local production of cotton increases, it will help to minimize the dependency on imports and help to preserve the foreign reserve. Figure 04 represents the use of cotton and the production of cotton items. The figure shows that in FY2022, cotton cloth production is 51,854,000 meters, and the cotton yarn is 1,479,000 bales. However, in the past years, the production of cotton cloth was 39,495,000 meters, and the cotton yarn was 1,479,000 bales which means at present, the cotton cloth production grew by 31.29%, and the cotton

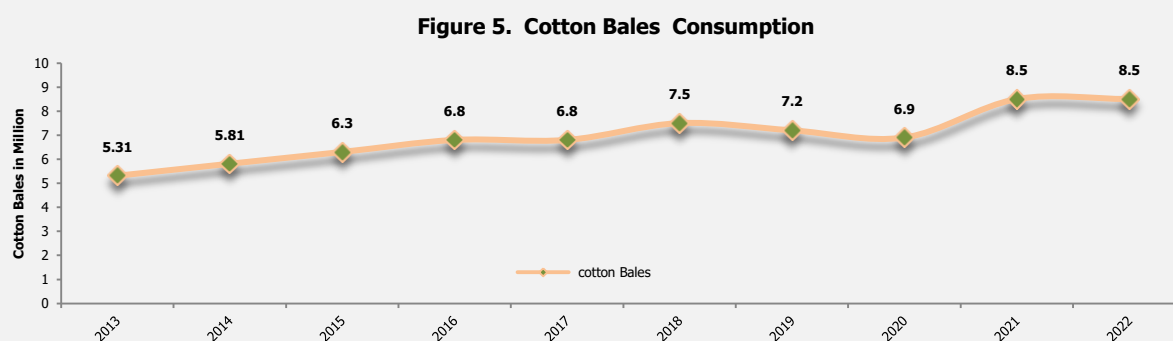
yarn production grew by 0.48%. Other than that, when we look at the past year's data, it shows that the production of cotton cloth was in a good position before FY2015, and the production went up after FY2020. The cotton yarn production had a steady flow which increased in the past three years, and has experienced a growth of 52.45% in FY2021-22 compared to FY2012-13. However, cotton cloth production fluctuated in production and had a downfall of 8.95% in FY2022 compared to FY2013.



Source: Bangladesh Bank, 2022

Consumption of Cotton

As the textile industry's number increases, the demand for cotton will also increase simultaneously. Cotton consumption has seen a 60.08% increase in FY2022 compared with the year FY2013 while cotton production is nearly 01% of total consumption (fibre2fashion, 2022). The local consumption of cotton is shown in Figure 5, where the consumption of cotton bales was 8.5 million in FY2022 which remains the same as the previous year's consumption amount (One bale is equivalent to 480 pounds or 218 kilograms).



Source: (Statista, 2022)

Conclusions

The robustly increasing textile industry has a resulting impact on the demand for cotton as it is one of the essential raw materials in this sector. With the rising demand for cotton, it can be assumed that cotton consumption will further increase in the future. However, the cotton industry mainly depends on imports as the local production of cotton is comparatively low. The reason for the low production of cotton is that farmers are opting for other agricultural cash crop items instead of cotton production due to recent price fluctuations. The recent price of cotton has gone down compared to the previous times, creating

demotivation amongst the farmers and making them move towards alternative crop production (Trading Economics, 2022). This issue needs to be adequately addressed, and the government of Bangladesh should focus on this issue and take the initial steps to maximize cotton production as it is one of the most demanding raw materials of textile and RMG sectors.

Bibliography:

- Bangladesh Bank. (2022). Bangladesh Bank. <https://www.bb.org.bd/en/index.php/publication/publicity/3/10>
- fibre2fashion. (2022). Cotton production in Bangladesh quite low despite huge demand. <http://www.fibre2fashion.com/news/textile-news/cotton-production-in-bangladesh-quite-low-despite-huge-demand-278906-newsdetails.htm>
- Statista. (2022). Bangladesh: Cotton domestic consumption 2020 | Statista [Article]. Statista. <https://www.statista.com/statistics/877976/bangladesh-cotton-domestic-consumption/>
- Textile Focus. (2022). Cotton and Man-Made Fiber Demand-Supply Gap: A Burning Issue for Textile Industry. <https://textilefocus.com/cotton-man-made-fiber-demand-supply-gap-burning-issue-textile-industry/>
- Trading Economics. (2022). Cotton—2022 Data—1913-2021 Historical—2023 Forecast—Price—Quote—Chart. <https://tradingeconomics.com/commodity/cotton>
- U.S. Department of Agriculture, 2022. (n.d.). Retrieved October 20, 2022, from https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Cotton%20and%20Products%20Annual_Dhaka_Bangladesh_BG2022-0006.pdf

About ECRL

Emerging Credit Rating Limited (hereinafter referred to as ECRL) began its journey in the year 2009 with the motive to deliver credible superior & quality credit rating opinion in various industry segments around Bangladesh. ECRL obtained credit rating license from Bangladesh Securities and Exchange Commission (BSEC) in June 2010 as per Credit Rating Companies Rules 1996 and also received Bangladesh Bank Recognition as an External Credit Assessment Institutions (ECAI) in October 2010 to do the rating of Banks, Financial Institutions and their borrowers and also from Insurance Development & Regulatory Authority (IDRA) in 2015 to do the rating of Insurance Companies & affiliated with Malaysian Rating Corporation Berhard.

Emerging Credit Rating Limited's team is oriented towards the continuous improvement of processes, striving for an important role in the leadership of the business world. Every individual in ECRL is committed to providing topmost ingenious Credit Rating Services and Comprehensive Research Services in Bangladesh. ECRL's rating services and solutions reflect independence, professional, transparency and impartial opinions, which assist businesses in enhancing the quality of their decisions and helping issuers access a broader investor base and even smaller known companies approach the money and capital markets. The Credit Rating process is an informed, well-researched and intended opinion of rating agencies on the creditworthiness of issuers or issues in terms of their/ its ability and willingness of discharging its financial obligations in a timely manner. Issuers, lenders, fixed-income investors use these risk assessments for the purpose of lending to or investment in a corporation (such as a financial institution, an insurance company, a non-banking corporation or a corporate entity) as well as evaluating the risk of default of an organization's financial obligations in terms of loan or debt.

Editorial Overview

ECRL Research provides insights, opinions and analysis on Bangladesh and International Economies. ECRL Research conducts surveys and produces working papers and reports on Bangladesh's different socio economic issues, industries and capital market. It also provides training programs to professionals from financial and economic sectors on a wide array of technical issues.



www.emergingrating.com



www.facebook.com/emergingrating



www.linkedin.com/company/emerging-credit-rating-limited

Dhaka Office

Shams Rangs, House 104,
Park Road
Level-A1, A2 & A5
Baridhara, Dhaka-1212
Tel: +880 2222260911,
+880 2222260897
Fax: +880 2222260828
Email: info@emergingrating.com

Chattogram Office

Al Madina Tower, 6th Floor
88-89, Agrabad C/A, Chittagong
Tel: +880 1833 330059,
+880 1833 330061

Bogura Office

MA Complex, 3rd Floor, East
Side. Tin Matha Railgate.
Bogra- 5800

Khulna Office

Mollick Shopping Complex
99 Khan -a- Sabur Road,
Khulna-9100
Tel: +880 1833 330060